

## Burned by Palforzia, Nestlé retreats from its pharma experiment



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### The chocolate-to-vitamins giant discovers that launching a drug is hard. Should its biopharma partners be worried?

Biopharma deal bankers can strike Nestlé off their lists of potential buyers. The group, better known for chocolate and vitamins, had made a handful of forays into the drug development world in recent years, but thanks to the commercial flop of the peanut allergy treatment Palforzia – [an event that might not have taken everyone by surprise](#) – this incursion is over.

Palforzia came with 2020's [\\$2.6bn acquisition of Aimmune](#), a biotech that Nestlé, through its Health Sciences division, had handsomely supported for years before the takeout. Nestlé's relationship with Seres has taken a similar path since 2015, minus the buyout, while only this summer Enterome received a \$40m handshake. Might the Swiss firm also get cold feet on these deals?

The decision to sell or partner Palforzia was announced earlier this week as part of a day-long investor event. Greg Behar, chief executive of the Health Sciences unit and Aimmune board member from 2016, said the company had concluded that Palforzia was destined to become a “niche” allergy product.

“It is not delivering on our business case, which was for it to become a blockbuster,” he said. Feedback from doctors and parents was that Palforzia was performing better than the clinical data suggested, but not enough people could be persuaded to try it in the first place.

The group discovered that most parents were happy with the standard of care – peanut avoidance – while physicians were put off by the “heavy handholding” that Palforzia administration requires. Perhaps doctors were not making enough money to use the product, though [Nestlé is not the first major company beaten by the US allergy market](#), a fragmented sector dominated by allergen extracts.

Palforzia is approaching reimbursement decisions in Europe and it is too soon to tell whether the same issues will arise, Mr Behar said. Nestlé presumably expects this to be the case.

After investing almost \$3bn in Aimmune across various financings, a big impairment charge is on the way. The Health Sciences division will now focus on consumer care – vitamins, minerals and supplements – and medical nutrition, with no additional pharma M&A planned.

### Others on the block?

So what does that pharma portfolio look like? Seres is the biggest bet Nestlé has placed after Aimmune, the microbiome player having received almost \$300m in license fees to date. A further \$125m is due should the lead project, SER-109 for recurrent C difficile infections, win FDA approval; a decision is due in April next year. Mr Behar is also on the Seres board.

Seres's name featured in the Nestlé Health Sciences slide deck in a section titled "disrupting with partnerships", and the biotech's microbiome specialism fits with the Swiss group's functional food businesses. And there is certainly unmet need for treatments for resistant C diff, although it is notable that SER-109 was to be sold through the Aimmune business.

Follow-on Seres projects for ulcerative colitis feel more vulnerable, though after the [failure of the lead candidate in phase 2 earlier this year](#) there is little perceived value left in these anyway. Microbiome approaches have promised much but delivered little clinical evidence in inflammatory bowel conditions - Takeda walked away from a similar project from Finch earlier this year.

Nestlé's deal this year with Enterome suggests that the Swiss group still sees a future in the microbiome, and this French group's name was also included under partnerships. But the terms extracted by Enterome and Seres point to products destined for the prescription drug market, not over-the-counter food supplements and probably not medical nutrition either.

"We will take our learnings [from Palforzia] very seriously," Mr Behar said. The message to investors is clear: having gained first-hand experience of a drug launch, Nestlé will not stumble into making the same mistakes again.

### Nestlé Health Sciences: flirting on the fringes of prescription drug development

Date	Company	Scope of deal	Deal terms
Jul 22	<b>Enterome</b>	EB1010 (inducer of IL-10) for food allergies and IBD and access to microbiome drug discovery platform	\$40m in cash and equity plus milestones
Jul 21	<b>Seres</b>	SER-109 for recurrent CDI (microbiome-based therapeutic)	\$175m up front and \$350m in milestones for joint US & Canada rights
Jan 21	Senda	Research collaboration around three undisclosed preclinical "nutritional therapies" for metabolic conditions	Terms undisclosed
Oct 20	Aimmune	Palforzia for peanut allergy and desensitisation immunotherapy platform	Company acquired for \$2.6bn
Aug 20	<b>Epitomee Medical</b>	Polymer-based ingestible product aimed at promoting weight loss	Development and commercialisation deal, terms undisclosed
Feb 20	<b>Valbiotis</b>	Totum-63 for reducing the risk of type 2 diabetes (combination of five plant extracts)	\$5m up front plus \$66m milestones
Dec 19	G3 Pharmaceuticals	Galectin-3 inhibitors for nutritional use in conditions such as heart failure and chronic kidney disease	Option development deal, terms undisclosed
Apr 19	<b>Amazentis</b>	Urolithin A technology for dietary supplements, and research programme to extend use	Equity stake and global rights, terms undisclosed
Oct 17	<b>Codexis</b>	Option for global rights to CDX-6114, an enzyme for management of PKU, and access to protein engineering platform	\$14m up front plus undisclosed milestones
Nov 16	Aimmune	Strategic development collaboration around food allergy therapies	\$145m equity investment (followed by equity investments of \$30m in February 2018 and \$98m in November 2018)
	<b>Avella Health</b>	Projects for serious conditions linked	\$42.5m equity investment, terms of

Feb 16	<b>Axcelera Health</b> <b>Nestlé Health Sciences</b>	Projects for serious conditions linked to autoimmune diseases	\$42.5m equity investment, terms of structure of undisclosed
Jan 16	<b>Seres</b>	SER-109, SER-262 for recurrent CDI, SER-287 and SER-301 for IBD (microbiome therapeutics)	\$120m up front and \$1.8bn milestones for ex US and Canada rights
Sep 15	Lipid Therapeutics	LT-02, a barrier function therapy for ulcerative colitis	WW rights ex-Europe and Australia, terms undisclosed
Jan 15	<b>Seres</b>	Equity investment	\$65m series D
May 15	<b>Flagship Ventures</b>	Invests in venture firm's fund that has an interest in nutritional therapy	Total investment undisclosed
Mar 13	Pamlab	Maker of medical foods for patients with cognitive impairment and neuropathies	Company acquisition, terms undisclosed
Jul 12	Accera	Axona, a prescription medical food for Alzheimer's	Equity stake, terms of collaboration undisclosed

*Note: Deals variously target prescription and OTC markets. CDI=C difficile infection. Companies in bold named in Nestlé presentation. Source: Evaluate Pharma, company communications.*

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