

Nestlé and Alcon Case Study

Name

Institution

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Nestlé is a world's leading food company. It deals mainly with infant nutrition, soluble coffee, and dairy. Peter Brabeck-Letmathe is the chief executive officer, Francisco Castaner - the executive vice president and Wolfgang Reichenberger is the chief financial officer (Desai, Dessain, & Sjoman, 2006). As a global company, Nestlé has had activities in other sectors. The sectors are namely Alcon, a manufacturer of ophthalmic drugs, ocular surgery equipment, contact lens solution, and L'Oreal, a cosmetic giant.

Alcon operates as a division of Nestlé. It has come to the realization of the three top executives that Alcon, as part of Nestlé, requires some carving out. The decision to carve-out part of Alcon sprouts out from the fact, that despite consistent growth and sales increment, Alcon's real value was hidden from the public. Brabeck, the CEO, feels the need to reveal the inherent value of the company, so that the public may determine its total actual value (Desai, Dessain, & Sjoman, 2006).

Over the years, Alcon's reports have been evaluated as part of Nestlé's consolidated operations, but its growth rates sometimes outweigh those of Nestlé's. For this reason, Alcon requires advanced assessment that can only be achieved by carving out Alcon and listing it. However, the move to list Alcon may cause unconstructive effects on Nestle, because the mandate to expose the value of Alcon will no longer depend on Nestlé. Alcon and L'Oreal have enabled Nestlé to keep the net profit level elevated and in line with that of competitors. Therefore, curving out Alcon may have considerable effects on both Alcon and Nestlé.

Consequently, top officials are faced with tough choices and decisions that need to be made. The decision settled upon determines the way forward for both companies, as well as success. The case study on Nestlé is decision-based and partly evaluation-based (Rohlfing,

2012). Brabeck, Castaner, and Reichnberger need to examine and determine whether to list Alcon, where and at what prices. Additionally, they have to consider the effect of listing the two companies in terms of valuation and financing.

References

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