“Dollar on the balance sheet is worth a dollar, but a dollar on the income statement is worth $20.” – Nelson Peltz

**Nelson Peltz**

Age: 70 (as of 2012)

Source of Wealth: Investing, Self made

Residence: Bedford, New York, United States of America

Country of Citizenship: United Kingdom

Education: Dropped out of University of Pennsylvania, Wharton School

Marital Status: Married

Children: 10

**Introduction**
Nelson Peltz is an accomplished businessman with decades of experience in not just turning around the fate of companies, but is also known for his investment strategies. With a career that began in the 1980s, Peltz has continued to dominate the investment horizon with takeover strategies that baffle even the shrewdest of businessmen.

He is also known for his dynamic thinking and out-of-the-box ideas on improving business operations. His current net worth is estimated to be a massive $1.1 billion and his current active role is as a founding partner of the Trian Fund Management.

**Nelson Peltz Early Years and Successes**

Nelson Peltz’s success story is similar to most college dropout success stories we hear. Not unlike Einstein, Steve Jobs, and the many stories we have already heard, Peltz withdrew from his university in the middle of his undergraduate degree in the 1980s.

Afterwards, he joined the family business of frozen food products and drove a distribution truck for $100 a week. After taking control of the business, he later sold it for a massive $8 million profit.

Back then, he also acquired $1 billion in junk bonds, along with his partner Peter May and turned Triangle Industries into a Fortune 100 company. Triangle Industries is a packaging company and Peltz and May were able to turn its fate around and transform it into one of the world’s top packaging companies.

However, Triangle Industries was just the beginning of his many successes. The company was later sold to the French company Pechiney after acquiring many companies, amongst which the two most noteworthy are National Can and American Can. As a result of these mergers, shareholders recorded massive returns of up to 800 percent.

**The Revival of Snapple**

Subsequently, two companies were formed that derived their name from his first successful acquisition and sale. The companies, Triarc and Trian are co-owned by Peter May and Nelson Peltz, and act as holding companies for the companies they acquire and transform.

One of Peltz’s most famous examples was the acquisition of the flailing Snapple from Quaker Oats for $300 million in 1997. In 3 years time, Peltz worked his magic and sold it to Cadbury’s Schweppes for almost $1.45 billion. This deal was also referenced to be one of the most popular of the decade and was also featured as a case study at Harvard Business School.

**Overview of Strategies**

The primary driver behind Peltz’s investment rationale is to achieve value in the operations stage of the business, which is where the end consumer is actually involved.

Peltz believes that companies cannot be successful unless consumers are fully satisfied, or
unless they find value in the products of other competitors. Unlike many investors, who force the management to leverage their company in the hopes of making fast money, Peltz emphasizes on building business operations so that the maximum benefits accrue to shareholders.

The typical characteristics of his targets include popular brands, particularly in the food sector, that are suffering from lack of excitement in the market, and thus his main aim is to get the public talking about those brands again. With his success with Snapple, the beverage brand that is now parent to the ever popular Dr. Pepper drink and the signature Snapple, Peltz has worked with Wendy’s and Heinz, and almost averted disaster by avoiding investment in the doughnut chain, Krispy Kreme.

Nelson Peltz studies the product and the brand up close and gets personal. For example, with Heinz, he was known to have been a vocal advocate against Heinz’s hard to open ketchup packets. Similarly, when Peltz and May were interested in investing in Krispy Kreme, the partners flew to various locations in the country to interview franchise owners.

While their trip involved devouring lots of doughnuts, their findings concluded with a no-buy because of the strategy of the parent company. The franchises they had visited were devoid of customers and upon further inspection they found out, Krispy Kreme was recording profits by pushing additional franchises and collecting fees.

This highlighted a significant problem for Krispy Kreme, which was not emphasizing on sales of the end product, which itself would push the sale of franchises. This strategy was also in stark contrast to that employed by Peltz.

**Building Brand Value**

This strategy is demonstrated by his work at Heinz, when he started as a member of the Board. Since Trian Group was initiated in 2005 by Peltz and company, they have remained vested in Heinz, but continued to grow their holdings through their alternative investment company, Trian Fund Management.

Before getting on the Board, Peltz was only an investor in the ketchup company, he had several disagreements with the management that was running the business. He constantly pressed the company to expand their advertising budget to build brand value and recognition in the eyes of the consumer.

One of the first moves taken under his command was to reduce overhead costs. Overhead can make or break a company and is highly crucial; enough for owners and the management to keep a pulse on things on a daily basis. This is not to say Heinz is a small company, but just to point out the fact that costs need to be monitored for every company.

On a similar note, Peltz sent his employees to interview store managers and customers at retail chains and found that Heinz was pushing huge discounts to retailers in return for attractive retail space. In his eyes and as was subsequently proved, the problem was with the advertising Heinz was not undertaking.
Prior to joining the Board of Directors at Heinz, Peltz had pushed the CEO of Heinz, William Johnson, to increase the products' advertising budget. The advice fell on deaf ears until Peltz joined the Board. From there on he convinced other Board members that brand loyalty would come only through marketing campaigns, as a result of which, customers would eventually be willing to pay a premium for the product.

After a $300 million increase in the advertising budget that brought top slots in print and media alike, the per share value of Heinz grew by over 30 percent and increased shareholder capitalization by $4 billion.

**Trian Fund Management – Strategy**

Trian Fund Management, L. P. is run mainly by Nelson Peltz and his son-in-law. The primary strategy employed by Peltz is value investing in publicly traded shares. However, a key point that differentiates Trian Fund from other hedge funds is that Peltz likes to get his hands dirty and involves himself deeply with the companies he is working with. He normally passes on advice to the management on how to improve operations and other aspects of the business. He might advise on mergers and acquisition opportunities, or try to put himself on the Board, however this is not to emphasize that he is imposing. For example, in 2011 when Trian Fund invested heavily in Family Dollar Stores, Peltz believed that privatizing the company would be far more profitable. However, the management thought otherwise and rejected the decision and that was the end of the story.

**Funds at Trian Fund Management**

The name of the primary fund at Trian Fund Management is Trian Partners Master Fund, L. P. and was founded in 2005 by Peltz and his two partners, Peter May and Ed Garden. It is currently valued at upwards of $5 billion. Some of the securities in this portfolio are:

- Kraft Foods
- Legg Mason Inc
- Family Dollar Stores
- The Wendy’s Co
- State Street Corp
- Tiffany and Co
- Domino’s Pizza Inc
- PepsiCo Inc
HJ Heinz Co

Charter Communication-A

Ingersoll Rand

Trian Funds’ latest acquisition is Ingersoll Rand, and stakes are as high as 7.1 percent of vested interests in the company. This chunk was purchased in May, 2012 at a value of $900 million, on the belief that the stock is massively undervalued, despite the fact that the company has underperformed in comparison to its peers.

Where balance sheet values are similar in terms of assets, Peltz sanctioned the purchase knowing Ingersoll Rand was earning less than its potential. The move was taken in an attempt to recover this potential value after bringing some changes in the governance and operational techniques of the business. Already, the stock has recorded an increase of 39 percent on its value.

Other funds at Trian Fund Management are:

Trian Partners Ltd. (off shore fund)

Trian Partners (ERISA) Ltd

Trian Funds Seeking to Raise $2 Billion

Trian Funds is expected to launch a new fund soon and is hoping to raise $2 billion for it. It will be called the Trian Partners Strategic Investment Fund II and is expected to be inaugurated by the end of December 2013.

This fund requires that any investments must be tied down for a minimum of 6 years to ensure liquidity and long term positions. The management of this fund is not looking for quick money and will not use leverage as part of its strategy. Similarly, short positions will not be utilized.

This fund is also looking to capitalize on major consumer brands who are either undervalued or underperforming, and can be stirred up from their slumber in the 6 years’ time.

Lessons Learnt from Nelson Peltz

As a rule, Peltz and company do not get involved with more than a few companies at time. This is to ensure that managers are attuned with every aspect of the business they are investing in, from operations, to sales and financial details.

They also do not subscribe to the notion of actively re-balancing their portfolio, not just because it is costly to do so, but value investing involves long term views that require perseverance. One will find that most of the successful portfolios and funds are also passively managed.
Nelson Peltz News Articles

Quaker Oats Sells Snapple at $1.4 billion loss

How a Juicy Brand Came Back to Life

Wendy's Says Nelson Peltz Gave 'Ultimatum'

Top Triarc Executives Halt Bid for Company

Peltz Has His Slice of Kraft - Now what?

2 Top Executives of Triarc Seek to Take the Company Private

Nelson Peltz resigns as CEO and chairman of Triarc

Peltz Is Seen With 2 Seats at Heinz

Wendy's Bows to Nelson Peltz, May Sell Baja Fresh

Trian's Nelson Peltz Receives Clearance To Buy More Marsh & McLennan

Heinz Shareholders Elect Peltz, Weinstein to Board