

# Nelson Peltz battles companies on ESG and EPS

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Activist investor Nelson Peltz predicted a bright future for environmental, social and governance (ESG) activism, while expressing skepticism about a recent campaign at smartphone maker Apple to impose greater parental control over use of the company's products by children, in a wide-ranging interview Tuesday.

Peltz, who came away from the most expensive proxy contest ever in 2017 with a board seat at consumer goods company Procter & Gamble described his firm as "big believers in ESG." But he expressed more concern about the content available online than software controls at a BreakingViews event in New York Tuesday, noting that the ubiquity of smartphones were a fact of life and that he takes precautions with technology, such as hiding an Amazon smart speaker out of earshot.

Jana Partners and the California State Teachers' Retirement System (CalSTRS) on Monday called for Apple to modify its software to deal with the problem, with Jana reportedly preparing to launch a fund devoted to so-called impact investing, which seeks to maximize social well-being, as well as providing a return.

Trian compiled its ESG principles in a policy document posted on its website last June and Peltz on Tuesday gave credit to some of the shareholder proposals received at companies where he served as a board director, adding that 2018 would likely see an increase in proposals on topics such as sexual harassment.

The septuagenarian said he had voluntarily converted super-voting stock into one-share one-vote stock at his company, Triangle Industries, in the 1980s, though he noted that with ownership of over 60% of the shares he was hardly quaking in his boots.

Trian, the fund he launched with Peter May and Ed Garden in 2005, is known as a largely long-only, margins-focused investor that has fought three proxy fights and joined many boards through settlements.

"The income statement, that's where we live and breathe," Peltz said Tuesday. "If it's adding a few turns of leverage, you don't need us, you can hire a banker."

## Portfolio update

One position in the Trian portfolio that many see as ripe for harvesting is Mondelez, where Peltz said margins had "more to go" after expanding dramatically. The market had failed to appreciate the changes, Peltz said, with multiples trending down even as margins grew.

Though taciturn about General Electric, an underwhelming recent investment, Peltz expressed optimism over his relationship with P&G CEO David Taylor following the brutal proxy fight and raged over the "busted" process for counting votes in contested elections.

The month's long saga of P&G's annual meeting ended after two recounts with the Cincinnati-based manufacturer of Tide detergent claiming a nominal victory but conceding a board seat to the Trian man. "The proxy system for counting votes in America does not work," Peltz said, adding that he thought blockchain could be a potential solution.

In response to a question over what turns some engagements into heated battles and others into benign settlements, Peltz hinted that the determining factor was access to independent directors. "Where I've had proxy fights is where I've not had an opportunity to meet a whole board," he told the audience.

Continued below...



## Future concerns

After a discussion of U.S. President Donald Trump's record came close to a shouting match, Peltz told the audience that he felt some of the billionaire's problems were of his own making, but that tax reform and foreign policies toward Israel, Pakistan, and the United Nations had provided tangible results. "Stop crying in your beer, those of you who voted for Hillary," he advised.

The Trian founder also had words of caution for Jeff Bezos, saying he expected the U.S. government would step in to halt Amazon's growth, albeit probably too late.

The future of activism, however, looks secure from Trian's Park Avenue offices, with Peltz saying European markets in Germany and Switzerland were becoming easier and earnings multiples for companies in Trian's investment universe falling even as earnings rose.

"If every company is living up to its potential, we'll give the money back and I'll go to the beach," he said in response to a suggestion that greater sensitivity to shareholders had reduced the need for activism. "That's one of the concerns I don't have."



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