Peltz Again Calls on PepsiCo to Split Drinks, Snacks

In this Aug. 16, 2006 file photo,Nelson Peltz of Trian Group, Heinz's second-largest investor, addresses shareholders during the annual meeting in Pittsburgh. Activist investor Peltz is ramping up the pressure on PepsiCo, reaffirming his call for the company to separate its struggling North American drinks division from its snack unit. Peltz's Trian Fund Management sent a letter to PepsiCo Inc. on Wednesday, Feb. 19, 2014saying it views "structural change as the best path forward to generate sustainable increases in shareholder value." **(AP Photo/Keith Srakocic, file)**

NEW YORK (AP) — Activist investor Nelson Peltz [1] is ramping up the pressure on PepsiCo, reaffirming his call for the company to separate its global drinks division from its snack unit.

The call for a split comes as PepsiCo's drinks, which include Mountain Dew, Tropicana and Aquafina, have lost ground to bigger rival Coca-Cola Co. in recent years. U.S. soda consumption in general has also been on the decline, with people worried about the calories in regular soda and the artificial sweeteners in diet sodas [2].

Peltz's Trian Fund Management sent a letter to PepsiCo Inc. on Wednesday, saying it views "structural change as the best path forward to generate sustainable increases in shareholder value."

Trian also said that it believes PepsiCo's beverage unit can generate more cash flow under "focused leadership."

"Freed of allocated corporate costs and bureaucracy, and able to be nimble and

lean, we believe a standalone beverage business will not only compete, but thrive," the letter states.

Trian said it is so confident in the value of a separate beverage business that it would buy additional shares and be willing to join the board of a newly created beverage business to help lead it going forward.

The investment fund said it plans to meet with fellow shareholders and hopes to create a groundswell of support that prompts PepsiCo to take action.

Trian has pushed for changes at PepsiCo since November. Funds managed by the company own about $1.2 billion of PepsiCo common stock.

PepsiCo said last week that after finishing an "exhaustive" review involving "bankers and consultants," it decided its current combined snacks and drinks structure would maximize shareholder value. Its snack business includes the Fritos, Lay's and Tostito's brands.

The company said in a statement on Wednesday that it remains "fully aligned" with that strategy. It said it's spent "a large amount of management time and significant financial resources analyzing Trian's proposals."

In the end, PepsiCo said that it continues to concentrate on delivering shareholder results and "not new, costly distractions that will harm shareholder interests."

Shares of PepsiCo added 33 cents to $77.43 in premarket trading about 30 minutes ahead of the market open.

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