

## Open Letter to Kraft Heinz Board Members and Shareholders

November 5, 2018

Contact:  
Krupa Global investments  
[ir@krupainvestments.com](mailto:ir@krupainvestments.com)  
[www.krupainvestments.com](http://www.krupainvestments.com)

### Krupa Global Investments Releases Open Letter to Kraft Heinz Board Members and Shareholders

Dear Board Members and Fellow Shareholders,

Krupa Global Investments is one of the largest shareholders of The Kraft Heinz Company (NYSE: KHC). Like many of you, we are concerned by the Q3 2018 results where the company missed earnings estimates and significantly underperformed its Q3 2017 performance. Kraft Heinz stock is now down approximately 30% in 2018 alone, underperforming the S&P 500 by approximately 32 percent and, perhaps more significantly, underperforming publicly traded food companies by approximately 22 percent.

We previously released an open letter in early September of 2018 expressing serious concerns about the direction of the company and emphasizing that we believe the critical investments needed for Kraft Heinz are difficult to reconcile with the stock market pressures of a publicly traded company. **We now stand more resolute than ever in our belief that Warren Buffett and 3G Capital should buy Kraft Heinz from public shareholders at a price of \$80 per share.**

A recent article by Lauren Hirsch of CNBC underscores KGI's point of view that privatization will allow for long-term investments to spur growth and innovation. As she correctly says, "The trouble is these brands still require investment — like simpler labeling and cleaner ingredients — to compete as upstart brands offer health and transparency. It's hard to make these investments while held hostage to quarterly earnings targets."

(<https://www.cnbc.com/2018/10/27/the-case-for-kellogg-clorox-and-other-legacy-companies-to-go-private.html>)

The Q3 2018 earnings call illustrates that it is very difficult for public investors to price-in the potential benefits of management's investments. Thus, the stock suffers when earnings per share declines regardless of the purported reason. For example, Mr. Hees stated he was investing heavily in staffing to act as liaisons to grocery stores and ensure proper placement of Kraft Heinz products. This investment may or may not pay dividends in the long-run, but public investors see it merely as a cost subtracting from profit. This is an investment a private firm can make with the appropriate long-term time horizon without suffering a \$6 Billion loss to its market cap overnight. Both Mr. Buffett and 3G Capital claim to focus on long-term growth investments in well-regarded brands. Privatizing the iconic Kraft Heinz brand allows the company to make critical investments—both in new products and new acquisitions-- to grow the company.

We strongly disagree with the concern that Kraft Heinz will only be able to make large acquisitions as a private company. If management finds a compelling large-scale target, we believe that 3G Capital and Warren Buffett will be able to raise sufficient capital for any acquisition in the food or consumer goods space without public investors. We do not make the decision to support a buyout lightly. In fact, our team has led successful shareholder campaigns opposing buyout transactions that don't serve the needs of investors. Yet, in the case of Kraft-Heinz, we believe a buyout is the only way to overcome the numerous short and medium-term hurdles that are surmountable for 3G and Buffett but will be difficult for public investors to stomach.

We look forward to presenting our detailed case for a \$80 buyout directly to Kraft Heinz management, Berkshire Hathaway and 3G Capital. We will strongly advocate for this transaction because we believe it will help maintain Kraft Heinz as an iconic and innovative brand for its customers and its employees, help public investors recover from major losses and help Berkshire Hathaway and 3G Capital build an immensely profitable enterprise that will pay major dividends in the long-term.

We will be reaching out in the near future to key stakeholders including Kraft Heinz management, Kraft Heinz board members, 3G Capital, Berkshire Hathaway, and the top 15 institutional investors to set up meetings to present our case for an \$80 buyout transaction. We look forward to building consensus for our proposal among all involved.

Sincerely,

Pavol Krupa  
Chairman  
Krupa Global Investments

