

Krupa Global Investments Details Case for \$80/Share Valuation of Kraft Heinz in Seeking Alpha Article; Stresses Long-Term Potential

The Central Europe based investment firm, previously known as Arca Capital, has written a detailed case for the \$80/share valuation amidst its activist campaign for a buyout from Berkshire Hathaway

Krupa Global Investments (“KGI”), one of the largest institutional shareholders of Kraft Heinz, released a detailed opinion piece in the investor publication Seeking Alpha describing in detail its case for an \$80/share valuation of Kraft Heinz. The piece in question can be found here:

<https://seekingalpha.com/article/4233295-kraft-heinz-top-undervalued-play-2019>

In the article, Krupa Global Investments describes that Kraft Heinz is currently below similar companies such as Mondalez and Campbell’s Soup in various earnings multiplier metrics—pointing to a significant growth potential. For example, KHC has estimated Price to Earnings ratio for 2020 of 12.7x which is significantly below the peer median of 14.6x.

Additionally, KGI points to the \$1.7 Billion in savings achieved by an integration cost-cutting program in the aftermath of the merger of Kraft and Heinz. The sale of certain international divisions such as the Canadian Natural Cheese business its various Indian brands are also helping the firm realize cost savings from non-core businesses.

KGI also stressed that Kraft Heinz appeared to take some of its advice when it announced last month it would acquire Primal Nutrition, a “better for you” brand focused on organic, “paleo” snacks, dressings and condiments as well as protein bars and protein powders for \$200 Million. In an open letter sent in September 2018, KGI urged Kraft Heinz to make exactly this type of acquisition—namely, small acquisitions of firms with strong brands that tap into new consumer trends. KGI believes that this type of acquisition allows Kraft Heinz to expand its market share, while also reducing costs at the acquired company by integrating it into Kraft Heinz’s global distribution network. The September letter can be found here:

<http://www.krupainvestments.com/content/uploads/2018/09/kgikgi-releases-open-letter-to-kraft-heinz-board-members-and-shareholders4-9-2018.pdf>

KGI strongly believes that Kraft Heinz’s marketing push both in the US and International Markets will allow it to grow market share which, when combined with management’s cost-cutting initiatives, will allow a significant increase in shareholder value.

KGI’s article points to analysis by JP Morgan US Food Producers and Retailers 2019 Outlook where it describes Kraft Heinz as “overweight” even while rating comparable firms such as General Mills and Kellogg’s as “neutral”. Lastly, it cites a Seeking Alpha article from November 2018 by Daniel Thurecht backing up the \$80/share valuation. That article can be found here:

<https://seekingalpha.com/article/4223484-kraft-heinz-shares-really-worth-80>

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Krupa Global Investments has made its case that these positive factors point to the fact that \$80/share is a fair valuation for the Kraft Heinz and that Kraft Heinz is best served by an \$80/share buyout from Berkshire Hathaway. KGI contends that this will allow shareholders to be made whole on their investments while allowing Berkshire Hathaway to take advantage of the considerable upside potential absent market pressures.

“We strongly believe in Kraft Heinz and we believe it has a great future either as a public or private company. We will continue to campaign for an \$80/share buyout from Berkshire Hathaway because we believe that is a fair price that will make investors whole and allow Mr. Buffett to grow the company even better and faster,” said Pavol Krupa, Chairman of Krupa Global Investments.

Krupa Global Investments continues to organize demonstrations, billboards, and a broader PR campaign around the proposed buyout. As part of the campaign, Krupa Global Investments purchased the rights to National Shareholders Day and organized a rally at the SEC offices in New York City and at 3G Capital in support of the proposed buyout.

About Krupa Global Investments:

Krupa Global Investments, previously known as Arca Capital, is a private investment group with a focus on energy, real estate, retail and service activities, as well as regulated activities focused on building and managing fund structures focusing on energy, real estate and financial services. It is named after its founder and chairman, Pavol Krupa. The firm takes an activist approach, with the goal of remedying and eliminating management actions that have a negative impact on companies, and with the goal of achieving significant positive change in strategy, financial structure or management. The firm has fought and won many successful battles and in so doing has streamline companies and realize hundreds of millions in shareholder value. Krupa Global Investments currently has approximately \$2 Billion in Assets Under Management.

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