

- ❗ **Noncompliant with NASDAQ Standards** May 17, 2019
 Noncompliant for delinquent filings
- ❗ **Noncompliant with NASDAQ Standards** Mar 15, 2019
 Noncompliant for delinquent filings

Key Facts

Business address: **Pittsburgh, Pennsylvania, United States**
 Industry: **Mayonnaise, Dressing, and Other Prepared Sauce Manufacturing** (NAICS 311941)
 SEC filer status: **Large Accelerated Filer** as of Jun 2019
 Index member: **S&P 500, Russell 1000**
 Market Cap: **\$32.1b** as of Aug 13, 2019
 Annual revenue: **\$26.3b** as of Dec 29, 2018

Corporate Governance

CEO: **Bernardo Hees**
 CFO: **Paulo Basilio** since 2019 1st level

Board Chairman: **Alexandre Behring** since 2015
 Audit Committee Chair: **John C. Pope** 2nd level

Auditor: **PricewaterhouseCoopers LLP** since 1979
 Outside Counsel (most recent): **Paul Weiss Rifkind Wharton & Garrison LLP**
Blank Rome LLP 3rd level

SEC Reviewer: **H Roger Schwall** 4th level

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How to analyze this company's Watchdog Report? [Skip to the last page](#)

Information in this report is effective Sep 27, 2019 and is taken from the company's public financial and regulatory filings. Latest filing 10-Q filed 08/13/2019. Over 75 accounting and data analysts scrutinize and review crucial information, footnotes, disclosures, etc., from these filings. Material facts are captured and processed using our proprietary methods which identify key risk factors our readers need to know. Each Watchdog Report represents 30 or more hours of analysis and processing.

Accounting and financial disclosure data from [Audit Analytics](#).
 Executive compensation data from [Shore Group and Intrinio](#).
 Data from [Sharadar](#).
[Data from Barchart via Quandl](#).
[Data from Exchange Data International via Quandl](#).

Sep 27, 2019 Jan 1, 2018 Jan 1, 2014

RECENT PERIOD HISTORICAL PERIOD

10-Q filed on Aug 13, 2019 for period ending Jun 2019

Reporting Irregularities

RECENT		HISTORICAL
❗	Financial Restatements	❗
!	Revisions	!
!	Out of Period Adjustments	!
❗	Late Filings	✔
!	Impairments	!
✔	Changes in Accounting Estimates	!
❗	Disclosure Controls	❗
❗	Internal Controls	✔
—	Critical / Key Audit Matters	—

Anomalies in the Numbers

RECENT		HISTORICAL
✔	Benford's Law	✔
✔	Beneish M-Score	✔
!	Accounting Disclosure Complexity	!

Securities & Exchange Commission Concerns

RECENT		HISTORICAL
✔	SEC Letters to Management	!
✔	Revenue Recognition	✔
✔	Non-GAAP Measures	✔

Lawsuits

RECENT		HISTORICAL
❗	Significant Litigation	❗
❗	Class Actions	✔
❗	Securities Law	❗

External Pressures

RECENT		HISTORICAL
✔	Shareholder Activism	✔
✔	Cybersecurity	✔

Management Review

RECENT		HISTORICAL
❗	CEO Changes	✔
❗	CFO Changes	!
✔	Insider Sales	✔

Auditor Assessment

RECENT		HISTORICAL
✔	Auditor Experience	✔
!	Auditor Tenure	!
✔	Audit Fees	✔
✔	Non-Audit Fees	✔



Overview

Price and Volume History

This graph shows the price and trading history for Kraft Heinz. Warning signs and red flags are marked on the graph according to their disclosure dates.



- | | |
|--|--|
| <ul style="list-style-type: none"> 1 Aug 26, 2019 - Change in CFO 2 Aug 13, 2019 - Disclosure Controls 3 Aug 13, 2019 - Disclosure Controls 4 Aug 8, 2019 - Late filing 5 Jun 7, 2019 - Out of Period Adjustments 6 Jun 7, 2019 - Impairment 7 Jun 7, 2019 - Impairment 8 Jun 7, 2019 - Disclosure Controls 9 Jun 7, 2019 - Internal Controls 10 May 17, 2019 - Noncompliant with NASDAQ Standards 11 May 10, 2019 - Late filing 12 Apr 22, 2019 - Change in CEO 13 Apr 16, 2019 - Lawsuit: In re Kraft Heinz Shareholder Derivative Litigation 14 Apr 16, 2019 - Securities Law Lawsuit: In re Kraft Heinz Shareholder Derivative Litigation 15 Mar 19, 2019 - Lawsuit: Osborne et al v. Employee Benefits Administration Board of Kra... 16 Mar 19, 2019 - Class Actions Lawsuit: Osborne et al v. Employee Benefits Administratio... 17 Mar 15, 2019 - Noncompliant with NASDAQ Standards 18 Feb 28, 2019 - Late filing 19 Feb 24, 2019 - Lawsuit: Hedick v. Kraft Heinz Company et al | <ul style="list-style-type: none"> 20 Feb 24, 2019 - Class Actions Lawsuit: Hedick v. Kraft Heinz Company et al 21 Feb 24, 2019 - Securities Law Lawsuit: Hedick v. Kraft Heinz Company et al 22 Feb 21, 2019 - Financial restatement 23 May 3, 2018 - Revisions 24 Feb 16, 2018 - Impairment 25 Feb 16, 2018 - Disclosure Controls 26 Nov 7, 2017 - Disclosure Controls 27 Nov 7, 2017 - Disclosure Controls 28 Nov 7, 2017 - Disclosure Controls 29 Nov 6, 2017 - Financial restatement 30 Sep 8, 2017 - Change in CFO 31 Aug 14, 2017 - SEC letters to management 32 Nov 4, 2016 - Out of Period Adjustments 33 Nov 4, 2016 - Disclosure Controls 34 Aug 17, 2016 - SEC letters to management 35 Mar 3, 2016 - Impairment 36 Mar 3, 2016 - Change in Accounting Estimates 37 Nov 6, 2015 - Revisions 38 Aug 10, 2015 - Disclosure Controls |
|--|--|



Peer Group

Peer groups are used by companies to benchmark executive compensation and performance. Each company identifies its own peer group. Peer groups vary from company to company.

Peer Group

Company	Ticker	Market Cap
Kraft Heinz Co.	KHC	\$32.1b
McCormick & Co. Inc. *	MKC	\$20.5b
Campbell Soup Co. *	CPB	\$14b
Lancaster Colony Corp. *	LANC	\$4.24b
J&J Snack Foods Corp. *	JJSF	\$3.42b
Treehouse Foods, Inc. *	THS	\$3.19b
Sensient Technologies Corp. *	SXT	\$2.79b
B&G Foods, Inc. *	BGS	\$1.31b
Medifast Inc. *	MED	\$1.22b
John B. Sanfilippo & Son Inc. *	JBSS	\$915m

Companies Who Named Kraft Heinz as a Peer

Company	Ticker	Market Cap
McDonalds Corp.	MCD	\$163b
Philip Morris International Inc.	PM	\$132b
Starbucks Corp.	SBUX	\$116b
Linde PLC	LIN	\$104b
Altria Group, Inc.	MO	\$90.6b
Charter Communications, Inc.	CHTR	\$88.3b
Mondelez International, Inc.	MDLZ	\$79b
CVS Health Corp.	CVS	\$75.6b
Fedex Corp.	FDX	\$45.2b
Kraft Heinz Co.	KHC	\$32.1b

* Suggested by Watchdog.



Peer Flag Comparison

The return to a company's stock is not the only measure of executive performance. Ethics matter, and growth can quickly reverse and gains evaporate if a company's accounting and financial reporting processes are not fundamentally sound and trustworthy. How does Kraft Heinz's accounting quality compare to its peer group?

	KHC	PEER GROUP FLAGS		
Reporting Irregularities				
Financial Restatements	!	9		
Revisions	!	8	1	
Out of Period Adjustments	!	8	1	
Impairments	!	2	7	
Changes in Accounting Estimates	!	8	1	
Disclosure Controls	!	1	8	
Internal Controls	!	9		
Critical / Key Audit Matters	—			
Anomalies in the Numbers				
Benford's Law	✓	8		1
Beneish M-Score	✓	7	1	
Accounting Disclosure Complexity	!	4	5	
Securities & Exchange Commission Concerns				
SEC Letters to Management	!	3	6	
Revenue Recognition	✓	9		
Non-GAAP Measures	✓	9		

	KHC	PEER GROUP FLAGS		
Lawsuits				
Significant Litigation	!	4	2	3
Class Actions	!	6		3
Securities Law	!	7		2
External Pressures				
Shareholder Activism	✓	7	1	1
Cybersecurity	✓	8	1	
Management Review				
CEO Changes	!	3	4	2
CFO Changes	!	3	3	3
Insider Sales	✓		8	1
Auditor Assessment				
Auditor Experience	✓	9		
Auditor Tenure	!	4	5	
Audit Fees	✓	3	6	
Non-Audit Fees	✓	4	5	



Reporting Irregularities

! Financial Restatements & Revisions

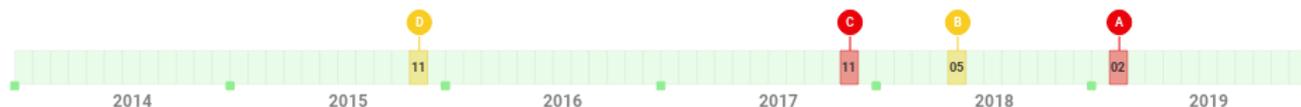
A financial restatement or revision is a serious event in the financial life of a company. When previous estimates of revenue, earnings, or equity are significantly lowered, financial restatements can have a dramatic impact on the valuation and projected growth of a company.

Financial restatements are always accompanied by a disclosure that their previous financial reports

can no longer be relied upon. A revision is a change to a company's financials that is not accompanied by such a disclosure.

! 2 Restatements

! 2 Revisions



Kraft Heinz restated their financials 2 times since 2014. The most recent restatement was for 01/01/2015 - 09/30/2018 and filed on 02/21/2019. The restatement had negative effect on their financial condition.

Kraft Heinz revised their financials 2 times since 2014. The most recent revision was for 01/01/2017 - 09/30/2017 and filed on 05/03/2018. The revision had negative effect on their financial condition.

DISCLOSURE

02/21/2019 via Press Release

CATEGORY Financial Restatement

TYPE Qualitative

REVISION PERIOD 01/01/2015 - 09/30/2018

IMPACT Negative

CHANGE IN INCOME \$-130m

REGULATORY INVESTIGATION Yes

BOARD APPROVAL Yes

1ST FILING DATE 02/21/2019

LAST FILING DATE 08/13/2019

UNCERTAINTY PERIOD 02/21/2019 - 08/13/2019

KEY ISSUES

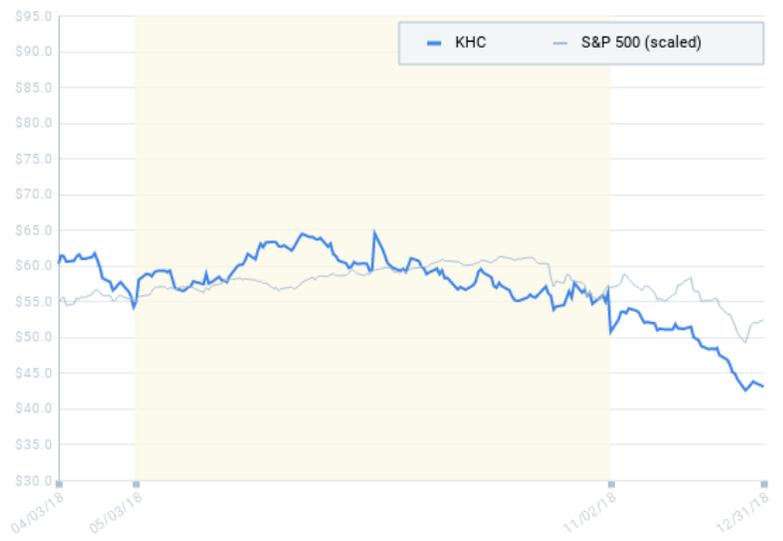
Revenue recognition issues

Material weakness identified



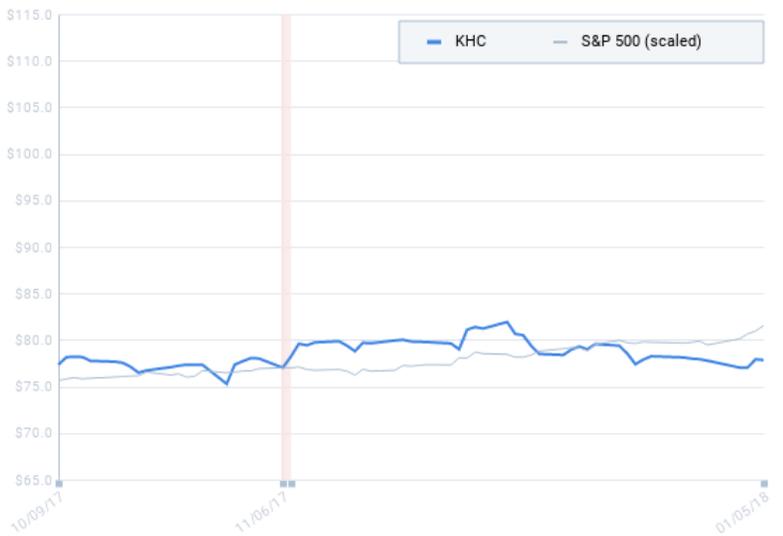
DISCLOSURE**B**05/03/2018 via SEC form [10-Q](#)**CATEGORY** Revision**TYPE** Technical**REVISION PERIOD** 01/01/2017 - 09/30/2017**IMPACT** Negative**CHANGE IN INCOME** \$0**CHANGE IN EQUITY** \$0**REGULATORY INVESTIGATION** No**BOARD APPROVAL** Not Disclosed**1ST FILING DATE** 05/03/2018**LAST FILING DATE** 11/02/2018**UNCERTAINTY PERIOD** 05/03/2018 - 11/02/2018**KEY ISSUES**

Revenue recognition issues

**DISCLOSURE****C**11/06/2017 via SEC form [8-K](#)**CATEGORY** Financial Restatement**TYPE** Technical**REVISION PERIOD** 01/01/2017 - 07/01/2017**IMPACT** Negative**CHANGE IN INCOME** \$0**CHANGE IN EQUITY** \$0**REGULATORY INVESTIGATION** No**BOARD APPROVAL** Yes**1ST FILING DATE** 11/06/2017**LAST FILING DATE** 11/07/2017**UNCERTAINTY PERIOD** 11/06/2017 - 11/07/2017**KEY ISSUES**

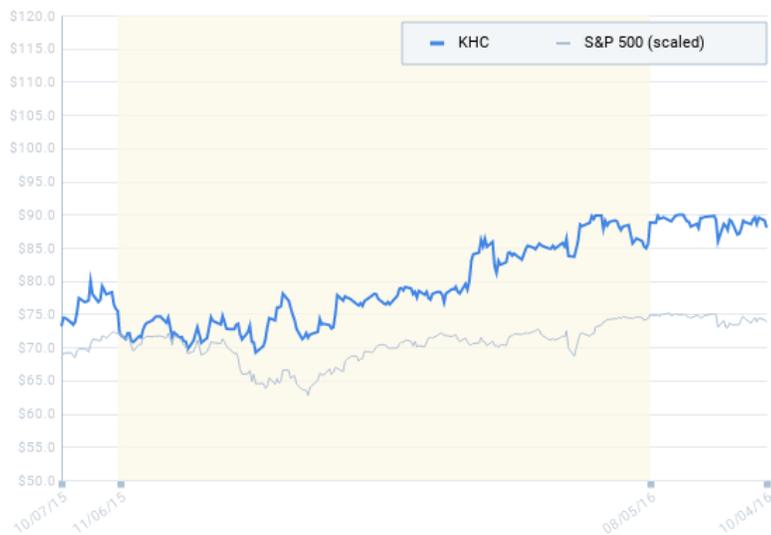
Cash flow errors

Material weakness identified



DISCLOSURE**D**11/06/2015 via SEC form [10-Q](#)**CATEGORY** Revision**TYPE** Technical**REVISION PERIOD** 01/01/2013 - 06/30/2015**IMPACT** Negative**CHANGE IN INCOME** \$0**CHANGE IN EQUITY** \$0**REGULATORY INVESTIGATION** No**BOARD APPROVAL** Not Disclosed**1ST FILING DATE** 11/06/2015**LAST FILING DATE** 08/05/2016**UNCERTAINTY PERIOD** 11/06/2015 - 08/05/2016**KEY ISSUES**

Depreciation, depletion or amortization errors

**! Out of Period Adjustments**

An adjustment or "out-of-period adjustment" is a one-time accounting entry that is intended to correct immaterial errors from previous reporting periods. Adjustments have a one-time impact on earnings when they are reported and indicate the existence accounting errors in previous financial reports. Analysts should pay close attention to the nature and magnitude of adjustments. The frequent use of adjustments may signal deeper issues with a company's accounting and financial reporting.



Kraft Heinz adjusted their financials 3 times since 2014. The most recent adjustment was for 01/01/2018 - 12/29/2018 and filed on 06/07/2019. The adjustment had negative effect on their financial condition.

DISCLOSURE**A**06/07/2019 via SEC form [10-K](#)**TYPE** Unclassified**ADJUSTMENT PERIOD** 01/01/2018 - 12/29/2018**IMPACT** Negative**REGULATORY INVESTIGATION** No**BOARD APPROVAL** Not Disclosed**KEY ISSUES**

Revenue recognition issues

DISCLOSURE**B**11/04/2016 via SEC form [10-Q](#)**TYPE** Technical**ADJUSTMENT PERIOD** 07/01/2016 - 09/30/2016**IMPACT** Positive**CHANGE IN INCOME** \$0**CHANGE IN EQUITY** \$0**REGULATORY INVESTIGATION** No**BOARD APPROVAL** Not Disclosed

DISCLOSURE

C

05/18/2015 via SEC form [S-4/A](#)

TYPE Technical

ADJUSTMENT PERIOD 01/01/2015 - 03/29/2015

IMPACT Negative

CHANGE IN INCOME \$0

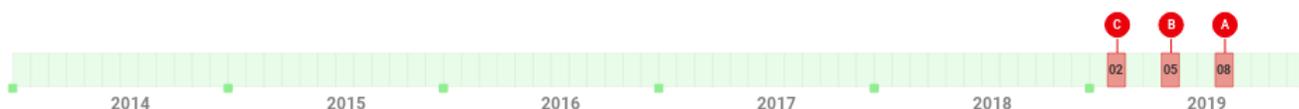
CHANGE IN EQUITY \$0

REGULATORY INVESTIGATION No

BOARD APPROVAL Not Disclosed

! Late Filings

Late filings can be significant warning signs. Why didn't the company file its financial report on time? Late filings may signal an impending financial restatement or deeper problems with a company's accounting processes.



Kraft Heinz has had 3 late filings since 2014. The most recent late filing notification was for 2019 Q3 and filed on 08/08/2019. Kraft Heinz filed the report for 2019 Q3 on 08/13/2019.

DISCLOSURE

A

08/08/2019 on SEC Form [NT 10-Q](#)

PERIOD END DATE 06/29/2019

ACTUAL FILING DATE 08/13/2019

REASONS FOR DELAY

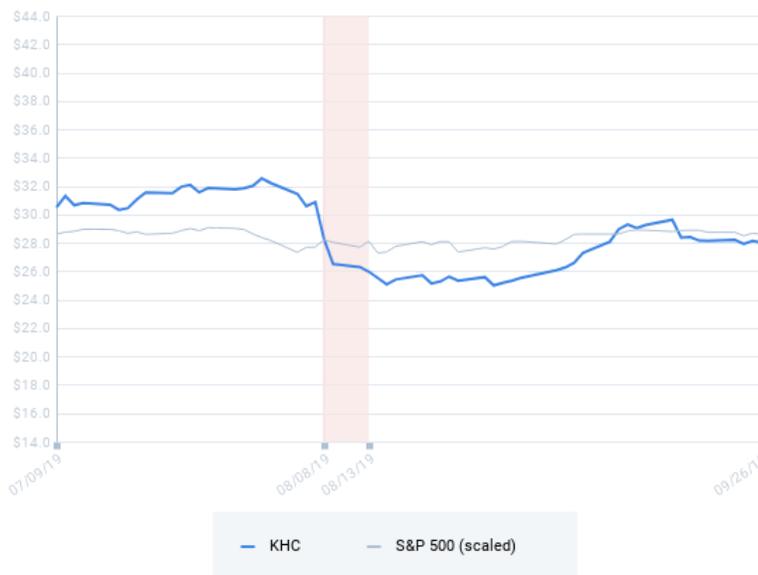
Internal Control / Sarbanes Oxley (404 or 302) assessment issues

Material Weakness issues with ICFR or DC preparation

Assets: PPE (Short/Long Term, Goodwill, Impairments)

Insufficient time to prepare or review report

Delayed by funding/re-financing/debt restructuring request



DISCLOSURE

B

05/10/2019 on SEC Form [NT 10-Q](#)

PERIOD END DATE 03/30/2019

ACTUAL FILING DATE 08/13/2019

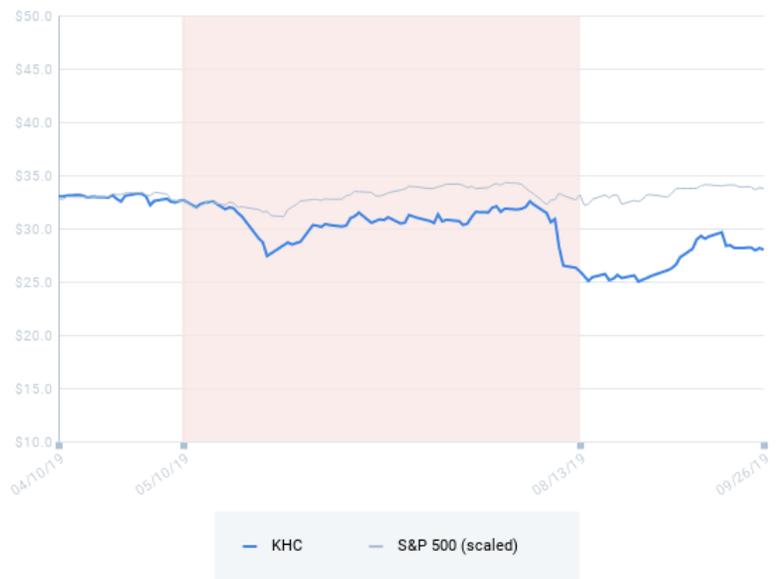
REASONS FOR DELAY

Material Weakness issues with ICFR or DC preparation

Insufficient time without undue hardship, expense

Restatement of financials pending

Delayed by funding/re-financing/debt restructuring request



DISCLOSURE

C

02/28/2019 on SEC Form [NT 10-K](#)

PERIOD END DATE 12/29/2018

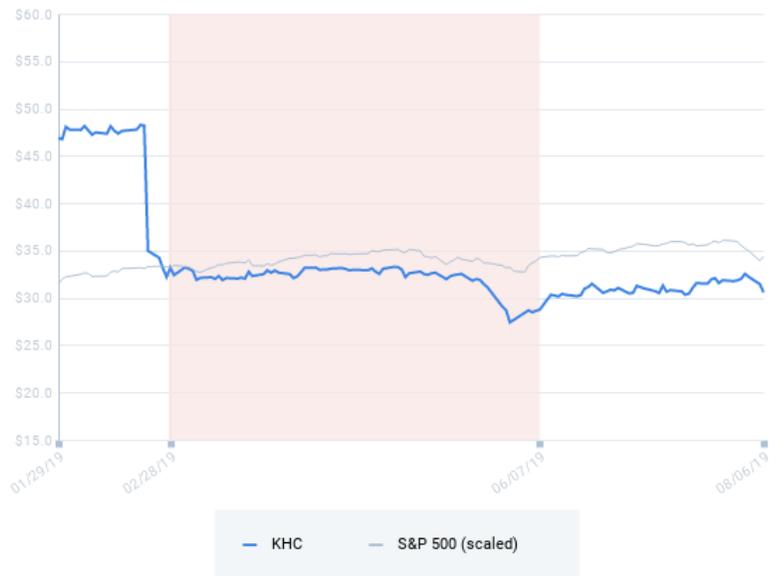
ACTUAL FILING DATE 06/07/2019

REASONS FOR DELAY

Consultation/correspondance/comment letter with SEC about accounting matters

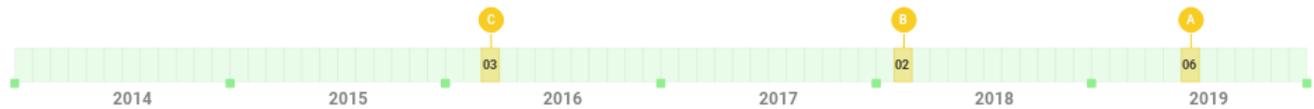
Insufficient time to prepare or review report

Investigation underway, special committee (internal, external or SEC)



! Impairments

An impairment is a permanent reduction in the value of an asset.



Kraft Heinz has reported 4 impairments on 3 annual reports since 2014.



DISCLOSURE

A

06/07/2019 on SEC Form [10-K](#)**IMPACT ON PRETAX INCOME**

\$15.9b

IMPAIRMENT

1. Intangible Assets - Goodwill
2. Intangible Assets - Other intangible assets (not goodwill)

DISCLOSURE

B

02/16/2018 on SEC Form [10-K](#)**IMPACT ON PRETAX INCOME**

\$49m

IMPAIRMENT

1. Intangible Assets - Other intangible assets (not goodwill)

DISCLOSURE

C

03/03/2016 on SEC Form [10-K](#)**IMPACT ON PRETAX INCOME**

\$58m

IMPAIRMENT

1. Intangible Assets - Other intangible assets (not goodwill)

✓ Changes in Accounting Estimates

Some assets and liabilities require accountants to make assumptions about future performance in order to estimate their value. Occasionally, economic conditions cause these assumptions to be revised, resulting in a change in accounting estimates. A change in accounting estimates can have a significant impact on the bottom line and may be used strategically by management to disguise otherwise weak financial results.

The impact of changes in accounting estimates on pretax income are provided when available. If the impact of changes is measured in terms of net income, it is denoted with an asterisk (*).



Kraft Heinz has reported changes in accounting estimates on one report since 2014.

DISCLOSURE DATE

A

03/03/2016 on SEC Form [10-K](#)**IMPACT OF THE CHANGE**

-

DESCRIPTION

Pension and other post-retirement benefit
- discount rate selection



! Internal and Disclosure Controls

Internal controls are put in place in order to prevent fraud and financial misstatements. A company with ineffective internal controls is said to have a "material weakness." A material weakness is a serious warning sign about a company's accounting quality.

Disclosure Controls

	10-Q	10-Q	10-K	10-Q	10-Q	10-Q	10-K	10-Q/A	10-Q/A	10-Q	10-K	10-Q	10-Q	10-Q	10-K	10-Q	10-Q
Internal Controls of Financial Reporting																	
							10-K				10-K				10-K		
2014	2015			2016				2017			2018			2019			

Kraft Heinz reported a material weakness on 2017, 2018 and 2019.

Management attests that the disclosure controls are not effective as of 06/29/2019.

The auditor and management attest that internal controls of financial reporting are not effective as of 12/29/2018.

The company has an elevated risk of a financial restatement.



DISCLOSURE DATE08/13/2019 on SEC Form [10-Q](#)**PERIOD END DATE**

03/30/2019

MANAGEMENT ASSESSMENT

Ineffective disclosure controls

ISSUES CITED

Material weakness

Recent or pending restatement

Fraud risk program inadequate

PPE , intangible or fixed asset valuation

Inventory, vendor, and cost of sales

Insufficient management review in control procedures

DISCLOSURE DATE08/13/2019 on SEC Form [10-Q](#)**PERIOD END DATE**

06/29/2019

MANAGEMENT ASSESSMENT

Ineffective disclosure controls

ISSUES CITED

Material weakness

Recent or pending restatement

Fraud risk program inadequate

PPE , intangible or fixed asset valuation

Inventory, vendor, and cost of sales

IT, software, security & access issues

Insufficient management review in control procedures

DISCLOSURE DATE06/07/2019 on SEC Form [10-K](#)**PERIOD END DATE**

12/29/2018

AUDITOR ASSESSMENT

Ineffective internal controls

MANAGEMENT ASSESSMENT

Ineffective disclosure controls

Ineffective internal controls

ISSUES CITED

Material weakness

Revenue recognition issues

Recent or pending restatement

Fraud risk program inadequate

Restatement-related issues

PPE , intangible or fixed asset valuation

IT, software, security & access issues

Accounting documentation, policies, or procedures

IT, software, security & access issues

Expense recording (payroll, SG&A) issues

Liabilities, payables, reserves and accruals

Accounting personnel resources, competency/training



DISCLOSURE DATE02/16/2018 on SEC Form [10-K](#)**PERIOD END DATE**

12/30/2017

AUDITOR ASSESSMENT

Effective internal controls

MANAGEMENT ASSESSMENT

Effective disclosure controls

Effective internal controls

ISSUES CITED

Recent or pending restatement

Remediation of control weakness asserted

Cash flow statement classification errors

Accounts/loans receivable, investments & cash

Insufficient management review in control procedures

DISCLOSURE DATE11/07/2017 on SEC Form [10-Q/A](#)**PERIOD END DATE**

03/01/2017

MANAGEMENT ASSESSMENT

Effective disclosure controls

ISSUES CITED

Material weakness

Recent or pending restatement

Cash flow statement classification errors

Accounts/loans receivable, investments & cash

Insufficient management review in control procedures

DISCLOSURE DATE11/07/2017 on SEC Form [10-Q/A](#)**PERIOD END DATE**

06/01/2017

MANAGEMENT ASSESSMENT

Ineffective disclosure controls

ISSUES CITED

Material weakness

Recent or pending restatement

Cash flow statement classification errors

Accounts/loans receivable, investments & cash

Insufficient management review in control procedures

DISCLOSURE DATE11/07/2017 on SEC Form [10-Q](#)**PERIOD END DATE**

09/30/2017

MANAGEMENT ASSESSMENT

Ineffective disclosure controls

ISSUES CITED

Material weakness

Recent or pending restatement

Accounts/loans receivable, investments & cash

Insufficient management review in control procedures

DISCLOSURE DATE11/04/2016 on SEC Form [10-Q](#)**PERIOD END DATE**

09/02/2016

MANAGEMENT ASSESSMENT

Effective disclosure controls

ISSUES CITED

Foreign, related party, affiliated or subsidiary

DISCLOSURE DATE08/10/2015 on SEC Form [10-Q](#)**PERIOD END DATE**

06/28/2015

MANAGEMENT ASSESSMENT

Effective disclosure controls

ISSUES CITED

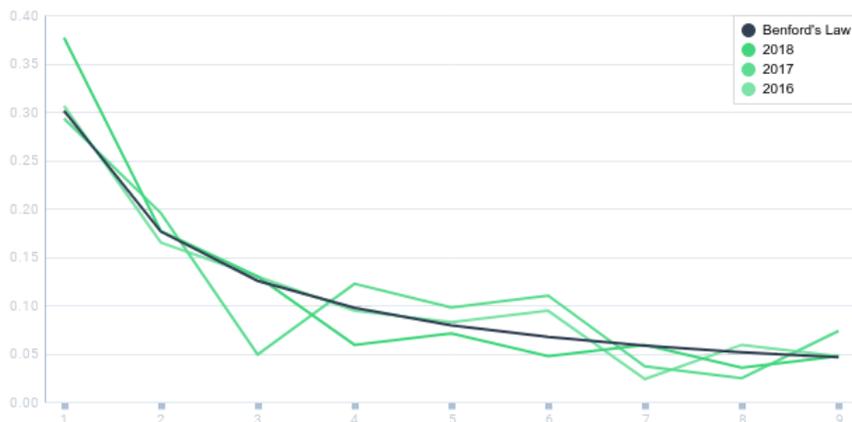
IT, software, security & access issues



Anomalies in the Numbers

✓ Benford's Law

Benford's Law is used to detect financial manipulation and fraud. When financial statements do not follow Benford's Law, there is reason to suspect problems with the accounting or financial reporting process.

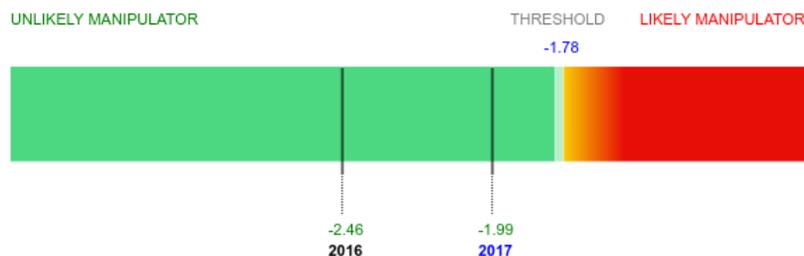


Numbers generated by natural processes conform to Benford's Law.

All of Kraft Heinz's financial statements conform to Benford's Law. Kraft Heinz is at low risk for financial manipulation or fraud.

✓ Beneish M-Score

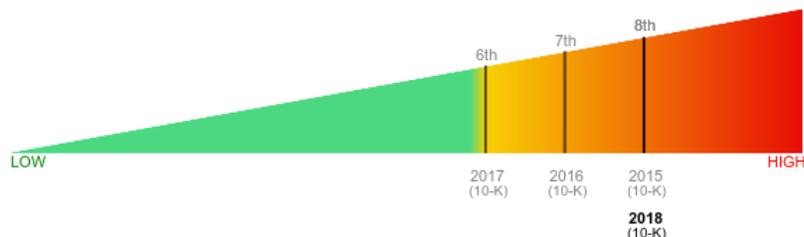
The Beneish M-Score is used to check whether a company has manipulated its financial statements. The M-Score is compared to a threshold to find out what it means. If the M-Score is greater than the threshold, then the company is likely to be a manipulator. However, a high Beneish M-Score is not proof of manipulation.



All Beneish M-Scores are below the threshold. There is no indication from the Beneish M-Score that reported earnings have been manipulated.

! Accounting Disclosure Complexity

Companies committed to transparency make their reports easier for investors to understand and compare. By contrast, a high degree of Accounting Disclosure Complexity makes it difficult to measure executive performance and the company's financial health. Accounting Disclosure Complexity may also be used to obfuscate serious accounting problems and other issues.



Kraft Heinz's highest level of accounting disclosure complexity was in the 8th decile in 2018.

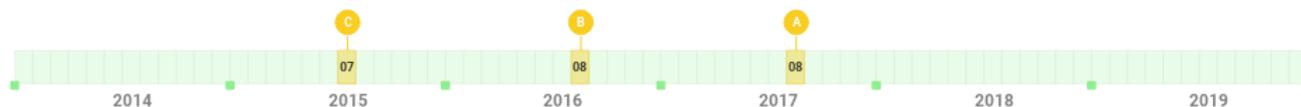


Securities & Exchange Commission Concerns

✓ SEC Letters to Management

Regulators at the Securities and Exchange Commission (SEC) review each company's financial reporting. When the SEC has questions about a company's filing, they will write letters to the company asking for clarification about different accounting issues.

- ✓ Revenue Recognition
- ✓ Non-GAAP Measures



Kraft Heinz has had 3 conversations with the SEC since 2014.

FROM A
H Roger Schwall (SEC)

TO
Paulo Basilio

DISSEMINATION DATE 08/14/2017

LETTERS 5

FIRST LETTER [05/03/2017](#)

LAST LETTER 07/17/2017

ISSUES CITED
Executive compensation plan disclosure issues

FROM B
James Liu (Kraft Heinz Foods Co)

TO
Christopher Anderson (Kraft Heinz Co)

TO
(unknown)

DISSEMINATION DATE 08/17/2016

LETTERS 3

FIRST LETTER [07/07/2016](#)

LAST LETTER 07/15/2016

ISSUES CITED
Tandy letter provided or sought
Clarification of selling shareholders sought
Clarification of selling shareholders sought
Request to accelerate or expedite registration



FROM

Lauren Nguyen (SEC)

TO

Bernardo Hees

DISSEMINATION DATE 07/20/2015**LETTERS** 7**FIRST LETTER** [05/08/2015](#) **LAST LETTER** 05/29/2015**ISSUES CITED**

Tandy letter provided or sought

Acquisitions, merger, or business combination issues

Debt, quasi-debt, warrants & equity security issues

EPS, ratio and classification of income statement issues

Questions about fair value measurement and estimates



Lawsuits

! Significant Litigation

Is the company involved in any lawsuits? This part of the Report summarizes recent and ongoing litigation that may have a significant impact on your investment.

! 2 Class Actions

! 3 Securities Lawsuits

Kraft Heinz was named in 4 significant lawsuits. The most recent lawsuit is "In re Kraft Heinz Shareholder Derivative Litigation" that began on 04/16/2019 and is still pending.

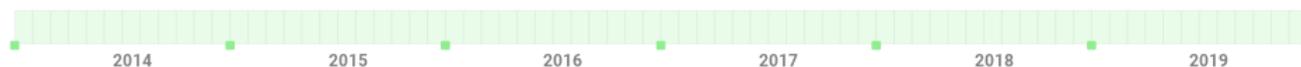
Name	Type	Start Date	End Date	Claim
In re Kraft Heinz Shareholder Derivative Litigation	Derivative, Securities Law, Director & Officer Liability	04/16/2019	pending	undisclosed
Osborne et al v. Employee Benefits Administration Board of Kraft Heinz et al	Class Action, ERISA & Employee Benefits Litigation	03/19/2019	pending	undisclosed
Hedick v. Kraft Heinz Company et al	Class Action, Securities Law	02/24/2019	pending	undisclosed
US Commodity Futures Trading Commission v. Kraft Foods Group Inc et al	Securities Law, Accounting and Auditing Enforcement Release, FCPA	04/01/2015	settled	\$13m



External Pressures

✔ Shareholder Activism

An activist shareholder uses his ownership stake to influence management and affect the strategy and direction of the company. While these shareholders contribute to oversight and may push for better financial performance or even a change in leadership, they may also pursue social, political, or environmental goals that can adversely affect a company's operations and profitability. Note that activist shareholders identified here may no longer be current shareholders.



There are no activist shareholder reported for Kraft Heinz.

✔ Cybersecurity

Cybersecurity is an area of increasing concern for many companies. A breach of confidential personal or financial data brings bad press, customer backlash and loss of goodwill, and substantial exposure to class actions. The SEC issued guidance in 2018 indicating cybersecurity risks should be treated like all other economic and business risks in regard to internal controls, financial reporting, and public disclosures.



Kraft Heinz has not disclosed any data breaches or cybersecurity issues.



Management Review

Management Turnover

Investors should always pay attention to CEO and CFO changes. These two officers are responsible for a company's performance and financial reporting. Why did they depart? There are many possible answers to this question, not all of them good.

Reported CEO Changes

↑ **Miguel Patricio** CEO / Zone President US (Interim)
Appointed effective: 06/25/2019 ([8-K](#) on 06/25/2019)

↓ **Bernardo Hees** CEO
Resigned effective: 06/30/2019 ([8-K](#) on 04/22/2019)
Pursue Other Interests

Reported CFO Changes

↑ **Paulo Basilio** CFO
Appointed effective: 09/01/2019 ([8-K](#) on 08/26/2019)

↓ **David Knopf** Executive VP / CFO
Resigned effective: 09/01/2019 ([8-K](#) on 08/26/2019)
Pursue Other Interests

↑ **David Knopf** Executive VP / CFO
Appointed effective: 10/01/2017 ([8-K](#) on 09/08/2017)

↓ **Paulo Basilio** Executive VP / CFO
Resigned effective: 10/01/2017 ([8-K](#) on 09/08/2017)
Position Change within Company

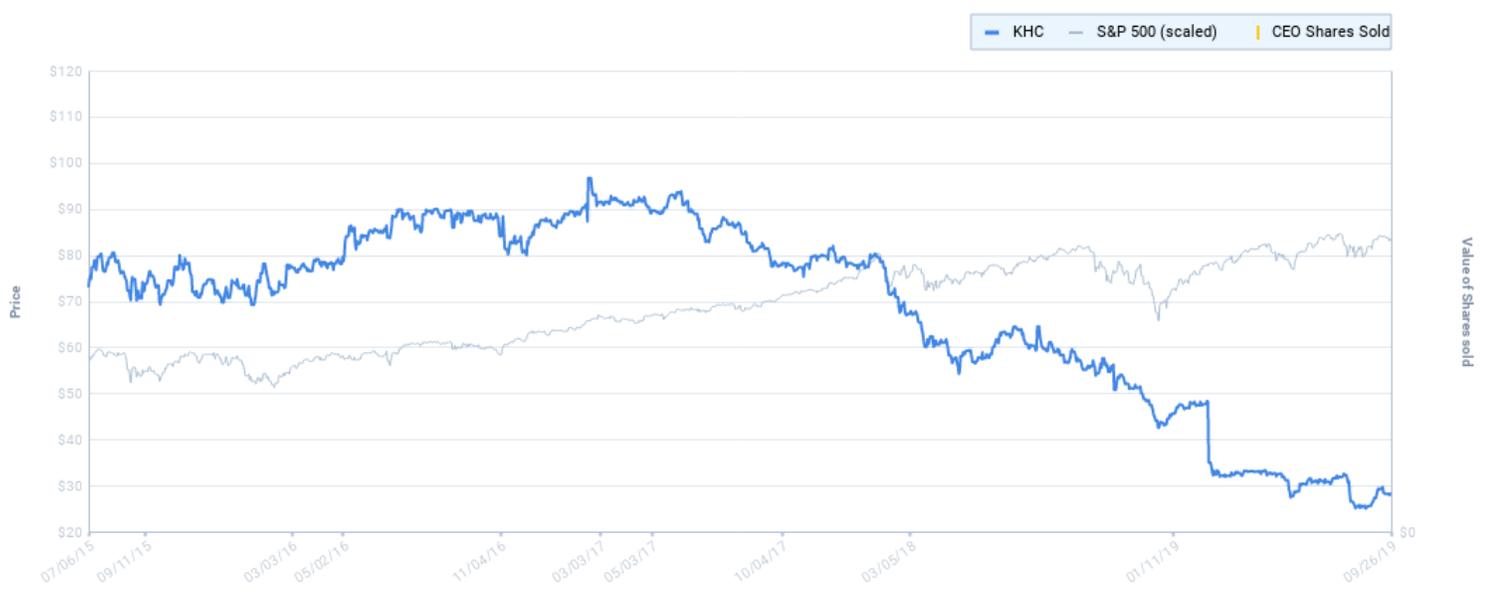
Insider Sales

What are the CEO and CFO doing? Do they have confidence in the company, or are they unloading their shares? A large sale of stock is a big warning sign and may indicate a lack of confidence in the future prospects of the company. These two officers know more about the company than you do, and if they think it is a good time to sell, maybe you should too.

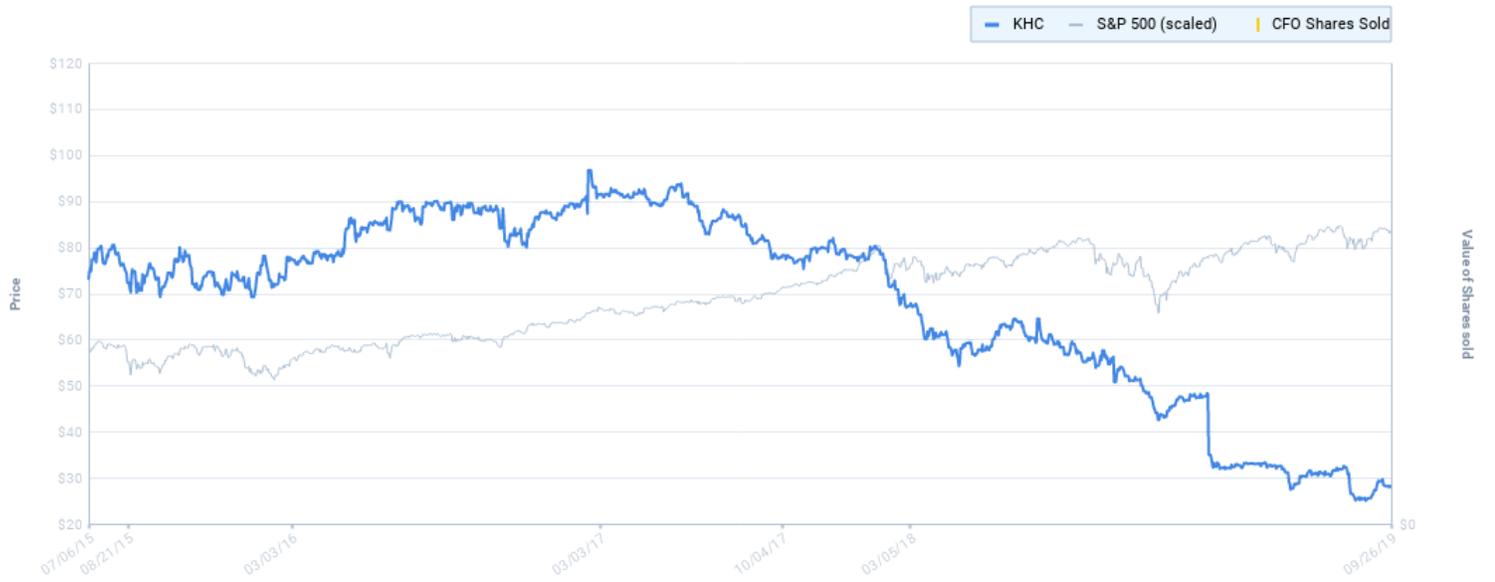
There are no significant insider sales from the company's officers.

Here are the significant insider sales for the CEO:





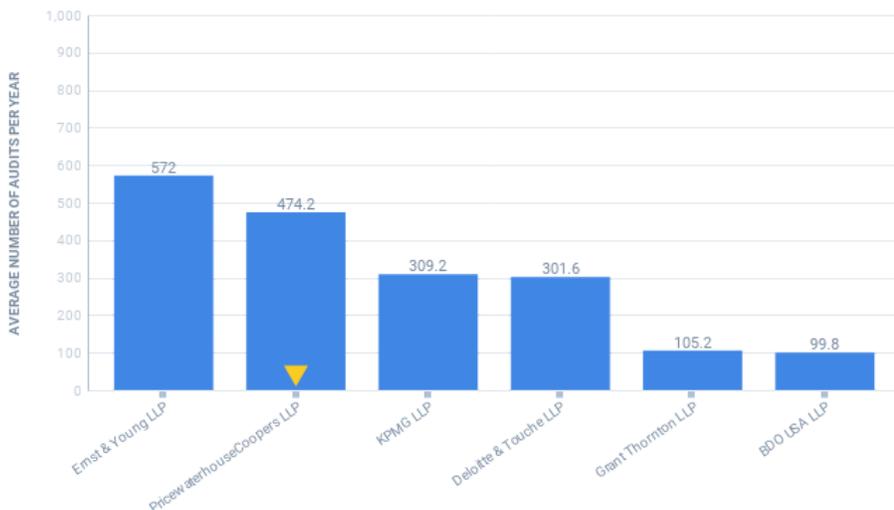
Here are the significant insider sales for the CFO:



Auditor Assessment

✓ Auditor Experience

How much experience does the auditor have in this industry? This graph shows the average number of audits of the largest auditors in this industry in the last five years (based on our population). The current auditor is marked with an arrow.

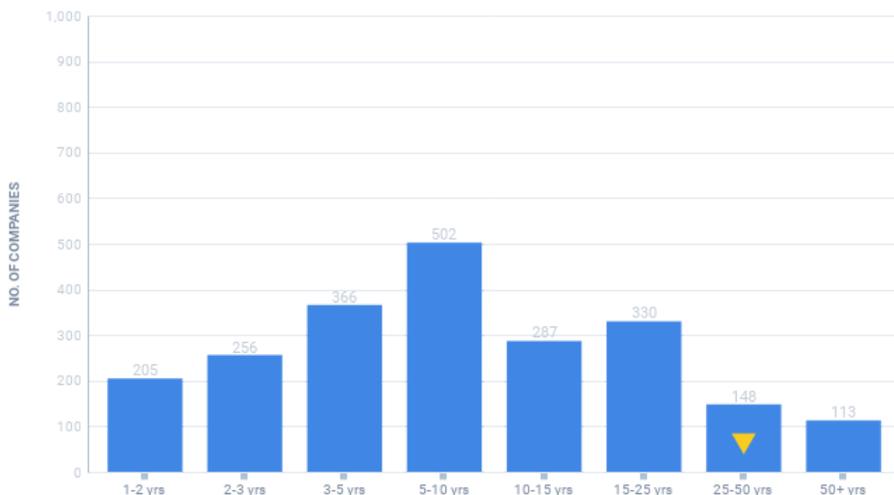


Current auditor is PricewaterhouseCoopers LLP.

Auditors with relatively little industry experience may be more likely to make mistakes. Auditors that do more audits tend to have greater industry expertise.

! Auditor Tenure

How long have they had the same auditor? This graph shows a histogram of the number of companies in the industry (from our population) and the corresponding auditor tenure. Current auditor tenure for Kraft Heinz is marked with an arrow.



PricewaterhouseCoopers LLP has been Kraft Heinz's auditor for the last 40 years.

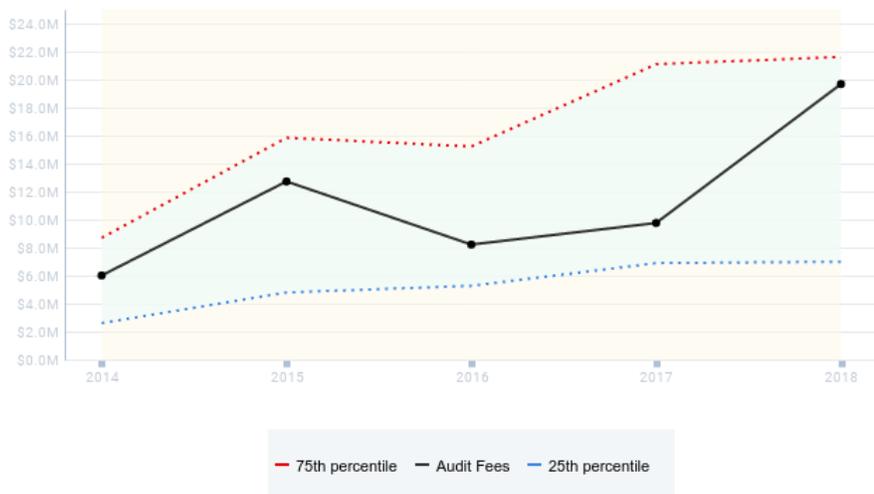
Mistakes may be more common in the early years of an auditor's tenure as they gain knowledge of a company's accounting policies and processes. On the other hand, there is some concern that a lengthy tenure may make auditors too "cozy" with the company and reluctant to report on issues or problems.



Auditor Assessment

✓ Audit Fees

Audit fees are fees paid to the auditor for the audit and services related to the audit. This graph compares recent audit fees to the rest of the industry based on audit fee to revenue ratios (or audit fees to asset ratios for financial companies).



MOST RECENT AUDIT FEES

\$19.7m ▲101.72%

AUDIT FEES TO REVENUE RATIO

0.07%

Kraft Heinz's audit fees increased by 101.72% from last year. Kraft Heinz's most recent audit fees are in the normal range.

High audit fees create incentives that undermine auditor independence. On the other hand, low audit fees may result in a lower quality audit.

✓ Non-Audit Fees

Non-audit fees are fees paid to the auditor for the services unrelated to the audit.



MOST RECENT NON-AUDIT FEES

\$1.22m ▲20.01%

NON-AUDIT FEES TO AUDIT FEES RATIO

6.19%

Kraft Heinz's most recent non-audit fees are in the normal range.

Relatively high non-audit fees create incentives that undermine the auditor's objectivity and are often used as a proxy measure of auditor independence.



Appendix

Appendix A. SEC Letters to Management

A Conversation disseminated on 08/14/2017
FROM: H Roger Schwall (SEC) TO: Paulo Basilio

5 
LETTERS

ISSUES CITED

- Executive compensation plan disclosure issues

LETTERS

dated [05/03/2017](#)
dated [05/17/2017](#)
dated [06/22/2017](#)
dated [07/07/2017](#)
dated [07/17/2017](#)

RELATED FILINGS

[DEFA14A](#) 04/18/2017
[DEF 14A](#) 03/03/2017
[DEFA14A](#) 03/03/2017
[10-K](#) 02/23/2017

B Conversation disseminated on 08/17/2016
FROM: James Liu (Kraft Heinz Foods Co) Christopher Anderson (Kraft Heinz Co) TO: (unknown)

3 
LETTERS

ISSUES CITED

- Tandy letter provided or sought
- Clarification of selling shareholders sought
- Clarification of selling shareholders sought
- Request to accelerate or expedite registration

LETTERS

dated [07/07/2016](#)
dated [07/15/2016](#)
dated [07/15/2016](#)

RELATED FILINGS

[S-4/A](#) 07/14/2016
[S-4](#) 07/07/2016



ISSUES CITED

- Tandy letter provided or sought
- Acquisitions, merger, or business combination issues
- Debt, quasi-debt, warrants & equity security issues
- EPS, ratio and classification of income statement issues
- Questions about fair value measurement and estimates
- Intangible assets and goodwill valuation or disclosure issues
- Tax expense, benefit, deferral, or other issues
- Change in tax rate disclosure issues
- Discussion of critical accounting policies and estimates (MD&A)
- Executive compensation plan disclosure issues
- Results of operations discussion (MD&A)
- Questions about company bylaws or articles of incorporation
- Issues about the proper disclosure of compensation paid to advisors of an offering
- Compensation or benefits of executives from offering disclosure issues
- Conflict of interest disclosure
- Questions about identity, employment history, and background of key management
- Request for disclosure of regulatory conditions or clearances for an offering
- Safe harbor invoked but does not apply
- Request to clarify or quantify price volatility risks
- Conflicts of interest and related party issues risk factors
- Reduced or non-payment of dividend risk factors
- Financial reporting issues related to a lack of comprehensive and clear disclosure
- Questions about disclosures of tax consequences of the offering
- Request to accelerate or expedite registration

LETTERS

- dated [05/08/2015](#)
- dated [05/18/2015](#)
- dated [05/22/2015](#)
- dated [05/26/2015](#)
- dated [05/28/2015](#)
- dated [05/29/2015](#)
- dated [05/29/2015](#)

RELATED FILINGS

- [S-4/A 05/29/2015](#)
- [S-4/A 05/28/2015](#)
- [S-4/A 05/27/2015](#)
- [S-4/A 05/18/2015](#)
- [S-4 04/10/2015](#)



Appendix B. Significant Litigation

In re Kraft Heinz Shareholder Derivative Litigation

Case began on 04/16/2019

Certain of Kraft Heinz Co's current and former officers and directors, among others, are also currently defendants in five stockholder derivative actions: DeFabiis v. Hees filed on April 16, 2019, Vladimir Gusinsky Revocable Trust v. Hees filed on May 8, 2019, Kailas v. Hees filed on May 13, 2019, Silverman v. Behring filed on May 15, 2019, and Green v. Behring filed on May 23, 2019, with Kraft Heinz named as a nominal defendant. Plaintiffs, derivatively on behalf of Kraft Heinz, assert claims under the common law and statutory law of Delaware for alleged breaches of fiduciary duties as well as alleged violations of Sections 10(b) and 14(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, based on allegedly materially false or misleading statements and omissions in public statements and SEC filings. The plaintiffs seek damages in an unspecified amount, attorneys' fees, and other relief. All of these stockholder derivative actions were filed in the United States District Court for the Western District of Pennsylvania. On June 14, 2019, plaintiffs in two other stockholder derivative actions, DeFabiis v. Hees and Kailas v. Hees, filed notices of voluntary dismissal of their complaints, without prejudice. The three remaining lawsuits were consolidated, styled as In re Kraft Heinz Shareholder Derivative Litigation, and a consolidated amended complaint was filed on July 31, 2019. The consolidated amended complaint asserts claims under the common law and statutory law of Delaware for alleged breaches of fiduciary duties, unjust enrichment, and contribution for alleged violations of Sections 10(b) and 21D of the Exchange Act and Rule 10b-5 promulgated thereunder, based on allegedly materially false or misleading statements and omissions in public statements and SEC filings, and for implementing cost cutting measures that allegedly damaged the company. The plaintiffs seek damages in an unspecified amount, attorneys' fees, and other relief. An additional stockholder derivative action, DeFabiis v. 3G Capital, Inc., was filed on June 14, 2019 against 3G Capital, Inc. and several of its subsidiaries and affiliates (the "3G Entities"), with the Company named as a nominal defendant, in the United States District Court for the Southern District of New York. Plaintiff filed a stipulation and order of voluntary dismissal, without prejudice, in the federal action on July 31, 2019 after filing a similar complaint in the Delaware Court of Chancery on July 30, 2019.

Osborne et al v. Employee Benefits Administration Board of Kraft Heinz et al

Case began on 03/19/2019

Kraft Heinz Co's Employee Benefits Administration Board and certain of its current and former employees are currently defendants in one class action lawsuit, Osborne v. Employee Benefits Administration Board of Kraft Heinz, which was filed on March 19, 2019 in the United States District Court for the Western District of Pennsylvania. Plaintiffs in the lawsuit purport to represent a class of current and former employees who were participants in and beneficiaries of various retirement plans which were co-invested in a commingled investment fund known as the Kraft Foods Savings Plan Master Trust (the "Master Trust") during the period of May 4, 2017 through February 21, 2019. The complaint alleges violations of Section 502 of the Employee Retirement Income Security Act ("ERISA") based on alleged breaches of obligations as fiduciaries subject to ERISA by allowing the Master Trust to continue investing in the Company's common stock. The plaintiffs seek damages in an unspecified amount, attorneys' fees, and other relief.

Hedick v. Kraft Heinz Company et al

Case began on 02/24/2019

Kraft Heinz Co. (the "Company") and certain of the Company's current and former officers and directors are currently defendants in three securities class action lawsuits filed in February, March, and April 2019. The first filed action, Hedick v. The Kraft Heinz Company, was filed on February 24, 2019 against the Company and three of its officers (the "Hedick Action"). The second filed action, Iron Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan v. The Kraft Heinz Company, was filed on March 15, 2019 against, among others, the Company and six of its current and former officers (the "Iron Workers Action"). The third filed action, Timber Hill LLC v. The Kraft Heinz Company, was filed on April 25, 2019 against, among others, the Company and six of its current and former officers and one of its directors (the "Timber Hill Action"). All of these securities class action lawsuits were filed in the United States District Court for the Northern District of Illinois. Another securities class action lawsuit, Walling v. Kraft Heinz Company, was filed on February 26, 2019 in the United States District Court for the Western District of Pennsylvania against, among others, the Company and six of its current and former officers (the "Walling Action"). Plaintiff in the Walling Action filed a notice of voluntary dismissal of his complaint, without prejudice, on April 26, 2019. Plaintiffs in these lawsuits purport to represent a class of all individuals and entities who purchased, sold, or otherwise acquired or disposed of publicly traded securities of the Company (including in the Timber Hill Action, the purchase of call options on Company common stock, the sale of put options on Company common stock, and the purchase of futures on the Company's common stock) from May 4, 2017 through February 21, 2019, in the case of the Hedick Action and the Walling Action, and from July 6, 2015 through February 21, 2019, in the case of the Iron Workers Action and the Timber Hill Action. The complaints assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, based on allegedly materially false or misleading statements and omissions in public statements, press releases, investor presentations, earnings calls, and SEC filings regarding the Company's business, financial results, and internal controls. The plaintiffs seek damages in an unspecified amount, attorneys' fees and other relief.



US Commodity Futures Trading Commission v. Kraft Foods Group Inc et al

Case began on 04/01/2015

On April 1, 2015, the Commodity Futures Trading Commission (CFTC) filed a formal complaint against Mondelez International, Inc. in the U.S. District Court for the Northern District of Illinois, Eastern Division, related to activities involving the trading of December 2011 wheat futures contracts. The complaint alleges that defendants manipulated or attempted to manipulate the wheat markets during the fall of 2011, violated position limit levels for wheat futures, and engaged in non-competitive trades by trading both sides of exchange-for-physical Chicago Board of Trade wheat contracts. As previously disclosed, these activities arose prior to the Spin-Off (the "Spin-Off," on October 1, 2012, Mondelez International spun-off Kraft Foods Group to Mondelez International's shareholders) and involve the business now owned and operated by Mondelez International or its affiliates. The CFTC seeks civil monetary penalties of either triple the monetary gain for each violation of the Commodity Exchange Act or \$1 million for each violation of Section 6(c)(1), 6(c)(3) or 9(a)(2) of the Act and \$140,000 for each additional violation of the Act, plus post-judgment interest; an order of permanent injunction prohibiting Kraft Foods Group and Mondelez Global from violating specified provisions of the Act; disgorgement of profits; and costs and fees. In December 2015, the court denied Mondelez Global and Kraft Foods Group's motion to dismiss the CFTC's claims of market manipulation and attempted manipulation. Defendants have filed a motion for summary judgment. Additionally, several class action complaints were filed against Kraft Foods Group and Mondelez Global in the U.S. District Court for the Northern District of Illinois by investors in wheat futures and options on behalf of themselves and others similarly situated. The complaints make similar allegations as those made in the CFTC action and seek class action certification; an unspecified amount for damages, interest and unjust enrichment; costs and fees; and injunctive, declaratory, and other unspecified relief. In June 2015, these suits were consolidated in the Northern District of Illinois. In June 2016, the court denied Mondelez Global and Kraft Foods Group's motion to dismiss. It is hereby ordered that: pursuant to Section 21C of the Exchange Act, Respondents Mondelez and Cadbury cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and respondent Mondelez shall, within 14 days of the entry of this Order, pay a civil penalty in the amount of \$13 million to the SEC for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).



About Watchdog Research, Inc.

Watchdog Research, Inc. is an independent research provider and publisher of Watchdog Reports. Watchdog Reports identify red flags, issues, and other anomalies in financial reporting. Our reports contain warning signs, red flags, material disclosures, and peer analysis for use in valuation, risk analysis, due diligence research, and idea generation.

Watchdog Reports are designed to assist investment professionals fulfill their fiduciary or suitability obligations and to help investors, executives, board members, regulators and educators learn what they need to know about publicly traded companies.

The company is headquartered in Naples, FL. Watchdog Research, Inc. utilizes over 75 specialists and analysts to provide accurate and timely information to our readers.

Our management team is:

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CTO: Radu Cugut. Radu has led the award-winning technology team that developed the Watchdog Report and services. He, his wife and son split their time between his home in Naples, FL and his home in Timisoara, Romania where he oversees five talented development professionals. Radu has a bachelors in Computer Science and a masters in Banking and Financial Information Systems, both from the West University of Timisoara.

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How to analyze a company's Watchdog Report

If you walk into a doctor's office complaining about a pain in your left shoulder, your doctor's training kicks-in and he will immediately begin assessing your age and physical appearance, checking your vital signs and asking you a very specific series of questions about your symptoms. After just a few brief moments of assessing you, the doctor will either begin life-saving intervention or simply hand you an ice pack for your sore arm after a workout.

Like that doctor, we assume you are reading our Watchdog Report because you want to quickly assess the health of the company you are analyzing. You want to know if the company is undergoing any major problems or is simply displaying minor issues. Here is how to get your answer:

BEFORE YOU START

Make sure you have a basic understanding of the company. Know its market cap, the size of its revenues, profits and assets and liabilities. Review any major news related to the financials of the company and its management team.

■ STEP 1 🕒 10 SEC

Scan down the right side of the first page of the company's report, paying attention to the 'RECENT' column to find the latest yellow and red flags.

■ STEP 2 🕒 2 SEC

When you see a red or yellow flag, click the title next to the flag and you will instantly jump to that section of the company's report.

■ STEP 3 🕒 60 SEC

Read that section's headline, the timeline and review the specific issue highlighted for the company's red or yellow flag.

■ STEP 4 🕒 3 MIN

Each section will usually have a link to the original filing or legal summary for the issue. Click that link. If it takes you to a SEC Edgar page, review the original filing. **HINT:** Use your browser's "find" button to search for a key word or number related to the issue as shown on the Watchdog Report.

■ STEP 5 🕒 15 SEC

Review the stock price movement chart on page two of the report. If you check the report online, you can adjust the timeline to a narrow time. The stock movement chart will overlay each of the red and yellow flags to stock price changes. Make note of those red and yellow flags around major stock price declines. These issues are worth reviewing in detail.

■ STEP 6 🕒 1 MIN

Before continuing, it is worth comparing the company to its peers. Go to the third page of the report and compare the red and yellow flags for the company (first column) to the number of companies with red and yellow flags from your company's peer group. Is the company an outlier with a red or yellow flag in an area that other peers have only green? If so, the outlying issues are also worth reviewing in detail.

■ STEP 7 🕒 5 MIN

Repeat steps 2-4 for each red or yellow flag. At the end of this process, you'll have a good idea of the core issues the company has reported.

■ STEP 8 🕒 5 MIN

Now comes the creative, but hard part. Like a doctor trying to understand what might be wrong with a patient, you must now use your judgment, past knowledge and the insights you gathered in the prior steps to develop your own view of how serious the issues are facing the company.

If you see a consistent pattern of delays, accounting irregularities, management turnover, legal troubles, the company is clearly in trouble. Use the peer group analysis step above to see why your company may be different than its peers. Think of the various issues as connected. It seems passé but a bad management team is going to be bad in multiple ways. The challenge is to find the thread that runs through all the issues to understand any management failures.

When you find a pattern of unusual accounting moves, it is almost always tied to management protecting their own interests over investors. You should also consider what particular forces in the industry are affecting the company more than its peers. If you can assess that, try to think about how a company's management might "adjust" the financial disclosures to mask the weakness. It helps to think like a detective here. Everyone is entitled to a presumption of innocence, but if management was trying to hide something, how might they go about doing so?

This step is where we leave you with our 6,000+ Watchdog Reports. Good luck with your analysis!

