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PAUL HEALY
MARSHAL HERRMANN

Ketchup and Hotdog Synergies: Intangibles Created by the Kraft Heinz Merger

"[Kraft Heinz] can supply you Heinz ketchup or mustard to go with your Oscar Mayer hot dogs that come from the Kraft side. … We will have the Oscar Mayer Wienermobile at the annual meeting – bring your kids."

— Warren Buffett, in his first annual letter to the shareholders of Berkshire Hathaway Inc. after the merger.

On July 2, 2015, H.J. Heinz and Kraft Foods, two of the largest food and beverage companies in the U.S. merged. Under the merger agreement, Kraft shareholders received stock for 49% of the new company (to be named Kraft Heinz Company) as well as a special cash dividend of $16.50 per share (a total of $9.8 billion), and Heinz shareholders received 51% of the stock in the new company.[1] The special dividend for Kraft shareholders was funded by an equal equity contribution by Berkshire Hathaway and 3G Capital, Heinz's shareholders.

The merger, which brought together well-known brands such as Heinz, Kraft, Oscar Mayer, Ore-Ida and Philadelphia, created the third largest food and beverage company in the U.S. and the fifth largest in the world.[2] Kraft Heinz owned eight brands with annual sales of $1+ billion each and five brands with sales between $500 million and $1 billion.[3] Alex Behring, Chairman of Heinz explained, "By bringing together these two iconic companies through this transaction, we are creating a strong platform for both U.S. and international growth. Our combined brands and businesses mean increased scale and relevance both in the U.S. and internationally. We have the utmost respect for the Kraft business and its employees, and greatly look forward to working together as we integrate the two companies."[4] John Cahill, Kraft Chairman and Chief Executive Officer was equally optimistic: "Together we will have some of the most respected, recognized and storied brands in the global food industry, and together we will create an even brighter future. This combination offers significant cash value to our shareholders and the opportunity to be investors in a company very well positioned for growth, especially outside the United States, as we bring Kraft's iconic brands to international markets."[5]

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Heinz

Founded by Henry John Heinz in Sharpsburg, PA in 1876 to produce tomato ketchup, H. J. Heinz Company (Heinz) grew to become the largest producer of pickles, vinegar and ketchup in the U.S. In the late 1970s, the company expanded internationally, acquiring food-processing companies in China, Africa, Europe, and the Pacific Rim. By 2014, Heinz core products included ketchup, sauces, meals, snacks and baby food that were manufactured and marketed globally. The company claimed to have 150 number-one or number-two brands worldwide, including Heinz ketchup (with a 60% share of the U.S. ketchup market and an 82% share in the U.K.), Ore-Ida brand of frozen potatoes (with more than 50% of the worldwide market),[6] Bagel Bites, HP Sauce, Lea & Perrins, and Weight Watchers.

Since early 2013, Heinz had been jointly owned by Berkshire Hathaway and 3G Capital, and was no longer a public company. Berkshire Hathaway was a U.S. investment conglomerate controlled and led by Warren Buffet, one of the most successful investors of all time. A well-known value investor, dubbed the "Oracle of Omaha", Buffet focused on acquiring stocks of companies with strong fundamentals and earnings power, with continued potential for growth. His majority-owned investments included insurers (such as National Indemnity, Geico, and General Re), BNSF Railway Company, as well as an assortment of other companies, ranging from fast food restaurant chain Dairy Queen to clothing manufacturer Fruit of the Loom. Buffet also owned minority holdings in household names such as AT&T, American Express, Coca Cola, Goldman Sachs, IBM, Proctor & Gamble, and Wal-Mart.

3G Capital, a Brazilian-U.S. private equity firm, was founded in 2004 by Jorge Lemann (Brazil's richest person), Marcel Telles, Carlos Sicupira, Alex Behring, and Roberto Motta. As former owners of the Brazilian investment bank Banco Garantia, Lemann, Telles and Sicupira had developed a successful formula for improving the performance of consumer brands – "rapid promotions of high-performing young talent, transparent annual goals for each employee, and use of zero-based budgeting"[a] to lower costs.[7] In 1989, the trio acquired Brazilian brewer, Brahma, for $50 million, and began implementing their formula. By 2016, they had transformed Brahma into the world's largest beer company — Anheuser-Busch InBev. 3G Capital was formed to allow the team to apply their formula to other consumer companies in North America. 3G's first major move, in 2010, was to acquire and then turnaround Burger King. In 2012, Lemann approached Buffet about partnering with 3G to acquire Heinz. Buffet, who had eyed Heinz since 1980, agreed, noting that "this is my kind of deal and my kind of partner."[8] The $23.3 billion acquisition, equally financed by 3G and Berkshire Hathaway with 3G taking on supervision of Heinz's operations, was completed in 2013.

Kraft

Kraft Foods Group, Inc. was founded by James L. Kraft in Chicago in 1903 as a wholesale cheese-delivery business. Kraft and his three brothers subsequently began processing cheese for distribution to area retailers, and patented a spoil-resistant processed cheese that was sold to the U.S. Army in World War I.

However, beginning in 1980, Kraft had been involved in a series of business combinations. First, it merged with Dart Industries, Inc., a diversified manufacturing goods company - but in 1986 the two companies split up. In 1988, Kraft was acquired by tobacco giant Philip Morris Companies and

[a] Under zero-based budgeting, budget allocations were determined by assessing the value that each line item created for the business, rather than specifying an increase or decrease over past budgets or an aggregate spend

integrated with General Foods and Nabisco Holdings. But in 2001, Philip Morris began selling off Kraft, and in 2007 the company was fully spun off and publicly traded. Kraft then purchased the biscuit division of Groupe Danone and the British candy company Cadbury. But soon after completing these deals, it reorganized into two companies, Kraft (which sold grocery products in North America) and Mondelēz International (which sold confectionary and snack brands worldwide).

Kraft's core businesses included beverage, cheese, dairy, snack foods, and convenience foods. And its major brands included A.1, Capri Sun, Claussen Pickles, and Grey Poupon, Jell-O, Kool-Aid, Kraft, Maxwell House, Oscar Mayer, Philadelphia Cream Cheese, and Planters.

Accounting for the Merger at Kraft Heinz

As explained in the Kraft Heinz Company March 31, 2016 annual report, the merger was accounted for under the acquisition method. The new company would be a public company with headquarters in Chicago and Pittsburgh. Since Heinz shareholders, Berkshire Hathaway and 3G Capital, controlled more than 50% of the new company, Heinz was considered to be the acquirer.[9] Under U.S. accounting rules (see **Exhibit 1**), Heinz was required to:

1. Categorize and value Kraft's identifiable tangible and intangible assets, as well as any liabilities assumed at their fair value on the date of the acquisition.

2. Measure the consideration received by Kraft's shareholders – specifically cash from the special dividend and the value of their new shares in Kraft Heinz at the date the new company listed.

3. Recognize and measure any goodwill arising from the transaction.

As reported in **Exhibit 2**, following its acquisition of Kraft, Heinz recognized identifiable intangible assets of $49.7 billion and goodwill of $29 billion.

Berkshire Hathaway's Ownership Stake

In its December 31, 2014 balance sheet, Berkshire Hathaway used the equity method to report on its 50% common stock ownership position in Heinz (with the other 50% owned by 3G Capital), and valued the investment at $3,950 million. After the Heinz acquisition of Kraft, Berkshire Hathaway owned 26.8% of the new Kraft Heinz firm and continued to account for its investment under the equity method.

Subsequent Events

At the time of the acquisition, the two companies projected that annual cost savings from the combination could exceed $1.5 billion. These would come from using zero-based budgeting to rationalize manufacturing and distributions costs, streamline the organization, and take advantage of marketing synergies. In addition, Heinz's global distribution network could be leveraged to introduce Kraft brands to international markets.[10]

In the three years following the merger, Kraft Heinz's performance seemed to justify the optimism of management and analysts; the workforce was cut by 20%, overheads slashed by 40%[11], and profits soared from $637 million in 2015 to $10.9 billion in 2017 (see **Exhibit 3** for the standalone financial statement for Heinz and Kraft in 2014, and for the combined company following the merger). But in the second and third quarters of 2018, operating earnings began to deteriorate and the stock underperformed the S&P500 (see **Exhibit 4** for the company's stock price performance relative to the S&P500 from listing to May 30, 2019, and **Exhibit 5** for its quarterly sales and operating earnings for2017 and 2018).

On February 21, 2019, Kraft Heinz stunned investors by announcing that in the fourth quarter of 2018 it was taking a $15.5 billion write-down of goodwill and identifiable intangible assets, that annual earnings before the write-down had declined by $762 million, and that it would cut its dividend by 36%[12] (**Exhibit 6** for the footnote disclosure on the write-down). To make matters worse, it reported that the Securities and Exchange Commission (SEC) had opened an investigation into the company's accounting and internal controls for procurement and vendor agreements. Management disclosed that it was cooperating with the SEC investigation, and had made corrections that increased cost of sales for 2018 by $25 million. In response to the announcement, Kraft Heinz's stock fell 27%; its stock price ($34.95) was 52% lower than the $72.96 price at listing in July 2015.

External observers opined that the company had been unable to adapt its legacy brands quickly enough to satisfy consumer demand for "healthier, fresher, and in some cases, cheaper private label products. … As Kraft Heinz focused on aggressive cost cutting, they significantly impaired their ability to keep up with the changing landscape."[13]

Exhibit 1 Accounting for Intercompany Investments

Reporting on the equity investments that one company makes in another depends on the investing company's level of influence over the other firm. Accounting rules under both U.S. generally accepted accounting standards (U.S. GAAP) and International Financial Reporting Standards (IFRS) distinguish three scenarios:

1. When an equity investor exercises no influence over the company whose stock it owns, and can be thought of as a strictly passive investor. In this case, accounting standards require the investor to report its investment at fair value, with any periodic gains or losses included in the income statement.

2. When the investor shares in the economic risks and/or rewards of another, and is able to exercise control over that entity. In this setting, the investor is required to consolidate its investment into its own financial statements.

3. When the investor shares in the economic risks and/or rewards of another and is able to exercise significant influence over the entity, but does not have control. The investor is then required to account for its investment under the equity method.

Reporting for Passive Investments

When one firm has a passive investment in the equity securities of another, but exercises no control or influence, it is required to show the investment asset on its balance sheet at its fair value, defined as the price that it would receive from selling the stock. Under U.S. GAAP, any periodic gains or losses were reported as income.

If the stock investment had a readily-determinable trading value, this was used as its fair value. If no such value was readily available, the investor could either estimate its fair value using traded prices for related assets, or using models and management assumptions. U.S. GAAP also permitted investors in assets with no readily-determinable fair values to opt at date of purchase to report its investment at cost less any impairment, plus or minus any observable price changes.

Consolidations

An investor (the acquirer or parent) who purchased equity securities that allowed it to exercise control over another entity (the acquiree or subsidiary) was required to consolidate the other entity in its own financial statements. This condition was typically satisfied when the acquirer purchased more than 50% of the acquiree's common stock.

If an acquirer purchased 100% of the acquiree's common stock, it was required to report for the acquisition as follows:

1. Categorize and value the acquiree's identifiable tangible and intangible assets, as well as any of its liabilities assumed at their fair value on the date of the acquisition. At acquisition date, 100% of the fair value of these assets and liabilities would then be included as assets and liabilities of the acquirer.

2. Measure the consideration received by the acquiree's shareholders, either in the form of cash, stock issued, or other securities. At the acquisition date, this consideration would be reflected on the acquirer's balance sheet as a reduction in cash, incremental debt, or newly-issued shares.

3. Recognize as an asset the value of any goodwill arising from the acquisition, representing the difference between the consideration transferred and the fair value of the identifiable assets net of liabilities assumed.

4. In the year of the acquisition, the acquirer's income statement would reflect 100% of the revenues and expenses provided by the acquiree business, beginning from the acquisition date. In subsequent years, it would reflect 100% of the acquiree's revenues and expenses.

If a controlling investor purchased less than 100% of an acquiree's common stock, the purchaser would continue to recognize 100% of the assets, liabilities and equity values of the acquiree's assets at acquisition date. But a line item in the owners' equity section of the balance sheet reported the reduction in equity that was attributable to these minority interest shareholders. Similarly, the acquirer's income statement would continue to include 100% of the revenues and expenses from the acquiree's business. But a line item deduction would show the share attributable to the minority interest shareholders.

Valuing Identifiable Intangible Assets

Identifiable intangible assets were defined as non-financial assets with no physical substance that (a) arose from contractual or other legal rights, and (b) could be sold, licensed, rented, or exchanged separately from the entity[14]. They included intangibles that were marketing-related (e.g. trademarks), contract-based (e.g. licenses, leases), technology-based (e.g. patents, research and development), and customer-based (e.g. customer relationships, customer service contracts).[15] The fair value of these types of assets was generally estimated using the present-value method. For example, the fair value of legal contracts could be estimated as the discounted value of any differences between the contract price and the current market price for the remaining contractual term, including any expected renewals.

Once the acquirer had identified and valued any identifiable intangible assets acquired, it was required to estimate their useful lives. Contract-based intangible lives were driven by contractual life; technology-based intangible lives varied from short- to long- term depending on the nature of the technology; and customer relationships usually depended on the customer churn rate. Accounting rules required that an acquirer amortize any definite-lived intangible assets arising from the acquisition over their estimated useful lives.[16]

In contrast, "if no legal, regulatory, contractual, competitive, economic, or other factors" limited its useful life, an intangible asset was classified as having an indefinite life.[17] Examples of indefinite-lived intangibles included indefinite trademarks. After an acquisition, the acquirer did not report any annual amortization for an indefinite-lived intangible asset, but was required to estimate whether it was impaired, by comparing its book value to its fair value, and to recognize any loss in value as an impairment charge.[18]

Valuing Goodwill

Some intangible assets cannot be separately identified or measured, but are nonetheless integral to a firm's business performance. These could arise, for example, if a firm was able to take advantage of economies of scale to generate rates of return that exceeded its cost of capital, or had profitable opportunities to grow. These types of intangibles assets could not be sold without selling the firm itself, and were called goodwill. Goodwill that had been generated internally could not be reported as an asset on a firm's balance sheet. But if a business acquisition took place, goodwill was reported as the difference between the consideration paid and the fair value of the net identifiable assets.

Accounting for goodwill after an acquisition had varied over the years. Prior to 2001, it was amortized over a period of up to 40 years. But in 2001, Statement of Accounting Standards No. 142

required that it be treated as an indefinite-lived intangible asset and be subject to an annual impairment test. If its estimated fair value fell below book value, the asset was to be written-down and an impairment charge recognized in the income statement. In addition, Private Company accounting standards in the U.S. permitted private companies to amortize goodwill over ten years.

Investments Under the Equity Method

An investor who purchased equity securities that allowed it to exercise significant interest, but not control, over another entity (called an associate company) was required to report its variable interest in the equity of the associate. This condition was typically presumed to be satisfied when the investor purchased between 20% and 50% of the associate company's common stock. It therefore applied to joint ventures.

At the time of purchase, the acquired shares would be recorded as an asset, investment in associated companies, on the investor's balance sheet at the purchase value. At the end of each subsequent period, the investor's share of any earnings (or losses) generated by the associate would be reported as affiliate investment income on the investor's income statement, and as an *increase* in the value of the investment in associated companies (reflecting the increase in the investor's stake in the associate company's book equity). Finally, if the associate company paid any dividends, the dividends received by the investor would be recorded as an increase in cash, and a *decrease* in the value of the investment in associated companies (reflecting the decrease in the investor's share of the associate company's book equity).

Source: US Generally Accepted Accounting Practices (GAAP) and International Financial Reporting Standards (IFRS).

Exhibit 2 Excerpts from Kraft Heinz financial statement footnotes regarding the acquisition

The 2015 Merger was accounted for under the acquisition method of accounting for business combinations and Heinz was considered to be the acquiring company.

We utilized estimated fair values at the 2015 Merger Date for the preliminary allocation of consideration to the net tangible and intangible assets acquired and liabilities assumed. The preliminary purchase price allocation to assets acquired and liabilities assumed in the transaction was (in millions):

	As of July 2, 2015 ($ millions)
Cash	$314
Other current assets	3,423
Property, plant and equipment	4,193
Identifiable intangible assets	49,749
Other non-current assets	214
Goodwill	29,029
	$86,922
Trade and other payables	$3,026
Long-term debt	9,286
Other non-current liabilities	4,734
Deferred income tax liabilities	17,239
	$34,285
Net assets acquired	$52,637
Consideration	
Aggregate fair value of Kraft common stock and equity awards	$42,855
$16.50 per share special dividend	9,782
	$52,637

Identifiable intangible assets		Weighted average life (in years)
Indefinite-lived trademarks	$45,082	
Definite-lived trademarks	1,690	24
Customer relationships	2,977	29
	$49,749	

Source: Kraft Heinz 2015 Annual Report.

Exhibit 3 Financial statements for Heinz and Kraft as standalone companies for 2014, and for the combined Kraft Heinz Company for 2015 (pro forma for the full year), and 2016 to 2018 (in $ millions).

Income Statement

	Heinz Dec. 28 2014	Kraft Dec. 27 2014	Kraft Heinz Jan. 3 2016[1]	Kraft Heinz Dec. 31 2016	Kraft Heinz Dec. 30 2017	Kraft Heinz Dec. 29 2018
Net sales	10,922	18,205	27,447	26,487	26,232	26,268
Cost of products sold	7,291	13,360	18,299	16,901	16,529	17,347
Gross profit	3,631	4,845	9,148	9,586	9,703	8,921
Selling, general and admin. expenses	2,063	2,955	4,613	3,444	2,930	19,141[2]
Operating income/(loss)	1,568	1,890	4,535	6,142	6,773	(10,220)
Interest expense	686	484	1,528	1,134	1,234	1,284
Other expense/(income), net	(79)		289	(15)	9	(183)
Income/(loss) before income taxes	803	1,406	2,718	5,023	5,530	(11,321)
Provision for/(benefit from) income taxes	131	363	944	1,381	(5,460)[2]	(1,067)
Net income/(loss)	672	1,043	1,774	3,642	10,990	(10,254)
Net income/(loss) of noncontrolling interest	15		13	10	(9)	(62)
Net income/(loss) of Kraft Heinz	657	1,043	1,761	3,632	10,999	(10,192)
Preferred dividends	720		900	180	-	-
Net income/(loss) of common shareholders	(63)	1,043	861	3,452	10,999	(10,192)
EBITDA	2,240	2,297	5,083	7,512	7,844	6,882

Balance Sheet

	Heinz Dec. 28 2014	Kraft Dec. 27 2014	Kraft Heinz Jan. 3 2016	Kraft Heinz Dec. 31 2016	Kraft Heinz Dec. 30 2017	Kraft Heinz Dec. 29 2018
Assets						
Current assets	4,915	4,791	9,780	8,753	7,266	9,075
Property, plant and equipment, net	2,365	4,192	6,524	6,688	7,210	7,078
Goodwill & other intangibles	28,147	13,638	105,171	103,422	104,273	85,971
Other non-current assets	1,336	326	1,498	1,617	1,573	1,337
Total Assets	36,763	22,947	122,973	120,480	120,322	103,461
Liabilities & equity						
Current liabilities	3,092	4,773	6,932	9,501	10,132	7,503
Long-term debt	13,586	8,627	25,151	29,713	28,333	30,770
Other non-current liabilities	4,400	5,182	33,205	23,692	15,616	13,413
Equity	15,685	4,365	57,685	57,574	66,241	51,775
Total Liabilities and Equity	36,763	22,947	122,973	120,480	120,322	103,461

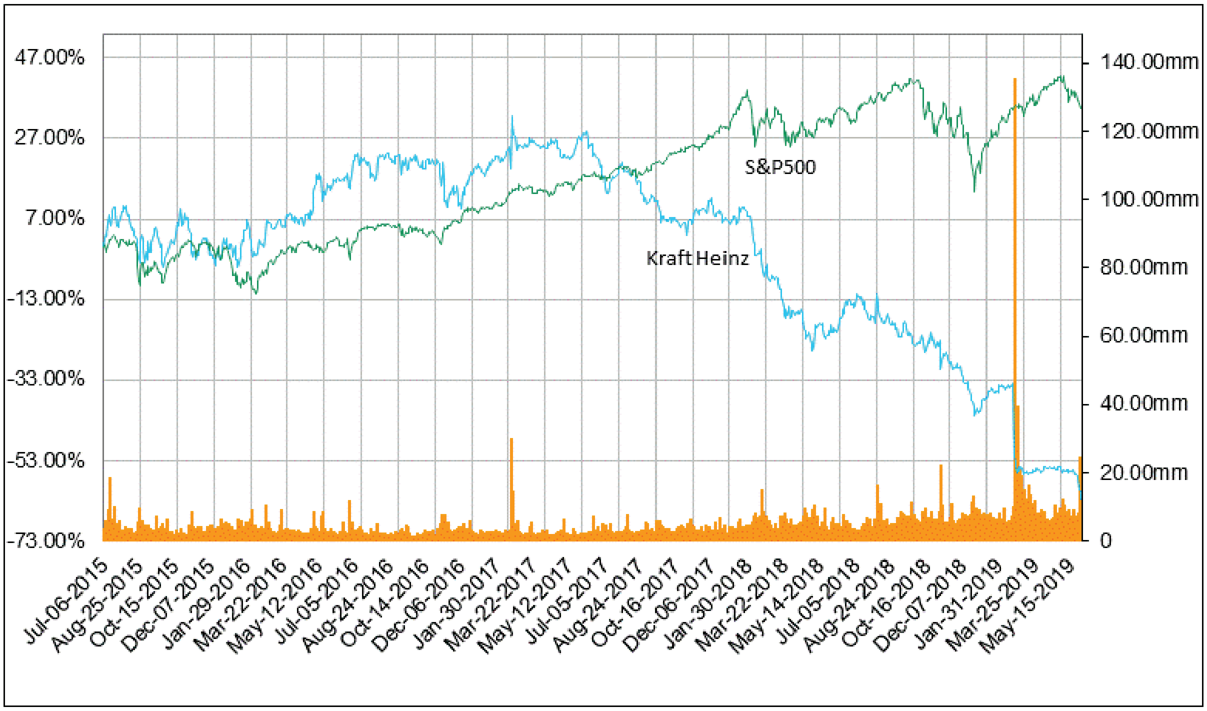
Source: Kraft and Heinz 2017 and 2018 Annual Reports.

Notes: [1] For comparability with the subsequent years, the 2015 income statement is presented on a pro forma basis as if the merger took place on the first day of the fiscal year. The actual reported results for the fiscal year only included Kraft's activity subsequent to the merger date in July, 2015.

[2] Selling general and administrative expenses for 2018 included the $6.9 billion impairment of Goodwill and the $8.6 billion impairment of Identifiable Intangible Assets discussed in Exhibit 6.

[3] The $5.46 billion tax benefit reported in 2017 was due to a change in the tax rate from the Tax Cuts and Jobs Act signed that year. As a result of the lower corporate rate, Kraft Heinz revalued its deferred tax liabilities, leading to a $7.0 billion gain on remeasurement.

Exhibit 4 Stock returns and trading volume of Kraft Heinz from date of listing to May 31, 2019



Source: Capital IQ.

Exhibit 5 Quarterly sales and operating earnings for Kraft Heinz for 2017 and 2018 (in $ millions).

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	6,364	6,677	6,314	6,877	6,304	6,686	6,378	6,900
Gross profit	2,404	2,622	2,394	2,607	2,321	2,444	2,125	2,223
Gross profit margin	37.8%	39.3%	37.9%	37.9%	36.8%	36.6%	33.3%	32.2%
Operating earnings (before impairment charges)	1,699	1,963	1,756	1,861	1,701	1,767	1,462	1,147
Operating earnings margin	26.7%	29.4%	27.8%	27.1%	27.0%	26.4%	22.9%	16.6%

Source: Kraft Heinz 2017 and 2018 annual reports.

Exhibit 6 Excerpts from Kraft Heinz financial statement footnote on Goodwill and Intangible Assets for the year ended December 29, 2018.

Goodwill

Our goodwill balance consists of 20 reporting units and had an aggregate carrying amount of $36.5 billion as of December 29, 2018. We test our reporting units for impairment annually as of the first day of our second quarter, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We performed our 2018 annual impairment test as of April 1, 2018. We utilized the discounted cash flow method under the income approach to estimate the fair value of our reporting units.

For the fourth quarter of 2018, in connection with the preparation of our year- end financial statements, we assessed the changes in circumstances that occurred during the quarter to determine if it was more likely than not that the fair values of any reporting units were below their carrying amounts. … While there was no single determinative event or factor, the consideration in totality of several factors that developed during the fourth quarter of 2018 led us to conclude that it was more likely than not that the fair values of seven of our 20 reporting units, including U.S. Grocery, U.S. Refrigerated, Canada Retail, Australia and New Zealand, Northeast Asia, Southeast Asia, and Other Latin America, were below their carrying amounts. These factors included: (i) a sustained decrease in our share price in November and December of 2018, which reduced our market capitalization below the book value of net assets; (ii) the completion of our fourth quarter results, which were below management's expectations due to several factors such as higher than expected supply chain costs and increased competition; (iii) the development and approval of our 2019 annual operating plan in December 2018, which provided additional insights into expectations and priorities for the coming years, such as lower growth and margin expectations; (iv) the announcement in November 2018 to sell certain assets in our natural cheese portfolio in Canada, which changed the composition and use of the remaining assets and brands in the associated reporting unit; (v) fluctuations in foreign exchange rates in certain countries; (vi) increased interest rates in certain locations, including an increase in the United States in December 2018; and (vii) increased and prolonged economic and regulatory uncertainty in the United States and global economies as of the end of December 2018.

As a result of our interim test, we recognized a non- cash impairment loss of $6.9 billion in SG&A related to five reporting units, including U.S. Refrigerated, Canada Retail, Southeast Asia, Northeast Asia, and Other Latin America.

Identifiable Intangible Assets

For the fourth quarter of 2018, in connection with the preparation of our year-end financial statements, we assessed the changes in circumstances that occurred during the quarter to determine if it was more likely than not that the fair values of any brands were below their carrying amounts. Although our annual impairment test is performed during the second quarter, we perform this qualitative assessment each interim reporting period.

While there was no single determinative event or factor, the consideration in totality of several factors that developed during the fourth quarter of 2018 led us to conclude that it was more likely than not that the fair values of six of our brands, including Kraft, Philadelphia, Oscar Mayer, Velveeta, Cool Whip, and ABC, were below their carrying amounts. These factors were the same fourth quarter circumstances outlined in the goodwill impairment discussion above.

As a result of our interim test, we recognized a non-cash impairment loss of $8.6 billion in SG&A related to five brands, including three that were valued using the excess earnings method (Kraft, Oscar Mayer, and Philadelphia) and two that were valued using the relief from royalty method (Velveeta and ABC).

Source: Kraft Heinz 2018 annual report.

Endnotes

[1] Kraft and Heinz to Merge in Deal Backed by Buffet and 3G Capital, David Gelles, The NY Times, March 25, 2015

[2] Ibid

[3] Kraft Foods to Merge with H.J. Heinz, Keith Nunes, Food Business News, March 25, 2015, https://www.foodbusinessnews.net/articles/5762-kraft-foods-to-merge-with-h-j-heinz

[4] Ibid

[5] Ibid

[6] https://www.valuewalk.com/2013/03/heinz-set-for-shareholder-vote/

[7] The Lean and Mean Approach of 3G Capital, *Financial Times*, May 7, 2017.

[8] Berkshire Hathaway, 3G Buying Heinz for $23.3 billion, CNBC, Feb. 14 2013.

[9] Financial Accounting Standards Update, Business Combinations, ASC 805, December 2014.

[10] Kraft-Heinz Investor Presentation March 25, 2015

[11] The Lesson of the Kraft Heinz Nosedive: Radical Cost-Cutting is Out, Brands are Back, Avi Dan, Forbes, Feb. 24, 2019.

[12] Kraft Heinz Plunges After $15 billion Writedown, Dividend Cut and SEC Probe, Antoine Gara, Forbes, February 21, 2019. https://www.forbes.com/sites/antoinegara/2019/02/21/kraft-heinz-plunges-after-15-billion-writedown-dividend-cut-and-sec-probe/#26fc780d5b0f

[13] "The Missing Ingredient in Kraft Heinz restructuring", John Cotter and Gaurav Gupta, Harvard Business Review September 26, 2019.

[14] Ibid.

[15] PwC, "Business combinations and noncontrolling interest", October 2019.

[16] Financial Accounting Standards Update, Business Combinations, ASC 805, December 2014.

[17] Financial Accounting Standards Update, Intangibles, Goodwill and Other Topics, ASC 350, September 2011.

[18] Ibid.