

# *Union Asset Management Holding AG, et al. v. Kraft Heinz Co., et al.*

**COURT:** United States District Court for the Northern District of Illinois  
**CASE NUMBER:** 1:19-cv-01339  
**CLASS PERIOD:** 05/04/2017 - 02/21/2019  
**CASE LEADERS:** Salvatore J. Graziano, Katherine M. Sinderson, Abe Alexander  
**CASE TEAM:** Jesse L. Jensen, Will Horowitz, Nicole Santoro

Securities fraud class action filed on behalf of a class of persons and entities who purchased or otherwise acquired publicly traded securities of The Kraft Heinz Company (“Kraft” or the “Company”) between November 5, 2017 and August 7, 2019 (the “Class Period”).

Plaintiffs allege violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) by Kraft CEO Bernardo Hees, former Kraft CFO Paulo Basilio, and current Kraft CFO David A. Knopf (“Defendants”).

These claims arise from the Defendants’ misstatements regarding the Company’s financial position, including the carrying value of Kraft’s assets, the sustainability of Kraft’s margins, and the success of recent cost-cutting strategies by the Company.

On October 8, 2019, the Honorable Robert M. Dow, Jr. appointed Union Asset Management as Co-Lead Plaintiff, BLB&G as Lead Counsel, for the Class in the consolidated action. The Amended Class Action Complaint was filed on January 6, 2020. Defendants’ filed their motions to dismiss on March 6, 2020. Plaintiffs moved to amend their complaint based on new information regarding Kraft’s internal EBITDA projections, and filed their amended complaint on August 14, 2020. Defendants’ filed their renewed motions to dismiss on September 28, 2020. Plaintiffs filed their opposition on November 12, 2020, and Defendants filed their replies on December 3, 2020.

On August 11, 2021, Judge Dow sustained the Complaint in its entirety. The case is now in discovery.

## **Background on the Alleged Fraud**

Kraft Heinz was formed as the result of the 2015 merger between Kraft Foods Group, Inc. and H.J. Heinz Holding Corporation orchestrated by Brazilian private equity group 3G Capital. This securities class action arises from Kraft Heinz’s February 2019 announcement that it was forced to take a goodwill charge of \$15.4 billion to write-down the value of the Kraft and Oscar Mayer brands—one of the largest goodwill impairment charges taken by any company since the financial crisis. The action alleges that, while Kraft Heinz’s executives (mostly 3G Capital partners) claimed following the merger that Kraft Heinz was reporting significantly increased profits and profit margins due to cost cutting from “synergies” found in combining the two companies, in fact 3G Capital was imposing arbitrary and across-the-board cuts to costs. These cuts gutted the Company’s ongoing investments in R&D, quality control, and its global supply chain.

These undisclosed and misrepresented cost cuts led to a significant degradation in the brand value of Kraft Heinz’s historic food brands and destroyed key customer relationships, which drove the massive \$15.4 billion goodwill

impairment. In response to the goodwill impairment and related news, analysts criticized the Company for having concealed the “bad news” and characterized the company’s industry-leading profit margins as a “façade.”

Heightening investor concerns, Kraft also revealed that it received a subpoena from the SEC in the same quarter it determined to take this write-down and was conducting an internal investigation relating to the company’s side-agreements with vendors in its procurement division. Because of this subpoena and internal investigation, Kraft was also forced to take a separate \$25 million charge relating to its accounting practices. Since then, the Company has settled with the SEC for these procurement-related allegations (which is just a part of the BLB&G suit) for \$62 million.

Plaintiffs allege that because of the company’s misrepresentations, the price of Kraft’s shares traded at artificially-inflated levels during the Class Period.

## Case Documents

- August 11, 2021 - Memorandum Opinion and Order
- August 14, 2020 - Amended Consolidated Class Action Complaint