

Investment Thesis

ATTRACTIVE MARKET VALUATION WITH UPSIDE SURPRISES

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[Key Stock Statistics]

Date: Nov 5th 2019

Industry: Food

Current Price: 81.45 USD

Target Price: (14.3% upside)

Mkt. Cap: 5.08bn USD

Avg. Daily Vol. (3m): 8,346,245

P/B: 12.8



[Company Profile]

BYND was founded in 2009 with a mission to create “the future of protein” – plant-based burgers, sausage, crumbles, and more – made directly from simple, plant-based ingredients. At its core, Beyond Meat aims to create a solution for four major issues attributed to livestock production: human health, climate change, natural resource constraints, and animal welfare. Beyond Meat gained national recognition in 2013 when its products became available in Whole Foods stores and further in 2016 when the supermarket chain agreed to stock the company’s plant-based burgers in the meat section.

[Investment Summary Points]

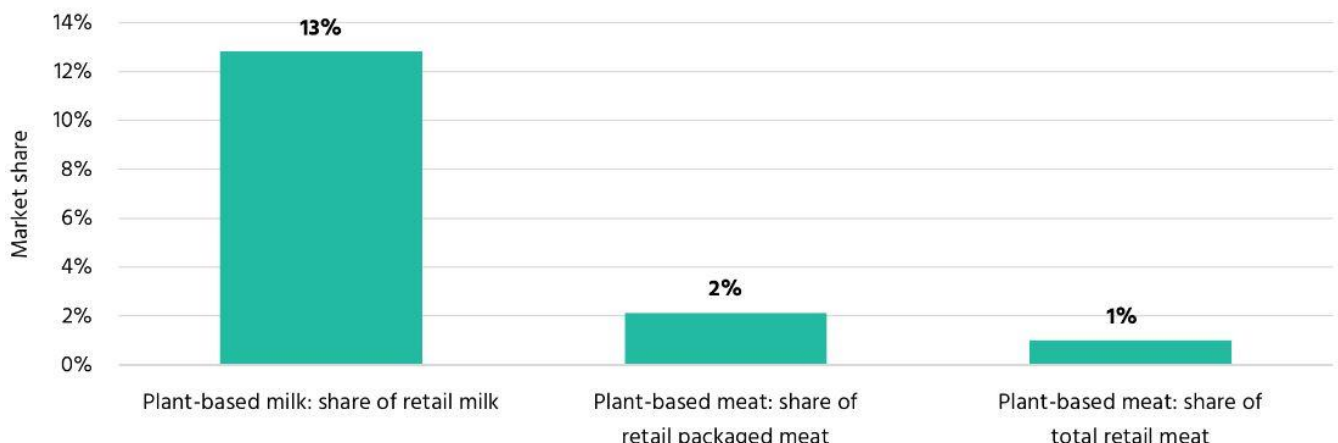
- Plant-based meat becomes the best growth story in staples with upside surprises to come**

We expect the plant-based meat to enjoy a significant market growth opportunity. The plant-based meat category today is reminiscent of the plant-based milk category when it was in its early stages of rapid growth. Plant-based milk now accounts for 13% of all dollar sales for retail milk. The plant-based meat category has the potential to reach market share parity with plant-based milk at a 12 point gain of market share of total retail meat, which is an opportunity worth approximately \$9 billion.

Besides what’s already priced-in about this exciting industry, we believe that the market consensus still underestimates the plant-based meat market for BYND, given the following potentials: Public awareness of environmental protection, institutional fund flow’s growing preference for ESG, consumption upgrade towards healthier food from fast food chain’s customer base.

Plant-Based Milk and Meat Market Shares

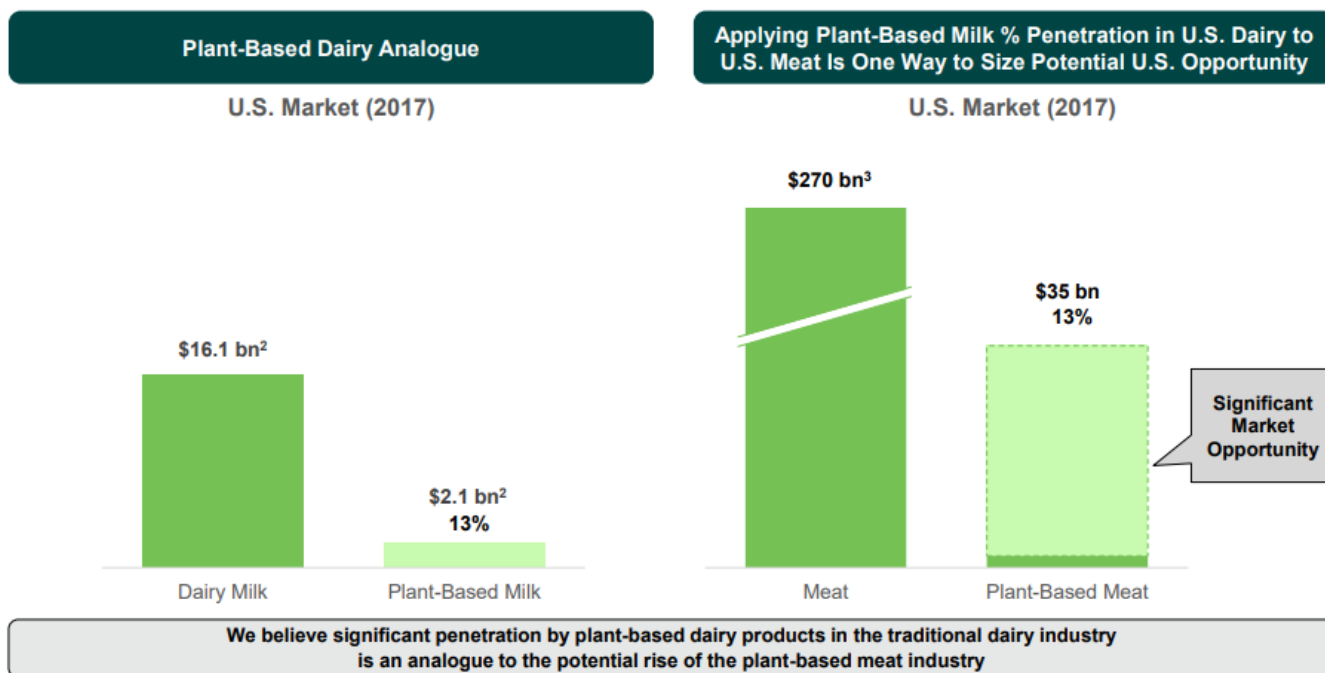
Year ending April 2019



Plant-Based Meat has a Significant Market Opportunity in the U.S. Alone



Plant-Based Meats are Growing in Consumer Acceptance –
95% of People Purchasing Plant-Based Burgers When Dining Out Also Purchasing Beef Burgers¹



Source: BYND 19Q3 Presentation

2. Significant potential growth of BYND’s market share in the sector

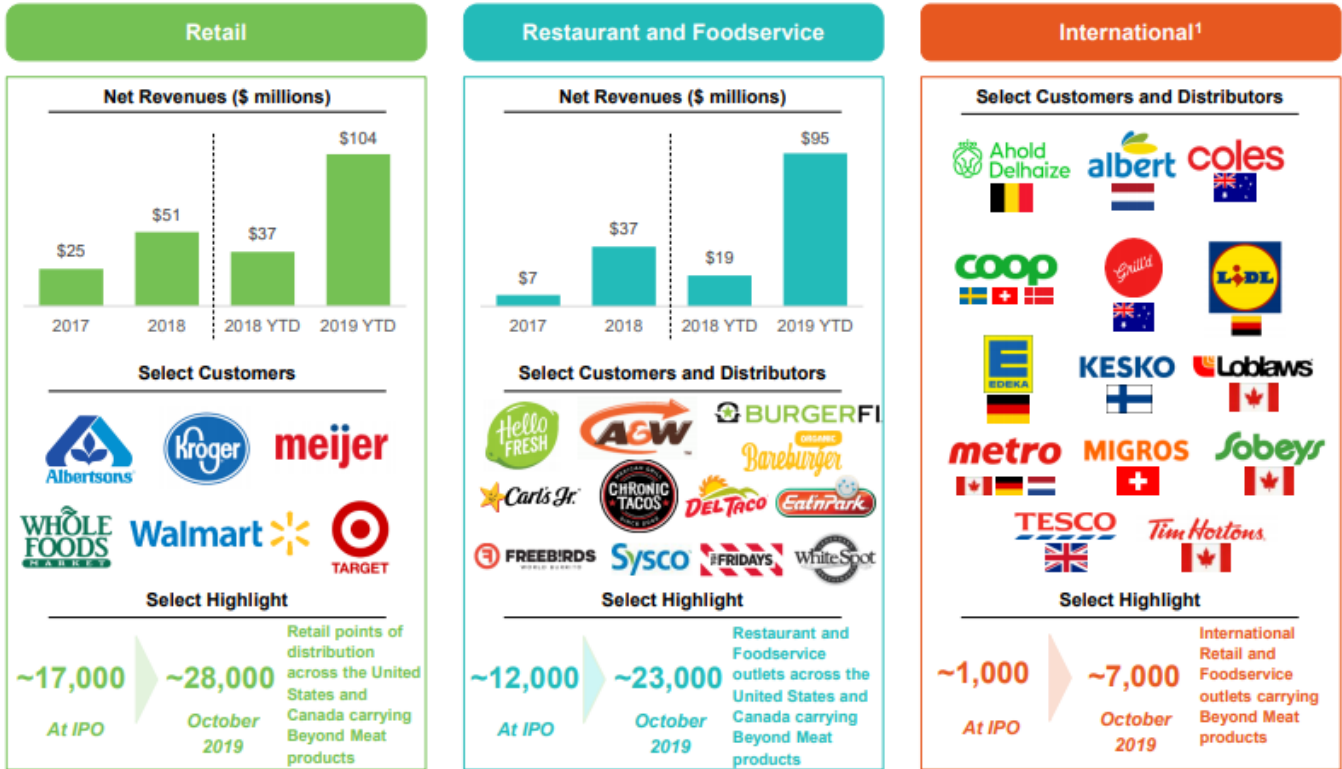
During the 19Q3 conference call, the management expressed their view that as growth rates in the alternative meat industry are very attractive, there is no surprise that the intensity of competition has increased. However, they continue to see BYND well positioned considering its non-GMO offering and being a pure-play alternative meat investment story.

BYND has made achieved significant growth through both the retail channel and the restaurant & foodservice channel. The net revenue from the retail channel has grown 3x from 2018 YTD to 2019 YTD. And we believe the management has been excessively conservative in its projection for 19Q4. Regarding the restaurant & foodservice channel, during the past few months, BYND has made significant progress in acquiring new customers which are either going to launch the product national wise or start a limited test. As this would also help the food chains to bring in new customers, we see a strong incentive for them to facilitate this process.

Beyond Meat is Building a Track Record of Success



We are Poised to Achieve Growth Across Three Distribution Channels



Recent Notable Updates



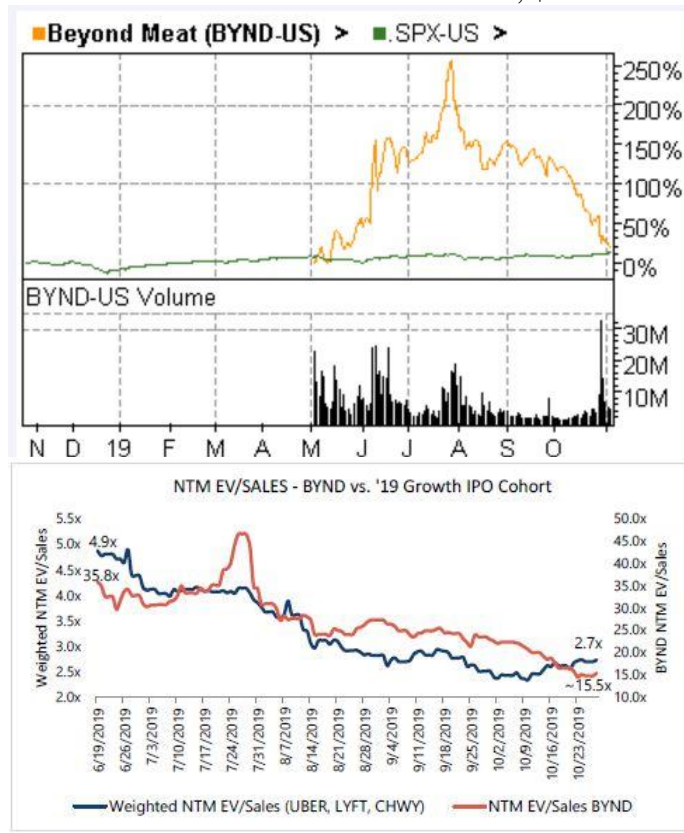
Beyond Meat Rapid & Relentless Innovation Program Is Designed to Make Our Existing Products Obsolete, Generate New Products & Platforms, and Serve A Widening Circle of Customers



3. Recent market correction on high valuation firms presents buying opportunity

In Q319, market has reflected on companies with high valuations based on their growth stories. Names like WeWork, Uber and Beyond Meat, their stock prices were heavily penalized by the

purge. However, unlike WeWork, BYND's Q3 earning actually outperformed market estimation, yet its market price was still hammered. Analysts on the Street lowered their target prices for BYND to a reasonable level (\$120 - \$130), taking the organic growth behind BYND into account while getting rid of the influence of market hype towards its previous target prices (\$170 - \$200). We believe the current upside is the reasonable outlook for BYND, given our estimation at the lower bound of market consensus, \$120.



[Price Projection]

DCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	Terminal
Net Sales	701	926	1,176	1,401	1,601	1,801	1,976	2,151	2,301	
Y-Y	223	225	250	225	200	200	175	175	150	
Y/Y	46.8%	32.1%	27.0%	19.1%	14.3%	12.5%	9.7%	8.0%	7.0%	
Gross Profit	272	362	462	553	635	717	790	863	927	
Gross Margin	38.9%	39.1%	39.3%	39.5%	39.7%	39.8%	40.0%	40.1%	40.3%	
Operating Expenses	(190)	(242)	(295)	(338)	(370)	(398)	(417)	(433)	(440)	
Operating Expenses as % Sales	-27.1%	-26.1%	-25.1%	-24.1%	-23.1%	-22.1%	-21.1%	-20.1%	-19.1%	
Operating Profit	82	120	167	215	265	319	373	430	487	
Operating Margin	11.8%	13.0%	14.2%	15.4%	16.6%	17.7%	18.9%	20.0%	21.2%	
Tax Rate	0%	5%	20%	25%	25%	25%	25%	25%	25%	
NOPAT	82	114	133	161	199	239	280	323	365	
+ D&A	11	35	56	81	93	99	103	108	112	
D&A % Sales	1.6%	3.8%	4.8%	5.8%	5.8%	5.5%	5.2%	5.0%	4.9%	
- Capex	60	70	79	87	93	99	103	108	112	
Capex % Sales	8.6%	7.5%	6.7%	6.2%	5.8%	5.5%	5.2%	5.0%	4.9%	
- Change in Working Capital	24	22	23	18	13	11	7	5	1	
Working Capital	84	107	130	147	160	171	178	183	184	
WC % Sales	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	
+ Other	14	18	23	27	31	35	38	42	45	
Other % Sales	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	
Free Cash Flow	23	75	110	165	217	263	311	360	409	12,179
Y/Y		220.4%	47.2%	49.8%	31.5%	21.3%	18.2%	15.6%	13.6%	
Year	1	2	3	4	5	6	7	8	9	10
PV Factor	1.1	1.1	1.2	1.3	1.3	1.4	1.5	1.6	1.7	1.8
Present Value	22	66	92	130	161	184	205	223	239	6,766
Enterprise Value (PV)	8,089									
Net Debt (2020)	(274)									
Shares Outstanding	65									
Fair Value	120.11									
Current Price	81.45									
Implied Upside	47.46%									

[Valuation metrics (base case)]

Key Assumptions

- Revenue Y/Y growth continues at the level as high as 40% while it gradually drops to ~10% in the next 10 years
- Beyond Meat's EBITDA margins expands to <11% vs. -22% in 2018 on operating leverage, mix and mfg. efficiencies

[Investment Risks]

- **Patent and supply chain risk**
- **Reputational concerns if there's food quality or safety problem**
- **Capacity constraints from a production and raw materials standpoint**
- **Competition from peers gets more intensive than expected**

Aerojet Rocketdyne Holdings - AJRD US Equity

- **Industry bet on defensive sector:** Defensive projects demand from Department of Defense with excessive attention to space defense
- **Underdog in the room:** missed Q3 earnings presents cheaper valuation

Tesla - TSLA US Equity

- **Tesla Shanghai factory:** a game changer for China electric vehicle industry
- **Strong profit surprise:** the upside surprise in profit prepares for a story of transition

Barrick Gold Corp - GOLD:New York

- **Late-cycle theme:** king dollar will underperform in the late cycle regime while gold price and related commodity firm will enjoy value appreciation.
- **Post the recent merger with Randgold:** re-established a diversified portfolio of high quality gold assets

TransEnterix - TRXC US Equity

- **Wildcard in our portfolio with the largest underlying one-year volatility:** company market price plunged, waiting for event-driven pricing movement in the next year from potential M&A opportunities