Company Overview

Beyond Meat Inc (BYND) is a food company based in the United States. The company specializes in plant-based meats including beef, pork and poultry. Its most known and iconic product is the Beyond Burger, which looks, cooks and tastes like traditional ground beef. Some of their other products include Beyond Sausage, Beyond Chicken and other related plant-based meat products. Their products are found in chain grocery stores, natural retailers, restaurants and other foodservice outlets.

Beyond Meat Inc. was created in 2009 at Los Angles, California by Ethan Drown. Their headquarter is in El Segundo, CA and as of June 2019 they had approximately 400 employees. Beyond Meat launched their IPO on May 2nd, 2019 at $25 per share. Prior to their IPO the company raised nearly a quarter of a billion dollars to grow its line of products. The company has received venture funding from Kleiner Perkins, Obvious Corporation, Bill Gates, Biz Stone, the Humane Society, and Tyson Foods.

Their current goal is to grow their product into as many industries as possible. They have recently started expanding into more restaurants like McDonalds and Dunkin Donuts. Additionally, they intend to expand their production facilities in the United States and into other countries.

The company has a board of directors with ten members including the CEO and the executive chair. Within the board there are three committee's: Audit Committee, Compensation Committee, and the Nominating and Corporate Governance Committee.

Their mission is to create environmentally healthy meat made directly from plant-based ingredients. They are hoping to solve issues related to livestock production including human health, climate change, constraints on natural resources and animal welfare.

Competitor Analysis

Plant-based meat may seem like a small and specialized market, but in fact it is a highly competitive environment. Beyond Meat is competing with other plant-based protein makers, including Boca Foods, Field Roast Grain Meat Co., Gardein, Impossible Foods, and Tofurky.

Beyond just specializing in plant-based beef, while other competing companies also sell products like plant-based chicken, eggs, cookie cough, deli slices, and much more. In addition, the contents and ingredients are different among the companies. Beyond Meat uses beans as their primary ingredients while other companies use soybean or even corn base. Furthermore, many of these small companies also sell their products in grocery stores and in chain restaurants like Beyond Meat. Although it should be noted that many of these companies currently do not have a large of a reach as Beyond Meat in terms of retailers.

Furthermore, traditional meat giants like Cargill, Hormel Foods Corp., JBS, Tyson Foods Inc, and WH Group are also competitors. For example, Tyson Foods has recently launched Raised & Rooted, a line of products which includes vegan meat alternatives as well as a blend meat and plant-based protein. These companies have much more resources, lower operating costs, and their products are already widely accepted by consumers. This can give major pressure to startups like Beyond Meat and force them to lower their prices thus reducing their profits. Besides having the resources to research and develop plant-based products, many food giants also have the ability to acquire plant-based meat companies that already have developed products.

Despite all these other companies Beyond Meat's greatest competitor is Impossible Food. They like Beyond, Impossible Food is also a small company whose main product is plant-based beef that is made from a bean base. There are only very small differences that set the two products apart like Impossible Foods' products use GMO in their products while Beyond Meat's products are less fortified with vitamins and minerals.

Financial Statement Analysis

Beyond Meat's financial statements are of great interest because it is recently had an explosive IPO despite past trends the company has seen.

The biggest concern is that they have experienced net losses in each year since their inception. In the years ending in December 31, 2016, 2017 and 2018 they incurred net losses of $25.1 million, $30.4 million and $29.9 million. However, it should also be noted that Beyond Meat's financial statement are very indicative of a growing company. Each year it can bee see that their assets are increasing. Additionally, it should be noted that their total debt is also increasing. This is indicative of the fact that Beyond Meat is trying to grow its company which has been leading to net losses. The following tables breaks down the losses that Beyond Meat has seen.

	December 31,	
	2017	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 39,035	$ 54,271
Accounts receivable	3,581	12,626
Inventory	8,144	30,257
Prepaid expenses and other current assets	1,209	5,672
Total current assets	51,969	102,826

(in thousands)	December 31, 2017		2018
Cash and cash equivalents	$	39,035	$ 54,271
Working capital[3]		39,819	77,659
Property, plant and equipment, net		14,118	30,527
Total assets		66,463	133,749
Total debt		4,915	30,388
Stock warrant liability		550	1,918
Convertible preferred stock		148,194	199,540
Stockholders' deficit		(95,913)	(121,750)

(in thousands)	Year Ended December 31, 2016	2017	2018
Net loss, as reported	$ (25,149)	$ (30,384)	$ (29,886)

Most recently they released their 3rd quarter statement. Income from operations in the third quarter of 2019 was $3.6 million compared to a loss from operations of $8.0 million in the third quarter of the prior year. This improvement was driven entirely by the increase in net revenues. Beyond Meat's focus is growing their company so it could be expected that the stockholders' deficit increases over time. However, it could be expected that Beyond Meat eventually earns profit as its consumer and company base researches a sustainable size.

In the future, it can be expected that net revenues increase. In fact, it is targeted to be in the range of $265 million to $275 million at the end of 2019. They anticipate that their operating expenses and capital expenditures will increase substantially in the foreseeable future as they continue to invest to increase their customer base, supplier network and co-manufacturing partners, invest in their distribution and manufacturing facilities, hire additional employees and enhance their technology and production capabilities.

Valuation with Financial Metrics, Opportunities, and Threats

Valuation Metrics:

Market Capitalization	4.79 Billion
Enterprise Value	4.46 Billion
EV/EBITDA	19.31
Return on Equity	-9.47%
Price to Earnings Ratio (Forward)	239.44
Price to Sales Ratio	17.87
Return on Assets	-0.61%
Current Ratio	7.46

*As of 11/13/19 https://finance.yahoo.com/quote/BYND/key-statistics/

Mid-cap companies have a market cap of $2 billion to $10 billion. Given that Beyond Meat falls right in the middle of that value it can be said that they have room for growth and have grown a lot since they recently launched their IPO.

A company with more cash than debt will have an enterprise value less than its market capitalization and vice versa. Since Beyond Meat's enterprise value is about is about 33 million less than its market cap it can be said that they have more cash than debt

The EV/EBITDA ratio varies by industry. The EV/EBITDA for the S&P 500 has typically averaged from 11 to 14 over the last few years. However, as of January 2019, the food processing industry had an EV/EBITA of 11.69. Beyond Meat's is above that and a high EV/EBITDA mean the company is potentially overvalued. This could be expected since they had a very explosive IPO and share prices have dropped.

ROEs of 15-20% are generally considered good. Beyond Meat's ROE is not healthy as it is negative. However, this can be expected since they are trying to expand their facilities and production line right now.

A higher EPS ratio indicates a company's ability to generate profits for common shareholders. Beyond Meat's ratio is high so it indicates its high potential. This is in line with the fact that they are trying to expand and went public in order to have the resources to do that.

The lower the P/S ratio, the more attractive the investment. Therefore, Beyond Meat's is rather high. However, it can be said that this has decreased dramatically over time as in the las few months it was 2 times as high as its current value. This is in line with the EPS ratio as it shows that there is growth for the company.

ROAs over 5% are generally considered good. The negative ROA is the indication that Beyond Meat is not currently profitable. This metric should not be the only thing when considered about this company and the potential should also be looked at.

Acceptable current ratios vary from industry to industry and are generally between 1.5% and 3% indicates good short-term financial strength. Since Beyond Meat is above the range it can be said in the short term, they are healthy.

Investment Opportunities

Beyond Meat recently made a deal with Zandbergen World's Finest Meat to build a new factory in the Netherlands. Zandbergen has considerable distribution weight, and the factory will be Beyond Meat's first in Europe, which will reduce logistical hurdles in supplying fresh products to in the continent. That's good, considering frozen products made up just 9% of gross revenue in the first half of 2019. The facility will also be advantageously close to some of the world's most abundant and lowest-cost sources of pea protein, the main protein source in Beyond products, and sugar beets. That could allow Beyond Meat to build long-term relationships in agricultural markets that will help them grow. Additionally, in the last year Beyond Meat has opened another production facility in Missouri in order to meet growing demand. This is there second production facility in the United States showing how they are trying to meet the growing demand on the east coast.

Beyond Meat has launched a new Beyond Burger and made its Beyond Beef available to retail channels in recent months. They are continuing to expand their products into name and chain restaurants. Continuous innovation will be required to keep Beyond Meat at or near the top of the pack.

Beyond Meat is expecting the alternative meat category to become a multibillion-dollar market over time and to take significant share from the $1.4 trillion global market for meat. The company is planning to mimic the strategy used by the plant-based dairy industry, which makes up about 13% of the dairy milk industry.

The company posted strong third-quarter 2019 results. There was a 250% increase in revenue to $92 million, and its first quarter of positive net income at $4.1 million, or $0.05 per share.

Investment Risks

Shares of Beyond Meat fell 43.2% in October, but it's also still trading well above both its $25 IPO price. This volatility has led some investors to hold off on investing in Beyond Meat until they are more stable.

The rapid growth and the expectation of growth will and lead to many hurdles. Beyond Meat needs to scale up in order to meet demand and compete with larger traditional meat companies. They need to earn more power within the agricultural industry to lower cost of products sold and offset margins.

Additionally, vegetarians and vegans are those who would be most responsive to the product. They represent a very small portion of the U.S. population, 5% and 3%, respectively. Many predictions about the future of Beyond Meat ant the plant-based meat industry in general is based on the trend of the plant-based dairy industry. Based on the indicators of the plant-based dairy industry the plant-based meat industry has potential but there is a key difference in the consumer size. Many people are lactose intolerant so they are unable to consumer traditional milk, so this drives up the demand. This pattern may not be seen in the plant-based meat industry. The company needs to tap into other consumer trends that have a larger potential audience, including individuals concerned about climate change, resource conservation, and animal welfare.

Final Recommendation

Various factors point to the potential of Beyond Meat (BYND). Metrics, net profit, and expansion of the company all point to the upward direction of Beyond Meat indicating that investors should buy Beyond Meat.

Various metrics point to the fact that Beyond Meat is a growing company with a lot of potential. With a market cap of $4.79 billion, Beyond Meat falls comfortably into the mid-sized company range. This market cap shows that they have room for growth and have grown a lot since they recently launched their IPO in May. The fact that they fall into such a range shows that they are not a small company and that they can develop into a larger company. Additionally, Beyond Meat's enterprise value is about is about 33 million less than its market cap. Therefore, it can be said that they have more cash than debt which is an indicator of a healthy company. Acceptable current ratios vary from industry to industry but a ratio of between 1.5% and 3% indicates good short-term financial strength. Since Beyond Meat has a current ratio of 7.46% it is above the industry range so it can be said that in the short term, they are healthy.

There are some concerning factors about Beyond Meat. The chief is that Beyond Meat has experienced net losses in each year since their inception. In the years ending in December 31, 2016, 2017 and 2018 they had net losses of $25.1 million, $30.4 million and $29.9 million. However, investors should still buy their stock. Most recently they released their 3rd quarter statement. Income from operations in the third quarter of 2019 was $3.6 million compared to a loss from operations of $8.0 million in the third quarter of the prior year. They are expected to make net profit this year.

Additionally, Beyond Meat is expanding their facilities. They recently made a deal with Zandbergen World's Finest Meat to build a new factory in the Netherlands. This shows how they are trying to scale up and compete with their major competitors. By expanding they are lowering their production and transportation costs which contributes to a lower operating cost. Furthermore, Beyond Meat continues to release new products as they are trying to control as much of the plant-based meat market as possible. With the release of the of a new Beyond Burger they are drawing attention to their products. They are also trying to partner with various chains like Dunkin Donuts to serve their product as a substitute for regular beef.

They anticipate that their operating expenses and capital expenditures will increase substantially in the foreseeable future as they continue to invest to increase their customer base, supplier network and co-manufacturing partners, invest in their distribution and manufacturing facilities, hire additional employees and enhance their technology and production capabilities. Investing during times of expansion points to the potential and returns of the company down the line.

Overall, investors should buy into Beyond Meat because they have the potential for growth and holding their stock long term could result in significant returns.