

Investment Management Group

Fall 2021 Info Session



NORTHWESTERN
UNIVERSITY

Tonight's Agenda

- Club Overview (~20-30 minutes)
- A Sample Pitch (~20 minutes)
- Small Group Q&A (~10-20 minutes)

One Singular Mission

We exist to make investors out of students who are willing to work hard and are eager to learn.

What do we do as a Club?

We spend each quarter understanding businesses with the aim to trade securities

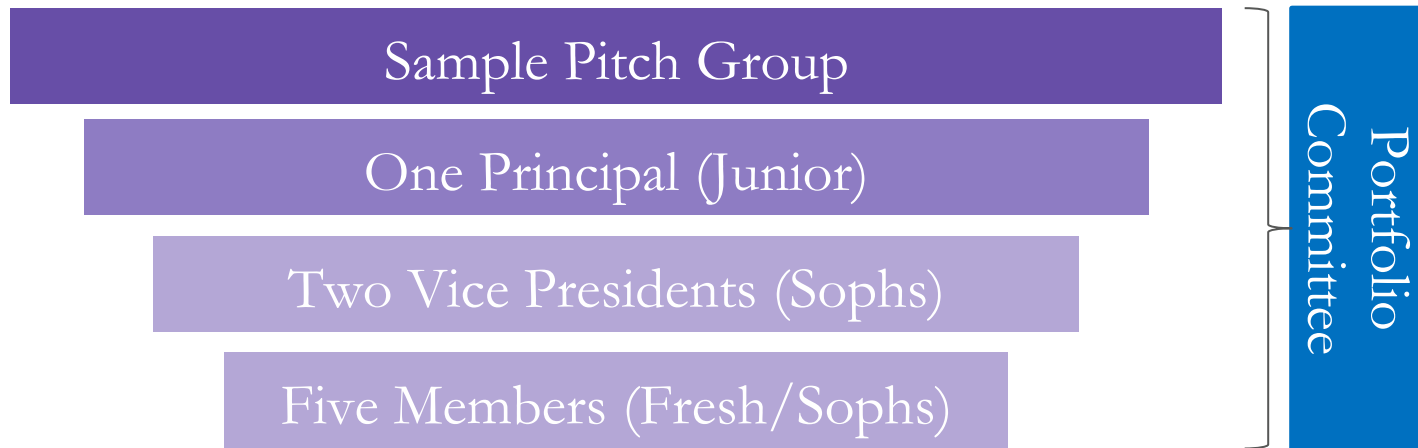
Our core areas of research include the below:

- **Industry Research** (2 weeks): Understand the industry's dynamics and articulate our outlook on the space
- **Company Research** (4 weeks): Understand its competitive advantage, management, and operating profile; articulate our thesis on the business
- **Valuation** (1 week): Build a dynamic model in excel to assess the value of the business under various sets of assumptions
- **Presentations** (1 week): Present conclusions to another pitch group and the Exec Board

The portfolio committee will provide use with a quarterly memo at the end so we can understand their decision-making process to add/leave out certain names

How are we organized?

- We organize our members into six different pitch groups, each tasked with finding, researching, and valuing one company over the quarter
- Each pitch group is run by a Principal who has both mentoring and pitching responsibilities; two Vice Presidents lead the research process by working with members
- Our Club-wide Thursday meetings feature updates from pitch groups



Group structures designed in order to encourage lean teams (resulting in quick learning experiences) as well as opportunities for leadership positions.

Our Training Program

Investing requires two core skillsets:

- (1) Qualitative understanding of the asset / company
- (2) Quantitative ability to forecast future performance

We believe that pitch groups best facilitate the learning of the bucket (1) skillset

We have designed a case-based training program in excel to cover the bucket (2) skillset from our prior experience working at world-class investment banks and private equity firms.

Tim Camp Fires		Case: KCM Base Case											CAGR / Δbps		
Operating Model		Actuals					Estimated								
(All figures in \$000's unless otherwise noted)		2015A	2016A	2017A	2018A	2019A	2020A	2021B	2022E	2023E	2024E	2025E	2026E	'15A-'20A	'21A-'26E
S'mores Co															
S'mores Sold		1,000	1,100	1,210	1,331	1,398	1,467	1,541	1,618	1,699	1,784	1,873	1,966	8.0%	3.0%
Average S'more Price		2.00	2.04	2.08	2.12	2.25	3.38	3.52	3.66	3.80	3.95	4.11	4.28	11.1%	4.0%
S'More Revenue		2,000	2,244	2,518	2,825	4,542	4,959	5,416	5,914	6,458	7,052	7,701	8,410	19.9%	9.2%
% Growth															
S'mores Sold			10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
Average S'more Price			2.0%	2.0%	2.0%	53.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%		
S'More Revenue			12.2%	12.2%	12.2%	60.8%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%		
Crackers		(600)	(667)	(741)	(823)	(873)	(924)	(980)	(1,040)	(1,103)	(1,169)	(1,240)	(1,315)	9.0%	6.1%
Chocolate		(500)	(553)	(678)	(785)	(860)	(954)	(1,041)	(1,126)	(1,206)	(1,292)	(1,384)	(1,482)	13.8%	7.3%
Marshmallow		(750)	(842)	(944)	(1,058)	(1,132)	(1,211)	(1,296)	(1,389)	(1,487)	(1,593)	(1,706)	(1,827)	10.0%	7.1%
Special Sauce		—	—	—	—	(629)	(673)	(721)	(773)	(827)	(886)	(949)	(1,016)	N/A	2.1%
S'More Direct Cost		(1,850)	(2,091)	(2,362)	(2,666)	(3,499)	(3,762)	(4,040)	(4,327)	(4,623)	(4,940)	(5,278)	(5,640)	15.3%	6.9%
Pieces per S'more															
Crackers		2	2	2	2	2	2	2	2	2	2	2	2	—	—
Chocolate		1	1	1	1	1	1	1	1	1	1	1	1	—	—
Marshmallow		1	1	1	1	1	1	1	1	1	1	1	1	—	—
Special Sauce		—	—	—	—	1	1	1	1	1	1	1	1	N/A	—
Total Pieces		4	4	4	4	5	5	5	5	5	5	5	5	4.6%	—
Cost per Piece															
Crackers		(0.30)	(0.30)	(0.31)	(0.31)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.33)	(0.33)	(0.33)	1.0%	1.0%
Chocolate		(0.50)	(0.53)	(0.56)	(0.59)	(0.62)	(0.65)	(0.68)	(0.70)	(0.71)	(0.72)	(0.74)	(0.75)	3.4%	2.2%
Marshmallow		(0.75)	(0.77)	(0.78)	(0.80)	(0.81)	(0.83)	(0.84)	(0.86)	(0.88)	(0.89)	(0.91)	(0.93)	1.9%	2.0%
Special Sauce		N/A	N/A	N/A	N/A	(0.45)	(0.46)	(0.47)	(0.48)	(0.49)	(0.50)	(0.51)	(0.52)	N/A	2.0%
Total Pieces		(0.46)	(0.48)	(0.49)	(0.50)	(0.50)	(0.51)	(0.52)	(0.53)	(0.54)	(0.55)	(0.56)	(0.57)	2.1%	1.8%

How are we different?

1 Quarterly Pitch Structure

- Long-term thinking
- Discussion-focused and feedback-oriented
- Better proxies real investing
- Personalized Portfolio Committee coverage

2 The Club Feels Small

- Club Presidents know you
- Checks and balances to ensure everyone is receiving mentorship

3 Case-based, excel driven training

- Learn concepts in the contexts in which they're relevant
- Based on real-world material
- All finalists in annual Northwestern pitch competition have been from IMG

4 Pipeline into Other Pre professional Clubs on Campus

Our Outcomes



J.P.Morgan



strategy&



Morgan Stanley

LAZARD



McKinsey&Company



What We're Looking For

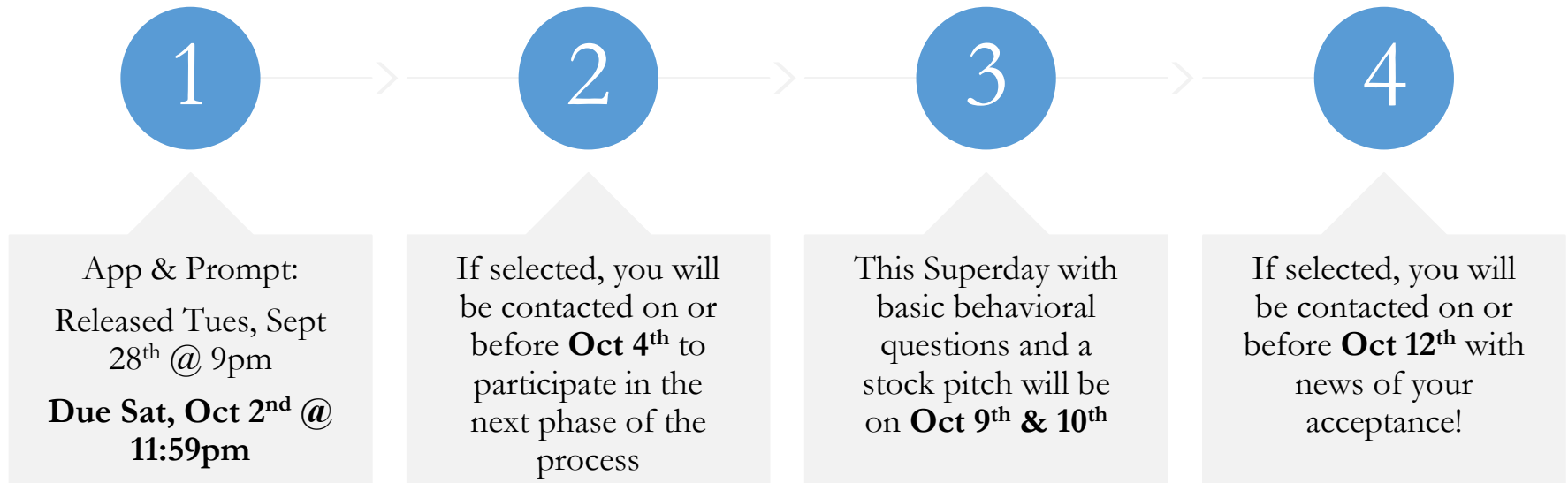
A Candidate's Qualities

- (0) ZERO prior finance or investing experience required
- (1) Smart
- (2) Willing to work hard
- (3) Able to conduct good research

Typical Candidates...

- Are freshmen (fill class first with freshmen)
- Are considering a career in banking, consulting, asset management, private equity, etc.

Recruitment Process



Make sure that you have filled out our “2021-2022 NUIMG Info Session” sign-up form. You need to be on this list to receive our application!

tinyurl.com/nuimginfosession

Questions & Tips

What does the time commitment look like?

- 2 hours weekly training sessions
- 2 hours preparing for weekly deliverables (We've both often put in way more time than this)
- Informal coffee chats/resume checks
- Total **minimum** ~5 hours commitment per week

How do I find what to pitch?

- **Pitch what you know!** – Don't start on the internet e.g. Seeking Alpha/Motley Fool
- Names to avoid: Large Semi Conductor companies, Facebook, Amazon, Apple
- **Helpful Resources:** Look at your company's 10K, Pat Dorsey's video on moats



Don't focus on financial valuation if you don't understand it

Conclusion

- Email northwesternimg@gmail.com if you have any questions
- Look out for our application coming soon!
- Don't forget to **apply by Sat, Oct 2rd** at 11:59PM!

Beyond Meat
NASDAQ: BYND
Recommendation: Short



BEYOND MEAT[®]

KCM Asset Management
Jacob Kosmicki, Allen Cao

Overview



Company Overview

Company Name: Beyond Meat

Current Share Price: \$109.69 **Market Cap:** \$7.3B

Stock Exchange/Ticker: NASDAQ: BYND

Business Description: Beyond Meat produces and sells plant-based alternative meat products. Beyond's products are meant to imitate beef, pork, and chicken and appeal to more impact-conscious consumers. Their most popular products include the Beyond Burger, Beyond Meatballs, and Beyond Breakfast Sausage.

Industry Overview

Meat Industry:

- Mature, fragmented and commoditized
- Sensitive to input costs, Low Margin
- Volume dominated by incumbent players

Alternative Meat Industry:

- Young and developing, some product differentiation
- ESG friendly, attracting lots of new capital and R&D spend
- Higher margin than traditional meat

Segment Overviews

Retail
(~70% of revenue)

Retail includes products sold in grocery stores. Beyond targets health-conscious retailers where their products are more likely to resonate with consumers.

Foodservice
(~30% of revenue)

Foodservice includes products sold as menu items in partner restaurants. Beyond often negotiates to attach their brand to those items.

Business Model

Beyond's business model is very straightforward. They purchase pea protein and other inputs from suppliers, which they use to produce plant-based meats. Beyond then sells their plant-based meats to partner retailers and restaurants, profiting the difference. At this stage, Beyond's primary focus is on building their brand and securing partnerships, with the hopes of being able to profit once they reach scale.

Investment Thesis



Investors Are Badly Overestimating TAM

Alternative Meat Market Will Commoditize Over Time

Cell-Based Products Will Challenge Plant-Based Domination of Alternative Meat

Weakening Demand and Partnership Strength

Aggressive Valuation Leaves Little Room For Error

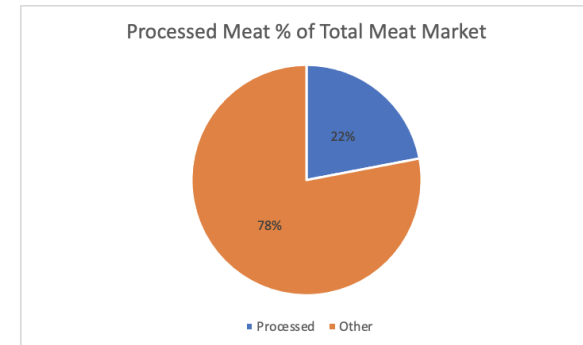
Limited Realistic Total Addressable Market



We hold a differentiated view from the sell-side consensus that plant-based meat will achieve a \$100-150B market by 2030

There is a fundamental misconception of the end market growth for plant-based meats. We do not think it is feasible for plant-based meats to capture a 10-12% market share given that it may only be able to replicate highly processed meats, a fraction of the total meat market.

- Beyond Meat's current offering of products include ground beef, burger patties, breakfast sausages, chicken nuggets (KFC), chicken tenders (Epic Burger), and meatballs
 - What do these all have in common? They all belong in the fast-food and processed meat category
- The processed meat market is only 22% of the total meat market → **Beyond Meat's current R&D is not close to replicating fresh meats**
 - Think about fake bones. Would consumers eat those? Sounds very artificial and fake.
 - What about fish? Hard to imagine pea protein can replicate the slimy texture and composition of fresh, raw salmon
- Beyond has limited product categories that it has yet to expand into (fish, turkey) → Slow-down sale momentum and cross-selling ability
- Beyond is not even close to replicate fresh meat → By then cell-based meat and larger competitors would have entered
- Analyst estimates of \$150B market in 2030 is unrealistic → Plant-based meat would have to take 30-40% of processed meat market share (assuming limited penetration in fresh meats)



Source: National Institute of Health & Ohio State University



VS.



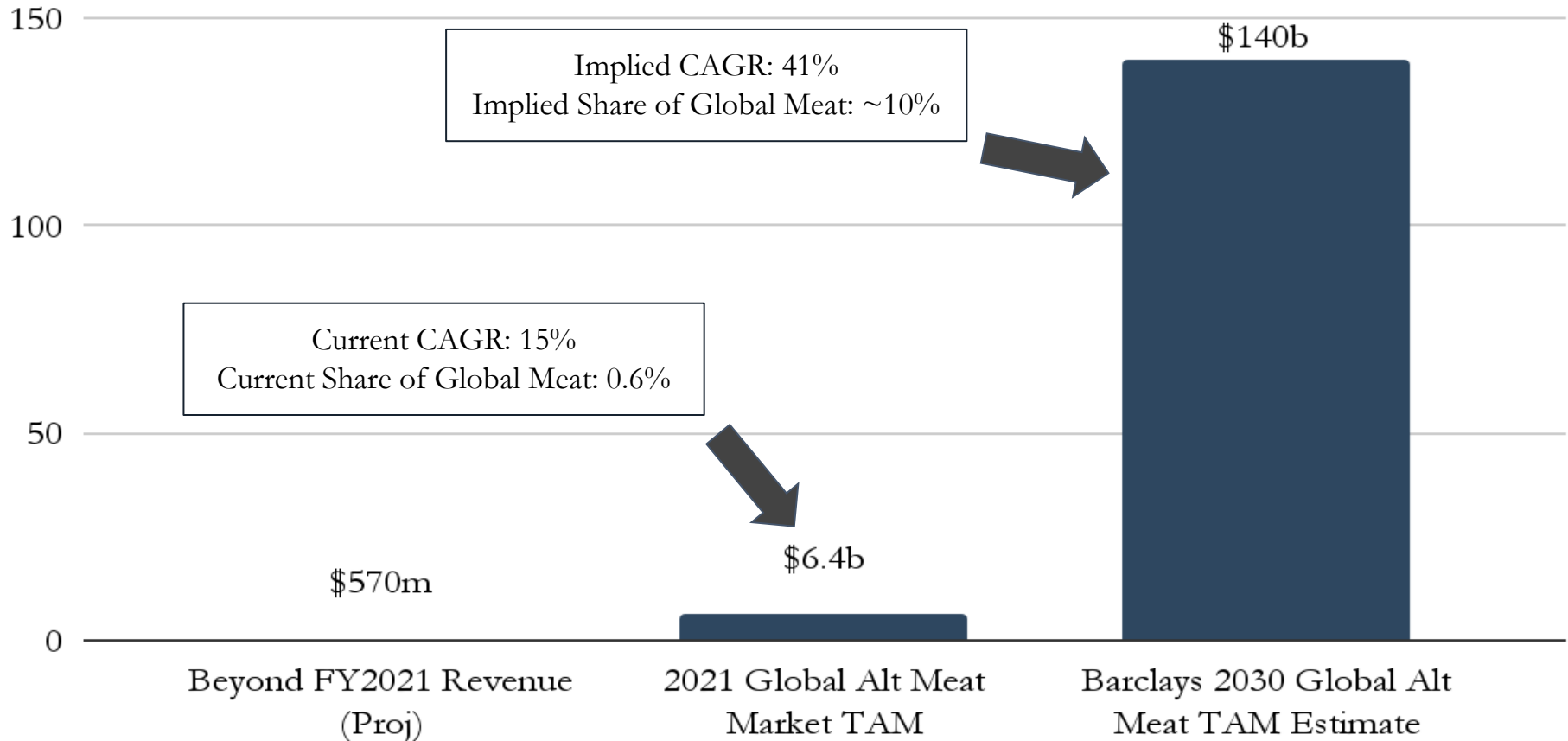
VS.





BEYOND MEAT

Sell-Side TAM Projections Too Aggressive



Implied CAGR: 41%
Implied Share of Global Meat: ~10%

Current CAGR: 15%
Current Share of Global Meat: 0.6%

Sources: Barclays, Renub Research

Catalyst Pushbacks

Multiple question marks and counterpoints to the main “catalysts” for plant-based meat

The primary catalysts for the growth of plant-based meat in order of importance: Health benefits, environmental concerns, and animal welfare

1. **Red Meat is Unhealthy** – There are scientific studies that say excess red meat consumption is unhealthy due to cholesterol and unsaturated fats. However, we believe that any small shift in perception can significantly alter demand and consumer perception:
 - a. Sodium content in Beyond is significantly higher (390mg v. 75 mg) per patty
 - b. Duke Scientists found that Beyond was missing key metabolic nutrients like B12 vitamins
 - c. Alternative meat is highly processed in nature → Uses modified and highly chemical ingredients to mimic texture and taste

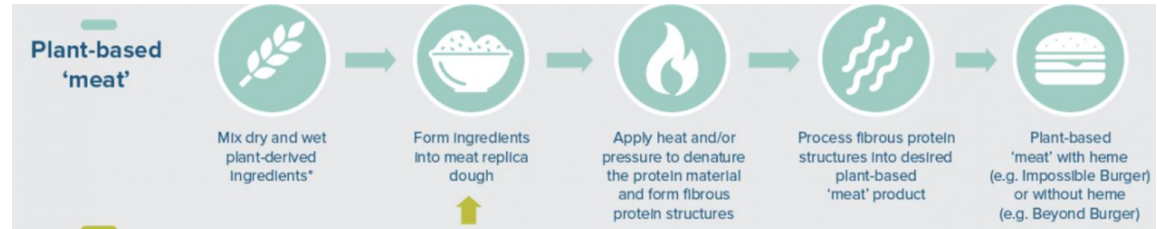
Nutritionists say that plant-based meats are still foods to eat “only once in a while”.

1. **Environmental Impact** – The global meat production industry commits 14% of world’s carbon emissions.
 - a. Power generation and industrial processing are far more ahead on the agenda of the federal government
 - b. Only a small portion are willing to pay higher prices for a less tastier product → small percentage of population
2. **Animal Welfare** – Strongest proponents of animal welfare are vegans and vegetarians
 - a. Small 3% of vegans and vegetarians won’t even consider touching Beyond products, since they resemble meat.
 - b. Cultured meat is a much better long-term bet to reshape the meat market for animal welfare & environmental concerns

Lack of Differentiation Will Lead to Industry Consolidation



Plant-based meat production requires four industrially simple processes: Mixing protein sources and ingredients, extruding to form in meat shaped dough, applying heat to form fibrous protein structures, and further processing



Because of this lack of differentiation, we believe that the long-term industry will resemble closely the current meat industry: highly fragmented, with a few larger players that have achieved transnational scale. We see gross margins compressing from 30% to 15-20%.

- We strongly believe that Beyond is experiencing a typical first-mover advantage in a new industry propelled by:
 - Unsustainable marketing expenses (SG&A ~ 33% v. 14% industry average)
 - Big name partnerships and investor enthusiasm supported by social media

However, we have conviction that the weighing scale of competitive economics will win over in the long term

- Beyond's brand value is highly overstated
 - Partnerships are not exclusive – Customers may change their alt meat supplier based off of pricing. McDonalds doesn't even put Beyond's name on its McPlant burger.
 - This is not Coca-Cola v. Pepsi – No trade secrets or mystery formulas. No significant difference in taste and uniqueness. Meat industry has more players/more fragmented than the soda beverage industry and is a consumer staple in diets. Significant less brand visibility.
- Overview of Current Meat Industry
 - 48.9% of industry share dominated by 4 large players, while the rest is made of smaller competitors with single-digit market share
 - The average gross margin in the industry is around 15%, with Tyson foods sitting around 13.3% compared with Beyond's 30%
 - Larger players would be willing to cut prices as the rest of their business are much lower margin to take up market share, which will likely force Beyond to reduce price → **Lower margins, profitability**

Competitor Profiles – Strengths & Advantages



IMPOSSIBLE™

- Impossible Foods is Beyond's largest competitor, who has seen its market share grow from less than 1% to ~9% in the past year
- Impossible patties are objectively rated to be of higher quality with texture, taste, and other meat-like attributes
 - Uses soy hemoglobin, which mimics meat texture and color
- Beyond's burgers use flavor additives to create an artificial flavor
- Impossible in talks to go public – potential source of capital for further growth



- Tyson Foods is the largest meat processing company in the US with 110 plants, 141,000 employees, and \$43B in sales
- Tyson Foods announcement in May 2021 about new alternative meat patty and products send Beyond's shares down 4% in one day
- Tyson's existing culinary experts, scientists, global supply chain, retail and restaurant relationships will allow it to scale quickly
 - Tyson said R&D is unimportant with alternative meat → Tyson spends \$110B compared to Beyond's \$30B

- **Other large competitors:** Cargill (PlantEver Brand), JBS (Ozo), Kellogg (Incogmeato), Hormel (Happy Little Plants), Kroger (Simple Truth), Nestle (Sweet Earth), etc
- **Larger players experience many advantages:**
 - Shelf space: Larger players have agreements for shelf space in ideal locations in stores
 - Production and Distribution Scale: Economies of scale enjoyed for lower production costs and a global network of distributors
 - Financial Power: Allows for more aggressive marketing from other lines of profitable business, while Beyond relies on debt to finance
 - Scaling: No new capex for new facilities and distribution centers, savings on transportation costs due to global footprint, while BYND takes time to scale

Existing high-fixed cost facilities and processing machines, combined with a global supply chain and distribution network advantage, will allow competitors to produce at a lower cost → lower prices either forces Beyond to lose market share or experience margin compression



BEYOND MEAT™

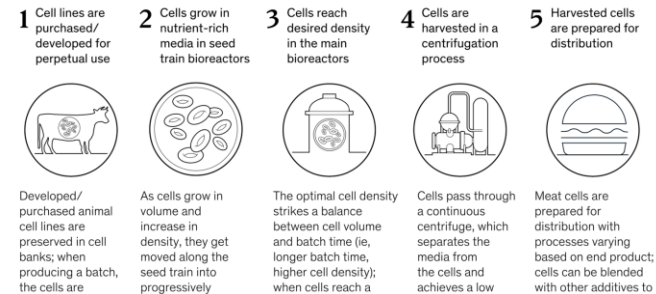
Cell-Based/Cultured Meat

Cell-based meat will present formidable competition as it tastes and feels like real meat, yet is sustainable and ESG-friendly

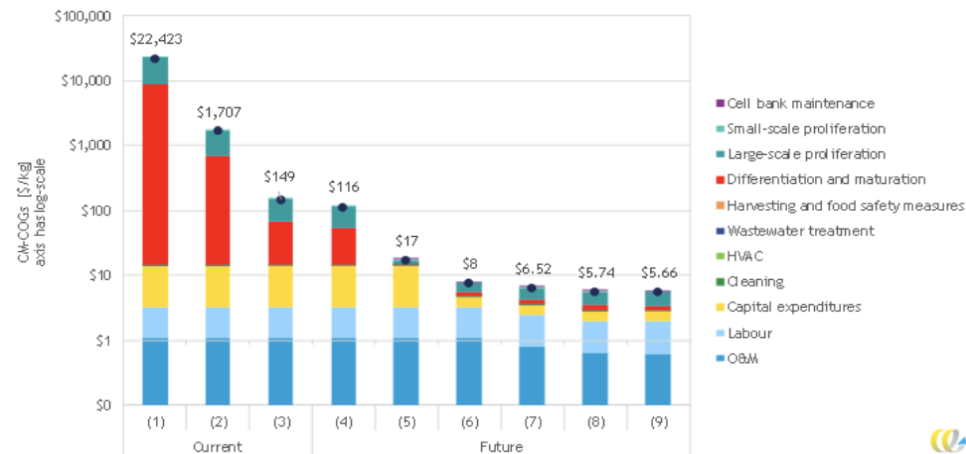
- Cell-based/cultured meat is a lab grown alternative to traditional meat that takes real animal cells and “grows” meat that mimics the taste and texture of real meat (see right: production process)
- Cultured meat addresses environmental and animal welfare concerns
- At the moment, plant-based meat enjoys a considerable cost advantage over cultured meat, but that will close rapidly in the near future
 - Dutch consultancy firm CE Delft estimates that cultured meat’s cost of production will fall precipitously from \$22,000/kg to \$8/kg within 6 years
- Capital is pouring into the space, demonstrating that large players see the promise of cultured meat and the potential for dramatic cost reduction
 - Cultured meat attracted \$350m in capital in 2020, and about \$250m more in the first half of 2021
 - Large meat companies such as Tyson and Nutreco have invested, in addition to startup/VC firms such as SoftBank and Temasek

Production process for cultivated meat

Cultivated meat is made by taking a small sample of animal cells and growing them in a controlled environment.



Source: McKinsey & Company



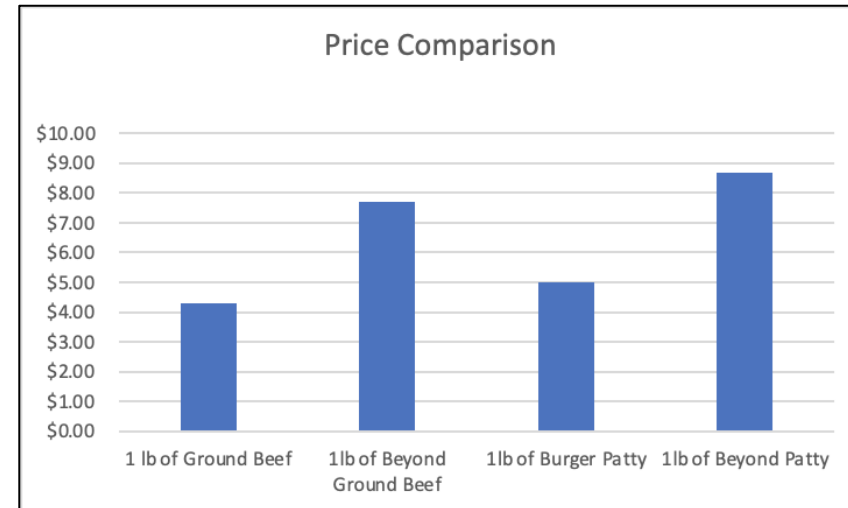
Source: CE Delft, Feb 2021 Study



Difficulty Achieving Price Parity

Significant challenges lie ahead for Beyond to achieve price parity, the #1 determinant for consumers

- As of February 2021, the average alternative meat was \$9.87/lb, while beef was \$4.87/lb
- Beyond and Impossible have been aggressively cutting prices by ~15-20% increments → **Sign of high price competition**
- Price of pea protein, which is considered to be non-GMO and of higher quality than soy, is more than twice as expensive. This is because pea starch makes up 60% of volume and is a byproduct of production
- Despite plant protein being 3x cheaper than animal protein, processing costs account for 94.3% of retail revenue, whereas meat processing is only ~50% of revenue
- The only feasible path to price parity comes from production at scale, of which Beyond simply cannot achieve with its current 4 factories, while larger competitors can scale quickly and lower prices



To date, Beyond has been able to capture growth within the base of consumers willing to pay up for alternative meat. However, to achieve their long term goals and justify their valuation, they need to close the price gap, which will prove to be difficult

Sources:

- 1 lb of Ground Beef – St. Louis Fed Monthly Beef Commodity*
- 1 lb Beyond Ground Beef – Lowest Price from Target*
- 1 lb of Burger Patty – Price for 85% Lean/15% Fat, lower lean% composition down to \$3-3.5/lb*
- 1 lb of Beyond Patty – Lowest Price from Walmart*



Marketing-Led Growth is Unsustainable

Beyond has embraced the first-mover advantage with an expensive advertising campaign in an industry where brand has minimal value when it comes to consumer decision making. We see Beyond as an overly promotional, inflated brand.

- The Food Industry is not known for its brands like the luxury fashion industry. Tyson Foods itself has over 40 individual brands including: Jimmy Dean, Tyson, Hillshire Farms, Wright Brand, Raised & Rooted, etc
 - People don't tend to place value on the brand → low brand loyalty and costs of switching
- Beyond has relied on large, public partnerships announcements with restaurant and grocery chains that have low exclusivity
 - McDonalds refused to sign long-term contracts or designate Beyond as sole supplier → **Lowest cost matters most**
 - Whole Foods has already partnered with Impossible Foods, ConAgra Garden of Eatin', Tyson Raised & Rooted
- Marketing so far has been successful, but its ad campaign does very minimal work to extinguish itself
 - Lack of branding visibility → Consumers don't see Beyond logo in food they eat

We see National Beverage, producer of La Croix, as a comparable example of a marketing-led consumer bubble

- La Croix was a cultural phenomenon back in 2017, Millennials believed it was the next big product due to its perceived health benefits → the stock shot up 550% from 2017-19, before declining 70%
- It was a carbonated drink that was healthy! La Croix was a popular brand with first mover advantage, and everyone went with the craze
- In 2019-2020, two catalysts led to its downfall
 - Increased competition i.e Spindrift, Pellegrino → La Croix lost market share
 - Health questions: Lawsuit brought on in 2018 said La Croix mislabeled its products as “natural”, when it contains various questionable ingredients
 - Beyond faces numerous health question marks



Price Chart of National Beverage (Nasdaq: FIZZ)

Signs of Weak Demand

Recent data indicates that demand is softening

Prior to Q2 Earnings

- Leading into Beyond's Q2 report, there were already signs of weakness in the Nielsen weekly YOY retail data (right)
- On an absolute level, some of the weakness can be attributed to tough 2020 comps due to COVID stockpiling and elevated grocery sales

Q2 Earnings Overview

- Sales beat estimates, but Beyond posted a wider than expected loss
- U.S. retail posted a -15% YOY revenue decline, coming off of tough stockpiling comps, offset by a 270% surge in foodservice
- U.S. sales as a whole increased a measly 5% YOY, but the international rollout showed strength, with sales surging 190%
- Beyond's Q3 sales guidance was very soft, with management claiming they were seeing order hesitancy in foodservice due to the Delta variant
- Yum Brands (Pizza Hut, Taco Bell, KFC), Chipotle, McDonald's, and many others all reported strong earnings and guidance that did not exhibit the level of Delta variant caution that Beyond communicated

We believe that management is misattributing what is actually weak demand for their product to Delta variant fears



Exhibit 4: Company \$ % chg y-y on a weekly basis

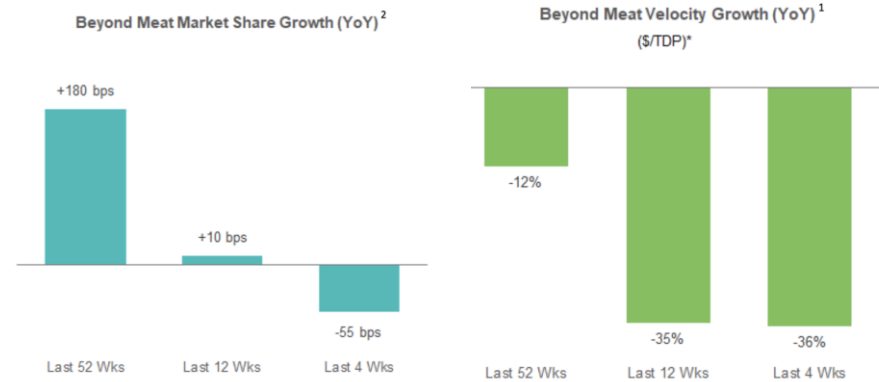
Retail sales worsened in the latest two weeks for a majority of food companies

Companies	1 W/E 04/10/21	1 W/E 04/17/21	1 W/E 04/24/21	1 W/E 05/01/21	1 W/E 05/08/21	1 W/E 05/15/21	1 W/E 05/22/21	1 W/E 05/29/21	1 W/E 06/05/21	1 W/E 06/12/21	1 W/E 06/19/21	1 W/E 06/26/21	1 W/E 07/03/21
AVO	8.6%	15.1%	15.2%	18.1%	15.3%	23.4%	17.0%	10.9%	-8.4%	-30.5%	-40.1%	-28.5%	-19.1%
BYND	3.2%	3.8%	-6.7%	-7.8%	-10.2%	-10.5%	-16.9%	-14.8%	6.5%	-1.1%	-4.8%	-5.4%	-19.1%
BRBR	69.5%	85.5%	65.9%	65.1%	56.2%	52.6%	62.6%	75.7%	54.8%	48.3%	26.4%	18.2%	32.6%
CAG	-23.6%	-11.2%	-11.9%	-14.2%	-12.0%	-6.4%	-5.6%	2.2%	-0.2%	-1.5%	-2.4%	0.3%	0.1%
CPB	-21.1%	-4.7%	-7.7%	-8.1%	-7.1%	-3.6%	-4.4%	4.1%	-0.8%	-2.0%	-3.1%	0.6%	-1.7%
FRPT	41.0%	52.8%	42.2%	38.0%	37.1%	35.2%	27.7%	29.7%	25.4%	24.4%	22.6%	21.6%	18.9%
GIS	-22.1%	-7.4%	-8.9%	-10.5%	-10.5%	-7.6%	-6.8%	0.9%	-4.3%	-2.2%	-0.2%	1.6%	0.2%
HSY	-24.5%	-22.1%	5.6%	4.2%	4.2%	5.4%	2.4%	9.0%	7.4%	4.8%	4.1%	7.3%	5.6%
HRL	-20.2%	-8.9%	-10.9%	-15.2%	-13.7%	-3.2%	-4.5%	2.6%	1.4%	-1.6%	0.4%	1.1%	-1.5%
K	-13.4%	0.9%	-4.9%	-6.1%	-5.1%	-2.3%	-4.1%	4.1%	-1.7%	-1.6%	-2.4%	2.0%	2.3%
KHC	-19.3%	-9.6%	-10.5%	-11.0%	-10.1%	-5.9%	-8.6%	2.5%	5.7%	-0.5%	0.1%	-0.8%	-2.5%
MDLZ	-18.9%	-3.0%	-2.8%	-2.9%	-1.2%	1.0%	-0.6%	10.7%	6.0%	3.8%	4.0%	5.6%	4.9%
MKC	-32.1%	-26.8%	-27.8%	-30.3%	-29.9%	-25.2%	-24.1%	-17.7%	-9.3%	-15.4%	-13.3%	-11.8%	-14.4%
SJM	-3.5%	5.9%	3.7%	0.5%	1.3%	2.3%	3.7%	10.7%	6.8%	4.8%	5.1%	5.9%	3.4%
TSN	-14.3%	-3.9%	-4.9%	-12.1%	-10.5%	-5.4%	-6.3%	0.1%	1.6%	-3.3%	1.7%	4.5%	1.5%

Source: Nielsen

BoFA GLOBAL RESEARCH

Source: Nielsen via Bank of America Research



Beyond was kind enough to provide us with evidence of weakening demand in their Q2 presentation (above)

Primary Research

We spoke with Jared Cohen, COO of Protein Bar & Kitchen, ex-Senior Director of Global Strategy at McDonald's, and ex-Principal at Strategy& Consumer/Food Sector

Jared shared a similar, bearish sentiment surrounding the future of Beyond Meat and whether alternative meat can achieve significant market adoption. Main questions discussed:

1. Why partner with Beyond?

Jared noted that at the time he was uncertain whether Beyond would be popular, but he wanted to accommodate every customer, vegan, vegetarian, or meat-lover. Thought it was a good idea to be one of the first chains to adopt Beyond and broaden customer base. Yet, he realized vegans did not buy Beyond products at all, as it still resembled meat. He states that he is open to new partnerships but at the time, Beyond was the biggest name in the news.

2. However popular is Beyond on your menu and do you believe in its brand value?

Jared stated that Beyond was the least popular item on the menu. Beyond sales were at highest at debut, and tapered off after. Company survey found that most were non-recurring customers who wanted to "try it out". He does not believe sales would be affected by removing the "Beyond" name on the menu, and said that it was part of the partnership deal to display Beyond's logo. He says customers trust Beyond but believes in the long run, branding won't be important. He said that most people don't care about the brand of meat they buy when they shop at Costco.

3. How do you view competition in the plant-based industry in the future?

Jared notes that although Beyond advertises its high R&D spending (~10-13% of revenue) in creating a superior product, there really isn't an innovation or patented advantage to creating its meat products. He notes that research is more surrounding small changes in taste and composition of ingredients, rather than scientific process behind creating the meat. He believes this lack of differentiation will lead larger players like Tyson to enter with relative ease and that access to greater production capabilities and a global supply chain will give Tyson products better lead times and lower price.

4. Do you think Beyond can improve pricing and health of its products? – Jared says Protein Bar charges \$1.5 extra for Beyond and hopes that Beyond can sell at lower costs in the future (didn't disclose margins). He doubts that highly processed artificial meat can achieve reduction in sodium content.



One of Protein Bar's menu item is the Beyond Meat bowl



Financial Model & Price Target



Perpetuity Growth Method		Multiples Method	
PV of FCF	\$ (452)	EV/EBITDA	11.1x
Terminal Value	\$ 11,253	2031 EBITDA	\$ 1,813
Discount Rate	8.42%	Terminal Value	\$20,121.94
Terminal Growth Rate	4.0%	PV of Terminal Value	\$ 8,966
PV of Terminal Value	\$ 5,014	PV of FCF	\$ (452)
Enterprise Value	\$ 4,562	Enterprise Value	\$ 8,514
-Total Debt	\$ 1,143	-Total Debt	\$ 1,143
-Minority Interest	\$ -	-Minority Interest	\$ -
-Preferred Shares	\$ -	-Preferred Shares	\$ -
+Cash and Equivalents	\$ 1,009	+Cash and Equivalent	\$ 1,009
Equity Value	\$ 4,428	Equity Value	\$ 8,380
Shares Outstanding	63	Shares Outstanding	63
Implied Share Price	\$ 70.06	Implied Share Price	\$ 132.59
Current Share Price	\$ 117.35	Current Share Price	\$ 117.35
Implied ROI	-40.29%	Implied ROI	12.99%

Core Assumptions:
\$86b Alternative Meat Market in 2031
13% Market Share
27% Gross Margins

50/50 Blended Price Target:
\$101

Investment Risks

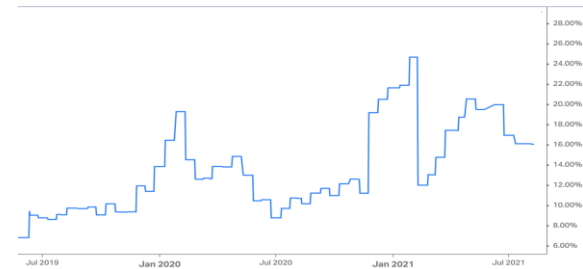


Fundamental

- 1. Beyond's brand could prove resilient**
 - Beyond has fairly high (20-25%) market share in the U.S. alternative meat market thanks to their early arrival and aggressive advertising spending
 - If their brand proves to be strong, BYND could realize sustained pricing power while simultaneously benefitting from secular growth in alternative meat
- 1. Beyond could develop a hit product**
 - Beyond could develop and patent a particularly superior product, which could place them in an attractive position as alternative meat grows and/or boost Beyond's brand to greater cultural relevance (think Coca-Cola, Doritos, Nathan's Famous)
- 1. Weakness could prove to be short term**
 - Retail softness could prove to be short lived, and management could be correct in attributing short term weakness to COVID concerns in food service
- 1. Governmental action could artificially boost alt meat**
 - Governments could take regulatory action to restrict carbon emissions associated with meat production

Technical

1. Relatively high short interest



- Short interest has waned, but remains relatively high, at 17% per FactSet (borrow rate of 0.67%). The “meme stock” craze has become a source of paranoia for fundamental short-sellers. If the “AMC Apes” were to migrate to Beyond, shares could see a sharp short-term pop
 - Because Beyond's “IPO halo” is fading, the shares (unlike TSLA) don't have a cult following, and (unlike GME) they doesn't have a culturally significant product, we believe that Beyond is at lower risk of becoming a meme stock
- 1. ESG fund flows**
 - Per Morningstar, ESG constituted 25% of all fund flows in 2020, and is expected to continue growing which will present a consistent headwind to shorts



Conclusion

Beyond's green aspirations are likely to result in red returns for their shareholders' portfolios

Beyond faces a heavy set of challenges at both the industry and company level. These challenges are just beginning to rear their heads in the form of soft demand, commoditized partnerships and price competition, which is why we believe NOW is the time to short Beyond Meat



We Recommend BYND as a Short Position
3 Year Time Horizon
Price Target: \$101

Bibliography

Sources used in the formation of our pitch not directly cited in the slides

- All Company 10-Ks, 10-Qs and quarterly presentations and earnings calls
- FactSet: A variety of figures and information
- CapIQ industry reports, sell-side research reports (for statistics, objective information, and context, rather than opinion)
- Detailed Academic Research reports on nutrition and science behind plant-based and cell-based meat
- Consulting Firm Reports, Interviews, Studies (McKinsey, Deloitte)
- Beyondmeat.com and social media postings
- Competitor 10Ks and Presentations: Tyson Foods, Kroger, JBS, ConAgra, etc
- Gurufocus insider activity
- Government and Research Institutions Data on Prices and Trends
- News websites (WSJ, Financial Times, Washington Post, CNBC)
- <https://cedelft.eu/publications/tea-of-cultivated-meat/>
- <https://cedelft.eu/publications/rapport-lca-of-cultivated-meat-future-projections-for-different-scenarios/>
- <https://www.vox.com/future-perfect/2021/2/2/22260454/impossible-foods-burger-plant-based-meat>
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