# Investment Thesis

# ATTRACTIVE MARKET VALUATION WITH UPSIDE SURPRISES

Team: Big Brothers-Yale School of Management Analysts: Haopeng Tian, Zhufeng (Kevin) Wang

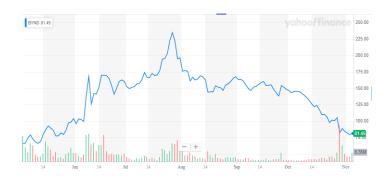
[Key Stock Statistics]

Date: Nov 5<sup>th</sup> 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]

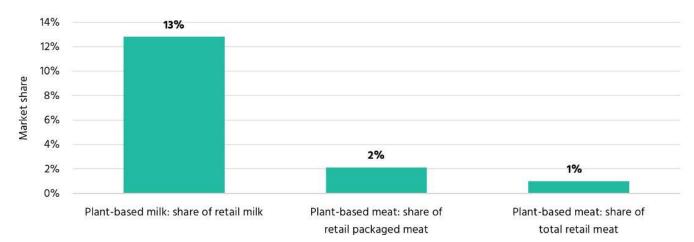
# 1. Plant-based meat becomes the best growth story in staples with upside surprises to come

We expect the plan-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**

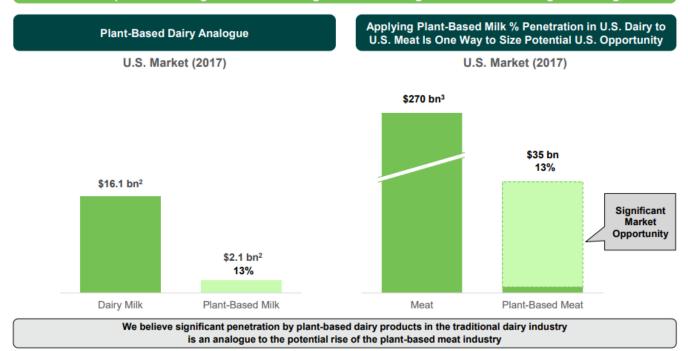
Year ending April 2019



# 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 Burgers<sup>1</sup>



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



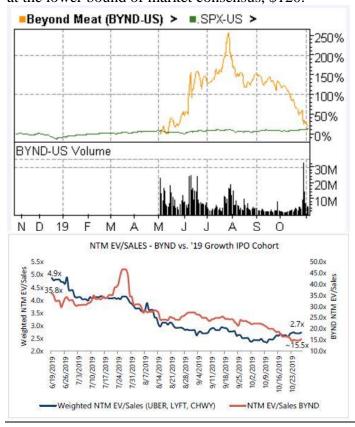




# 3. Recent market correction on high valuation firms presents buying opportunity

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]

Net Sales	DCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	Terminal		
Y-Y         223         225         250         225         200         200         175         175         150           Y/Y         48.8%         32.1%         27.0%         19.1%         14.3%         12.5%         8.7%         8.9%         7.0%           Gross Profit         272         382         482         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)         (205)         (338)         (370)         (39.8)         (417)         (43.3)         (440)           Operating Expenses as % Sales         27.1%         -26.1% -26.1% -24.1% -23.1% -22.1% -21.1% -20.1% -19.1%         19.1%         48.7         19.1%         20.0%         21.2%         19.1%         48.7         19.1%         22.1% -21.1% -20.1% -19.1%         48.7         19.1%         22.1% -21.1% -20.1% -19.1%         48.7         19.1%         48.7         20.0%         21.2%         21.2%         21.2%         21.2%         21.2%         22.1%         21.1%         22.1%         21.1%         22.1%         21.2%											remina		
Y/Y         48.8%         32.1%         27.0%         19.1%         14.3%         12.5%         9.7%         8.9%         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)         (269)         (338)         (370)         (398)         (417)         (433)         (440)           Operating Expenses as % Sales         -27.1%         -28.1% -25.1% -24.1% -23.1% -22.1% -21.1% -20.1% -19.1%         -19.1%         -19.1%           Operating Profit         82         120         167         215         285         319         373         430         487           Operating Margin         11.8%         13.0%         14.2%         15.4%         16.6%         17.7%         18.0%         20.0%         21.2%           Tax Rate         0%         5%         20%         25%         25%         25%         25%         25%         25%         25%         25%         25%         25%         25%				.,		-1,		-,,					
Gross Profit 272 382 482 553 635 717 790 883 927  Gross Margin 38.9% 39.1% 39.3% 39.5% 39.5% 39.8% 40.0% 40.1% 40.3%  Operating Expenses (190) (242) (295) (338) (370) (398) (417) (433) (440)  Operating Expenses as % Sales  Operating Expenses as % Sales  27.1% -20.1% -25.1% -24.1% -23.1% -22.1% -21.1% -20.1% -19.1%  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 82 114 133 181 199 239 280 323 385  + D&A 11 35 56 81 93 99 103 108 112  D&A % Sales 1.9% 3.8% 4.8% 5.8% 5.8% 5.5% 5.5% 5.2% 5.0% 4.9%  - Capex % Sales 8.6% 7.5% 6.7% 6.2% 5.8% 5.5% 5.5% 5.0% 4.9%  - Change in Working Capital 24 22 23 18 13 11 7 7 5 1  Working Capital 84 107 130 147 180 171 178 183 184  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%	Y-Y	223	225	250	225	200	200	175	175	150			
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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%         -28.1% -25.1% -24.1% -22.1% -22.1% -22.1% -21.1% -20.1% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%         -00.0% -19.1%													
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Operating Expenses         (190)         (242)         (295)         (338)         (370)         (398)         (417)         (433)         (440)           Operating Expenses as % Sales         -27.1%         -26.1% -26.1% -26.1% -24.1% -23.1% -22.1% -22.1% -22.1% -20.1% -10.1%         -0.19 -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%         25%													
Operating Expenses as % Sales  -27.1%  -28.1% -26.1% -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% 25%  NOPAT  82 114 133 181 199 239 280 323 365  + D&A  11 35 56 81 93 99 103 108 112  D&A \$\text{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 \$\text{Sales}\$  1.9% 1.9% 1.9% 1.9% 1.9% 1.9% 1.9% 1.9%	Gross Margin	38.9%	39.1%	39.3%	39.5%	39.7%	39.8%	40.0%	40.1%	40.3%			
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Operating Profit         82         120         167         215         285         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%           NOPAT         82         114         133         161         199         239         280         323         385           + D&A         11         35         58         81         93         99         103         108         112           D&A % Sales         1.8%         3.8%         4.8%         5.8%         5.5%         5.2%         5.0%         4.9%           - Capex         60         70         79         87         93         99         103         108         112           Capex         8.8%         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	Operating Expenses	(180)	(242)	(280)	(330)	(370)	(386)	(417)	(433)	(440)			
Operating Profit         82         120         167         215         285         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%           NOPAT         82         114         133         161         199         239         280         323         385           + D&A         11         35         58         81         93         99         103         108         112           D&A % Sales         1.6%         3.8%         4.8%         5.8%         5.5%         5.5%         5.2%         5.0%         4.9%           - Capex         80         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	Operation Evpenses as % Sales	-27 1%	-28 1	96 -25 1	96 -24 19	K -23 19	6 - 22 196	-21 196	-20 196	-10 1%			
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% 25% 25%  NOPAT 82 114 133 181 199 239 280 323 385  + D&A 11 35 58 81 93 99 103 108 112  D&A % Sales 1.8% 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 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%	operating Expenses as 70 cales	relating Expenses as 70 pares   -27, 170   -20,170 -29,170 -24,170 -23,170 -22,170 -21,170 -20,170 -18,170											
Operating Margin	Operating Profit	82	120	167	215	265	319	373	430	487			
Tax Rate													
NOPAT   82   114   133   181   199   239   280   323   385     + 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%     The Cash Flow   23   75   110   165   217   263   311   360   409     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   PV   8.08   100   100   101   101   102   103   103     Sales   12.01   101   102   103   103   104   104   105   105     Fair Value   120.11   101	Operating Margin	11.8%	13.0%	14.2%	15.4%	16.6%	17.7%	18.9%	20.0%	21.2%			
NOPAT   82   114   133   181   199   239   280   323   385     + D&A   11   35   58   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%     Tere Cash Flow   77   78   78   98   10     PV Factor   1.1   1.1   1.2   1.3   1.3   1.4   1.5   1.6   1.7     Present Value   PV   8.08   Net Debt (2020)   (274)     Shares Outstanding   85     Fair Value   120.11													
+ D&A	Tax Rate	0%	5%	20%	25%	25%	25%	25%	25%	25%			
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D&A % Sales	NOPAT	82	114	133	161	199	239	280	323	365			
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Capex % Sales	D&A % Sales	1.0%	3.8%	4.8%	5.8%	5.8%	5.5%	5.2%	5.0%	4.9%			
Capex % Sales	- Capay	80	70	70	97	03	00	103	109	112			
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- 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%	Capex % Sales	8.6%	7.5%	6.7%	6.2%	5.8%	5.5%	5.2%	5.0%	4.9%			
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.													
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%	- Change in Working Capital	24	22	23	18	13	11	7	5	1			
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%													
+ Other Hother 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%	Working Capital	84	107	130	147	160	171	178	183	184			
+ Other Hother 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%													
Other % Sales         1.9%         1.0%         1.2%         1.1%         1.2%         2.13%         31.5%         21.3%         13.5%         15.6%         13.6%         1.0%         1.0%         1.0%         1.1         1.1         1.2         1.3         1.3         1.4         1.5         1.6         1.7         1.8         1.2%         1.2%         1.2%         1.2%         1.2%	WC % Sales	12.0%	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%			
Other % Sales         1.9%         1.0%         1.2%         1.1%         1.2%         2.13%         31.5%         21.3%         13.5%         15.6%         13.6%         1.0%         1.0%         1.0%         1.1         1.1         1.2         1.3         1.3         1.4         1.5         1.6         1.7         1.8         1.2%         1.2%         1.2%         1.2%         1.2%													
Free Cash Flow         23         75         110         165         217         263         311         360         409         12,179           Year         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         (274)           Shares Outstanding         65           Fair Value         120.11	+ Other	14	18	23	27	31	35	38	42	45			
Free Cash Flow         23         75         110         165         217         263         311         360         409         12,179           Year         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         (274)           Shares Outstanding         65           Fair Value         120.11													
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         (274)         5         8         8         8         8         8         9         10         1.8	Other % Sales	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%			
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         (274)         5         8         8         8         8         8         9         10         1.8	Free Cook Flow	22	75	440	405	247	202	244	200	400	42 470		
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											12,1/9		
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			220.470	T7.230	40.070	01.070	21.070	10.270	10.070	10.07			
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	Year	1	2	3	4	5	6	7	8	9		10	
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													
Net Debt (2020)         (274)           Shares Outstanding         65           Fair Value         120.11	Present Value	22	66	92	130		184	205	223		6,766		
Shares Outstanding 65 Fair Value 120.11	Enterprise Value (PV)	8,089											
Fair Value 120.11	Net Debt (2020)	(274)											
	Shares Outstanding	65											
Current Price 81.45	Fair Value	120.11											
	Current Price	81.45											
Implied Upside 47.48%	Implied Upside	47.48%											

### [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