



Is Beyond Meat (NASDAQ:BYND) a Threat to This Canadian Food Giant?

Description

Beyond Meat ([NASDAQ:BYND](#)) is a Los Angeles-based producer of plant-based meat substitutes. The company was founded by vegan Ethan Brown in 2009. It is widely known for The Beyond Burger, branded as the world's first plant-based burger that looks, cooks, and tastes like a fresh beef burger.

There is considerable enthusiasm for Beyond Meat and other producers of plant-based proteins, and with good reason. Current trends show that consumers are turning to plant-based alternatives across the world. This is especially true for younger demographics.

A 2018 report from GlobalData stated that 70% of the world's population is reducing meat consumption or leaving it off the table entirely. Millennials have been one of the key drivers of this trend. GlobalData also reports a 600% increase in people in the United States identifying as vegans in the last three years. This has led to increased demand for plant-based proteins, but other alternatives are also being developed. Some tech firms, like Mosa Meats, are promising lab-grown and cruelty-free cultured meat that will be made available by 2022.

Maple Leaf ([TSX:MFI](#)) is an Ontario-based consumer packaged-meats company. Shares of Maple Leaf have climbed 22.7% in 2019 as of close on May 10. The stock is up 16% from the prior year. Back in late March, I'd discussed why I thought Maple Leaf was a [great buy at a favourable price point](#).

In early April, Maple Leaf announced plans to spend \$310 million to build a 230,000-square-foot processing plant in Shelbyville, Indiana. The construction of this new plant will double the company's capacity to produce meat alternatives. This includes the Lightlife Burger.

Maple Leaf signed a definitive agreement to acquire Lightlife Foods in February 2017. Lightlife Foods produces vegetarian and vegan meat substitutes. The company has its own competitor to the Beyond Burger; the Lightlife Burger. The pea protein-based burger boasts that it delivers the same taste and texture of a traditional beef burger.

Maple Leaf released its first-quarter results on May 2. Sales rose 11% year over year on the strength of recent acquisitions and solid growth in its core business. Net earnings jumped 79.5% from the prior year to \$50.1 million. This beat analyst expectations, but the company is still facing headwinds.

Adverse fresh market conditions continued to weigh on adjusted operating earnings, which fell 20.3% from Q1 2018.

The company took the opportunity to address its direct competition with Beyond Meat. Maple Leaf said that the Lightlife Burger will be more broadly distributed than the Beyond Meat burger but did concede that it had lost some market share to the California-based upstart. The Lightlife Burger will start to roll out in retail distribution over the next three months.

Vegetarian and vegan trends will inspire a competitive marketplace in the years to come. Maple Leaf has positioned itself to benefit from these trends, and the Lightlife Burger has plenty of room to reach consumers.

Maple Leaf is a pricier addition than it was in early March today. It vaulted into overbought territory after earnings, and its forward P/E of 26 makes it an expensive option relative to industry competitors.

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aocallaghan

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