



Take Your Own Bite From Beyond Meats's (NASDAQ:BYND) Successful IPO

Description

When analyzing a potential investment, a diligent investor will typically consider two criteria: required return and company ethics. California's hottest alternative meats company **Beyond Meat** ([NASDAQ:BYND](#)) checks both boxes. Its environmentally friendly message and [successful IPO](#) will also send profits flying into the **iShares S&P/TSX Capped Consumer Staples Index ETF** ([TSX:XST](#)).

Its IPO on May 2 returned early investors a staggering 163% during trading hours, but it has not stopped there. Beyond Meat has rewarded later investors by continuing to grow to its current price of \$88.40 — a 253% increase from its \$25 initial offering price. Although Beyond Meat's stock is listed in the United States, Canadian-centric investors can still benefit through this ETF.

Value in vertical supply chain

Beyond Meat is not a retailer and therefore relies on independent grocery stores to sell its products. As such, shoppers will find its products being sold at Canadian consumer staples such as **Metro** ([TSX:MRU](#)) and **Loblaw Companies** ([TSX:L](#)) by the end of May. These two publicly traded companies can provide investors with a more direct and risky way to gain from Beyond Meat's success.

Breaking down the ETF

The iShares S&P/TSX Capped Consumer Staples Index ETF is entirely comprised of stocks in the consumer defensive sector. This sector covers the likes of food, drink, household necessities to tobacco and educational services. Stocks in this sector are considered safe and less risky because of their stable dividends and earnings regardless of market conditions.

The rise of veganism in Canada should start to change this sector in the next couple of years, however. In 2018, it was reported that approximately 2.3 million Canadians identified as vegetarian or vegan — a whopping 10% of the population. This should change the selection of products that consumers find in grocery stores and may serve as tailwinds to companies that embrace the change.

This iShares ETF is positioned to take advantage of this growing market. Of its top 10 holdings, only Metro and Loblaw will be carriers of Beyond Meat products. The other eight companies, **Couche-Tard** (TSX:ATD.B), **Saputo**, **George Weston**, **Empire**, **Cott**, **Maple Leaf Foods**, **Premium Brands Holdings**, and **North West Co.** have yet to be named by Beyond Meat as retailers of its products.

Beyond just veganism

Besides the boost that Beyond Meat and other vegetarian/vegan food-processing companies will provide the stocks bundled into the iShares S&P/TSX Capped Consumer Staples Index ETF, its top three stocks are also fundamentally sound. Couche-Tard represents approximately 25% of its weight, while Metro and Loblaw Companies each represent approximately 15%.

The sector average price/earnings (P/E) ratio currently covers around 20, thus making Couche-Tard's P/E ratio of 24.59 and Metro's of 19.69 seem reasonable. Loblaw stock's P/E ratio is approximately double the average at 45.61. This signals [that investors expect higher future earnings](#) or perhaps that the stock is overvalued. Fortunately, the ETF hedges against the risk of this individual stock by bundling others with it.

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1. Dividend Stocks
2. Investing

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2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

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