



Is This 2017 IPO Still Rotten?

Description

Beyond Meat has soaked up a [tremendous amount of hype](#) since its initial public offering (IPO) in May. This is one of those rare cases where I have been able to see the reverberations in my day-to-day life. Everywhere you look, you can see the introduction of Beyond Meat products: at grocery stores, restaurants, and fast food chains. Shares have surged over 550% since its IPO.

The stock has been the beneficiary of some potent consumer trends that have made investors excited. Research from MarketsandMarkets projects that the plant-based meats market will reach \$28 billion by 2025. Consumers have grown more health conscious over the past decade, especially in younger demographics.

A Canada-based stock attempted to latch onto these trends to promote its growth story when it launched publicly in 2017. **Freshii** ([TSX:FRII](#)) is a Toronto-based casual restaurant chain that was founded by Matthew Corrin in 2005. The stock started quickly out of the gate after listing at an initial price of \$11.50 per share. Investors were excited about the prospects of the health-conscious food chain, but it was its global growth projections offered the most tantalizing morsel for buyers to chew on.

Issues emerged early on for Freshii. It was forced to adjust its outlook due to setbacks for its global chain growth. The stock fell into single digits in the second half of 2017 and would suffer a sharp retreat as its outlook worsened to close out the year. Hope faded further in the second half of 2018. Freshii reported a devastating third-quarter earnings miss and completely withdrew its fiscal 2019 outlook in November 2018.

Freshii stock hit a 52-week low in May 2019, falling below the \$2 mark. It has since marginally recovered. Is there any reason for investors to hop back on the Freshii train?

Matthew Corrin, the outspoken millennial founder, has touted Freshii's re-brand from a restaurant chain to a "health and wellness" brand. Freshii now has branded food available at third party retailers and as snacks on **Air Canada** flights. It has even trotted out its own apparel.

The company aims to combat shrinking same-store sales with a revamped and streamlined menu, one that will include higher-quality protein ingredients. Going forward, Freshii will offer chicken breasts,

baked salmon, and turkey meatballs. It will scrap its beef option and elevate its tofu and falafel options. Freshii also aimed to improve food costs with its latest moves.

In September 2018, I'd suggested that investors [remain on the sidelines](#) and wait for more consistency from Freshii before taking a chance on its stock. Nearly a year later, the company is still facing an uphill battle. I am not convinced that its menu tweaks will produce the kind of uptick that investors will be looking for.

The shine has worn off Freshii since it exploded on the scene, and now it faces an increasingly competitive environment in health foods. Its management team lacks experience in the food sector, which is a concern, as the clock is on to dramatically improve its operational results.

Freshii has a lot to prove before investors can confidently flock back to the stock in pursuit of the growth it boasted at launch.

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