

A close-up photograph of a sandwich on a crusty roll. The sandwich is filled with a thick slice of melted yellow cheese, dark brown shredded plant-based meat, fresh green arugula leaves, and a slice of white cheese. The background is blurred, showing more of the sandwich and some green herbs.

Plant Based Foods

A Case for Returns Beyond Health and Environmental Benefits



Plant Based Protein: The Investment Case

Did you know that producing a glass of cow's milk every day for a year requires 7,000 sq feet of land? And for a humble glass of oat milk? One tenth of the area. It is well established that dairy alternatives are healthier. On top of this, a study from the University of Oxford found there are three times more emissions produced as a result of producing a glass of dairy milk. Livestock rearing for meat accounts for 14 to 20% of world greenhouse gas emissions and is hugely resource intensive as well. To produce 1kg of beef roughly requires 15,000 liters of water and 7kg of grain. Given mounting urgency to tackle global warming, the emissions contributions alone make this industry ripe for disruption.

Innovative creation of new foods are emerging, such as beef without cows, milk from plants, eggs without chickens, all far less environmentally harmful at that. For example, 30–50% of our planet's land is dedicated to animal husbandry. Beyond Meat uses 90–97% less land and 70% less water, being both good for the environment and people's health. These new foods will not only shift food production processes and be healthier for end consumers, but will also reduce environmental issues with very dramatic changes to land use for agriculture.

Case Study: Beyond Meat

Beyond Meat is a manufacturer of plant-based meat substitutes which are distributed through retailers and restaurants. The company recognised that all components of animal meat can be analysed, understood and then replicated from plant sources.

There is an enormous growth opportunity in the alternative protein market, as both lifestyle choices and environmental concerns are resulting in plant-based products rapidly taking share from animal meat.

Beyond Meat has been a pioneer in its approach, addressing the median carnivorous consumer rather than the vegan/vegetarian niche, and so aims to at least equal meat in terms of taste, cost, and nutrition.

It benefits from an early mover advantage, a mission-driven culture, and remarkable execution under the leadership of founder Ethan Brown.

How Beyond Meat Can Grow Multiple Times

Beyond Meat is looking 'beyond meat' with a broader goal of undermining the use of animal derived protein. The processed meat market is \$210bn in the US, \$230bn in Europe, \$90bn in China, and \$11bn in Brazil.

On a 10 year view, even with no growth in these markets, a 3% share for Beyond Meat would imply revenues of more than USD15bn vs a run rate of less than USD1bn today.

Assuming low teens margins, a degree of dilution to fund growth along the way and a Nestle / Kellogg type rating, a 5x return is comfortably plausible.

The scenario above comes nowhere close to CEO Brown's aspiration of dominating animal meat, nor does it include China, the world's largest meat market, where Beyond Meat has partnerships with Alibaba, Starbucks, and Yum! Brands.



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