

BARRON'S

CONSUMER

FEATURE

Fake Meat Is Taking Off in Restaurants. It's Good News for Beyond Meat Stock.

By [Al Root](#) June 26, 2019 5:00 am ET



Beyond Meat Photograph by Tim Rue/Bloomberg

There is such a rush to get vegan offerings onto the menus at quick-service and fast-casual restaurants in North America that Impossible Foods, [a top producer of plant-based meat](#), is struggling to keep up.

More restaurant partnerships are coming [for makers of faux meat](#). That will mean continued pressure on producers, not to mention [short sellers](#) of stock in [Beyond Meat](#), the most prominent publicly traded company focused on plant-based beef.

"Quick-service consumers have evinced a strong interest in non-beef offerings," wrote the **Bernstein** food-research team in a Friday report. "Sales of beef sandwiches [are] flat over the past six years while sales of chicken and non-meat sandwiches have grown at a high single digit to low double digit pace."

Read more: [We Taste-Tested Burgers From Beyond Meat, Impossible Foods, and Real Beef. Here's What We Found.](#)

Impossible Foods, a privately held rival of Beyond Meat (ticker: BYND), tells *Barron's* it has grown more than 50% since the launch of its Impossible Burger 2.0 in January. The Impossible Burger is now on menus in more than 9,000 restaurants.

"If you are not on the train of this category you are going to miss out," [FAT Brands](#) (FAT) founder and CEO **Andrew Wiederhorn** said in an interview. FAT, short for fresh, authentic, and tasty, has been selling the Impossible Burger for two years.

FAT Brands is a franchiser of several brands including Fatburger, Ponderosa, and Hurricane Grill & Wings, as well as other outlets. The company recently closed on the acquisition of Elevation Burger, a fast-food chain with 45 outlets selling a grass-fed, organic burger. In total, the company has 400 outlets operating or about to open.

Vegan products are "5% to 10% of sales today and have driven customers to us," said Wiederhorn.

Growth of vegan demand at restaurants has created shortages of the Impossible Burger. "We are struggling to keep up with scorching demand for the Impossible Burger," said a company representative. The company is adding employees to its plant in Oakland, Calif., and is operating the factory 24 hours a day on two 12-hour shifts. In May, Impossible hired Sheetal Shah, an executive with manufacturing experience, to help.

Beyond Meat didn't immediately respond to a request for comment.

All this is happening even though [McDonald's](#) (MCD), the 800-pound gorilla of the industry with about 35% of U.S. fast-food burger sales, has yet to introduce a vegan burger in the U.S. Of course, the entire U.S. alternative-meat industry would like to change that.

Read more: [Beyond Meat Stock Is Having a Teflon Run. It's Not About the Products.](#)

Bernstein estimates McDonald's spends \$1.7 billion on beef each year. Even 5%-10% of that—vegan burgers' share of sales at FAT Brands—would be a huge win for any alternative-meat producer.

McDonald's said it is committed to offering a variety of foods and listens to its customers to understand changing tastes, but it didn't elaborate. The company sells a vegan offering made by [Nestlé](#) (NESN.Switzerland) in Europe.

Sales growth for vegan meat in stores hasn't kept pace with restaurant demand. Beyond Meat and other makers of new vegan products have made most of their gains in retail by taking market share from brands such as [Kellogg's \(K\)](#) MorningStar Farms label and Boca, made by [Kraft Heinz \(KHC\)](#).

Sara Young, general manager of Kellogg's Frozen Veggie category, said the plant-based protein category was up 17% last year.

"MorningStar Farms has been a plant-based protein category leader for more than 40 years," she added.

Kraft Heinz said it doesn't disclose sales of Boca and declined to comment about plans for the business.

It is possible that grocery shoppers are more price sensitive than diners eating out. New alternative-meat offerings sell for a premium to ordinary meat.

"Can the category grow to 25% of [restaurant] sales?" Wiederhorn said. "Sure, the category could get that big." He said he is most excited about the flexibility of alternative meats and sees companies adapting products for different flavor and nutritional preferences over time. FAT Brands doesn't have an exclusive deal with any one vegan-meat supplier, and has conversations with other companies [including Tyson Foods \(TSN\)](#).

For now, restaurants' interest in offering alternative meat is driving high growth in sales. Only a dozen or so chains sell products from Beyond or Impossible Foods, so there is more room to grow.

Still, time will tell if high growth rates turn into additional stock gains for investors. [Barron's is skeptical of Beyond Meat stock \(not the product\)](#) because it isn't certain that growth can last long enough to justify recent valuations.

Beyond Meat shares are up 460% from the \$25 initial public offering price and trade for about 40 times estimated 2019 sales. The company isn't profitable.

Write to Al Root at allen.root@dowjones.com

[MORE FROM NEWS CORP](#)

Tesla Stock Approaches a Critical Moment BARRON'S NEXT

A Hexagonal Frank Lloyd Wright House Near New York City Hits the Market PENTA

Parents of Houston infant charged after baby dies with a cracked skull and 90 other fractures

MARKETWATCH

Property of the Week: A Knightsbridge three-bed for £2.75m FINANCIAL NEWS LONDON

The Goldman Sachs Trump Chart That Should Scare Democrats Right Now BARRON'S