

Beyond Meat shares crumble on stock offering surprise, demand for meatless burgers soars

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FILE PHOTO: Products from Beyond Meat Inc, the vegan burger maker, are shown for sale at a market in Encinitas, California, U.S., June 5, 2019. [REUTERS/Mike Blake/File Photo Purchase Licensing Rights](#) [opens new tab](#)

(Reuters) - Beyond Meat Inc's shares tumbled on Monday on plans for another stock offering just three months after its IPO while demand for its plant-based burgers and sausages prompted an increase in its full-year sales forecast.

Trading was volatile and shares fell more than 12% after hours on news of a 3.25 million share offering that includes 3 million shares from selling stockholders.

Proceeds are earmarked to raise funds to expand its manufacturing facilities that are being stretched by booming demand for its meat alternatives. Executives on a call with analysts declined to comment on the offering.

Beyond Meat's shares have surged over 780% since the IPO in May as the company's meat alternatives entered the menus of restaurants such as Carl's Jr and on shelves of grocers including Kroger Co .

Plant-based meat alternatives have seen booming interest from consumers and restaurants, supporting startups like Beyond Meat and its competitor Impossible Foods, and even sparking interest from veteran meat companies such as Tyson Foods Inc and Perdue Foods, which now offer meat protein products mixed with plants.

"For another growth stock, the top-line beat and raises would be enough to see a post-market rally, but there are a lot of Beyond Meat investors out there looking for any excuse to sell a stock that has rocketed so much since its IPO," said Kamal Khan, analyst at financial markets platform Investing.com.

Beyond Meat products are now sold at more than 53,000 retailers and restaurants worldwide, with demand boosted by the grilling season underway, Beyond Meat's CEO Ethan Brown said on Monday.

At supermarket chain Morton Williams, which owns 16 locations across New York City, some customers are buying Beyond Meat burger patties and sausages by the case, according to Victor Colello, the chain's director of meat and fish.

"Beyond Meat is really flying off the shelves. My business with it has almost doubled and we're sold out at times," Colello said. The latest version of the burgers is made from peas, brown rice, sunflower seeds and mung beans.

Net revenue rose nearly four-fold to \$67.3 million in the three months ended June 29, above Wall Street's estimate of \$52.71 million, according to Refinitiv IBES data.

The company said it expects net revenue to rise over 170% to \$240 million in 2019, up from the prior \$210 million it had forecast just last month.

The El Segundo, California-based company reported a net loss of \$9.4 million, or a loss 24 cents per share, compared with a loss of \$7.4 million, or a loss of \$1.22 per share in the year-ago period.

NO SIGN OF SLOWING

Karen Formanski, an analyst at Mintel who authored a consumer research report on plant-based protein, said there were no signs of the meat alternatives market slowing, with 38% of U.S. consumers trying to add more plant-based protein to their diet.

"But with growing competition, criticism over processed food and clean eating getting more important, companies will have to adapt and offer more variety than just burgers" Formanski said.

Brown on Monday rejected growing criticism over Beyond Meat's products being overly processed and unhealthy, saying it was not a question of whether they were processed but how.

The company seeks to further diversify its protein sources without relying on genetic modification, Brown said.

"There are an almost endless amount of crops you can pull from...and it is really important that Beyond is leading the effort of bringing new proteins into the market," Brown said.

The CEO said he was confident his company could take on competition from Impossible Foods, which relies on genetically modified soy seeds to produce its burger patties, because of consumers hesitancy surrounding those technologies.

Impossible Foods initially planned to roll out to retail stores this fall, but has continuously pushed back plans due to supply shortages.

Analysts during Monday's call pressed Beyond Meat executives for details on looming supply chain bottlenecks as demand continues to surge.

Brown said the company would expand its in-house manufacturing facilities in Missouri, buy new equipment, while continuing to outsource the packaging of its products by adding new partners.

"That's not to say we won't have some periodic disruptions that may create temporary shortages," the CEO said.

Brown said the company currently had a sufficient and continued supply of the protein it needs for its burgers, also thanks to the entry of larger players, including DuPont

, into the pea protein market.

Even so, the company has skeptics. Some 46% of the company's publicly traded shares are shorted, according to research group S3. Those investors, owning shares worth \$1.1 billion, are betting on the company to miss its targets and the share price to drop.

Reporting by Tina Bellon in New York and Uday Sampath in Bengaluru; Editing by Sriraj Kalluvila and Lisa Shumaker

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