

WESTPEAK RESEARCH ASSOCIATION

BellRing Brands (NYSE: BRBR)

Consumer Defensive – Packaged Foods

Shaking Up the Market

February 29, 2024

BellRing Brands, Inc. specializes in delivering a range of nutritional products within the United States. The company supplies ready-to-drink protein shakes, additional ready-to-drink beverages, powders, nutrition bars, and various other items that are primarily marketed under the Premier Protein and Dymatize brands. Distribution channels include club, food, drug, mass, eCommerce, specialty, and convenience outlets.

Thesis

We are confident that BellRing Brands has significant potential for market expansion through its continuous adaptation to evolving consumer preferences and its innovative approach to product development. Moreover, strategic collaborations with industry leaders present opportunities to enhance production capacity and minimize SG&A costs. By persistently leveraging its distinctive e-commerce marketing model, BellRing Brands is well-positioned to maintain its leadership in the convenient nutrition industry. We anticipate sustained growth in both the protein powder and ready-to-drink protein shake segments.

Drivers

The company's revenue growth would be propelled by BRBR's expansion of product lines and ongoing efforts to enhance brand strength. These competitive advantages are poised to enhance profitability, aligning with the prevailing industry trend of increasing global demand for convenient nutrition products in emerging markets. Additionally, the company has the opportunity to leverage new international emerging markets to expand its customer base.

Valuation

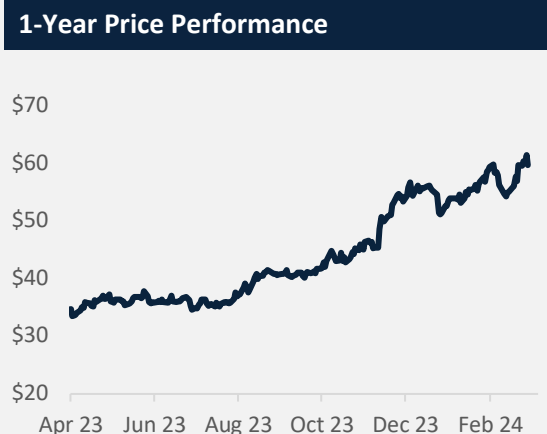
We recommend a **BUY** rating with an expected return of 13.3%. Our valuation analysis employs an 85% to 15% ratio between Discounted Cash Flow (DCF) and Comparable Companies. This approach yields a target share price of USD\$64.53.

Analyst: Steven Liu, BIE. '27
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Equity Research	US
Price Target	USD\$65.00
Rating	Buy
Share Price (Feb. 29 Close)	\$56.95
Total Return	13.3%

Key Statistics	
52 Week H/L	\$60.26/\$29.13
Market Capitalization	\$7.38B
Average Daily Trading Volume	1.01M
Net Debt	\$856.8M
Enterprise Value	\$9.45B
Net Debt/EBITDA	2.7x
Diluted Shares Outstanding	134.1M
Free Float	95.39%
Dividend Yield	N/A

WestPeak's Forecast			
	2024E	2025E	2026E
Revenue	\$2.07B	\$2.55B	\$3.02B
EBITDA	\$485M	\$596M	\$706M
Net Income	\$307M	\$387M	\$469M
EPS	\$2.30	\$2.91	\$3.53
P/E	22.8x	17.5x	13.4x
EV/EBITDA	17.2x	14.0x	7.5x



Business Overview

Company Overview

Spun out of Post Holdings in 2019, BellRing Brands (BRBR) is dedicated to delivering convenient nutrition products to customers. Their primary brands, Premier Protein, Dymatize and PowerBar, cater to a diverse array of consumers across a wide spectrum of product formats, including ready-to-drink ("RTD") protein shakes, other RTD beverages, and powders. BellRing manages Premier Nutrition Company (PNC) in the US, as well as Active Nutrition International (ANI), a European operating subsidiary. They both market and sell Premier Protein, Dymatize and PowerBar products. BellRing Brands products reach customers through an extensive network of distribution channels, including clubs, grocery, pharmaceutical, and mass-market retail ("FDM"), eCommerce, specialty stores, and convenience outlets. From 2020 to 2022, BellRing Brands has grown their net sales from USD\$988.3 million to USD\$1,371.5 million. Over the same period, net earnings including redeemable noncontrolling interest increased from USD\$100.1 million to USD\$116.0 million.



Brands

Premier Protein

BellRing Brands' main product line, Premier Protein, stands as a prominent lifestyle brand in the mainstream market. Premier Protein offers a range of products, including ready-to-drink protein shakes, protein beverages, and protein powders. Premier Protein's flagship RTD protein shakes are available in 14 flavors and contain high protein with low sugar and calories. They are gluten and soy-free, low in fat, and enriched with 24 essential vitamins and minerals. Premier Protein is committed to crafting these ready-to-drink shakes to provide exceptional taste and top-tier protein levels while maintaining one of the leanest nutritional profiles in the category. Premier Protein's product profile resonates with consumers of all ages and satisfies diverse needs across the consumption spectrum. In terms of fiscal 2023 sales, Premier Protein accounts for approximately 79.6% of net sales for BellRing Brands.



Dymatize

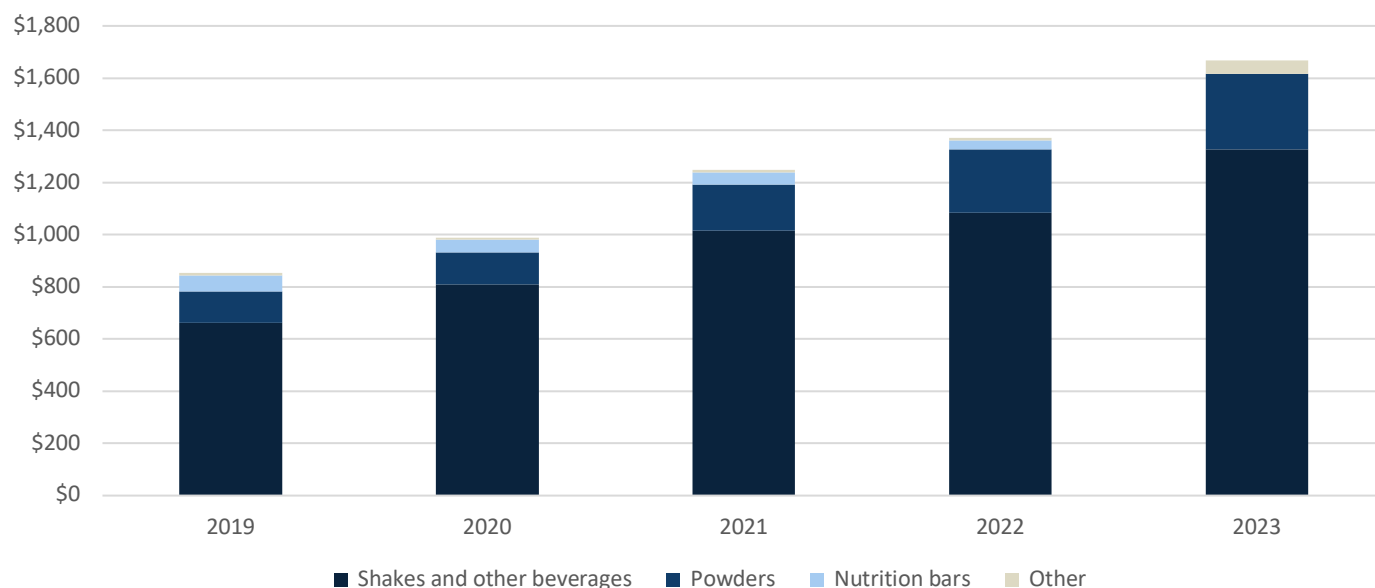
Dymatize brand targets fitness enthusiasts who value the brand's commitment to science-driven product development, emphasis on athletic performance, and delicious flavors. Dymatize offers a diverse range of sports nutrition products, with the bulk of their sales stemming from their protein powder selection. Within their protein powder portfolio, they feature three key products: ISO.100, produced with hydrolyzed 100% Whey Protein Isolate, Elite 100% Whey, and Super Mass Gainer. ISO.100, the brand's leading product, enjoys a worldwide presence, with sales spanning over seventy countries. In addition to ISO.100, Dymatize offers a suite of products to meet the needs of athletes. In terms of fiscal 2023 sales, Dymatize accounts for approximately 17.4% of net sales.

PowerBar

PowerBar offers a diverse range of products classified into three main categories: protein bars, plant protein bars, and energy bars. Catering to athletes, sports enthusiasts, and the broader consumer base seeking a swift revitalization, the brand provides a convenient snack option. Through offering a selection of flavors and prioritizing the use of quality, simple ingredients, PowerBar aims to gratify the palate of the public and to replenish their body. In terms of fiscal 2023 sales, PowerBar accounts for approximately 3% of net sales.

**Revenue Segments (\$M)**

FY2019 – FY2023



Company Strategy

Increasing Social Media Influence



Premier Protein's marketing strategy is geared towards accelerating the brand's positioning as a lifestyle brand for everyday consumers. Premier Protein's marketing initiatives are concentrated on boosting recognition to encourage product sampling and adoption, as well as broadening its presence in the households of this consumer segment. Premier Protein utilizes a comprehensive media approach that encompasses digital media, search marketing, television advertising, in-store promotions, live demonstrations, and dedicated online programming. The brand employs an influencer marketing program, "Premier Shakers," that leverages content creators to generate influence of Premier Protein.

Dymatize's marketing strategy is focused on retailer-specific programs, online and specialty print and social media. The brand employs a social media influencer program known as "Team Dymatize" to interact with athletes. This initiative involves enlisting a group of top-tier athletes to evaluate products and convey their fitness motivations. This team utilizes their personal social media platforms to

promote product usage and boost brand recognition within their audience.

Enhancing Capacities and Forging Strategic Partnerships

BellRing Brands is actively expanding its production capacity to accommodate the projected long-term growth of Premier Protein ready-to-drink shakes. The company aims to maintain consistent production volumes at its current plant facilities while also collaborating with new co-manufacturing partners to substantially boost capacity over the coming years. SunOpta (Nasdaq: STKL), a leading U.S.-based company specializing in sustainable, plant-based, and fruit-based foods and beverages, recently unveiled a strategic partnership with BellRing Brands in 2023. Under this collaboration, Sun Opta's newly established facility in Texas will take on the manufacturing of BellRing's Premier Protein Shakes, creating growth opportunities for both entities. Notably, this joint effort enables BellRing Brands to achieve cost savings while aligning with its sustainability objectives. The facility operates with an energy-efficient HVAC system, cutting energy consumption by 45%, alongside the use of LED lights and water heaters that decrease power usage by 95%. Additionally, the offices and labs are constructed with a minimum of 40% recyclable materials.



Fueling the Future of Food

Advancing Research and Development for Innovative Product Offerings

BellRing Brands is dedicated to enhancing and diversifying its product range by introducing new flavors, ingredients, and packaging innovations. In March 2023, Premier Protein expanded its nutritional offerings into the vegan protein domain with the introduction of its new Plant Protein Powder. This addition to the Premier Protein repertoire caters specifically to plant-based preferences. BellRing Brands' commitment to innovation is realized through a collaborative approach that



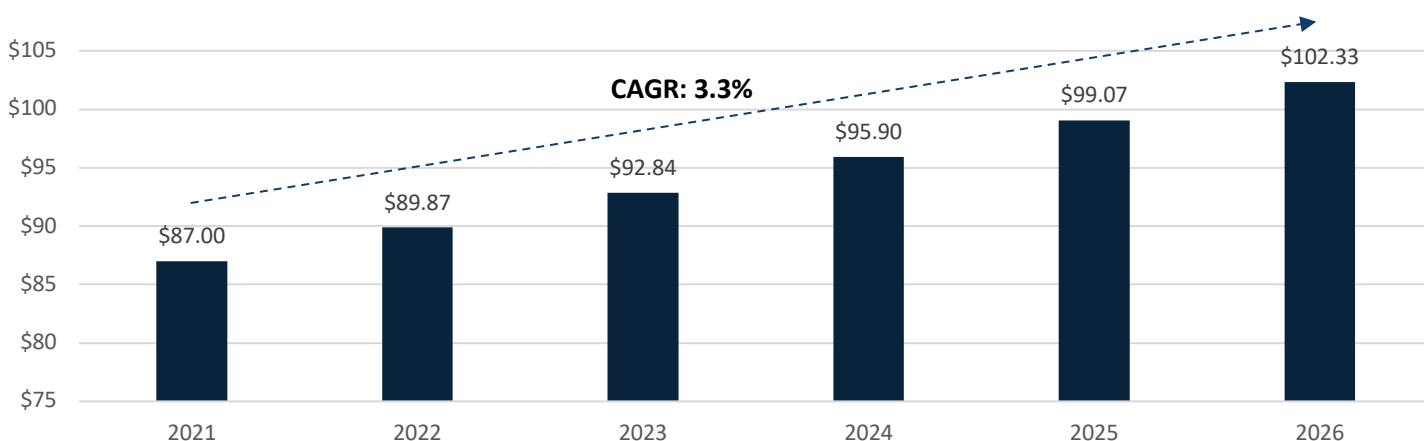
involves specialized market research, insights from consumers, and the expertise of innovation teams working in tandem with leading design firms, product development companies, third-party flavor experts, and seasoned consultants. This cohesive effort ensures that BellRing Brands consistently aligns with the evolving preferences and needs of its discerning consumer base.

Industry Analysis

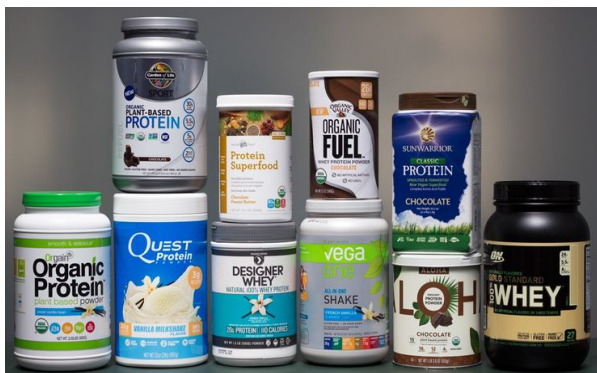
BellRing Brands is a multinational convenient nutrition brand with a strong presence in the US, Canada, and Europe. The global convenient nutrition category is a rapidly expanding segment within the food and beverage industry. The U.S. serves as the primary and largest market, showcasing significant development in recent years. With steady growth, the Global Convenient Nutrition Market was valued at USD\$85.27 billion in 2020. Projections indicate a rise to USD\$103.05 billion by 2026, with a forecasted annual growth rate of 3.3% CAGR, as reported by BCC Research.

Global Convenient Nutrition Market (\$B)

FY2021 – FY2026



Competition



The convenient nutrition industry operates within a competitive landscape. Premier Protein has achieved over 20% market share in total RTD beverages, making it the number one brand in the RTD segment. However, it still faces close rivals such as Fairlife, OWYN, Quest Nutrition, Optimum Nutrition, MuscleTech, and BSN (Bio-Engineered Supplements and Nutrition). Most of these rival brands have very similar pricing, product quality, taste, functional benefits, nutritional value, and convenience, along with the capacity to recognize and meet evolving consumer preferences. While the saturation of the industry offers consumers more options, this

proximity poses challenges to individual companies, potentially leading to price reductions, loss of market share, and diminished profits. The companies' ability to navigate and respond strategically is crucial for sustaining success in this competitive market.

Industry Trends

Evolution in Population Dynamics

The protein shake segment is expected to experience substantial growth, propelled by the surging global demand for protein. This surge is primarily fueled by an aging population and a growing awareness of the role of protein in promoting healthy aging. Federal guidelines advocate a minimum daily protein intake of 0.8 grams per kilogram of body weight for most healthy adults. Nevertheless, as individuals advance in age, particularly those aged 65 and above, surpassing the recommended dietary allowance becomes imperative to maintain muscle mass. Protein powder emerges as a valuable resource for the elderly, facilitating the fulfillment of heightened protein requirements and potentially mitigating the effects of age-related muscle loss.

Rising Urbanization and Increasing Health Awareness

The escalating trend of urbanization stands as a pivotal catalyst for the burgeoning convenient nutrition industry. The surge in busy lifestyles and an on-the-go culture has ignited demand for nutrition solutions that are both convenient and portable. Products such as protein shakes, power bars, and other on-the-go options have seamlessly aligned with the preferences of consumers seeking swift and easily accessible nutritional solutions. Concurrently, the heightened emphasis on health maintenance has driven an increased preference for protein-rich products, amplifying the market demand.

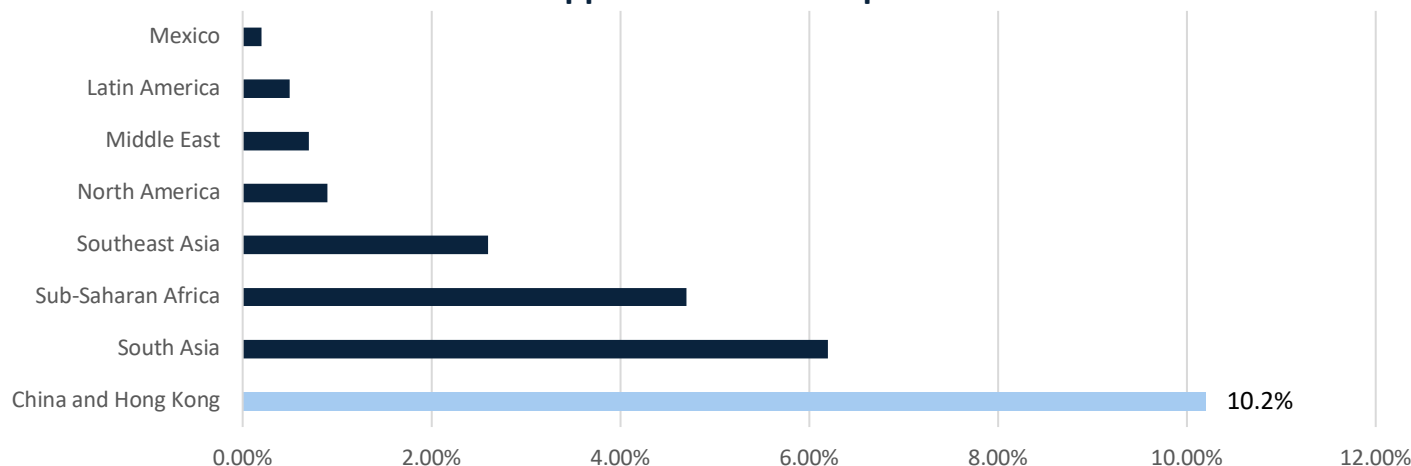
E-Commerce Growth

The rise of e-commerce has provided convenient nutrition companies with expanded distribution channels. Direct-to-consumer models and online retail platforms allow companies to reach a broader audience and adapt to changing consumer preferences. Projections indicate a significant uptick in revenue in the global e-commerce market, anticipating a surge from 2024 to 2029, with an expected annual growth rate of 9.79%, reaching \$5,145 billion U.S. dollars.

Global Market Expansion

As a result of increasing trade and capital flow, income and consumer spending is anticipated to grow enormously in the Asia Pacific region, providing significant tailwinds in the market. Countries such as China, India, and Japan present lucrative markets for the convenient nutrition products. According to Business Wire, around 69 million households among the member countries in ASEAN have now become part of the consuming class for convenient nutrition, and this number is expected to double to USD\$125 million by 2025.

Growth of Protein Supplements Consumption 2021 – 2026



Investment Thesis

Cost Production and Capacity Enhancement

BellRing Brands is actively working to streamline its operations and expand production capacity to accommodate anticipated long-term growth. In 2023, the company announced a strategic partnership with SunOpta (Nasdaq: STKL), a leading food manufacturing company. This collaboration allows BellRing Brands to realize cost efficiencies while advancing its sustainability goals.

Beginning in May 2023, SunOpta started manufacturing Premier Protein's RTD protein shakes at its facilities. With operational bases in California, Minnesota, Pennsylvania, and Texas, BellRing Brands leverages SunOpta's extensive 'diamond-shaped' national distribution network, leading to a reduction of over 15 million freight miles annually. Furthermore, the Texas facility operates with an energy-saving system, contributing to further operational cost reductions for BellRing Brands.

However, since the partnership was initiated in 2023, its full impact has yet to be fully recognized by the market and reflected in the financial statements. Consequently, the SG&A cost for FY 2023, standing at 11.3%, has not experienced a

significant decrease compared to FY 2022's 12.3%. Currently, only the facility in Texas is producing BellRing Brands products. Nonetheless, as production expands to other SunOpta facilities, we anticipate a considerable increase in production capacity to meet rising demand. This expansion is expected to coincide with further reductions in SG&A costs and enhancements of profit margins in the coming years.

Product Line Innovation

BellRing Brands is dedicated to expanding its product range by introducing new flavors and ingredients to meet changing consumer preferences. With the growing demand for plant-based foods, driven by health concerns, animal rights advocacy, and environmental awareness, Premier Protein has entered the vegetarian protein market with its new Plant Protein Powder. This move by BellRing Brands demonstrates its commitment to catering to the expanding vegetarian demographic and adapting to evolving consumer demands. While many competitors have yet to offer vegetarian options, BellRing Brands has positioned itself for potential leadership in the plant-based market. In the protein powder market, brand loyalty is robust. Studies show consumers tend to remain loyal to – and are willing to pay more for – brands they trust to meet their specific needs and preferences. As a result, being a first mover significantly influences market dynamics. Once BellRing Brands captures vegetarian consumers, they are more inclined to maintain loyalty to the company, even as other competitors enter the market. However, the substantial potential for BellRing Brands to dominate the plant-based market due to consumer loyalty is not fully reflected in current market assessments and has yet to be factored into stock prices.

Management Team

Darcy H. Davenport – President, Chief Executive Officer

Ms. Davenport has been serving as the President and CEO of BellRing Brands since October 2019. Prior to joining BellRing Brands, she served as the President of Post's Active Nutrition Division, holding leadership roles in marketing and management since 2009. With a background in finance at Ernst and Young, she transitioned to marketing, working with companies like Dreyer's Ice Cream, Joint Juice, and leading through the Premier Protein acquisition (2011) and Post Holdings sale in 2013. In 2014, she became the President of Premier Nutrition and, in 2017, the President of Post's Active Nutrition business. Ms. Davenport earned her undergraduate degree from Princeton University and her MBA from New York University's Leonard N. Stern School of Business.



Paul Rode – Chief Financial Officer



Mr. Rode joined BellRing Brands as CFO in October 2019. With over 20 years of multinational public company experience, he served as the CFO of Post's Active Nutrition business from 2015 to 2019, overseeing diverse financial roles at Fortune 500 companies, including a \$200 million telecom division. He also held key positions at Post as CFO of Consumer Brands and VP of Finance. Paul is known for driving team energy through thought leadership in efficiency and process development. He holds an undergraduate degree from the University of Kentucky and an MBA from Northwestern University's Kellogg School of Management.

Doug Cornille– Chief Growth Officer

Mr. Cornille has been the Chief Growth Officer at BellRing Brands since February 2022, overseeing all sales and marketing functions. He leads brand strategy, innovation, consumer insights, and manages the sales teams and customer relationships across all PNC brands. Mr. Cornille brings a wealth of CPG experience to BellRing Brands, with leadership roles at Clif Bar & Company, Nestlé, and The Clorox Company. Earlier in his career, he was a business consultant with Accenture and the founder and president of Data Solutions Group, a technology and business consultancy. He holds a BA in Business Administration from Rhodes College and an MBA in General Management from The Fuqua School of Business at Duke University.



Management Compensation

Name	Title	Total Cash	Equity	Other	TC
Darcy Horn Davenport	CEO, President	\$ 1,575,000	\$ 5,105,600	\$ 47,335	\$ 6,727,935
Paul A. Rode	CFO	\$ 750,750	\$ 1,089,182	\$ 20,904	\$ 1,860,836
Craig L. Rosenthal	CLO, Secretary & CCO	\$ 620,000	\$ 816,852	\$ 22,326	\$ 1,459,178
Robin Singh	Senior Vice President of Operations	\$ 573,500	\$ 269,982	\$ 18,084	\$ 861,566
Douglas J. Cornille	CGO	\$ 709,500	\$ 956,932	\$ 18,229	\$ 1,684,661

The management team receives compensation in the form of an annual cash salary, equity, and bonuses. Salaries are set competitively to align with industry standards and encourage talent retention. Emphasis is placed on equity compensation, fostering a focus on enhancing the company's fundamentals and sustainable growth, rather than solely driving up the share price. Bonuses are determined by the compensation committee to incentivize the management team to achieve annual financial objectives.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

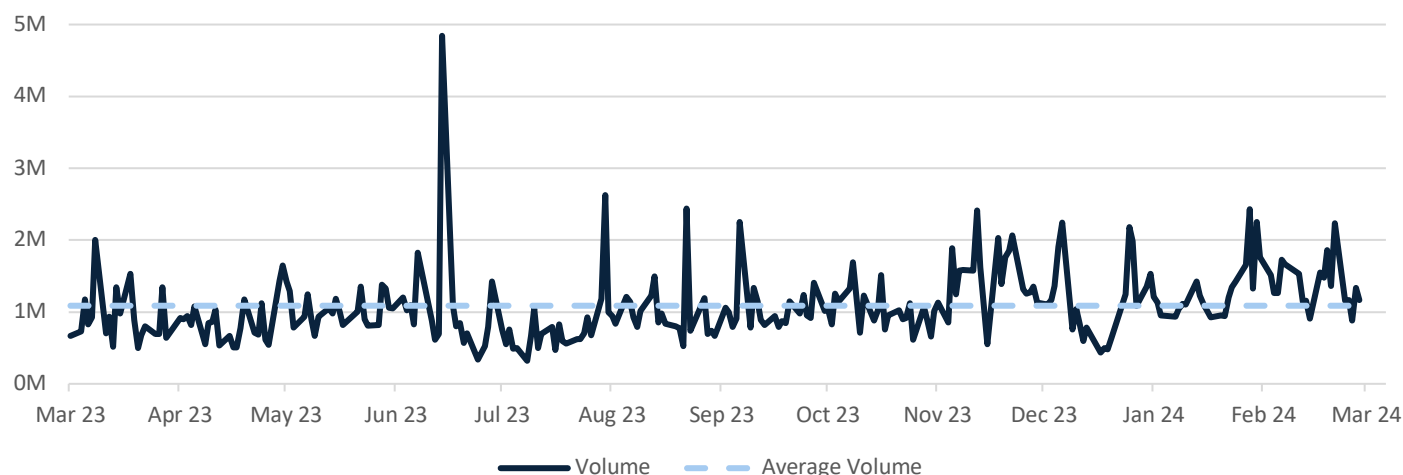
BellRing Brands has a total of 133 million outstanding shares, with institutional investors like BlackRock and Vanguard Group collectively holding a majority ownership of 95.41%. The top 10 shareholders account for 48.82% of the company, while insider ownership constitutes only 0.74% of the total ownership.

Shareholders	Shares	% of Shares Outstanding	Market Value (mm)
Blackrock Inc.	16,922,342	12.92%	981,665,031
Vanguard Group Inc	13,125,484	10.02%	761,409,304
Wasatch Advisors LP	6,515,492	4.97%	377,963,679
State Street Corporation	4,391,456	3.35%	254,748,355
Vanguard Total Stock Market Index Fund	4,070,665	3.11%	236,139,269
Route One Investment Company, L.P.	4,034,733	3.08%	234,054,854
iShares Core S&P Midcap ETF	3,989,420	3.05%	231,426,247
T. Rowe Price Investment Management, Inc.	3,703,607	2.83%	214,846,235
Franklin Resources, Inc.	3,666,584	2.80%	212,698,531
iShares Russell 2000 ETF	3,518,552	2.69%	204,111,195
Top 10 Shareholders	63,938,335	48.82%	3,709,062,700

Liquidity

The trading volume of BellRing Brands ranges from 312,400 to 4,842,900 shares a day. The average daily trading volume over the last twelve months (LTM) was 1,014,447, with an average price of USD\$37.98. An LTM trading volume well above one million units serves as a strong indicator of healthy liquidity. Shareholders of BRBR should not encounter any difficulties when seeking to exit positions.

Trading Volume



Valuation

Discounted Cash Flow Assumptions

Revenue:

We analyzed product lines in each segment, estimating revenue based on historical performance, company strategies, and prevailing market conditions. In the Shakes and Other Beverage segment, which has shown consistent growth at an average rate of 19.22% since its FY2019 IPO, a momentary deceleration occurred in the subsequent fiscal year due to a spin-off and market disruption from Russia's invasion of Ukraine. However, in 2023, a robust recovery ensued, resulting in a full-year growth rate of 22.40%. BellRing Brands proactively increased Premier Protein's household penetration through initiatives like the "Premier Shakers" social media program and a recent partnership with SunOpta to enhance manufacturing capacity. With growing market demand for Ready-to-Drink (RTD) and other beverages, driven by urbanization and an aging population, our forecast predicts an average annual growth rate of 18.85% for the Shakes and Other Beverages section over the next five years. In the Protein Powders segment, growth has maintained an average rate of 25.90% since FY 2019. The flagship brand, Dymatize, has engaged sports enthusiasts through its "Team Dymatize" program and secured contracts with top athletes. Dymatize aims to broaden its customer base, including vegetarians, by introducing a new Plant Protein Powder. Consequently, we anticipate a steady average annual growth rate of 18.08% for this segment over the next five years. Finally, the Other segment, primarily comprising PowerBar, anticipates an average growth rate of 8.33% over the forecast period. This projection is supported by increased production capacity and growing demand for convenient nutrition.

Cost of Goods Sold (COGS):

We anticipate that the cost of goods sold (COGS) as a percentage of revenue will stand at 67.0% for fiscal year 2024 and beyond, calculated based on the company's historical mean.

Selling, General, & Administrative Expenses (SG&A):

Drawing from historical data, we observe a consistent trend in SG&A expenses, fluctuating between 9.1% and 12.8%. Notably, the recent partnership with SunOpta has empowered BellRing Brands to leverage SunOpta's expansive distribution network, resulting in a reduction of over 15 million freight miles annually. Furthermore, significant progress has been achieved in sustainability within the new facility dedicated to producing RTD, protein powders, and other items. Energy consumption has been slashed by 45%, owing to energy-efficient practices like LED lights and water heaters, leading to a 95% reduction in power usage. With these advancements, we anticipate a significant enhancement in SG&A, projecting it to stabilize at approximately 8.3% over the next five years.

Capital Expenditure:

The average Capital Expenditure (Capex) as a percentage of the beginning Property, Plant, and Equipment (PP&E) has historically fluctuated between 15.7% and 22.5%. Given BellRing Brands' emphasis on expanding production capacity as a

primary growth strategy, we anticipate ongoing establishment of new manufacturing facilities in the coming years. Consequently, our forecast for Capex is set at 23.0% of the beginning PP&E for the next five years.

Effective Tax Rate:

We assumed an effective tax rate of 23.0% based on historical tax rates.

Weighted Average Cost of Capital (WACC):

The WACC has been computed at 8.8% based on a 4.2% risk-free rate, an anticipated 9.0% market return on equity, and BellRing Brands' Beta of 1.08. By leveraging these parameters, we determined the cost of equity to be 9.4%. The WACC, integrating the cost of equity and a 3.9% cost of debt, converges at 8.8%.

Perpetuity Growth Rate:

While BellRing Brands is experiencing robust growth, we adopt a conservative stance in our forecasts. In our Discounted Cash Flow (DCF) valuation, we employ a perpetuity growth rate of 2.8%.

Terminal EV/EBITDA Multiple:

We calculate the average EV/EBITDA multiple of comparable companies, resulting in a figure of 9.2x.

Comparable Company Analysis

The listed companies are the selected comparable companies for BellRing Brands. They share similar customer bases, business models, and growth strategies. The comparable companies provide an average EV/EBITDA Multiple of 9.2x and P/E Multiple of 15.8x, resulting in a relative value of BellRing Brands at USD \$39.00 per share

Glanbia plc (ISE: GL9):

Glanbia plc, headquartered in Kilkenny, Ireland, is a dietary supplement firm specializing in both dairy and non-dairy nutritional ingredients. The company distributes its products through various channels, including specialty retail, e-commerce, and fitness centers. Operating in 31 countries across North America, Europe, Asia-Pacific, and Latin America, Glanbia's diverse brand portfolio includes well-known names like Optimum Nutrition, BSN, and Body & Fit.

Herbalife Ltd. (NYSE: HLF):

Established in 1980 and based in Los Angeles, California, Herbalife Ltd. specializes in health and wellness products, offering weight management items, targeted nutrition products, outer nutrition products, and fitness products. With a global presence spanning North America, Mexico, South and Central America, Europe, the Middle East, Africa, China, and the Asia Pacific, Herbalife distributes its products through a network of sales representatives, independent service providers, and company-operated retail platforms.

The Simply Good Foods Company (NasdaqCM: SMPL):

Founded in 2017 and located in Denver, Colorado, The Simply Good Foods Company operates as a consumer-packaged food and beverage enterprise across North America and globally. The company specializes in snacks and meal replacements, with a product range including protein bars, ready-to-drink shakes, sweet and savory snacks, cookies, protein chips, and recipes sold under the Atkins and Quest brand names. Its products are distributed through various retail channels and e-commerce platforms.

Nature's Sunshine Products, Inc. (NasdaqCM: NATR):

Established in 1972 and headquartered in Lehi, Utah, Nature's Sunshine Products, Inc. is a natural health and wellness company with a global presence. The company manufactures and markets nutritional and personal care items across Asia, Europe, North America, Latin America, and internationally. Their product range covers general health, immunity, cardiovascular health, digestion, and personal care items under the Nature's Sunshine and Synergy WorldWide brands, marketed through a network of independent consultants.

Medifast, Inc. (NYSE: MED):

Founded in 1980 and headquartered in Baltimore, Maryland, Medifast, Inc. focuses on weight management, healthy living products, and other consumable health and nutritional items in the United States and the Asia-Pacific region. The company's product lineup includes bars, cereal crunch, oatmeal, shakes, smoothies, soft bakes, and soups, marketed under brands such as OPTAVIA, Optimal Health by Take Shape for Life, and Flavors of Home. Medifast, Inc. reaches its customers through point-of-sale transactions on various e-commerce platforms.

The Hain Celestial Group, Inc. (NasdaqGS: HAIN):

Engaged in the manufacturing and sale of organic products worldwide, including the United States, United Kingdom, and Europe, The Hain Celestial Group, Inc. offers a diverse product portfolio covering kids' food, plant-based beverages, frozen desserts, exotic vegetable chips, plant-based meat alternatives, personal care items, herbal and wellness teas, and pantry products. Distribution channels include specialty and natural food distributors, supermarkets, natural food stores, mass-market and e-commerce retailers, as well as food service channels, clubs, and drug and convenience stores.

Recommendation

Buy

After a comprehensive evaluation, our analysis suggests that BellRing Brands (BRBR) is currently undervalued at the prevailing price of USD\$56.95. In our valuation, we applied an 85% to 15% ratio between Discounted Cash Flow (DCF) and Comparable Companies analysis. This allocation was necessary due to the diverse product lines pursued by some comparable companies, including frozen food, snacks, and skincare products. Given the absence of pure-play comparable

companies, we assert that the DCF analysis provides a more accurate gauge of BRBR's value. Our assessment indicates an implied share price of USD\$64.53, signifying a 13.3% total return. Drawing insights from a history of impressive performance, a positive outlook for the thriving convenient nutrition industry, and the company's robust growth strategy, we maintain an optimistic view regarding BellRing Brands' exceptional growth potential. The company is evidently well-positioned to expand its customer base, achieve cost savings, and drive revenue growth. Considering these factors, we recommend a buy rating for BellRing Brands.

Risks

Supply Chain

BellRing Brands relies on a restricted set of third-party contract manufacturers to produce the majority of its products, with a specific manufacturer responsible for the majority of its RTD protein shakes. The company's operations may be negatively affected if it fails to maintain contracts with crucial third-party manufacturers or if these manufacturers encounter challenges in producing its products in the required quantities, meeting deadlines, or adhering to its specifications.

Changing Customer Preference

Consumer and customer preferences and behaviors undergo continuous evolution influenced by various factors. The success of BellRing Brands hinges on its capacity to recognize these shifting preferences and behaviors, differentiate between short-term trends and enduring alterations, and consistently innovate and offer products that resonate with consumers and customers through their preferred sales channels. Despite the company's commitment to adapting to consumer or customer preferences and societal expectations, success in these endeavors is not guaranteed. Any substantial shifts in consumer or customer preferences, coupled with the company's inability to foresee or respond effectively, or to introduce new products in line with such changes, could lead to a decrease in demand for its products. This, in turn, may have adverse effects on its business, financial condition, results of operations, and cash flows.

Dependence on Brand Recognition

The success of BellRing Brands critically depends on preserving and consistently improving the value of its brands. Consumer perceptions play a significant role in determining brand value. Several factors, such as the company's inability to uphold product quality, failure to consistently deliver positive consumer experiences with its products, negative publicity about its suppliers or third-party contract manufacturers, concerns related to food safety, and real or perceived health issues associated with its products, can lead to a significant decline in brand value. Additionally, if consumers perceive the company as acting irresponsibly, it could further impact brand value. Failure to successfully maintain and enhance its reputation and brand health may result in adverse effects on the company's brands, product sales, financial condition, and operational results.

Dependence on Major Customers

A significant proportion of BellRing Brands' combined net sales is attributed to a limited number of customer accounts. Specifically, its major customers—Costco, Walmart, and Amazon—contributed to approximately 75.3% of its net sales for the fiscal year ending on September 30, 2023. The competition for supplying products to these high-volume stores is fierce. Currently, the company lacks substantial long-term supply agreements with its customers, who frequently reassess the products they carry. Any decision by the major customers to reduce the volume of products purchased from the company, whether in response to shifts in consumer purchasing patterns, changes in traffic trends, exclusive or priority arrangements with another brand, or alterations in the business relationship with BellRing Brands, could result in a decrease in revenues and have a materially adverse impact on its business, financial condition, results of operations, and cash flows.

Regulatory Risks

BellRing Brands and its contract manufacturers are subject to extensive federal, state, local, and foreign laws and regulations concerning the protection of human health and the environment. These regulations encompass restrictions on the discharge and release of pollutants into the environment, as well as guidelines governing the transportation, storage, disposal, remediation, and exposure to solid and hazardous wastes. Certain environmental laws and regulations have the potential to impose joint and several liability, irrespective of fault, on responsible parties, including both past and present owners and operators of sites where hazardous materials were disposed of or released. Non-compliance with these environmental laws and regulations may lead to significant fines and penalties imposed by governmental authorities or judicial entities. Moreover, there is a possibility of future laws adopting more stringent measures to regulate the emission of greenhouse gases, particularly carbon dioxide and methane. This potential evolution in regulations could impact BellRing Brands and its operations.


Appendix 1: Summary Page

Summary Page											
	Nov-19	Nov-20	Nov-21	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
(Figures in mm USD)	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Income Statement											
Revenue	854.4	988.3	1,247.1	1,371.5	1,666.8	2,073.7	2,545.4	3,017.7	3,492.3	4,004.9	4,593.2
EBITDA	187.8	189.3	221.7	233.7	315.6	485.2	595.6	706.1	817.2	937.2	1,074.8
Net Income	123.1	100.1	114.4	116.0	165.5	306.5	386.6	469.4	549.8	633.9	729.4
Earnings Per Share	#DIV/0!	\$ 0.60	\$ 0.70	\$ 0.88	\$ 1.23	\$ 2.29	\$ 2.88	\$ 3.50	\$ 4.10	\$ 4.73	\$ 5.44
Cash Flow Statement											
Capital Expenditures	(3.2)	(2.1)	(1.6)	(1.8)	(1.8)	(2.1)	(2.7)	(3.2)	(4.0)	(5.0)	(6.2)
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	(23.3)	(29.9)	(34.8)	(43.5)	(54.4)	(68.1)
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-
Dividend Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Payout to Earnings	-	-	-	-	-	-	-	-	-	-	-
Dividend Payout to Core FCF	-	-	-	-	-	-	-	-	-	-	-
Dividend Yield	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet											
Current Assets	219.5	290.2	388.1	421.3	424.2	785.4	1,215.7	1,695.1	2,282.7	2,956.5	3,731.3
Non-Current Assets	375.0	363.3	308.4	285.9	267.4	269.7	272.7	276.2	280.5	285.9	292.7
Assets	594.5	653.5	696.5	707.2	691.6	1,055.1	1,488.4	1,971.3	2,563.1	3,242.4	4,024.0
Current Liabilities	92.7	153.1	251.3	143.5	150.2	207.1	253.9	267.4	309.4	354.8	407.0
Non-Current Liabilities	15.4	661.4	510.7	939.9	864.9	864.9	864.9	864.9	864.9	864.9	864.9
Liabilities	108.1	814.5	762.0	1,083.4	1,015.1	1,072.0	1,118.8	1,132.3	1,174.3	1,219.7	1,271.9
Shareholders' Equity	486.4	(2,182.6)	(3,062.8)	(376.2)	(323.5)	(17.0)	369.6	839.0	1,388.8	2,022.7	2,752.1
Cash	5.5	48.7	152.6	35.8	48.4	252.3	562.2	1,007.0	1,486.3	2,043.3	2,683.8
Debt	-	-	-	-	-	-	-	-	-	-	-
Net Debt	(5.5)	(48.7)	(152.6)	(35.8)	(48.4)	(252.3)	(562.2)	(1,007.0)	(1,486.3)	(2,043.3)	(2,683.8)
Minority Interests	-	2,021.6	2,997.3	-	-	-	-	-	-	-	-
Debt/EBITDA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating Metrics											
Return on Equity (ROE)											
Return on Assets (ROA)											
Return on Invested Capital (ROIC)											
Valuation Metrics											
Stock Price (High)	\$ 23.82	\$ 24.92	\$ 33.98	\$ 28.45	\$ 56.69	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95
Stock Price (Low)	\$ 16.00	\$ 14.44	\$ 21.52	\$ 20.40	\$ 25.07	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95
Stock Price (Average)	\$ 19.91	\$ 19.68	\$ 27.75	\$ 24.43	\$ 40.88	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95	\$ 56.95
Diluted Shares Outstanding (Average)	-	39.5	39.7	93.8	134.1	134.1	134.1	134.1	134.1	134.1	134.1
Market Capitalization (Average)	-	777.4	1,101.7	2,291.1	5,482.0	7,637.0	7,637.0	7,637.0	7,637.0	7,637.0	7,637.0
Enterprise Value (Average)	(5.5)	2,750.3	3,946.4	2,255.3	5,433.6	7,384.7	7,074.8	6,630.0	6,150.7	5,593.7	4,953.2
P/E	#DIV/0!	32.8 x	39.6 x	27.8 x	33.1 x	24.9 x	19.8 x	16.3 x	13.9 x	12.0 x	10.5 x
EV/EBITDA	n/a	14.5 x	17.8 x	9.7 x	17.2 x	15.2 x	11.9 x	9.4 x	7.5 x	6.0 x	4.6 x
FCF Yield to Market Capitalization	#DIV/0!	18.6%	23.7%	2.7%	4.9%	3.6%	5.1%	6.9%	7.5%	8.6%	9.9%
FCF Yield to Enterprise Value	-1490.9%	5.3%	6.6%	2.7%	5.0%	3.7%	5.5%	8.0%	9.3%	11.8%	15.2%
Free Cash Flow											
EBIT	162.5	164.0	168.0	212.4	287.3	462.1	566.0	671.6	774.0	883.2	1,007.3
Tax Expense	(39.4)	(9.2)	(8.8)	(29.6)	(54.9)	(106.3)	(130.2)	(154.5)	(178.0)	(203.1)	(231.7)
D&A	25.3	25.3	53.7	21.3	28.3	23.2	29.6	34.5	43.2	53.9	67.5
Capital Expenditures	(3.2)	(2.1)	(1.6)	(1.8)	(1.8)	(2.1)	(2.7)	(3.2)	(4.0)	(5.0)	(6.2)
Changes in NWC	(63.2)	(33.3)	50.3	(141.1)	12.4	(100.4)	(73.6)	(21.2)	(66.2)	(71.5)	(82.0)
Unlevered Free Cash Flow	82.0	144.7	261.6	61.2	271.3	276.4	389.1	527.3	569.0	657.6	754.9
Valuation Summary											
Current Price	\$ 56.95										
Target Price	\$ 64.53										
Total Return	13.3%										
Recommendation	BUY										
DCF Valuation											
Perpetuity Growth Implied Price	\$ 68.97										
Exit Multiple Implied Price	\$ 55.53										
Comps Valuation											
Comps - EV/EBITDA Implied Price	\$ 27.12										
Comps - P/E Implied Price	\$ 39.00										

Appendix 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis															
	Nov-19	Nov-20	Nov-21	Nov-22	Nov-23	Feb-24	May-24	Aug-24	Nov-24	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
(Figures in mm USD)	FY2019	FY2020	FY2021	FY2022	FY2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
WACC Calculations															
Cost of Equity															
Risk-free rate	4.2%														
Expected market return	9.0%														
Market Risk Premium	4.8%														
Beta	1.08														
Cost of Equity	9.4%														
Cost of Debt															
Pre-tax cost of debt	5.0%														
Effective tax rate	23.0%														
Cost of Debt	3.9%														
WACC															
Market value of equity	7,637.0														
Market value of debt	856.8														
Total Capitalization	8,493.8														
Cost of equity	9.4%														
Cost of debt	3.9%														
WACC	8.8%														
Free Cash Flow															
EBIT	162.5	164.0	168.0	212.4	287.3	101.1	106.7	123.9	130.5	462.1	566.0	671.6	774.0	883.2	1,007.3
Less: Tax expense	(39.4)	(9.2)	(8.8)	(29.6)	(54.9)	(23.2)	(24.5)	(28.5)	(30.0)	(106.3)	(130.2)	(154.5)	(178.0)	(203.1)	(231.7)
Add: Depreciation and amortization	25.3	25.3	53.7	21.3	28.3	5.3	5.6	5.9	6.3	23.2	29.6	34.5	43.2	53.9	67.5
Less: Capital expenditures	(3.2)	(2.1)	(1.6)	(1.8)	(1.8)	(0.5)	(0.5)	(0.5)	(0.6)	(2.1)	(2.7)	(3.2)	(4.0)	(5.0)	(6.2)
Less: Change in net working capital	(63.2)	(33.3)	50.3	(141.1)	12.4	(28.0)	(14.1)	(41.8)	(16.6)	(100.4)	(73.6)	(21.2)	(66.2)	(71.5)	(82.0)
Unlevered Free Cash Flow	82.0	144.7	261.6	61.2	271.3	54.7	73.2	59.0	89.6	276.4	389.1	527.3	569.0	657.6	754.9
Discount factor						0.25	0.50	0.75	1.00	1.00	2.00	3.00	4.00	5.00	6.00
Present Value of Unlevered Free Cash Flow						53.5	70.1	55.4	82.3	261.4	339.6	409.1	405.7	430.8	454.5
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.8%														
PV sum of unlevered FCF	2,301.2														
Terminal value	7,755.5														
Enterprise Value	10,056.7														
Add: Cash	48.4														
Less: Debt	856.8														
Less: Other EV adjustments															
Equity Value	9,248.3														
Shares outstanding	134.1														
Implied Share Price	\$ 68.97														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	9.2 x														
PV sum of unlevered FCF	2,301.2														
Terminal value	5953.311														
Enterprise Value	8,254.5														
Add: Cash	48.4														
Less: Debt	856.8														
Less: Other EV adjustments	-														
Equity Value	7,446.1														
Shares outstanding	134.1														
Implied Share Price	\$ 55.53														
WACC															
Perpetuity Growth Rate	0.20%	\$ 36.08	\$ 38.33	\$ 40.80	\$ 43.53	\$ 46.57									
	0.70%	\$ 37.45	\$ 39.86	\$ 42.53	\$ 45.50	\$ 48.81									
	1.20%	\$ 38.96	\$ 41.56	\$ 44.46	\$ 47.69	\$ 51.33									
	1.70%	\$ 40.61	\$ 43.44	\$ 46.60	\$ 50.15	\$ 54.17									
	2.20%	\$ 42.45	\$ 45.54	\$ 49.01	\$ 52.93	\$ 57.41									
WACC															
Terminal EV/EBITDA Multiple	6.7 x	\$ 37.83	\$ 38.86	\$ 39.91	\$ 41.00	\$ 42.13									
	7.7 x	\$ 42.02	\$ 43.16	\$ 44.34	\$ 45.55	\$ 46.80									
	8.7 x	\$ 46.22	\$ 47.47	\$ 48.77	\$ 50.10	\$ 51.48									
	9.7 x	\$ 50.41	\$ 51.78	\$ 53.19	\$ 54.65	\$ 56.15									
	10.7 x	\$ 54.60	\$ 56.09	\$ 57.62	\$ 59.20	\$ 60.83									

Appendix 3: Comparable Company Analysis



Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple				
				2023A EV/EBITDA	2024E EV/EBITDA	2025E EV/EBITDA	2023A P/E	2024E P/E	2025E P/E		
Conagra Brands, Inc.	(NYSE: CAG)	14,115.3	23,295.6	9.8 x	9.8 x	9.5 x	13.1 x	11.0 x	10.7 x		
The J.M. Smucker Con	(NYSE: SJM)	13,747.4	17,636.8	10.3 x	9.7 x	8.4 x	13.7 x	12.7 x	11.9 x		
The Simply Good Food	(NasdaqCM: SMI)	3,963.1	4,202.0	18.4 x	16.0 x	14.9 x	30.1 x	21.9 x	19.8 x		
Lamb Weston Holding	(NYSE: LW)	15,440.5	18,750.5	14.7 x	11.7 x	11.1 x	15.3 x	18.1 x	16.8 x		
Nature's Sunshine Pro	(NasdaqCM: NA1)	338.8	278.8	8.0 x	6.8 x	6.2 x	43.3 x	24.3 x	21.9 x		
Medifast, Inc.	(NYSE: MED)	758.5	623.0	4.2 x	6.6 x	5.8 x	7.4 x	13.1 x	11.5 x		
The Hain Celestial Gro	(NasdaqGS: HAI)	1,015.4	1,890.5	14.6 x	11.8 x	10.8 x	(7.5 x)	29.0 x	21.0 x		
LifeVantage Corporati	(NasdaqCM: LFV)	74.9	70.6	9.5 x	4.2 x	3.7 x	29.5 x	10.7 x	9.1 x		
Herbalife Ltd.	(NYSE: HLF)	1,522.2	3,790.8	7.1 x	5.7 x	5.3 x	8.3 x	5.0 x	4.3 x		
Glanbia plc	(ISE: GL9)	4,335.6	4,899.2	11.2 x	9.4 x	9.0 x	16.6 x	12.1 x	11.4 x		
BellRing Brands	(NYSE: BRBR)	7,555.2	8,363.6	26.5 x	17.2 x	14.0 x	45.8 x	22.8 x	17.5 x		
Median					9.6 x	8.7 x		12.9 x	11.7 x		
Mean					9.2 x	8.5 x		15.8 x	13.8 x		
High					16.0 x	14.9 x		29.0 x	21.9 x		
Low					4.2 x	3.7 x		5.0 x	4.3 x		
				EV/EBITDA Implied Price			P/E Implied Price				
Median				\$	28.54	\$	32.70	\$	31.79	\$	37.58
Mean				\$	27.12	\$	31.62	\$	39.00	\$	44.53
High				\$	51.81	\$	60.15	\$	71.69	\$	70.52
Low				\$	9.01	\$	10.18	\$	12.24	\$	13.85

Appendix 4: Operating Model

Operating Model											
	Nov-19	Nov-20	Nov-21	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
(Figures in mm USD)	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Revenue Analysis - Growth											
Shakes and other beverages revenue growth, %		22.4%	25.2%	6.9%	22.4%	24.9%	23.2%	19.0%	16.0%	15.0%	15.0%
Protein Powders revenue growth, %		1.6%	46.8%	35.6%	19.6%	24.5%	22.5%	18.0%	15.5%	14.0%	14.0%
Nutrition bars revenue growth, %		-21.1%	-8.3%	-20.4%	-100.0%	-	-	-	-	-	-
Other revenue growth, %		-28.0%	26.4%	2.2%	438.7%	10.0%	10.0%	7.5%	7.5%	7.5%	7.5%
Total Revenue Growth, %		15.7%	26.2%	10.0%	21.5%	27.2%	22.7%	18.6%	15.7%	14.7%	14.7%
Revenue Analysis - Segmented Breakdown											
Shakes and other beverages, mm	662.1	810.1	1,014.2	1,084.0	1,327.0	1,657.9	2,043.0	2,431.1	2,820.1	3,243.1	3,729.6
Powders, mm	119.8	121.7	178.6	242.2	289.7	360.7	441.8	521.4	602.2	686.5	782.6
Nutrition bars, mm	62.5	49.3	45.2	36.0		-	-	-	-	-	-
Other, mm	10.0	7.2	9.1	9.3	50.1	55.1	60.6	65.2	70.1	75.3	81.0
Total Revenue, mm	854.4	988.3	1,247.1	1,371.5	1,666.8	2,073.7	2,545.4	3,017.7	3,492.3	4,004.9	4,593.2
Schedules - Property and Equipment											
Property and Equipment, beginning		11.7	10.2	8.0	8.5	8.5	10.8	13.8	17.3	21.6	27.0
Add: Capital expenditures		2.1	1.6	1.8	1.8	2.1	2.7	3.2	4.0	5.0	6.2
Add: Acquisitions		-	-	-	-	-	-	-	-	-	-
Less: Other adjustments		-	-	-	-	23.3	29.9	34.8	43.5	54.4	68.1
Less: Depreciation		(25.3)	(53.7)	(21.3)	(28.3)	(23.2)	(29.6)	(34.5)	(43.2)	(53.9)	(67.5)
Less: Divestitures		21.7	50.8	19.5	26.5						
Property and Equipment, ending	11.7	10.2	8.9	8.0	8.5	10.8	13.8	17.3	21.6	27.0	33.8
Capex, % of Beginning P&E, %		17.9%	15.7%	22.5%	21.2%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Estimated P&E Useful Life, years		0.5	0.2	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Schedules - Retained Earnings											
Retained Earnings, beginning		-	(2,179.0)	(355.6)	(190.1)	(190.1)	116.4	503.0	972.4	1,522.2	2,156.1
Add: Net income		100.1	114.4	116.0	165.5	306.5	386.6	469.4	549.8	633.9	729.4
Less: Dividends paid		-	-	-	-	-	-	-	-	-	-
Less: Other adjustments		(2,279.1)	(995.1)	(116.0)	(165.5)						
Retained Earnings, ending	-	(2,179.0)	(3,059.7)	(355.6)	(190.1)	116.4	503.0	972.4	1,522.2	2,156.1	2,885.5
Dividend Per Share, \$/share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Margin Analysis											
COGS, % of revenue, %	63.5%	65.8%	69.0%	69.2%	68.2%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%
Gross Profit, % of revenue, %	36.5%	34.2%	31.0%	30.8%	31.8%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
SG&A, % of revenue, %	11.9%	12.8%	9.1%	12.3%	11.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
R&D, % of revenue, %	-	-	-	-	-	-	-	-	-	-	-
OPEX, % of revenue, %	2.6%	2.2%	4.1%	1.4%	1.6%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
EBITDA, % of revenue, %	22.0%	19.2%	17.8%	17.0%	18.9%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
Income Tax Rate, % of EBT, %	24.2%	8.4%	7.1%	20.3%	24.9%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Working Capital Analysis											
Current Assets											
Accounts receivable, % of revenue, %	8.0%	8.4%	8.3%	12.6%	10.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Inventories, % of revenue, %	16.2%	15.2%	9.5%	14.6%	11.7%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Prepaid expenses, % of COGS, %	1.4%	1.2%	1.6%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Current Liabilities											
Accounts payable, % of COGS, %	11.4%	8.7%	10.7%	9.9%	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Accrued liabilities, % of revenue, %	3.6%	3.3%	3.5%	3.6%	3.7%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

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