



Consumer Staples

ELEVATOR PITCH

Presented by Hedgeye Consumer Staples Sector

BellRing Brands

Ticker	BRBR		2022A	2023A	2024E	2025E	2026E
Price	\$59	Hedgeye EPS	\$ 1.16	\$ 1.32	\$ 1.85	\$ 2.40	\$ 2.91
Market Cap	7.76 bn	Street EPS		\$ 1.32	\$ 1.66	\$ 1.93	\$ 2.37
Enterprise Value	8.63 bn	Variance			12%	25%	23%
Short Interest	2.7%	P/E			32.0x	24.7x	20.4x
Debt/EBITDA	2.4x	Target P/E			35.0x	30.0x	28.0x
Sell Side Target	\$60	Implied Price			\$65	\$72	\$81
Return to SS Tgt	2%	Price Variance %			9%	22%	37%

HEDGEYE EDGE | Well Positioned For Secular Growth In Protein Consumption

Increased protein consumption is a secularly growing trend in our diets. Tailwinds in health, fitness, and wellness are driving the growth in the functional beverage category. Premier Protein is the #1 RTD protein shake.

NEAR-TERM (TREND) | New Capacity Expansion Will Unlock Further Growth

BellRing's inventory levels have been below target due to production capacity constraints. The company is on track to increase its RTD shake production capacity by 20% this year with its partners recently adding two greenfield production facilities. GLP-1 drugs have seen significant growth by helping patients achieve weight loss and better health. GLP-1 patients experience a loss in appetite and up to 40% of weight loss can be due to weight loss. The GLP-1 patient population represent a new potential customer. Additional production will enable an increase in flavors and promotions. Future announcements to expand capacity further will be a positive catalyst. By partnering with co-manufacturers the company enjoys high 20%+ margins with minimal capex needs. Being manufacturing-light, management focuses externally on the brand rather than internally on manufacturing. Nutrition bars have a household penetration rate of 45% while RTD shakes have a penetration rate of only 25% indicating the mid-term market opportunity.

KEY RISKS TO THE CALL | Appears Expensive, But Estimates Are Increasing

EPS upside on a trade and trend duration point towards 30%+ upside. With some of the highest organic volume and EPS growth CAGRs, the company's valuation should be among the highest in consumer staples. Leverage will soon fall below 2x and share repurchases and brand acquisitions will be part of the future growth formula.

COMPANY DESCRIPTION

BellRing Brands owns three brands positioned in the wellness and health category with a focus on protein. The company's Premier Protein brand is seeing strong demand for its RTD protein shakes while its Dymatize brand is seeing strong demand for its protein powders.

KEY MODELING ASSUMPTIONS

	2022A	2023A	2024E	2025E	2026E
Revenue	\$ 1,372	\$ 1,667	\$ 1,995	\$ 2,336	\$ 2,668
YY % Change		21.5%	19.7%	17.1%	14.2%
Gross Margin %	30.8%	31.8%	32.6%	33.2%	33.6%
EBIT Margin %	15.5%	17.2%	18.1%	20.1%	20.8%
EBITDA	\$ 271	\$ 338	\$ 412	\$ 499	\$ 584
Net Debt	\$ 894	\$ 808	\$ 660	\$ 345	\$ (129)
Net Debt/EBITDA	3.3x	2.4x	1.6x	0.7x	-0.2x
FCF/Share	\$ 0.20	\$ 1.59	\$ 1.21	\$ 2.37	\$ 3.57