

FUNDAMENTAL VALUATION: VITAL FARMS INC.

Team: Green Day Traders
Team Members: Ethan Neff, Ed Enyart, Nick Payne, Simen Strand
Date Presented: 3/24/2024
Investment Decision: Purchased 100 Shares, ~\$3,000

Introduction:

With the recent dip in the market, some controversy about eggs, and forward-looking perspectives on the United States agriculture industry, we came across Vital Farms.

Company Overview:

Ticker:	VITL	Exchange:	NASDAQ
Current Stock Price:	\$ 29.79	Date Reported:	3/21/2025
Target Stock Price:	\$ 51.02	Target Date:	3/24/2025

Vital Farms, Inc., a food company, packages, markets, and distributes shell eggs, butter, and other products in the United States. It produces products sourced from animals raised on family farms, including shell eggs, butter, hard-boiled eggs, and liquid whole eggs under the Vital Farms brand and other trade names. The company provides its products through third parties and directly to retailers and commercial and non-commercial food service operators. Vital Farms, Inc. was founded in 2007 and is headquartered in Austin, Texas.

Historical Performance:

The company went public on July 31, 2020, so there isn't an extensive history. Like many other initial public offerings, there was initial expected volatility during the first week, with the stock price ticking high and falling shortly thereafter. The company recently started becoming profitable in 2023 and as results were reported the stock received more volume. With the recent bird flu events in 2024, the company's farming techniques helped reduce spread and was able to significantly cull less of its flock than its bigger competitors. The company continuously attempts to expand its operations, with a goal to earn \$1 Billion in revenue by 2027. It also attempts to leverage technology and AI to increase efficiency.

Valuation Summary:

Our valuation included doing both a discounted cash flow and comparable company analysis, the DCF analysis included doing both perpetual growth and EBITDA multiple models that each ran a base, bear, and bull case scenarios. Our main assumptions include forecasting the current year's revenue by its current 5-year compound annual growth rate, less expected inflation, plus an arbitrary adjustment to how we perceive the company to perform. After the current year, we forecast revenue to trickle down over 5 years. Our discount rate is equal to the company's weighted average cost of capital, using Bloomberg's method to calculate WACC. Our perpetuity growth rate is selected based on the relationship between WACC and the year 5 free cash flow growth rate, and our EV/EBITDA multiple is based on the company's current year multiple. We identified 8 peers we determined to be best similar to Vital Farms, by both size and current financial activities. We compared each company by the following values: EV/Sales, EV/EBITDA, EV/EBIT, and P/E, and then took an average of each result for the base case, 25th percentile for bear case, and 75th percentile for bull case. Our final valuated stock price was an arbitrarily weighted average of each model's results.