

# **Green Day Traders**

## **Fundamental Analysis**

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3/24/2025



# Business Overview

## Description

Vital Farms, Inc., a food company, packages, markets, and distributes shell eggs, butter, and other products in the United States.

## Products

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.

## Customers

The company provides its products through third parties and direct to retailers, and commercial and non-commercial foodservice operators.

## Founding

Founded by Matthew O'Hayer in 2007 and is headquartered in Austin, Texas.  
IPO Date: July 31, 2020



# Stock Overview & Investment Proposal

<b>Company Name:</b>	Vital Farms, Inc.	<b>Current Price:</b>	\$ 29.79
<b>Ticker:</b>	VITL	<b>Current Date:</b>	3/21/2025
<b>Sector:</b>	Consumer Staples	<b>Target Price:</b>	\$ 51.02
<b>Industry:</b>	Agriculture	<b>Target Date:</b>	3/24/2025
<b>Shares Out.:</b>	44 Million	<b>Monthly Volume:</b>	~1.2 Million
<b>Market Cap.:</b>	1.3 Billion	<b>Beta:</b>	0.98

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**Investment Proposal:**  
**BUY 100 Shares, ~\$3,000**





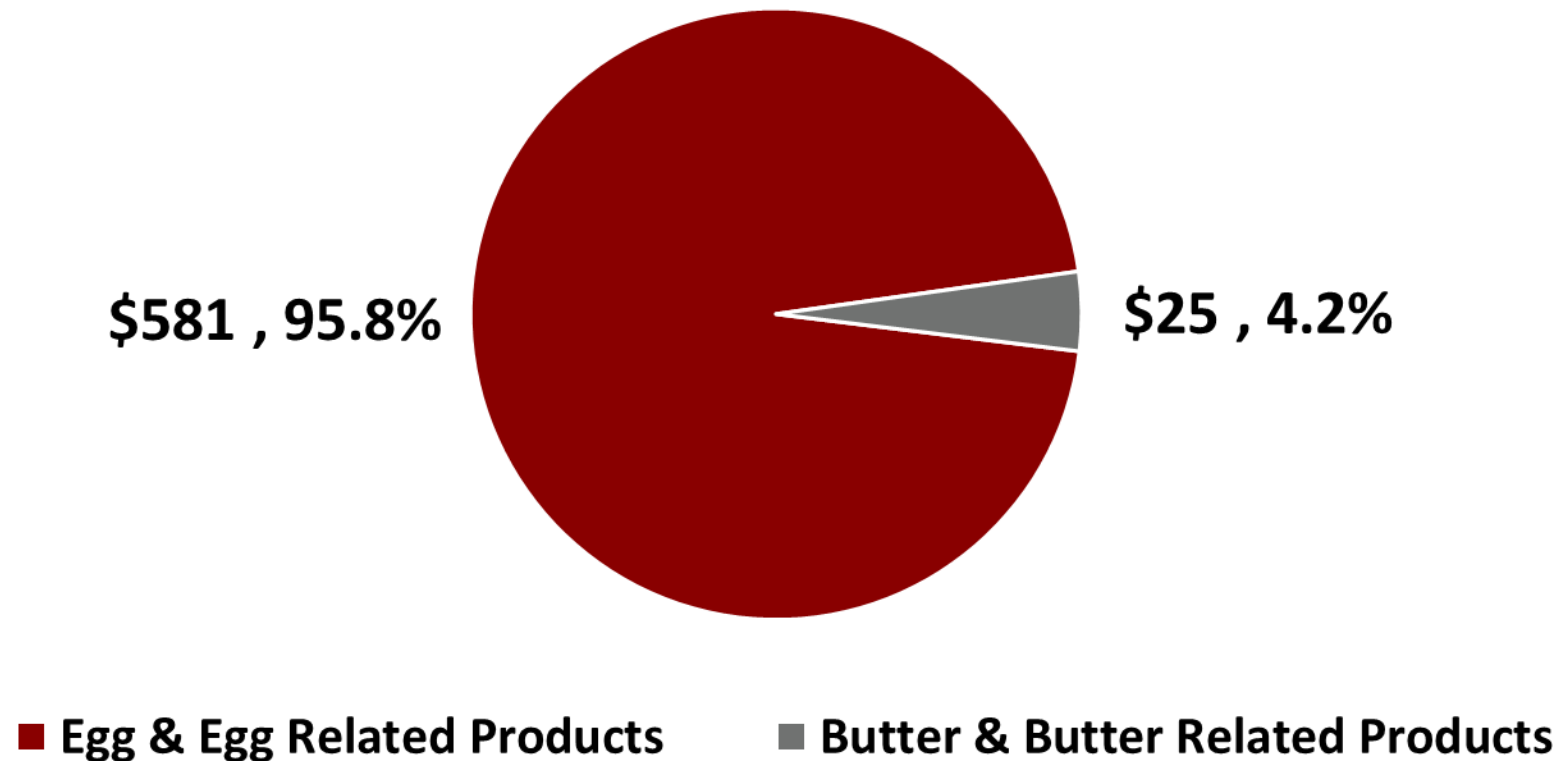
# Company Products





# Revenue Breakdown

Revenue by Segment, In USD Millions



Vital Farms plans to add milk and cheese to its product offering.



# Company Analysis

**Competitive Advantage** - Vital Farms' business model is centered on ethical and sustainable practices, distinguishing it from competitors like Cal-Maine Food, which typically follows conventional methods.

Aspect	Detail
Pasture-Raised Model	108 square foot per hen reduces stress, lowers disease risk
Decentralized Network	Over 425 farms, minimizes outbreak impact, less than 0.5% supply risk.
Transparency	Full traceability, builds consumer trust, crucial during crises
Premium Pricing	Commands higher prices for ethical, sustainable products



# Company Analysis

**Demand** - Demand for Vital Farms' products remains robust, driven by premium branding that emphasizes ethical production and sustainability.

Financial highlights for the fiscal year ended December 29, 2024 (52 weeks), compared to the fiscal year ended December 31, 2023 (53 weeks), include:

- **Net Revenue** increased 28.5% to \$606.3 million, compared to \$471.9 million
- **Gross Margin** expanded 352 basis points to 37.9%, compared to 34.4%
- **Net Income** grew 108.8% to \$53.4 million, compared to \$25.6 million
- **Net Income per Diluted Share** of \$1.18, compared to \$0.59
- **Adjusted EBITDA** of \$86.7 million, compared to \$48.3 million<sup>1</sup>



# Company Analysis

**Growth Potential** – Vital Farms is poised for significant growth, with strategic investments in production capacity and farm network expansion.

Expansion Initiative	Detail
New Equipment	MOBA egg grading system, +30% capacity, operational by Q4 2025
New Facility	Seymour, Indiana, breaks ground mid-2025, \$350M revenue increase expectation by 2027
Farm Network Growth	From 300 to 425 farms, +45% capacity, supports supply chain resilience
Product Diversification	Exploring dairy, aligns with ethical consumer trends





# Company Analysis

**Operational Efficiency** – Operational efficiency is a cornerstone of Vital Farms' strategy, with significant improvements reflected in the financial results

Efficiency Measure	Detail
Technology Integration	AI health monitoring, biosecurity protocols, minimizes disruptions
Facility Automation	New Seymour facility, industry-leading equipment, enhances production
Regenerative Agriculture	15% farmer engagement in 2024, 100% target by 2026, reduces greenhouse gases 25% by 2027
Financial Efficiency	Gross margin 37.9% in FY 2024, adjusted EBITDA \$86.7M, strong cost management



# Industry Analysis

- **Industry Defined** – The egg and dairy industry operates within the broader consumer staples sector, supplying essential food products on conventional, cage-free, and pasture-raised categories.
- **Demand** – Demand for eggs remains stable year-round, but the industry faces seasonal fluctuations around holidays. It is partially cyclical, as economic downturns may shift consumers toward lower-cost options.
- **Growth Potential** – The industry is evolving with sustainability trends, automation, and traceability technology, while pasture-raised and organic segments are experiencing strong growth due to consumer preferences.
- **Competitive Landscape** – The industry is fragmented, with large players like Cal-Maine Foods (CALM) dominating conventional eggs, while smaller, premium brands compete in the specialty market.
- **Industry Regulation** – The industry is highly regulated, with oversight from the USDA, FDA, and state agencies, covering food safety, animal welfare, and environmental policies, with increasing focus on supply chain transparency.



# Valuation Assumptions

<b>Valuation Date:</b>	3/21/2025	<b>N Forecasted Years:</b>	5
<b>Revenue Growth Method:</b>	5 Year CAGR - Inflation + Adjust	<b>Rev. Growth Rate:</b>	24.6%
<b>Dividend Growth Method:</b>	NA	<b>Div. Growth Rate:</b>	NA
<b>WACC Calc. Method:</b>	Bloomberg	<b>WACC:</b>	7.68%
		<b>Cost of Equity:</b>	7.73%
<b>DCF Methods:</b>	Perpetual Growth EBITDA Multiple	<b>Perpetuity Growth Rate:</b>	4.4%
		<b>Exit EV / EBITDA Multiple:</b>	15.27x
<b>Comparable Metrics</b>	EV/Sales, EV/EBITDA, EV/EBIT, P/E	<b>Number of Peers:</b>	8



# Valuation Outcomes

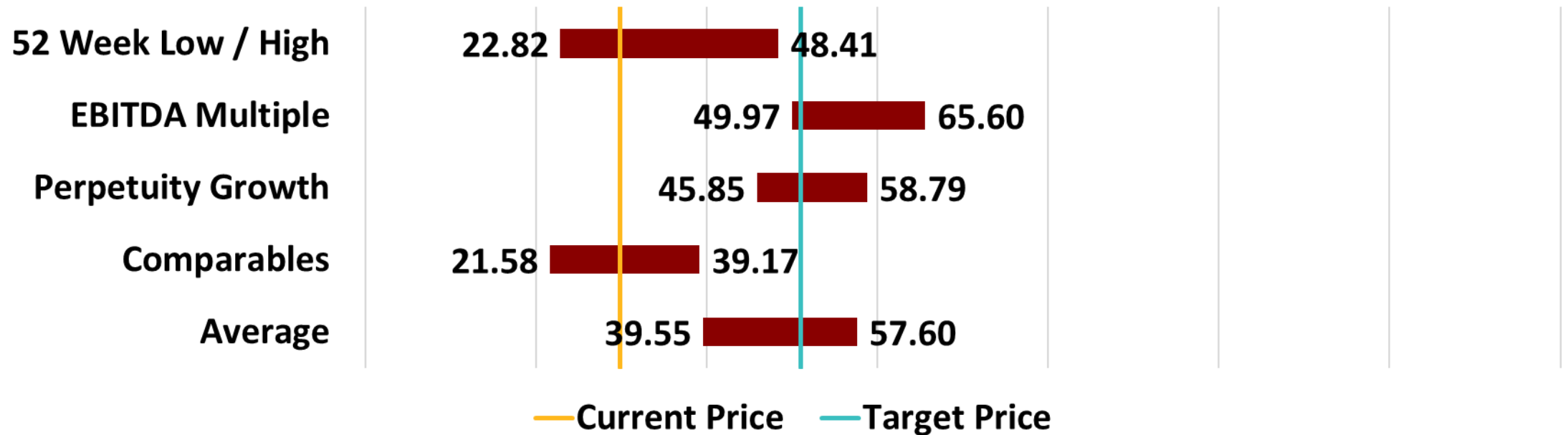
Model	Base	Bear	Spread	Bull	Valuation Weight
Average	47.57	39.55	18.06	57.60	20.0%
Comparables	38.18	21.58	17.59	39.17	20.0%
Perpetuity Growth	53.61	45.85	12.94	58.79	30.0%
EBITDA Multiple	59.30	49.97	15.64	65.60	30.0%
52 Week Low / High	29.79	22.82	25.59	48.41	
Target Price	51.02	40.97		56.67	100.0%





# Valuation Outcomes

## Valuation Range and Implied Share Price



	Current	Bear	Base	Bull
Stock Price	29.79	40.97	51.02	56.67
Upside (Downside)		11.18	21.23	26.88
Upside (Downside) %		37.5%	71.3%	90.2%

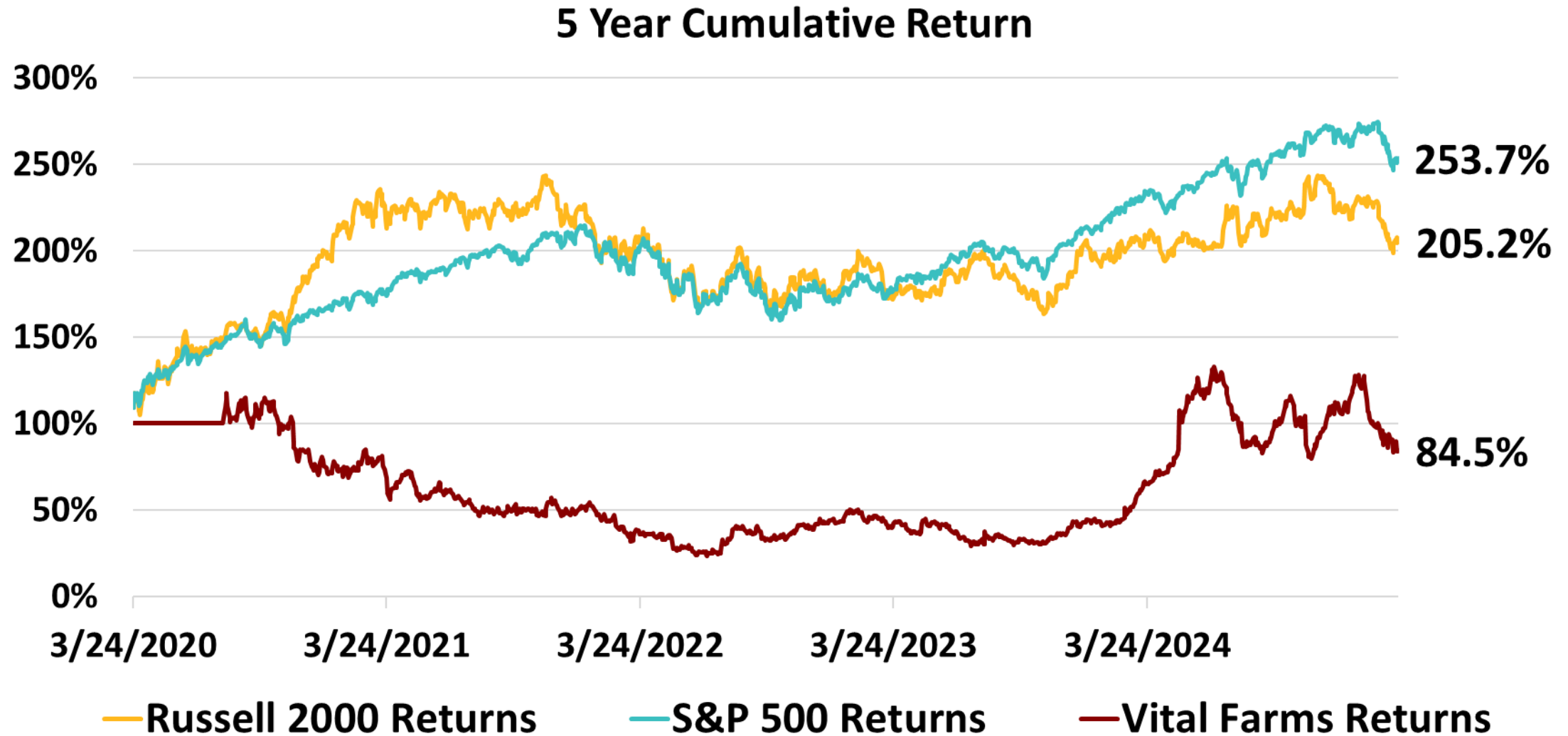


# Performance History

Vital Farms Inc - Stock Prices



# Performance History



# SWOT Analysis

- Resilient decentralized farm network
- Market leader in pasture-raised eggs
- Strong ESG & Transparency focus
- Supply chain investments & automation

- High production costs
- Limited product diversification
- Premium pricing limits market reach

## Strengths

## Weaknesses

## Opportunities

## Threats

- Growing demand for ethical, sustainable & organic foods
- Retail & foodservice expansion
- E-commerce & direct-to-consumer growth
- Technological advancements in supply chain

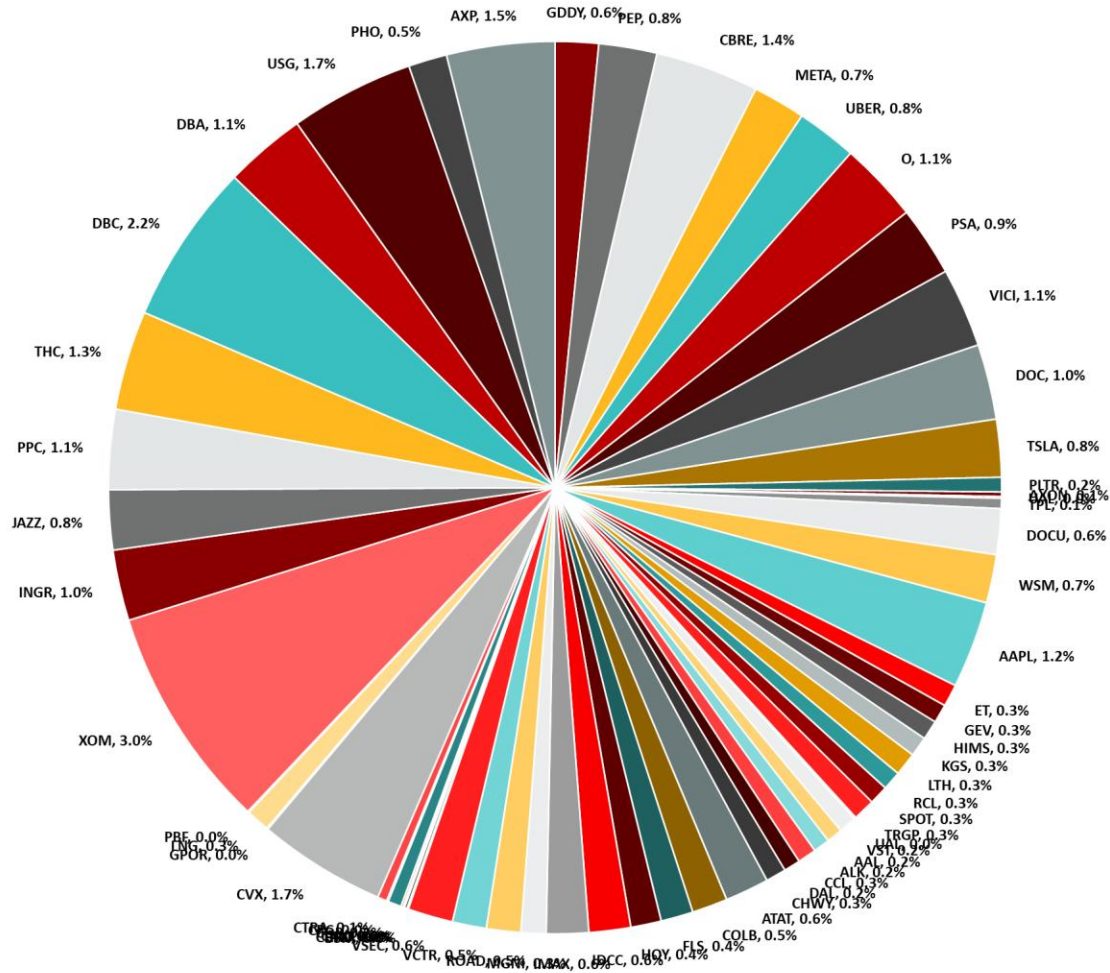
- Competition from larger food companies
- Supply chain & inflation pressures
- Regulatory & industry risks
- Consumer sensitivity to pricing



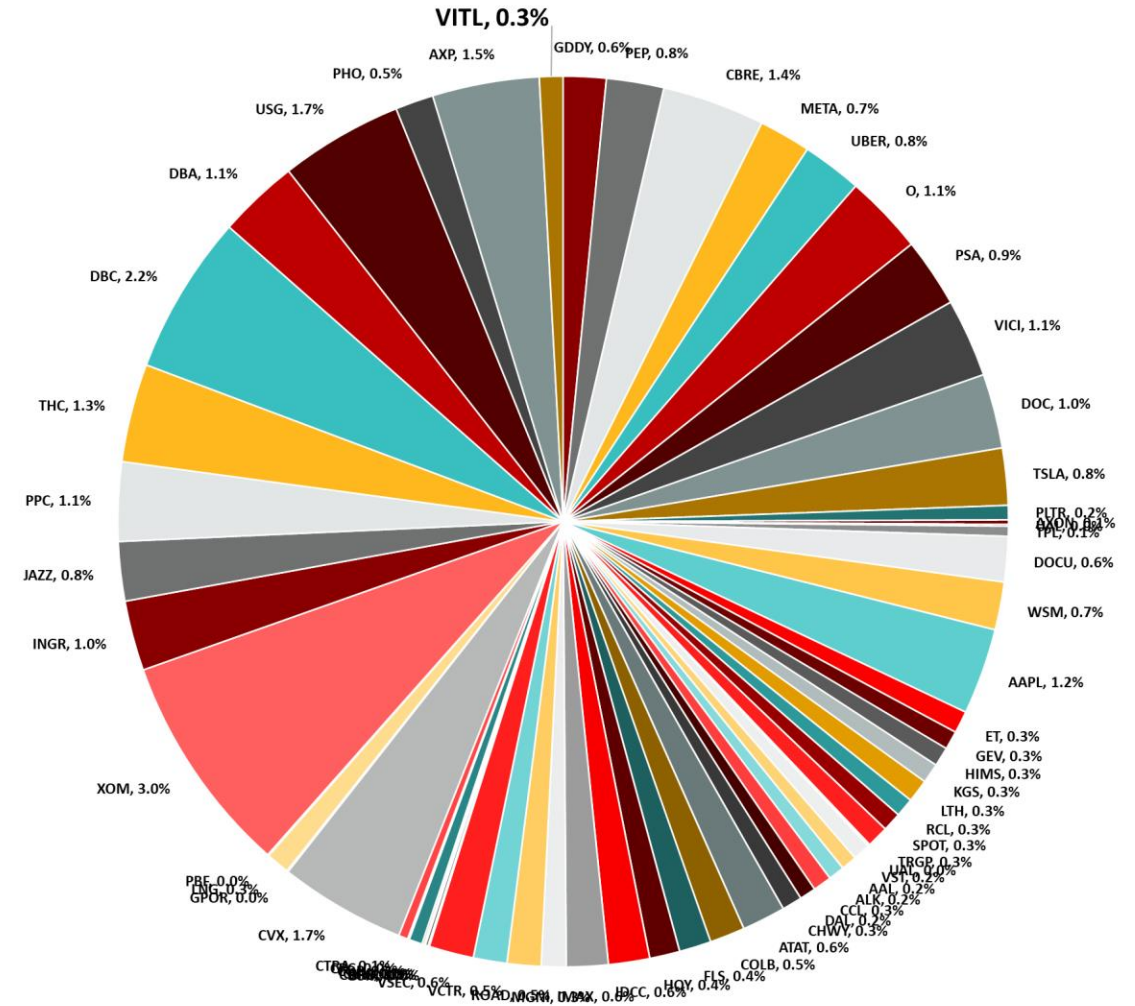


# Effect on the Portfolio - Securities

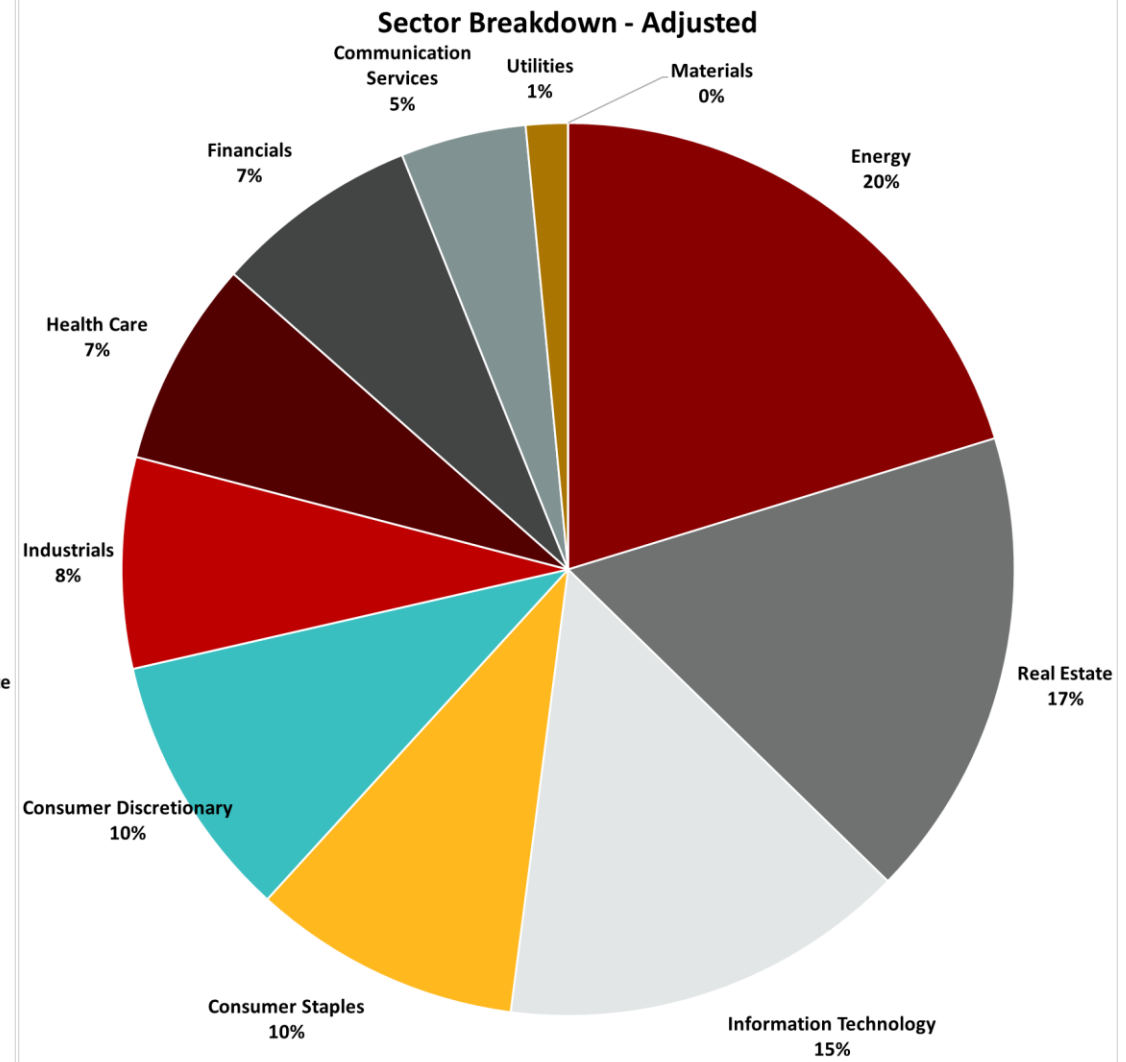
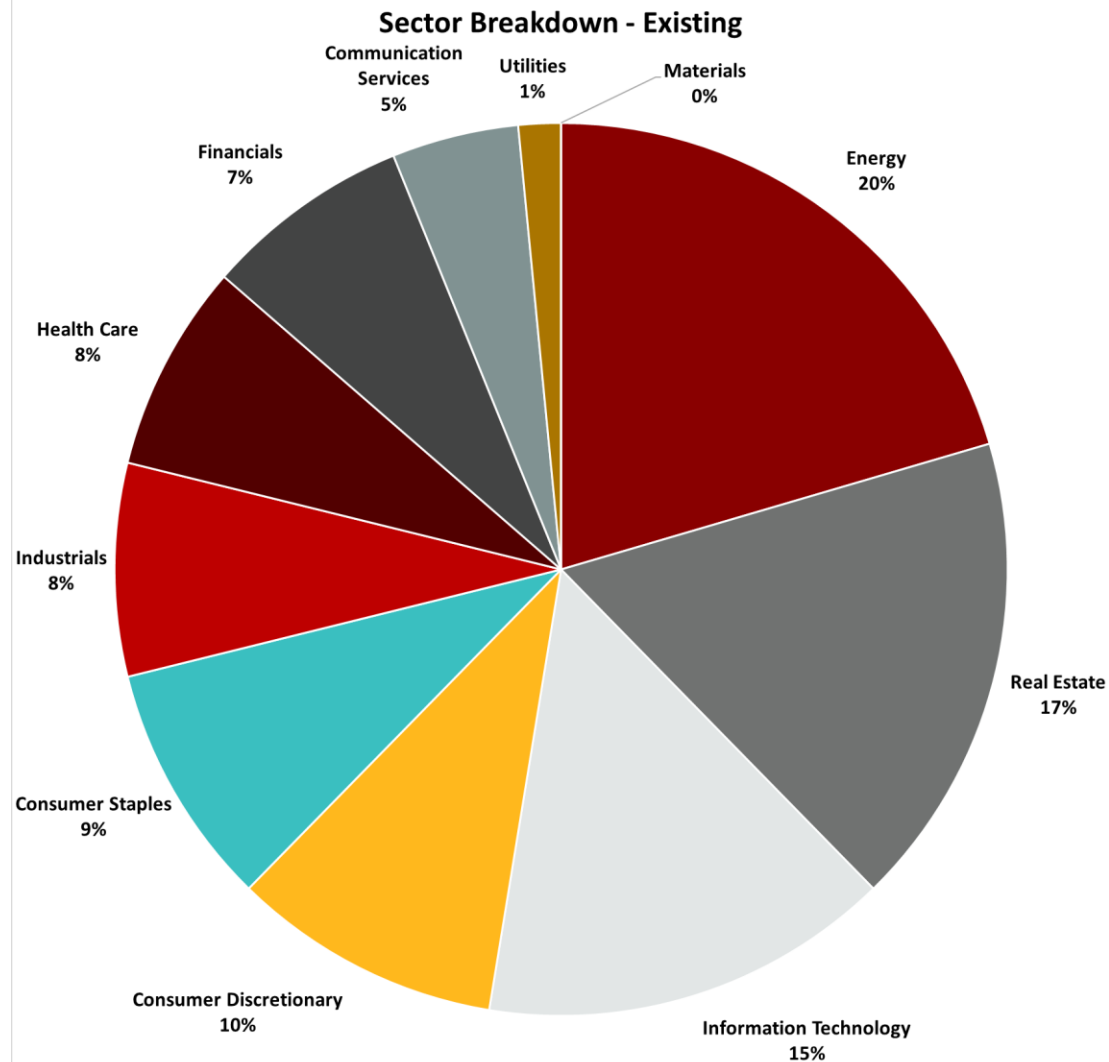
Portfolio Active Weights - Existing



Portfolio Active Weights - Adjusted



# Effect on the Portfolio - Sector



# Conclusion

- **Recommendation:** **BUY** 100 shares, ~\$3,000
  - Quality eggs from 425 family farms - a decentralized network, creating disease resilience.
  - The current price is \$29.79. Our analysis prices it at \$51.02, a 71.3% increase. Positive results in a bear case as well.
  - Complete transparency builds consumer trust - crucial during crises.
  - Limited product diversification and a competitive market

Portfolio	Expected Return	Standard Deviation	Beta	Sharpe	Idiosyncratic Risk
Existing	23.36%	9.43%	1.01	2.00	2.61%
Adjusted	23.44%	9.47%	1.02	2.00	2.67%

