

# Monster Beverage Corporation

**Recommendation** **HOLD** ★ ★ ★ ★ ★

**Price**  
USD 89.30 [as of market close Nov 19, 2021]

**12-Mo. Target Price**  
USD 95.00

**Report Currency**  
USD

**Investment Style**  
Large-Cap Growth

**Equity Analyst** Garrett Nelson

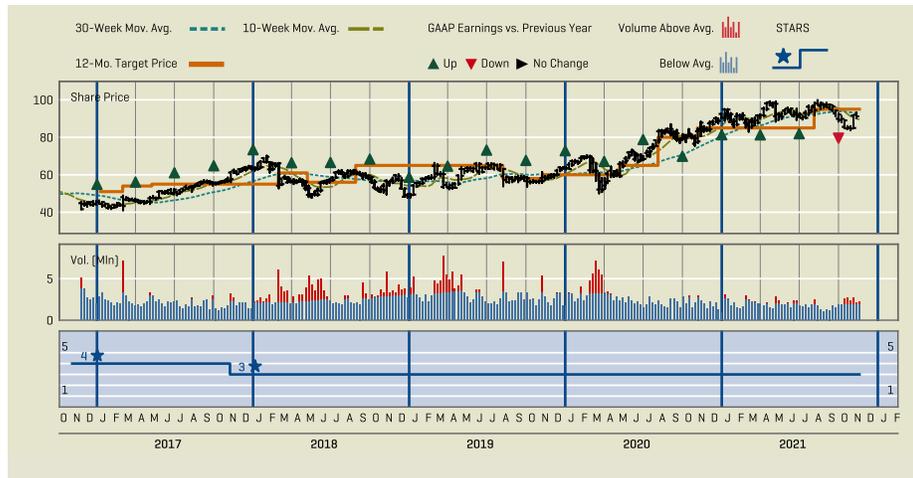
**GICS Sector** Consumer Staples  
**Sub-Industry** Soft Drinks

**Summary** Monster Beverage develops, markets, distributes, and sells energy drink beverages and concentrates in the United States and internationally.

**Key Stock Statistics** [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	<b>USD 98.79 - 83.52</b>	Oper.EPS2021E	<b>USD 2.60</b>	Market Capitalization[B]	<b>USD 47.3</b>	Beta	<b>1.07</b>
Trailing 12-Month EPS	<b>USD 2.86</b>	Oper.EPS2022E	<b>USD 2.85</b>	Yield [%]	<b>N/A</b>	3-yr Proj. EPS CAGR[%]	<b>12</b>
Trailing 12-Month P/E	<b>31.22</b>	P/E on Oper.EPS2021E	<b>34.35</b>	Dividend Rate/Share	<b>N/A</b>	SPGMI's Quality Ranking	<b>B+</b>
USD 10K Invested 5 Yrs Ago	<b>17,983.0</b>	Common Shares Outstg.[M]	<b>529.00</b>	Institutional Ownership [%]	<b>61.0</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Garrett Nelson on Nov 05, 2021 06:59 AM ET, when the stock traded at **USD 87.78**.

**Highlights**

- ▶ We estimate net sales will rise about 18% in 2021 and another 9% in 2022 after increasing by 9.5% in 2020 and 10.3% in 2019, driven by new product launches, price increases, volume growth in existing markets, and international expansion on increased distribution. In 2021, we expect 15% growth for volumes and a 3% increase in price realization.
- ▶ We expect gross margins to contract by 300 bps in 2021 from 59.2% in 2020 and 60.0% in 2019, reflecting increased distribution and packaging costs and a less favorable geographic mix as international sales grow faster than domestic sales. Procurement of aluminum cans remains a challenge, as Covid-19 at-home consumption trends have boosted aluminum demand.
- ▶ We estimate operating EPS of \$2.60 in 2021 and \$2.85 in 2022, up from \$2.38 in 2020 and \$2.04 in 2019. MNST does not pay a dividend but has a long history of repurchasing stock. In 2020, MNST bought back 10.8M shares at an average price of \$55.08/share for \$594.9M [by comparison, total 2019 buybacks totaled \$707M]. The company has a history of generating robust free cash flow and possesses a strong balance sheet, with no debt and \$2.94 billion of cash and short-term investments at the end of Q3 2021.

**Investment Rationale/Risk**

- ▶ Our Hold recommendation reflects a valuation that we consider fair at current levels, balancing MNST's superior earnings growth profile with concerns regarding increased competition in the energy drinks category and the risk of multiple contractions given slowing economic growth in several overseas markets, which have been key to the company's overall sales growth. At the same time, we think MNST's debt-free balance sheet, strong free cash flow, and history of share repurchases are attributes that should serve it well over time. In June 2015, MNST formed a long-term partnership with KO, in which KO took a 16.7% stake in MNST and transferred its energy business to MNST in return for MNST's non-energy business.
- ▶ Risks to our recommendation and target price include unfavorable findings pertaining to the safety and effectiveness of energy drinks, higher commodity costs, unfavorable weather conditions, and the unsuccessful launch of new products.
- ▶ The basis of our 12-month target price of \$95 is a 2022 P/E of 31.7x, below MNST's 10-year average forward P/E of 33.8x, but above peers, reflecting our view the company is likely to grow faster than peers, offset by competitive pressure concerns.

**Analyst's Risk Assessment**

LOW MEDIUM HIGH

While the company operates in an industry that has historically exhibited stable revenue streams, it must compete against much larger peers.

**Revenue/Earnings Data**

Revenue (Million USD)	1Q	2Q	3Q	4Q	Year
2022	<b>E 1,382</b>	<b>E 1,530</b>	<b>E 1,548</b>	<b>E 1,462</b>	<b>E 5,922</b>
2021	1,244	1,462	1,411	<b>E 1,328</b>	<b>E 5,445</b>
2020	1,062	1,094	1,246	1,196	4,599
2019	946	1,104	1,134	1,017	4,201
2018	851	1,016	1,016	924	3,807
2017	742	907	909	810	3,369

**Earnings Per Share (USD)**

Earnings Per Share (USD)	1Q	2Q	3Q	4Q	Year
2022	<b>E 0.62</b>	<b>E 0.76</b>	<b>E 0.75</b>	<b>E 0.72</b>	<b>E 2.85</b>
2021	0.59	0.75	0.63	<b>E 0.63</b>	<b>E 2.60</b>
2020	0.52	0.59	0.65	0.62	2.38
2019	0.49	0.53	0.55	0.47	2.04
2018	0.38	0.48	0.48	0.43	1.76
2017	0.31	0.39	0.38	0.35	1.42

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

No cash dividends have been paid in the last year.

# Monster Beverage Corporation

## Business Summary Nov 05, 2021

**CORPORATE OVERVIEW.** Monster Beverage Corporation, formerly Hansen Natural Corporation, is a leading developer and marketer of 'alternative beverages', a category that combines ready-to-drink iced teas, lemonades, juice cocktails, single-serve juices and fruit beverages, ready-to-drink dairy and coffee drinks, energy drinks, sports drinks and single-serve still water with 'new age' beverages, including 'natural' sodas, sparkling juices and flavored sparkling beverages. The company originally began selling fresh nonpasteurized juices in Los Angeles, CA, in the 1930s. At year-end 2020, the company employed a total of 3,666 workers (3,013 on a full-time basis), up from 3,529 at year-end 2019.

In 2020, the geographic breakdown of the company's net sales was 67% U.S. and Canada and 33% International. Its international exposure has grown from 25% of revenues in 2016.

MNST has three segments: Monster Energy Drinks (93.6% of net sales in 2019), Strategic Brands (5.8%), and Other (0.6%). The Monster Energy Drinks segment is comprised of Monster Energy drinks as well as Mutant Super Soda drinks. This segment sells ready-to-drink packaged drinks primarily to bottlers and full-service beverage distributors. In some cases, the company sells directly to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience chains, food service customers, and the military. This segment generates higher per case revenues, but lower per case gross profit margins than the Strategic Brands segment.

The Strategic Brands segment includes various energy drink brands acquired from Coca-Cola in 2014. This segment sells concentrates and/or beverage bases to authorized bottling and canning operations. Bottlers combine the concentrates and/or beverage bases with sweeteners, water, and other ingredients to produce ready-to-drink packaged energy drinks. Products are then sold to other bottlers, full service distributors, wholesalers, or retailers directly.

The Other Segment mostly includes brands sold to third parties.

The company's customers are mainly full-service beverage distributors, retail grocery and specialty chains, wholesalers, club stores, drug stores, mass merchants, convenience stores, health food distributors, food service customers, and the military. Full service distributors accounted for 56% of 2020 sales; international 34%; club stores and mass merchants 8%; retail, grocery, specialty chains and wholesalers 1%; and other 1%. The Coca-Cola Company accounted for only 2% of net sales in 2020, down sharply from 18% in 2017 and 41% in 2016 as Coca-Cola transitioned some of its bottlers/distributors to independent operators.

**MARKET PROFILE.** According to the Beverage Marketing Corporation, U.S. Liquid Refreshment Beverage volumes increased by 1.4% and revenues by 3.5% in 2019 [latest available], with the breakdown of volume growth by product (and in order) being: Energy Drinks (+8.7%), Value-Added Water (+8.5%), Ready-To-Drink Coffee (+6.6%), Bottled Water (+3.6%), Sports Drinks (+2.0%), Carbonated Soft Drinks (-1.1%), Fruit Beverages (-1.7%), and Ready-To-Drink Tea (-1.8%).

**ACQUISITIONS.** In April 2016, MNST acquired flavor supplier American Fruits & Flavors for \$688.5 million in cash. The deal brought the company's primary flavor supplier in-house.

In June 2015, the company completed a transaction with The Coca-Cola Company [Coca-Cola], providing for a long-term strategic relationship in the global energy drink category. MNST issued to Coca-Cola 102.1 million new MNST shares (representing 16.7% of total shares at the time) and Coca-Cola appointed two members to MNST's Board. Coca-Cola also transferred its energy drink business to MNST, and MNST transferred its non-energy drink business to Coca-Cola. Additionally, MNST amended its distribution agreements to transfer most of MNST's U.S. distribution to the Coca-Cola distribution network. Lastly, MNST received \$2.15 billion in cash.

**CORPORATE GOVERNANCE.** The Coca-Cola Company owned 19.3% of MNST shares as of April 2021 and is entitled to nominate two directors to MNST's board. Among other provisions, agreements related to Coca-Cola's equity stake restrict it from competing in the energy drink category, with certain exceptions, including an exception relating to the Coca-Cola brand.

**FINANCIAL TRENDS.** Monster's revenues have gone from \$3.81 billion in 2018 to \$4.20 billion in 2019 and \$4.60 billion in 2020, while its EPS has increased from \$1.76 in 2018 to \$2.04 in 2019 and \$2.38 in 2020, respectively. In 2020, the company posted a 16.7% increase in EPS [\$2.38 versus \$2.04], as net sales increased 9.5%, but gross margins contracted 80 bps to 59.2%. In the first nine months of 2021, MNST posted a 12.6% rise in adjusted EPS [\$1.97 vs. \$1.75], as net sales rose 21.0%, but gross margin contracted 290 bps to 56.9%

As of September 30, 2021, Monster had approximately \$2.94 billion of cash, cash equivalents, and short-term investments, up from \$2.06 billion on December 31, 2020. MNST had no debt, a level that was unchanged from December 31, 2020.

Monster does not currently pay a dividend, but has been aggressively repurchasing stock in recent years. Monster repurchased 10.8M shares at an average price of \$55.08/share for \$594.9M in 2020, although it did not buy back any stock in the second half of the year or in the first nine months of 2021. As of November 4, 2021, approximately \$441.5M remained available for repurchase under the authorized repurchase program. MNST repurchased \$707.3 million of common stock in 2019, \$1.34 billion in 2018, and \$361.2 million in 2017.

## Corporate information

**Investor contact**  
N/A (951 739 6200)

**Office**  
1 Monster Way, Corona, California, 92879

**Telephone**  
951 739 6200

**Fax**  
N/A

**Website**  
www.monsterbevcorp.com

### Officers

<b>Co-CEO &amp; Vice Chairman</b> H. H. Schlosberg	<b>Co-CEO &amp; Chairman</b> R. C. Sacks
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<b>Co-CEO &amp; Chairman</b> R. C. Sacks	<b>Chief Financial Officer</b> T. J. Kelly
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### Board Members

B. M. Polk	M. J. Hall
G. P. Fayard	M. S. Vidergauz
H. H. Schlosberg	R. C. Sacks
J. L. Dinkins	S. G. Pizula
J. P. Jackson	T. M. Hall

<b>Domicile</b> Delaware	<b>Auditor</b> Deloitte & Touche LLP
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**Founded**  
1990

**Employees**  
3,340

**Stockholders**  
188



# Monster Beverage Corporation

## Sub-Industry Outlook

CFRA's 12-month fundamental outlook for the Soft Drinks sub-industry is neutral, reflecting an offsetting number of positive and negative fundamental factors. On the positive side, "on premise" sales volumes have recovered in recent months as the Covid-19 vaccine was distributed [sales at restaurants, movie theaters, and other event venues] and soft drink companies have successfully passed through price increases to consumers, which we think is a testament to their strong brand values. Growth for product categories such as ready-to-drink coffee, sports beverages, and bottled water has also been strong. On the negative side, we think the recent appreciation of the U.S. dollar relative to many other currencies could be a headwind as well, as beverage giants Coca-Cola and PepsiCo both generate a significant portion of total revenue outside the U.S. [66% for Coke and 42% for PepsiCo in 2020] and we think domestic carbonated soft drink sales could continue to struggle.

For the group, we see revenues rising 12.5% in 2021 and 4.2% in 2022, after increases of 0.4% in 2020 and 6.9% in 2019. Soft drink sales should benefit from an improvement in on-premise sales after the devastating impacts of Covid-19 in 2020. Over the long term, we see challenging trends for carbonated and sugary beverages, as consumer preferences [particularly those of millennials] increasingly shift towards healthier and lower-calorie beverages. We see improved demand for non-carbonated beverages as consumers continue to seek healthier products.

According to the Beverage Marketing Corporation, U.S. Liquid Refreshment Beverage volumes increased by 0.5% and while revenues declined by 1.7% in 2020 [latest available data], with the breakdown of volume growth by product (and in order) being: Ready-To-Drink Coffee [+13.0%], Sports Beverages [+5.5%], Bottled Water [+4.2%], Energy Drinks [+2.5%], Value-Added Water [+2.4%], Fruit Beverages [-3.0%], Ready-To-Drink Tea [-3.3%], and Carbonated Soft Drinks [-3.7%].

The Ready-to-Drink Coffee category was the

biggest winner from the pandemic, as volume growth jumped from 6.6% in 2019 to 13.0% in 2020 due to stay-at-home trends. The increase in at-home consumption fully offset a decline in on-premise consumption in 2020, and volumes were supported by new product launches. Longer term, we think volume trends will benefit from increased penetration into non-traditional markets and growing consumer demand for non-alcoholic products. To support growth, we see manufacturers increasing offerings of smaller package sizes, which produce greater profitability per unit volume.

We are more positive on near-term prospects for U.S. beverage companies overseas, where we see significant opportunities for consumption growth in emerging markets. Certain soft drink companies are also diversifying their product mix by acquiring smaller and faster-growing beverage and snack foods brands. We expect dividend yields and stock buybacks to lend support to share price levels, noting that the two largest players in the space, Coca-Cola and PepsiCo, are members of the S&P Dividend Aristocrats Index.

Year-to-date as of October 1, 2021, the S&P Soft Drinks Index was down 0.2% versus a 16.2% gain for the S&P 1500 Index. In 2020, the S&P Soft Drinks Index rose 6.0% versus a 15.8% gain for the S&P 1500 Index, and was up 20.7% versus a 28.3% gain for the S&P 1500 Index in 2019. The industry's five-year CAGR is 6.6%, which compares to 14.7% growth for the S&P 1500 Index.

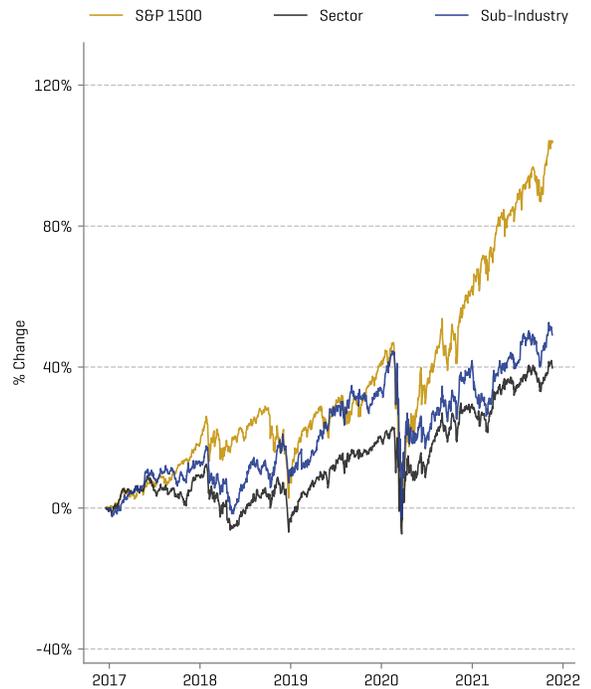
**/ Garrett Nelson**

## Industry Performance

### GICS Sector: Consumer Staples Sub-Industry: Soft Drinks

Based on S&P 1500 Indexes

Five-Year market price performance through Nov 20, 2021



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

## Sub-Industry: Soft Drinks Peer Group\*: Soft Drinks

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield on Equity [%]	Return on Equity [%]	LTD to Cap [%]
<b>Monster Beverage Corporation</b>	<b>MNST</b>	<b>NasdaqGS</b>	<b>USD</b>	<b>89.39</b>	<b>47,300.0</b>	<b>5.2</b>	<b>6.1</b>	<b>34.0</b>	<b>83.55</b>	<b>N/A</b>	<b>30.2</b>	<b>0.3</b>
Arca Continental, S.A.B. de C.V.	EMBV.F	OTCPK	USD	6.17	10,839.0	1.7	34.1	22.0	N/A	N/A	8.7	22.2
Coca-Cola Consolidated, Inc.	COKE	NasdaqGS	USD	552.33	5,177.0	40.1	105.8	30.0	N/A	0.2	37.8	67.7
Coca-Cola Europacific Partners PLC	CCEP	NasdaqGS	USD	52.91	24,148.0	-1.0	24.1	43.0	N/A	N/A	8.2	48.3
Fevertree Drinks Plc	FQVT.F	OTCPK	USD	36.00	4,281.0	2.3	13.2	75.0	N/A	N/A	17.4	0.4
Fomento Económico Mexicano, S.A.B. de C.V.	FMX	NYSE	USD	75.42	25,367.0	-10.2	1.1	NM	N/A	N/A	1.2	41.8
Ito En, Ltd.	ITOE.F	OTCPK	USD	60.91	6,120.0	N/A	2.4	121.0	N/A	N/A	4.6	28.1
Keurig Dr Pepper Inc.	KDP	NasdaqGS	USD	35.57	50,437.0	2.4	20.5	38.0	N/A	N/A	5.6	31.4
National Beverage Corp.	FIZZ	NasdaqGS	USD	60.01	5,600.0	5.6	28.2	32.0	35.63	N/A	43.1	7.2
Nongfu Spring Co., Ltd.	NNFS.F	OTCPK	USD	5.00	68,491.0	N/A	N/A	66.0	N/A	N/A	41.6	0.2
Primo Water Corporation	PRMW	NYSE	USD	18.74	3,777.0	16.8	26.1	NM	N/A	1.3	-12.5	49.8

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**Monster Beverage Corporation****Analyst Research Notes and other Company News****November 05, 2021**

12:33 AM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 87.78\*\*\*]:

We maintain a 12-month price target of \$95, based on a '22 P/E of 33.3x, a discount to MNST's 10-year average forward P/E of 34.0x. We lower our EPS estimates by \$0.10 to \$2.60 for '21 and by \$0.15 to \$2.85 for '22. MNST posts Q3 adjusted EPS of \$0.63 vs. \$0.65 [-3.5%], 4 cents shy of consensus. The miss was driven by a higher-than-expected tax rate, as MNST's net sales rose 13.2% to \$1.41B [\$20M ahead of consensus] and gross margin contracted 320 bps to 55.9% [60 bps ahead of consensus]. The company said it is experiencing increased aluminum, shipping, freight and other input costs, but it will continue to implement mitigation measures such as reduced promotional activity and other pricing actions. Once again, MNST did not buy back any stock during the quarter. While we consider MNST a high-quality name with strong free cash flow, a debt-free balance sheet, and like the energy drinks category, we remain at a Hold due to ongoing margin pressures and valuation. / Garrett Nelson

**August 05, 2021**

05:27 PM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 91.95\*\*\*]:

We increase our 12-month price target by \$10 to \$95, based on a '22 P/E of 31.7x, a discount to MNST's 10-year mean forward P/E of 33.8x. We increase our EPS estimates by \$0.10 to \$2.70 for '21 and by \$0.05 to \$3.00 for '22. MNST posts Q2 adjusted EPS of \$0.75 vs. \$0.59 [+27.1%], ahead of the \$0.67 consensus. The beat was driven by stronger-than-expected revenue and margins, as MNST's net sales rose 33.9% to \$1.46B [\$70M ahead of consensus], but gross margin contracted 310 bps to 57.2% [110 bps ahead of consensus]. The company pointed to several operational issues it experienced during the quarter, including ongoing aluminum can shortages and logistics delays, making its bottom line beat all the more impressive. Shares were up more than 4% after hours. Once again, MNST did not buy back any stock during the quarter. While we consider MNST a high-quality name with strong free cash flow, a debt-free balance sheet, and like the energy drinks category, we remain at a Hold due to a valuation which appears fair. / Garrett Nelson

**May 06, 2021**

05:30 PM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 95.02\*\*\*]:

We maintain our 12-month price target of \$85, based on a '22 P/E of 28.8x, a discount to MNST's 10-year mean forward P/E of 33.6x. We maintain our EPS estimates of \$2.60 for '21 and \$2.95 for '22. MNST posts Q1 adjusted EPS of \$0.59 vs. \$0.52 [+14.2%], two cents short of consensus. The miss was driven by weaker-than-expected margins, as MNST's net sales rose 17.1% to \$1.24B [\$20M ahead of consensus], but gross margin contracted 250 bps to 57.5% [180 bps short of consensus]. MNST said it is experiencing aluminum can shortages in North America and Europe, and logistical issues are complicating its attempts to procure additional supply. Once again, MNST did not buy back any stock during the quarter despite having \$442M left on its share repurchase authorization. Shares were down about 6% after hours. While we consider MNST a high-quality name with strong free cash flow, a debt-free balance sheet, and like the energy drinks category, we remain at a Hold due to operational issues and a valuation which appears fair. / Garrett Nelson

**February 25, 2021**

05:41 PM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 85.29\*\*\*]:

We maintain a 12-month price target of \$85, based on 28.8x our newly-initiated '22 estimate, a discount to MNST's 10-year mean forward P/E of 33.4x. We maintain our '21 EPS estimate of \$2.60 and introduce '22 at \$2.95. MNST posts Q4 adjusted EPS of \$0.62 vs. \$0.47 [+31.9%], in-line with consensus. MNST's net sales rose 17.6% to \$1.20B [\$70M ahead of consensus], but gross margin contracted 230 bps to 57.7% [220 bps short of consensus], as pressures remain from the impact of product returns, inventory provisions, and other costs. Once again, MNST did not buy back any stock during the quarter. We maintain a Hold recommendation on the shares on valuation. While we consider MNST a high-quality name with strong free cash flow, a debt-free balance sheet and long history of buybacks, margin pressures remain, its lack of on-premise exposure made it a pandemic winner in 2020, and we struggle to identify a near-term catalyst for the stock. Furthermore, increased competition in the energy drinks category is a concern. / Garrett Nelson

**November 05, 2020**

05:33 PM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 82.72\*\*\*]:

We raise our 12-month price target by \$5 to \$85, based on a '21 P/E of 32.7x, a slight discount to MNST's 10-year average forward P/E of 32.9x. We increase our EPS estimates by \$0.05 to \$2.30 for '20 and by \$0.10 to \$2.60 for '21. MNST posts Q3 EPS of \$0.65 vs. \$0.55 [+19.6%], \$0.03 ahead of consensus. The beat was driven by stronger-than-expected revenues. MNST's net sales rose 9.9% to \$1.25B [\$30M ahead of consensus] driven by a 14.8% jump in sales volume partially offset by a 4.3% decline in average selling price. MNST's gross margin contracted 30 bps to 59.1% [50 bps short of consensus], as margin pressures remain. MNST said that Covid-19 remained a "heightened threat" and uncharacteristically did not buy back any stock during the quarter. We maintain a Hold on valuation. While MNST posted a solid quarter, we struggle to identify a near-term catalyst for the stock, but view MNST's debt-free balance sheet, history of returning cash to shareholders, and strong free cash flow as positives. / Garrett Nelson

**August 05, 2020**

04:47 AM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 77.84\*\*\*]:

We raise our 12-month price target by \$15 to \$80, based on a '21 P/E of 32.0x, a slight discount to MNST's 10-year average forward P/E of 32.5x. We increase our EPS estimates by \$0.15 to \$2.25 for '20 and by \$0.10 to \$2.50 for '21. MNST posts Q2 EPS of \$0.59 vs. \$0.53 [+9.9%], \$0.10 ahead of consensus. The beat was driven both by stronger-than-expected revenues and margins. MNST's net sales fell 0.9% to \$1.09B [\$90M ahead of consensus] driven by a 2.2% decline in sales volume partially offset by a 1.3% increase in average selling price. MNST's gross margin expanded 40 bps to 60.3% [80 bps ahead of consensus]. We think MNST benefited from a lack on-premise exposure relative to many of its beverage peers during Q2. MNST said it does not foresee a material impact on the ability of its partners to manufacture, bottle, or distribute its products as a result of Covid-19. We maintain a Hold on valuation, but view MNST's debt-free balance sheet, robust share repurchases, and strong free cash flow as positives. / Garrett Nelson

**May 07, 2020**

05:24 PM ET... CFRA Maintains Hold on Shares of Monster Beverage Corporation [MNST 61.30\*\*\*]:

We raise our 12-month target by \$5 to \$65, valuing the stock at 27.1x our '21 EPS estimate, a discount to MNST's 10-year average forward P/E of 32.1x. We lower our EPS estimates by \$0.15 to \$2.10 for '20 and by \$0.05 to \$2.40 for '21. MNST posts Q1 EPS of \$0.52 vs. \$0.48 [+8.2%], \$0.05 ahead of consensus. Net sales increased 12.3% to \$1.06B [\$70M above consensus] driven by a 14.1% increase in sales volume, partially offset by a 1.6% decline in average selling price, but gross margin contracted 60 bps to 60.0%, 40 bps short of consensus. MNST materially stepped up share repurchase activity during the quarter, buying back 10.5M shares at an average price of \$55.22/share for \$579.3M in Q1 [by comparison total buybacks in 2019 were \$707.3M]. We maintain a Hold on valuation, expecting the drop in convenience store sales [its largest channel] to weigh on volumes. At the same time, MNST's debt-free balance sheet, robust share repurchases, and strong free cash flow are offsetting positive attributes. / Garrett Nelson



# Monster Beverage Corporation

## Glossary

### STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)], based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

### EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### 12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

### Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations
FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value
PEG Ratio	- P/E-to-Growth Ratio
PV	- Present Value
R&D	- Research & Development
ROCE	- Return on Capital Employed
ROE	- Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

### Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

### Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

#### ★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

#### ★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

#### ★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

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## Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

### STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

### Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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### STARS Stock Reports:

Global STARS Distribution as of March 05, 2021

Ranking	North America	Europe	Asia	Global
Buy	40.3%	32.5%	40.0%	38.7%
Hold	49.6%	57.1%	53.1%	51.7%
Sell	10.1%	10.3%	6.9%	9.6%
Total	100.0%	100.0%	100.0%	100.0%

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