

Monster Beverage Corporation

Recommendation BUY ★ ★ ★ ★ ★

Price USD 81.32 [as of market close Mar 04, 2022] **12-Mo. Target Price** USD 110.00 **Report Currency** USD **Investment Style** Large-Cap Growth

Equity Analyst Garrett Nelson

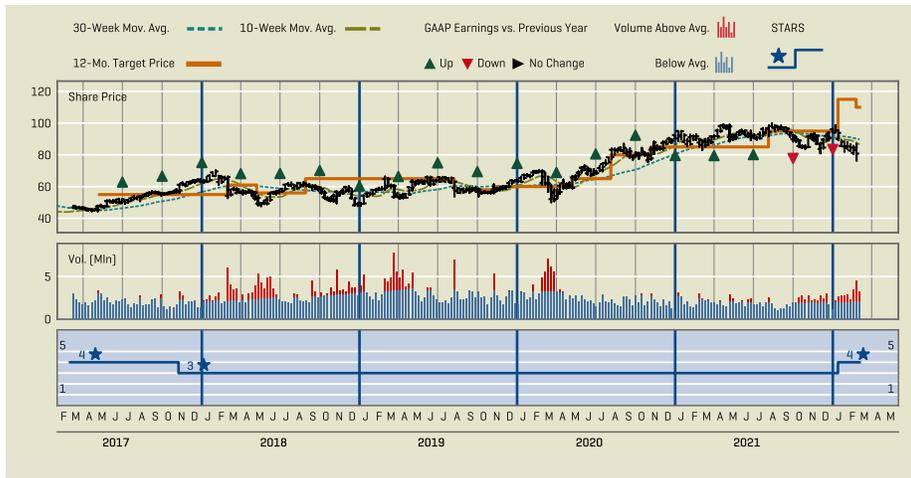
GICS Sector Consumer Staples
Sub-Industry Soft Drinks

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	USD 99.89 - 76.37	Oper.EPS2022E	USD 2.90	Market Capitalization[B]	USD 44.12	Beta	1.15
Trailing 12-Month EPS	USD 2.57	Oper.EPS2023E	USD 3.40	Yield [%]	N/A	3-yr Proj. EPS CAGR[%]	13
Trailing 12-Month P/E	31.64	P/E on Oper.EPS2022E	28.04	Dividend Rate/Share	N/A	SPGMI's Quality Ranking	B+
USD 10K Invested 5 Yrs Ago	16,928.0	Common Shares Outstg.[M]	529.00	Trailing 12-Month Dividend	N/A	Institutional Ownership [%]	64.0

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 Feb 25, 2022 10:43 AM ET, when the stock traded at USD 83.60.

Highlights

- ▶ We estimate net sales will rise about 9% in 2022 and 10% in 2023, after increasing 20.5% in 2021 and 9.5% in 2020, driven by new product launches, price increases, volume growth in existing markets, and international expansion on increased distribution. In 2021, we expect 6% growth for volumes and a 3% increase in price realizations.
- ▶ We expect gross margins to contract by 80 bps in 2022 from 56.1% in 2021 and 59.2% in 2020, reflecting increased distribution and packaging costs and a less favorable geographic mix as international sales grow faster than domestic sales. The procurement and cost of aluminum cans remains a challenge, as at-home consumption trends have boosted demand.
- ▶ We estimate operating EPS of \$2.90 in 2022 and \$3.40 in 2023, up from \$2.57 in 2021 and \$2.38 in 2020. 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 but did not buy back any stock in 2021. The company has a history of generating robust free cash flow and possesses a strong balance sheet, with no debt and \$3.08 billion of cash and equivalents at the end of 2021.

Investment Rationale/Risk

- ▶ Our Buy opinion reflects tailwinds from international growth potential and domestic growth from its expansion into the alcohol beverage market, with the Q1 2022 acquisition of CANarchy Craft Brewery Collective LLC for \$330M in cash more than offsetting concerns regarding cost pressures, valuation, and increased competition in the energy drinks category. 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. Additionally, in February 2022, the company and brewer Constellation Brands [STZ] reportedly entered into merger discussions and we think a value-creating deal could materialize.
- ▶ 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 \$110 is a 2023 P/E of 32.4x, below MNST's 10-year average forward P/E of 34.1x, 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
2023	E 1,538	E 1,692	E 1,776	E 1,672	E 6,678
2022	E 1,376	E 1,551	E 1,604	E 1,518	E 6,049
2021	1,244	1,462	1,411	1,425	5,541
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

Earnings Per Share (USD)

Earnings Per Share (USD)	1Q	2Q	3Q	4Q	Year
2023	E 0.74	E 0.90	E 0.92	E 0.84	E 3.40
2022	E 0.64	E 0.78	E 0.75	E 0.73	E 2.90
2021	0.59	0.75	0.63	0.62	2.59
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

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 Feb 25, 2022

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 0.5% and revenues declined by 1.7% in 2020 [latest available], with the breakdown of volume growth by product (and in order) being: Ready-To-Drink Coffee [+13.0%], Sports Drinks [+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%].

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.

On January 13, 2022, MNST announced the acquisition of CANarchy Craft Brewery Collective LLC for \$330M in cash in a deal expected to close in Q1 2022. CANarchy owns Cigar City [Jai Alai IPA] and Oskar Blues [Dale’s Pale Ale] among other craft brewery and hard seltzer brands. The move to expand from energy drinks into the alcohol beverage market represents a significant strategic step for Monster. Although this is a relatively small, bolt-on deal for MNST (and the craft beer and hard seltzer markets have become increasingly oversaturated), we think the foray makes sense and will be accretive to EPS.

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 \$4.20 billion in 2019 to \$4.60 billion in 2020 and \$5.54 billion in 2021, while its EPS has increased from \$2.04 in 2019 to \$2.38 in 2020 and \$2.57 in 2021, respectively. In 2021, MNST posted an 8.0% increase in adjusted EPS [\$2.57 vs. \$2.38], as net sales rose 20.5% but gross margin contracted 310 bps to 56.1%

As of December 31, 2021, Monster had approximately \$3.08 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 2021. As of February 24, 2022, 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

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Fax
N/A

Website
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Officers

Chief Financial Officer T. J. Kelly	Co-CEO & Chairman R. C. Sacks
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Co-CEO & Vice Chairman H. H. Schlosberg	Co-CEO & Chairman R. C. Sacks
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Board Members

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

Domicile Delaware	Auditor Deloitte & Touche LLP
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Founded
1985

Employees
3,775

Stockholders
189

Monster Beverage Corporation

Quantitative Evaluations					Expanded Ratio Analysis					
Fair Value Rank	1	2	3	4	5					
	LOWEST			HIGHEST						
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].									
Fair Value Calculation	USD 76.91	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that MNST is overvalued by USD 4.41 or 5.42%								
Volatility	LOW	AVERAGE	HIGH							
Technical Evaluation	NEUTRAL	Since November, 2021, the technical indicators for MNST have been NEUTRAL"								
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE							
						2021	2020	2019	2018	
						Price/Sales	9.28	10.76	8.27	7.29
						Price/EBITDA	27.76	29.26	23.55	20.31
						Price/Pretax Income	28.56	30.41	24.53	21.47
						P/E Ratio	37.37	35.03	31.31	27.97
						Avg. Diluted Shares Outstg. [M]	535.64	534.81	546.61	564.25
						Figures based on fiscal year-end price				
Key Growth Rates and Averages										
						Past Growth Rate [%]	1 Year	3 Years	5 Years	
						Net Income	NM	11.53	14.09	
						Sales	20.50	13.33	12.69	
						Ratio Analysis [Annual Avg.]				
						Net Margin [%]	24.86	27.29	26.46	
						% LT Debt to Capitalization	0.26	0.40	0.24	
						Return on Equity [%]	23.49	27.39	26.27	

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Tangible Book Value	7.86	5.25	3.33	2.27	2.70	1.70	5.10	2.91	1.85	1.19
Free Cash Flow	2.08	2.45	1.85	1.95	1.58	1.01	1.16	1.13	0.58	0.46
Earnings	2.57	2.64	2.03	1.76	1.42	1.19	0.95	0.92	0.65	0.62
Earnings [Normalized]	2.11	1.90	1.63	1.46	1.34	1.21	1.03	0.89	0.69	0.63
Dividends	N/A									
Payout Ratio [%]	NM									
Prices: High	99.89	92.54	66.38	70.22	64.79	55.50	53.50	37.83	22.78	27.99
Prices: Low	80.92	50.06	47.84	47.61	41.02	37.69	35.59	21.00	15.13	13.33
P/E Ratio: High	38.90	35.10	32.70	39.90	45.60	46.60	56.30	41.10	35.00	45.10
P/E Ratio: Low	31.50	19.00	23.60	27.10	28.90	31.70	37.50	22.80	23.30	21.50
Income Statement Analysis [Million USD]										
Revenue	5,541	4,599	4,201	3,807	3,369	3,049	2,723	2,465	2,246	2,061
Operating Income	1,803	1,633	1,414	1,310	1,234	1,165	972.00	752.00	586.00	552.00
Depreciation + Amortization	50.00	57.00	61.00	57.00	49.00	41.00	31.00	26.00	23.00	21.00
Interest Expense	0.00	0.00	0.00	N/A	N/A	0.00	0.00	0.00	0.00	0.00
Pretax Income	1,801	1,626	1,416	1,293	1,202	1,080	892.00	746.00	564.00	549.00
Effective Tax Rate	23.50	13.30	21.80	23.20	31.70	34.00	38.70	35.20	39.90	38.10
Net Income	1,377	1,410	1,108	993.00	821.00	713.00	547.00	483.00	339.00	340.00
Net Income [Normalized]	1,129	1,017	892.00	824.90	773.10	724.70	596.30	466.00	360.70	343.70
Balance Sheet and Other Financial Data [Million USD]										
Cash	3,076	2,062	1,331	958.00	1,202	598.00	2,920	1,151	614.00	320.00
Current Assets	4,682	3,141	2,316	1,804	2,086	1,432	3,600	1,653	1,183	835.00
Total Assets	7,805	6,203	5,150	4,527	4,791	4,154	5,571	1,939	1,421	1,043
Current Liabilities	965.00	750.00	661.00	601.00	560.00	471.00	410.00	356.00	316.00	289.00
Long Term Debt	N/A									
Total Capital	6,589	5,182	4,201	3,611	3,897	3,330	4,810	1,515	992.00	644.00
Capital Expenditures	44.00	49.00	102.00	62.00	83.00	100.00	36.00	28.00	41.00	43.00
Cash from Operations	1,156	1,364	1,114	1,162	988.00	701.00	523.00	597.00	342.00	288.00
Current Ratio	4.85	4.19	3.50	3.00	3.72	3.04	8.77	4.65	3.74	2.89
% Long Term Debt of Capitalization	0.30	0.30	0.60	N/A						
% Net Income of Revenue	24.90	30.70	26.40	26.10	24.40	23.40	20.10	19.60	15.10	16.50
% Return on Assets	16.09	17.98	18.27	17.58	17.25	14.98	16.17	27.99	29.74	28.69
% Return on Equity	23.50	30.20	28.50	26.50	22.70	17.50	17.30	38.50	41.40	41.90

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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 reflects their strong brand values. 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 13.2% in 2021 and 4.8% 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. Growth for product categories such as ready-to-drink coffee, sports beverages, and bottled water has also been strong. 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 has been the biggest winner since the onset of 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 December 17, 2021, the S&P Soft Drinks Index was up 8.8%, versus a 22.7% 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 8.3%, which compares to 15.3% growth for the S&P 1500 Index.

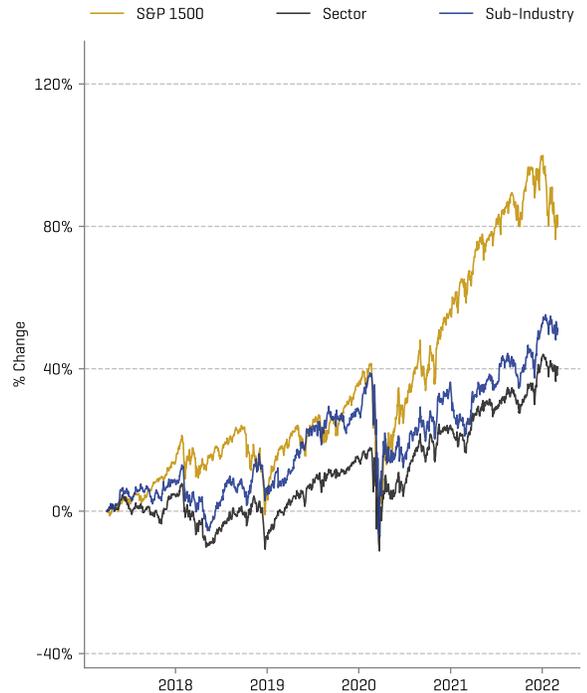
/ Garrett Nelson

Industry Performance

GICS Sector: Consumer Staples Sub-Industry: Soft Drinks

Based on S&P 1500 Indexes

Five-Year market price performance through Mar 05, 2022



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 [%]	Return on Equity [%]	LTD to Cap [%]
Monster Beverage Corporation	MNST	NasdaqGS	USD	83.35	44,122.0	-3.6	-1.5	32.0	76.91	N/A	23.5	0.3
Arca Continental, S.A.B. de C.V.	EMBV.F	OTCPK	USD	6.50	11,072.0	9.4	39.9	19.0	N/A	N/A	10.1	21.9
Coca-Cola Consolidated, Inc.	COKE	NasdaqGS	USD	467.80	4,385.0	-17.5	83.5	23.0	N/A	0.2	31.0	55.2
Coca-Cola Europacific Partners PLC	CCEP	NasdaqGS	USD	51.01	22,907.0	-12.5	-0.2	21.0	N/A	3.2	14.9	57.9
Fomento Económico Mexicano, S.A.B. de C.V.	FMX	NYSE	USD	77.61	25,243.0	3.4	11.6	20.0	N/A	1.4	11.7	40.4
Ito En, Ltd.	ITON.F	OTCPK	USD	63.31	6,571.0	N/A	220.6	77.0	N/A	N/A	7.5	27.6
Keurig Dr Pepper Inc.	KDP	NasdaqGS	USD	38.61	54,755.0	1.2	26.1	26.0	N/A	1.9	8.8	33.7
National Beverage Corp.	FIZZ	NasdaqGS	USD	43.06	4,018.0	-3.4	-11.0	24.0	23.74	N/A	33.6	5.1
Nongfu Spring Co., Ltd.	NNFS.F	OTCPK	USD	5.63	80,345.0	N/A	-34.6	62.0	N/A	N/A	42.6	0.2
Osotspa Public Company Limited	OSOP.F	OTCPK	USD	1.08	3,308.0	N/A	-8.5	32.0	N/A	N/A	16.2	3.0
Primo Water Corporation	PRMW	NYSE	USD	14.60	2,970.0	-13.9	-0.5	NM	N/A	1.9	-0.2	48.0

*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

February 24, 2022

05:23 PM ET... CFRA Reiterates Buy Opinion on Shares of Monster Beverage Corporation [MNST 80.35****]:

We lower our 12-month target by \$5 to \$110, based on a '23 P/E of 32.4x, a slight discount to MNST's 10-year average forward P/E of 34.1x. We maintain our adjusted EPS estimates of \$2.90 for '22 and \$3.40 for '23. MNST posts Q4 adjusted EPS of \$0.62, flat with a year ago and a penny ahead of consensus. The beat was driven by a stronger-than-expected top line, as MNST's net sales rose 19.1% to \$1.43B (\$100M ahead of consensus) and gross margin contracted 380 bps to 53.9% (200 bps shy of consensus). With the company is reportedly in merger discussions with Constellation Brands [STZ 215 ***], we remain buyers of MNST shares. Even if no value-creating deal were to materialize, we like how the more defensive soft drinks industry is positioned in the current market environment and view the stock's risk/reward as favorable. MNST boasts the strongest top- and bottom-line growth profiles in the industry and we see mean reversion potential with the stock having materially underperformed peers in 2021 and so far in 2022. / Garrett Nelson

January 13, 2022

11:49 AM ET... CFRA Raises Opinion on Shares of Monster Beverage Corporation to Buy from Hold [MNST 94.50****]:

We increase our 12-month target by \$20 to \$115, based on a '23 P/E of 33.8x, a slight discount to MNST's 10-year mean forward P/E of 34.1x. Our '21 adjusted EPS estimate remains \$2.60, but we increase '22 by \$0.05 to \$2.90, and introduce '23 at \$3.40. MNST announces the acquisition of CANarchy Craft Brewery Collective LLC for \$330M in cash in a deal expected to close later this quarter. CANarchy owns Cigar City [Jai Alai IPA] and Oskar Blues [Dale's Pale Ale] among other craft brewery and hard seltzer brands. The move to expand from energy drinks into the alcohol beverage market represents a significant strategic step for Monster. Historically, soft drink companies have been reluctant to cross over into the alcohol market, which we think has resulted in missed opportunities. Although this is a relatively small, bolt-on deal for MNST [and the craft beer and hard seltzer markets have become increasingly oversaturated], we think the foray makes sense and warrants a higher multiple. We raise our opinion to Buy. / Garrett Nelson

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

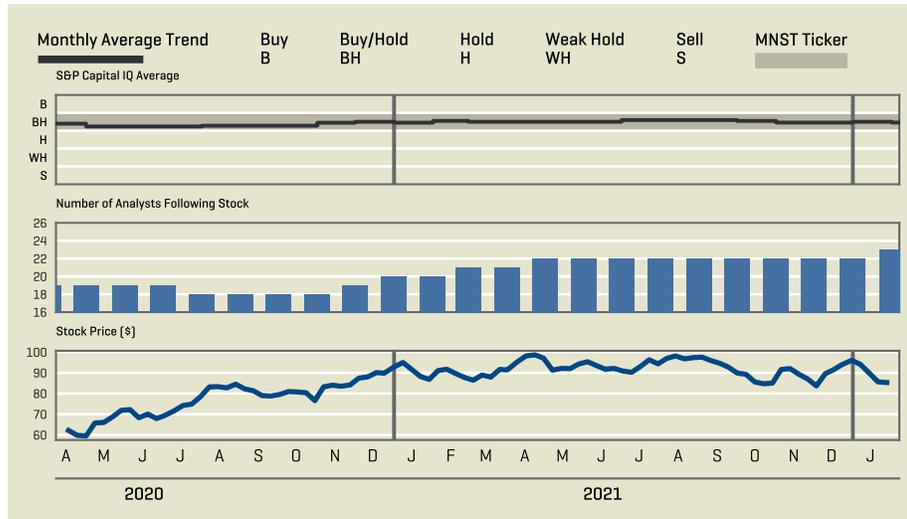
05:33 PM ET... CFRA Maintains Hold Opinion on Shares of Monster Beverage Corporation [MNST 82.72***]:

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

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Monster Beverage Corporation

Analysts Recommendations



Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2022, analysts estimate that MNST will earn USD 2.85. For fiscal year 2023, analysts estimate that MNST's earnings per share will grow by 13.39% to USD 3.23.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	9	39	9	9
Buy/Hold	4	17	4	4
Hold	10	43	10	8
Weak hold	0	0	0	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	23	100	23	22

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2023	3.23	3.40	3.01	19	25.83
2022	2.85	3.02	2.63	19	29.29
2023 vs. 2022	▲ 13%	▲ 13%	▲ 14%	N/A%	▼ -12%
Q1'23	0.70	0.74	0.66	9	119.72
Q1'22	0.62	0.66	0.58	16	135.27
Q1'23 vs. Q1'22	▲ 13%	▲ 12%	▲ 14%	▼ -44%	▼ -12%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

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.

Monster Beverage Corporation

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 February 08, 2022

Ranking	North America	Europe	Asia	Global
Buy	43.8%	46.2%	40.0%	43.4%
Hold	50.0%	47.4%	55.7%	50.7%
Sell	6.2%	6.4%	4.3%	5.9%
Total	100.0%	100.0%	100.0%	100.0%

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