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ASSET MANAGEMENT

EQUITY RESEARCH

ANALYSIS OF MONSTER BEVERAGE CORPORATION

DATE :
28 May 2024

keyvalueam.com

Monster Beverage Corp. (MNST)

BUY: 61,93 (+17,51%)

Summary

Informations	
Country	Corona, California
Tax Rate	25%
Sector	Beverages
Date	27/05/2024
Last Price	$ 52,70
Target Price	$ 61,93
+/- Potential	17,52%
Ticker	MNST

Market Data	
52-Week High	61,23
52-Week Low	47,13
Avg. 3 Month Volume	5,75 MM
5 Yr Beta	0,57

Market Data	
Revenue Growth (Cagr 3 yr)	8,82%
Revenue Growth (Cagr 5 yr)	11,19%
Price Return (ytd)	-10,10%
Price return (1 yr)	-8,50%
Price Return (5 yr)	70,60%

Capital structure	
Market Cap	54.899
Enterprise Value	51.400
Shares O/S	1042
Interest cover Ratio	7739,85
Debt/Equity	29%

($mnl)	FY22	FY23	LMT
Revenues	6.311	7.140	7.340
Gross Profit	3.175	3.794	3.923
EBITDA	1.646	2.081	2.142
EBIT	1.585	2.012	2.069
Net Income	1.192	1.631	1.676

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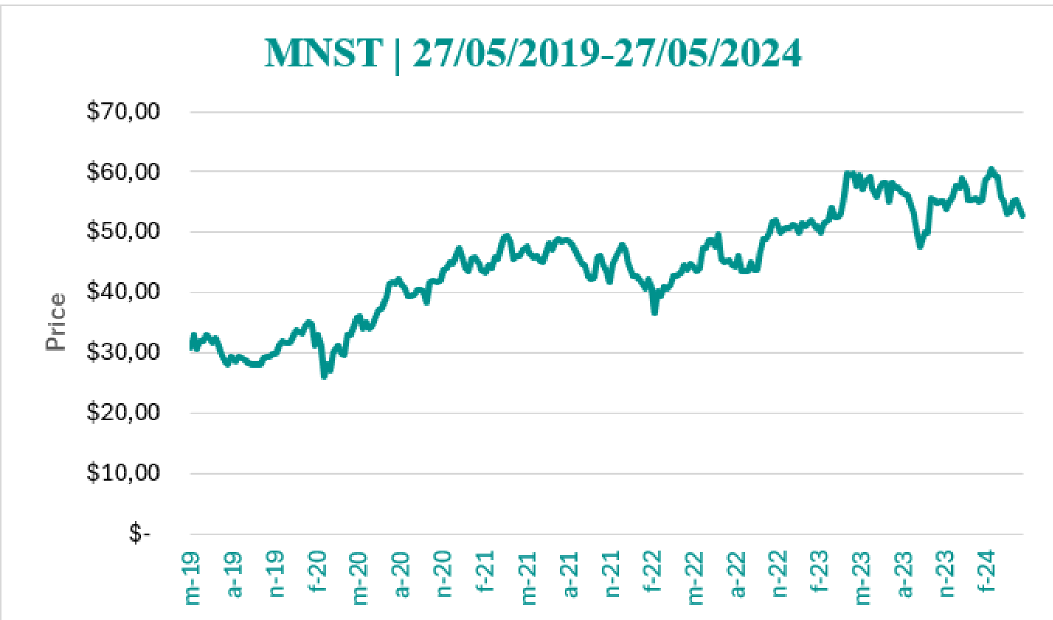


OVERVIEW

Introduction

Monster Beverage Corporation, a force in the world of energy drinks, tells a story of boldness and passion. Born from the entrepreneurial vision of Hubert Hansen in the 1930s, who together with his sons sold fresh juices in California, the company has gone through decades of transformation. With the advent of Tim Hansen, the family made a breakthrough by pasteurizing their juices, thus expanding their reach.

In 1992, with the acquisition by Hansen Natural Corporation and subsequent name change to Monster Beverage Corporation in 2012, the company embarked on an unprecedented expansion into the energy drink industry. Today, Monster is more than just a drink, it represents a lifestyle in a can, encapsulating the relentless spirit of victory and personal excellence.

With the slogan "Unleash the Beast", Monster invites consumers to unleash the beast within, encouraging them to overcome their limits. This ethos is evident not only in brand communication but also in their innovative marketing strategy which prefers direct connection with consumers through sports sponsorships and events, rather than traditional advertising.

Monster's product portfolio goes beyond classic energy drinks, including innovative variants such as Monster Ultra® and Monster MAXX®, alongside specialized lines such as Java Monster®, Muscle Monster® and Hydro®, designed to meet the different needs of a market in constant movement. The acquisition of brands such as Bang Energy and Reign has further enriched Monster's offering, bringing new flavors and concepts that resonate with the dynamism of younger audiences, often reached through social media campaigns.

In this new era, Monster Beverage Corporation establishes itself not only as a beverage manufacturer but as a symbol of unstoppable energy and a lifestyle that celebrates individuality, determination and personal achievement. A journey that continues to evolve, Monster positions itself as a living legend in its industry, always true to its pioneering spirit.

Business Model

Monster Beverage Corporation's business model is based on a diversification of the portfolio, segmented into many products mainly contained in three segments (Monster Energy Drinks Segment, Strategic Brands Segment, Alcohol Brands Segment). This differentiation allows the company to serve a broad customer base and satisfy a wide range of needs, thereby mitigating risks associated with individual product market fluctuations.

The operating model focuses on strategic partnerships with distributors, direct sales through various channels, optimization of production and supply chain, a strong focus on marketing and brand positioning, and continuous product innovation.

Monster Energy Drink Segment: This is the heart of Monster Beverage Corporation's business, with energy drinks accounting for the majority of net operating revenue. The company leverages a network of bottlers and distributors to maximize reach and efficiency in the distribution of its products. It also directly targets a wide range of retailers and channels, including grocery stores, department stores and e-commerce. Although this segment generates high operating revenue, it features lower gross profit margin percentages than the strategic brands segment, indicating relatively higher production and distribution costs.

Strategic Brands Segment: Diversify the company's offerings by selling concentrates and bases to beverage bottlers and canners. This strategy allows Monster Beverage to benefit from an extended production chain, with finished products then distributed through channels similar to those of the Monster Energy® segment. It therefore features the production and sale of key ingredients rather than finished products, thus achieving higher gross profit margin percentages.

Alcohol Brands Segment: This segment aims to further diversify the company's portfolio and reach new market segments. However, it is characterized by having a lower gross profit margin, indicating potential production cost and market challenges in the alcoholic beverage industry.

	Revenues		%	
Segment	2023	2022	2023	2022
Monster Energy® Drinks	6.555	5.833	91,81%	92,43%
Strategic Brands	377	353	5,27%	5,60%
Alcohol Brands	185	101	2,59%	1,61%
Other	23	23	0,33%	0,36%
Total	7.140	6.311		

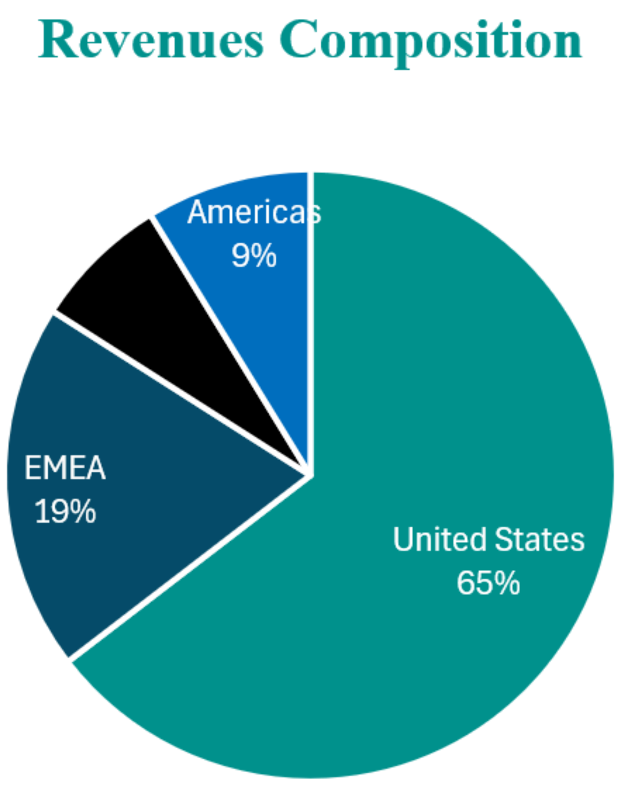
Business Model

In 2023, Monster Beverage Corporation continued to outsource the manufacturing process for the majority of its finished products. It also began production at its facility in Norwalk, CA, in January 2024. It also acquired a manufacturing facility in Phoenix, AZ, where it produces Bang Energy® energy drinks.

The main raw materials used in the production of the products include aluminum cans, to a limited extent plastic bottles and caps, cartons, as well as flavors, juice concentrates, glucose, sugar, sucralose, milk, cream, coffee, tea, hops, malt , yeast, ethanol, supplement ingredients and other packaging materials, the costs of which are subject to fluctuation.

The majority of Monster Beverage Corporation's net sales come from the United States and Canada region, with a total of $4.6 billion. This indicates that the North American market remains the core of the company's business operations, accounting for the largest share of its global revenue

Significant presence in EMEA, Asia Pacific, and Latin America markets, as well as dominance in the North American market, suggests that Monster Beverage Corporation has plenty of room to grow further internationally. Expansion into these markets could be a strategic key to the company's future growth.



Management

Monster Beverage Corporation's Board of Directors is responsible for guiding the strategic direction of the Company, balancing the interests of shareholders, employees and customers. The board is made up of a diverse group of individuals with extensive experience across various industries, including consumer goods, finance and law.

Key figures on the board include Mark Hall, an experienced executive with deep knowledge of the drinks industry, and Norman Epstein, who brings with him extensive financial experience. The presence of independent directors ensures that the board maintains a balanced and objective perspective on all strategic decisions.

Monster Beverage Corporation's strategy focuses on innovation, market expansion and sustainability. The company continually invests in research and development to create new products that meet the evolving tastes and preferences of its global consumer base. Additionally, Monster has actively pursued international expansion, entering new markets in Asia, Europe and Latin America to drive growth.

Sustainability is a growing focus for Monster. The company has made strides in reducing its environmental footprint through initiatives such as sustainably sourcing ingredients, reducing plastic use and improving energy efficiency in manufacturing processes. These efforts are part of a broader commitment to corporate responsibility and align with global environmental standards.

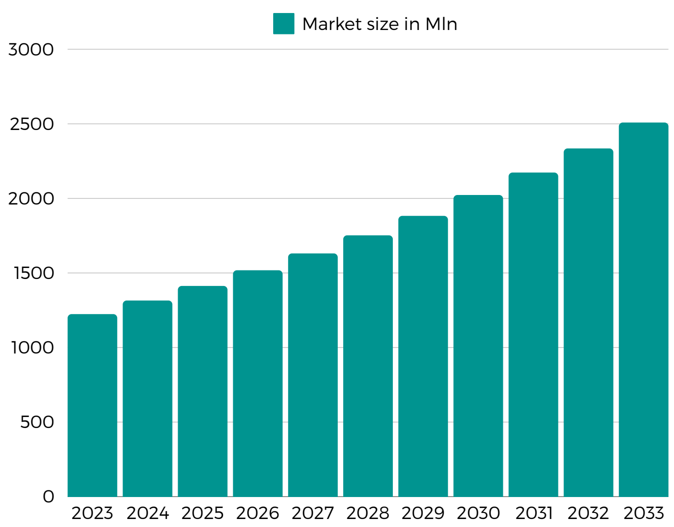
Monster Beverage Corporation emphasizes a dynamic and inclusive corporate culture. The company is known for its energetic and fast-paced work environment, which reflects the brand's core values. Talent development is a key priority, with a strong emphasis on fostering creativity, diversity and internal promotion.

Employee engagement programs and continuous learning opportunities are an integral part of Monster's approach to human capital development. The company is committed to creating an environment where employees can thrive and contribute to the company's success, ensuring Monster remains at the forefront of the energy drink industry.

Sector

The soft drinks market refers to the industry involved in the production, distribution and sale of beverages that do not contain alcohol. These drinks are consumed for various purposes, including hydration, pleasure, and as alternatives to alcoholic beverages. The market includes a wide range of products, each intended to satisfy different consumer preferences and needs. According to the Beverage Marketing Corporation, 2023 U.S. domestic wholesale sales for the market's "alternative beverages" category are estimated to be approximately $73.4 billion, representing an increase of approximately 5.9% over estimated 2022 domestic wholesale sales of approximately $69.3 billion.

Transforming consumer lifestyles, including the rise of wellness trends and increased awareness of alcohol-related health risks, are driving demand for soft drinks and promoting market growth.



With more and more people prioritizing balance and moderation in their lifestyle, the demand for alcohol-free options for both casual and special occasions continues to grow. Two segments experiencing significant growth are online platforms and direct-to-consumer channels. In 2023, the online platforms segment held the dominant share of the market. These platforms offer convenience and accessibility, allowing consumers to explore a wide range of non-alcoholic beverages from the comfort of their home. On the other hand, direct-to-consumer channels allow beverage companies to establish closer connections with their customers by offering personalized experiences and exclusive products, thus driving growth and loyalty in the rapidly evolving landscape.

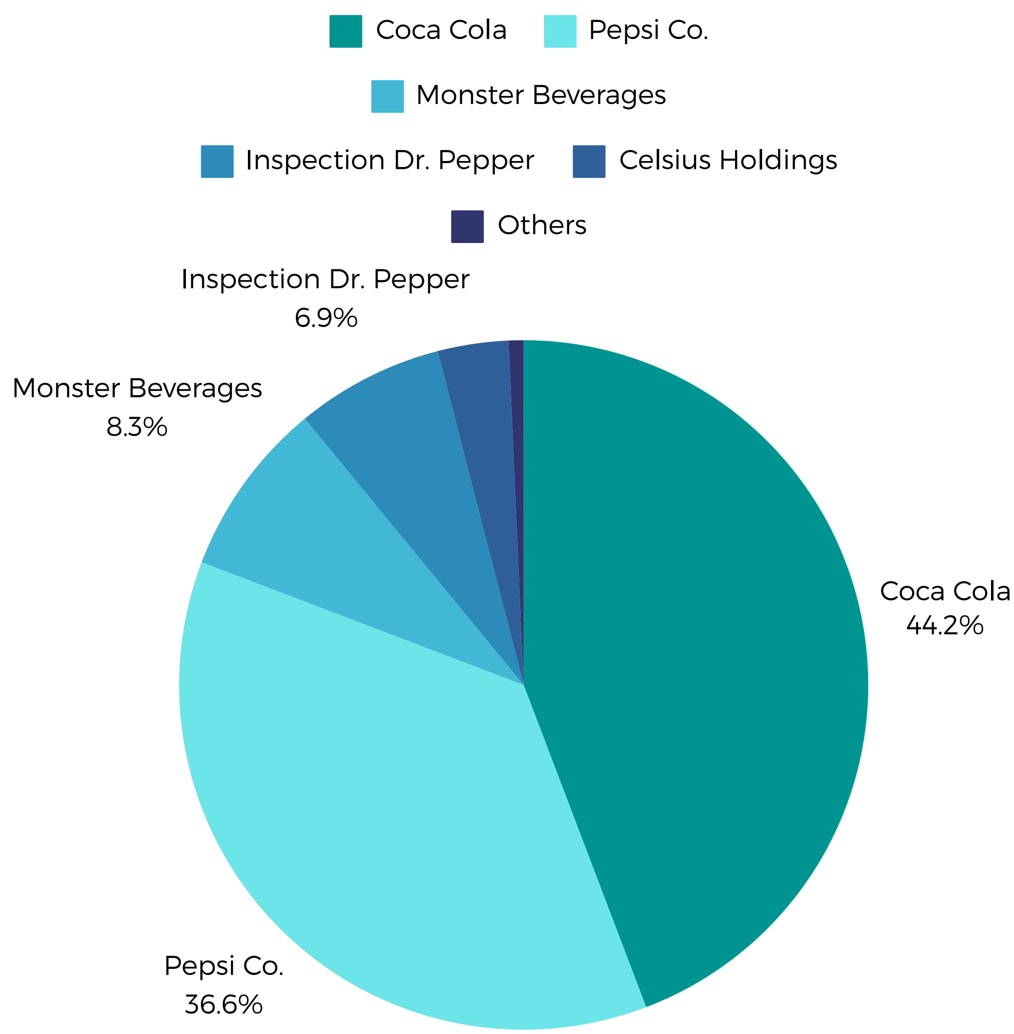
Report Coverage	Details
Growth Rate from 2024 to 2033	CAGR of 7.44%
Global Market Size in 2023	USD 1,224 Billion
Global Market Size by 2033	USD 2,508.66 Billion
Forecast Period	2024 to 2033
Segments Covered	By Product, By Distribution, and By End-user
Regions Covered	North America, Europe, Asia-Pacific, Latin America, and Middle East & Africa

Market Shares

Market share analysis in the beverage industry reveals intense competition between a small group of dominant companies and other smaller players. Coca-Cola Company stands out as a market leader with a significant share of 39.86%, reflecting its broad product range and strong global brand. PepsiCo follows with a 36.51% share, benefiting from a strong market presence and a diversified beverage offering.

Monster Beverage Corp., although a key player with an 8.3% share, has a smaller market presence than giants Coca-Cola and PepsiCo. However, it remains an influential brand in the energy drink segment.

Monster Beverage Corp.'s success is based on its ability to remain at the forefront of energy beverage offerings and proactively respond to consumer needs. The relentless dedication to innovation and flexibility in responding to the dynamics of an ever-changing market highlight the company's dominant position in the energy drinks industry.



EXTERNAL ANALYSIS

Porter's Five Forces

1. Rivalry between Existing Competitors: High

Monster Beverage Corp operates in a highly competitive industry, where industry giants such as Red Bull, Coca-Cola and PepsiCo compete for market share. Competition is based on product innovation, marketing, distribution and brand recognition. Aggressive marketing strategies and the continuous introduction of new products keep the intensity of the rivalry high.

2. Threat of New Entrants: Low

While the energy drink industry is attractive due to its high margins, the barriers to entry are significant. These include the strong brand recognition of established companies like Monster, access to competitive distribution channels, and the high costs associated with developing products and creating effective marketing campaigns.

3. Bargaining Power of Suppliers: Moderate

Monster Beverage depends on suppliers for key ingredients and packaging materials, such as aluminum for cans. However, the diversification of suppliers and the negotiation capacity given by the large volume of purchases tend to mitigate the bargaining power of suppliers. However, rising raw material costs may affect the power dynamic between Monster and its suppliers.

4. Bargaining Power of Customers: High

Energy drink consumers have a wide range of options available and can easily switch between brands based on price, quality or other preferences. Furthermore, we must take into account Monster's large customers who have considerable bargaining power representing a large portion of the turnover: Coca-Cola Consolidated Inc. represented approximately 10%, Coca-Cola Europacific Partners represented approximately 13%, Reyes Coca- Cola Bottling, LLC accounted for approximately 9%.

5. Threat of Substitutes: Moderate

There are several alternatives to energy drinks, including coffee, tea, and other caffeinated drinks, such as some types of soda. While these substitutes don't offer quite the same benefits or brand image as energy drinks, they can attract consumers looking for an energy source or healthier option. However, Monster's unique brand positioning and continuous product innovation help mitigate the threat of substitutes.

Competition

The soft drinks industry is characterized by intense and dynamic competition, with a variety of players competing for market share in different segments. The main direct competitors are:

PepsiCo Beverage
PepsiCo is a multinational company operating in the food, snacks and beverages sector. It competes with Monster across a wide range of soft drinks, including Pepsi, Mountain Dew, and its energy drinks such as Rockstar and AMP Energy.

Red Bull GmbH
Austrian company known for its Red Bull energy drink. It is a major competitor in the energy drink segment and famous for its marketing strategies, particularly in extreme sports and music.

Keurig Dr Pepper Inc.
This American company is the result of the merger between Keurig Green Mountain and Dr Pepper Snapple Group. It offers a wide variety of drinks that include Dr Pepper, 7UP and its own line of energy drinks.

Coca-Cola Company
One of the largest beverage companies in the world, Coca-Cola offers a broad beverage portfolio that includes Coca-Cola, Sprite, Fanta and has entered the energy drink market with products such as Coca-Cola Energy.

Celsius Holdings, Inc
This company specializes in fitness drinks that also function as energy drinks, targeting consumers who are conscious of health and physical well-being. Its main product, Celsius, is marketed as a thermogenic fat burner that also increases energy.

Suntory Beverage & Food Limited
This is a group of Japanese companies that operates in the beer and spirits production sector. In the beverage industry, it competes with a wide range of products that include soft drinks, bottled teas and mineral waters.

Eastroc Beverage (Group) Co.

Chinese beverage company best known for its Eastroc Super Drink, an energy drink designed to compete with major global brands. It is aimed at consumers looking for a boost in energy and performance.

SWOT

Strengths

Brand
The company owns one of the most recognized brands in the energy drinks sector, with a distinctive identity particularly in the youth and sports market.

Wide Range of Products
The diversification of the product portfolio allows Monster to satisfy various consumer tastes and preferences and to mitigate risks related to market fluctuations. furthermore, the offer of different flavors and aromas represents a strong point compared to other large companies.

Weaknesses

Perception of Health Problems
Energy drinks are often perceived negatively for their caffeine and sugar content, which may limit market growth among health-conscious consumers.

Intense competition
The energy and alcoholic drinks industry is highly competitive, with many major players competing for market share, including Red Bull, PepsiCo and Coca-Cola.

Opportunities

Expansion into New Markets and Segments
Significant opportunities exist for Monster to expand its global presence, particularly in emerging markets where energy drink consumption is growing rapidly.

Innovations in Wellness and Sustainability
Investing in the development of products that better align with health and wellness trends, including products low in sugar or calories, can open up new market segments.

Threats

Government Regulations and Restrictions
Increasing regulation around caffeine content or other components including packaging materials in energy drinks poses a threat to the industry.

Consumer Preferences
An increasing focus on health and wellness could reduce demand for traditional energy drinks.

FINANCIAL STATEMENT

Income Statement

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LTM
Income Statement											
Revenues	**2.465**	**2.723**	**3.049**	**3.369**	**3.807**	**4.201**	**4.599**	**5.541**	**6.311**	**7.140**	**7.340**
% YoY Growth		10,45%	12,00%	10,48%	13,00%	10,34%	9,47%	20,50%	13,89%	13,14%	2,80%
COGS	(1.125)	(1.090)	(1.107)	(1.231)	(1.512)	(1.682)	(1.875)	(2.433)	(3.136)	(3.346)	(3.417)
Gross Profit	**1.340**	**1.632**	**1.942**	**2.138**	**2.295**	**2.519**	**2.724**	**3.109**	**3.175**	**3.794**	**3.923**
% YoY Growth		22%	19%	10%	7%	10%	8%	14%	2%	20%	3%
Operating expenses	(588)	(661)	(777)	(904)	(985)	(1.104)	(1.091)	(1.306)	(1.590)	(1.782)	(1.854)
EBITDA	**778**	**1.003**	**1.206**	**1.283**	**1.367**	**1.475**	**1.690**	**1.853**	**1.646**	**2.081**	**2.142**
% YoY Growth		29%	20%	6%	7%	8%	15%	10%	-11%	26%	3%
Depreciation & Amortization	25,65	30,86	40,85	48,89	56,98	60,73	57,03	50,16	61,24	68,9	72,57
EBIT	**752**	**972**	**1.165**	**1.234**	**1.310**	**1.414**	**1.633**	**1.803**	**1.585**	**2.012**	**2.069**
% YoY Growth		29%	20%	6%	6%	8%	15%	10%	-12%	27%	3%
Other Expenses/Income	221	202	346	440	693	800	1.193	954	811	1.193	1.202
Interest Expenses/Income	(0)	(0)	(0)	0	0	(0)	(0)	(0)	(0)	(0)	(0)
Income Tax Expense	(263)	(345)	(367)	(381)	(300)	(308)	(217)	(424)	(380)	(437)	(473)
Net Income	**483**	**547**	**713**	**821**	**993**	**1.108**	**1.410**	**1.377**	**1.192**	**1.631**	**1.676**
% YoY Growth		13%	30%	15%	21%	12%	27%	(2%)	(13%)	37%	3%
Supplementary Data											
Effective Tax Rate	(35%)	(39%)	(34%)	(32%)	(23%)	(22%)	(13%)	(24%)	(24%)	(21%)	(22%)
Diluted Shares Outstanding	1.046	1.156	1.200	1.154	1.129	1.093	1.070	1.071	1.066	1.058	1.056
EPS	0,46	0,47	0,59	0,71	0,88	1,01	1,32	1,29	1,12	1,54	1,59
% YoY Growth		2%	26%	20%	24%	15%	30%	(2%)	(13%)	38%	3%
Dividends per Share	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Payout Ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
R&D Expense	0	0	0	0	0	0	0	0	0	0	0
Selling and Marketing Expense	264	297	354	416	482	514	480	632	710	753	753
EBT Incl. Unusual Items	746	892	1.080	1.202	1.293	1.416	1.626	1.801	1.572	2.068	2.149

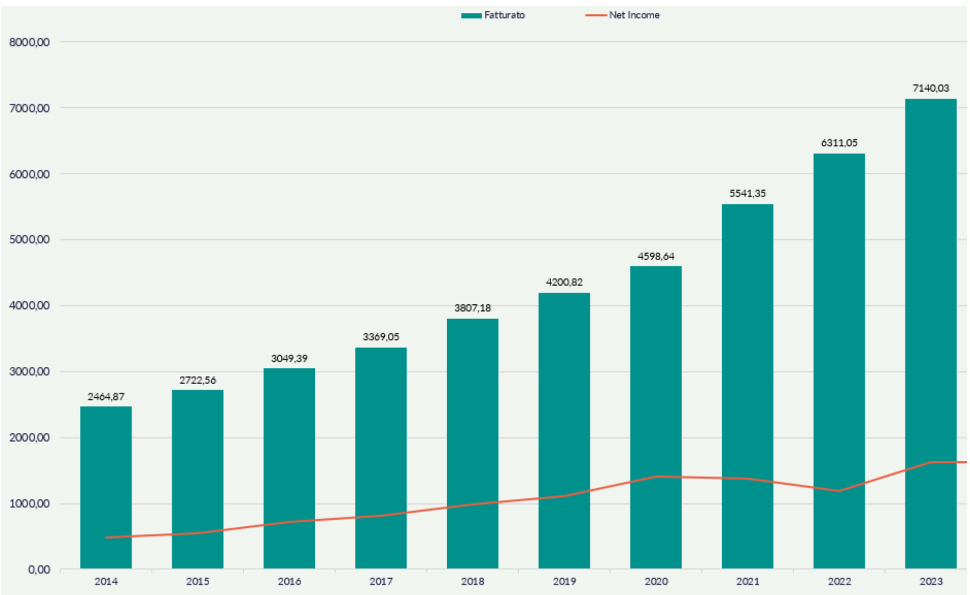
	2018	2019	2020	2021	2022	2023	LTM
Margins							
Gross Proft Margin	60%	60%	59%	56%	50%	53%	53%
Operating Expenses Margin	40%	40%	41%	44%	50%	47%	47%
Ebitda Margin	36%	35%	37%	33%	26%	29%	29%
Ebit Margin	34%	34%	36%	33%	25%	28%	28%
Net income Margin	26%	26%	31%	25%	19%	23%	23%
Levered Free Cash Flow Margin	28%	22%	30%	18%	9%	19%	18%

FINANCIAL STATEMENT

Income Statement

The analysis of Monster's Income Statement highlights a very positive trend in terms of financial performance. This trend is even more notable if we consider that this is the thirtieth consecutive year of turnover growth (one can say that they truly live by the motto “unleash the beast”. In detail, in the decade under review, turnover showed an expansion sustained, with year-on-year percentage increases that remain on a positive trajectory, as underlined by the numbers in 2023 which reveal an increase of 13.1% compared to the previous year.
We note how the growth in turnover has also translated into a consistent growth of the "bottom line", which is the final indicator of a company's ability to convert revenues into profit. The only exception year was 2022, in which there was a slight decline. This decrease is mainly attributable to the increase in the "cost of sales", perfectly consistent with the general market trend.

Monster's ability to maintain a high profit margin, despite global economic challenges and cost increases, is admirable. Revenue growth coupled with effective management of operating expenses and control of other costs has allowed the company to continue to expand its business successfully.
In summary, the Income Statement reflects the resilience and effectiveness of Monster's business strategy, highlighting the company's ability to adapt and thrive even in the face of market fluctuations. This stability has translated into the share price, we find a 5-year beta of 0.83.
With these solid financial results, the company can look to the future with optimism, supported by a business model that has proven to be robust and profitable.



Income Statement

Examining the past ten years for Monster, a story of stability and strength emerges. Margins over the decade reflect an ability to maintain operational efficiency and profitability, despite occasional market and cost fluctuations. Notably, 2022 stood out as a year of contraction across all margin ratios, but the rapid recovery seen in 2023 suggests that the events of that year did not undermine the company's foundations.

The 2023 gross margin, strengthening compared to the previous year, signals a less than proportional increase in the cost of goods sold compared to turnover. At the same time, the recovery of EBITDA and operating margins reflect careful cost management and lean operations, which together confirm the company's ability to manage its resources.

Looking at net profit, resilience is evident in the significant increase in net margin in 2023, a sign that despite the pressure it has been under, the company has been able to turn a good portion of its revenue into profit. The improvement in the FCFF margin also suggests effective management of cash flow, which is fundamental for reinvestment and the distribution of value to shareholders.

Overall, these indicators, together with the context of constant revenue growth, support the hypothesis of sustained growth over the next decade. The 2023 performance serves as a reassuring signal that 2022, while a challenging year, was an isolated episode rather than a sign of inherent problems. To have definitive confirmation of this trend, however, it will be crucial to analyze the financial data for the coming years, keeping a watchful eye on the evolution of margins and the company's ability to adapt to changing market dynamics.

Balance Sheet

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LTM
Balance Sheet											
Cash and equivalents	370	2.175	378	529	638	798	1.180	1.326	1.307	2.298	2.577
Short Term Investments	781	745	221	673	321	533	881	1.750	1.362	956	984
Cash and short Term Investments	**1.151**	**2.920**	**598**	**1.202**	**958**	**1.331**	**2.062**	**3.076**	**2.669**	**3.253**	**3.561**
Total Receivables	281	478	573	449	485	540	666	896	1.015	1.189	1.367
Inventory	175	156	162	256	278	361	333	593	936	971	940
Prepaid Expenses	20	27	33	41	45	55	55	83	110	116	125
Other current Assets	27	19	67	139	39	30	25	34	35	59	43
Total Current Assets	**1.653**	**3.600**	**1.432**	**2.086**	**1.804**	**2.316**	**3.141**	**4.682**	**4.765**	**5.589**	**6.036**
Net PP&E	90	97	173	230	243	330	337	337	555	950	980
Long term Investments	43	15	2	2	2	13	44	99	61	76	8
Goodwill	0	1.280	1.332	1.332	1.332	1.332	1.332	1.332	1.418	1.418	1.418
Other intangibles	51	428	1.033	1.034	1.046	1.052	1.059	1.072	1.220	1.427	1.431
Other long-Term Assets	8	11	22	14	15	23	48	57	96	51	51
Total non-current Assets	**286**	**1.972**	**2.721**	**2.705**	**2.723**	**2.834**	**3.062**	**3.123**	**3.528**	**4.098**	**4.063**
Total Assets	**1.939**	**5.571**	**4.153**	**4.791**	**4.527**	**5.150**	**6.203**	**7.805**	**8.293**	**9.687**	**10.098**
Accounts Payable	128	145	193	246	249	274	297	404	444	564	534
Accrued Liabilities	172	218	219	258	298	323	378	482	488	521	559
Long-Term Debt due within one yea	0	0	0	0	0	0	0	0	0	0	0
Current Portion of Capital Lease Ol	0	1	0	1	0	4	4	5	9	18	15
Other Current Liabilities	0	12	9	2	1	1	3	1	5	2	2
Total Current Liabilities	**356**	**410**	**471**	**560**	**601**	**661**	**750**	**965**	**1.002**	**1.162**	**1.229**
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0
Other non-current Liabilities	0	0	0	1	3	5	10	12	13	43	46
Total non-current Liabilities	**68**	**352**	**353**	**335**	**315**	**318**	**292**	**273**	**266**	**296**	**291**
Total Liabilities	**424**	**762**	**824**	**896**	**916**	**979**	**1.042**	**1.238**	**1.268**	**1.458**	**1.520**
Common Stocks	1	3	3	3	3	3	3	3	6	6	6
Additional Paid in Capital	426	3.990	4.051	4.151	4.238	4.398	4.538	4.653	4.777	4.975	5.035
Retained Earnings	2.331	1.395	2.108	2.928	3.915	5.022	6.432	7.810	9.001	5.940	6.382
Treasury Stocks	(1.231)	(556)	(2.809)	(3.170)	(4.512)	(5.220)	(5.815)	(5.829)	(6.600)	(2.566)	(2.687)
Comprehensive Income and Other	(11)	(22)	(23)	(17)	(33)	(32)	3	(69)	(159)	(125)	(158)
Total Equity	**1.515**	**4.809**	**3.330**	**3.895**	**3.611**	**4.171**	**5.161**	**6.567**	**7.025**	**8.229**	**8.578**

Monster's balance sheet over the past decade shows a company in full expansion and financial strength. With an increase in total assets from approximately 1.939 billion to 9.687 billion, an aggressive reinvestment and growth policy is reflected. Notable is the growth in liquidity, highlighted by the significant increase in "Cash and equivalents" and "Short-term Investments", which signals strong cash flow generation and prudent management of financial reserves.

Current assets followed an upward trend, with "Total Receivable" and "Inventory" suggesting an increase in sales and inventories. The "Goodwill" item grew exponentially in 2015, resulting from a strategic partnership with Coca-Cola, which entrusted Monster with its energy drink business, and became a major shareholder of Monster Beverage Corporation.

Liabilities have grown in line with the company's expansion, but control of short-term debt remains effective. Net worth had a notable jump, going from 1.515 billion to 8.229 billion, reflecting the reinvestment of profits and increasing company value.

In summary, the financial statements reveal a Monster in financial health, with careful management and a growth strategy that has led to a substantial increase in the value of the company, while maintaining good management of liabilities.

Profitability, Efficency and Financial Solidity

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	LTM
Profitability											
Return on Assets		15%	15%	18%	21%	23%	25%	20%	15%	18%	17%
Return on invested Capital		38%	33%	30%	31%	32%	30%	29%	23%	26%	27%
Return on Equity		17%	18%	23%	26%	28%	30%	23%	18%	21%	20%
Effincency											
Asset Turnover		0,73	0,63	0,75	0,82	0,87	0,81	0,79	0,78	0,79	0,74
Receivables Turnover		7,18	5,81	6,59	8,15	8,20	7,63	7,10	6,60	6,48	5,74
Inventory Turnover		6,59	6,96	5,90	5,67	5,27	5,40	5,25	4,10	3,51	-3,58
Avg. Cash Conversion Cycle		60,58	59,58	52,19	49,45	57,05	59,83	68,35	94,86	105,35	106,99
Avg. Days Sales Outstanding		50,83	62,86	55,37	44,77	44,51	47,86	51,44	55,27	56,35	63,57
Avg. Days Outstanding Inventory		55,35	52,42	61,91	64,40	69,26	67,54	69,50	88,97	104,02	102,08
Avg. Days Payable Outstanding		45,60	55,71	65,09	59,71	56,72	55,57	52,59	49,37	55,02	58,65
Solvency											
Current Ratio	4,6	8,8	3,0	3,7	3,0	3,5	4,2	4,9	4,8	4,8	4,9
Quick Ratio	4,2	8,4	2,7	3,3	2,5	3,0	3,7	4,2	3,82	3,97	4,1
Debt / Assets	0,2	0,1	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Interest Conver Ratio	25.072	32.389	16.645			23.571	40.834	90.139	79.236	7.740	6.271
EBITDA / Interest Expense	25.927	33.418	17.228			24.583	42.260	92.646	82.298	8.005	6.490
D&A % Revenues	1,04%	1,13%	1,34%	1,45%	1,50%	1,45%	1,24%	0,91%	0,97%	0,96%	0,99%
Capex % Revenues	1,13%	1,31%	3,27%	2,48%	1,63%	2,42%	1,06%	0,79%	2,99%	3,10%	3,37%
Accrued Liabilities (% of sales)	6,98%	8,01%	7,18%	7,65%	7,82%	7,68%	8,21%	8,70%	7,73%	7,30%	7,62%
Other Current Liabilities (% of sal	0,01%	0,43%	0,29%	0,05%	0,01%	0,02%	0,06%	0,02%	0,07%	0,02%	0,02%
Prepaid and Other Current Assets	1,88%	1,68%	3,26%	5,33%	2,20%	2,01%	1,74%	2,10%	2,29%	2,45%	2,29%

Profitability

Analyzing Monster's profitability we note that although there has been a decrease in ROE, this is not necessarily a warning sign as the company has continued to generate increasing profits. The reduction in ROE is influenced by the increase in equity, which grew at a faster pace than net profit, indicating that the company has successfully reinvested in its development and expansion. Regarding ROIC, here too we have seen a reduction which appears to be the result of an increase in invested capital. Despite this decrease, ROIC remains at healthy levels, signaling that the company is still able to generate value from the investments made. ROA, which measures the return on total assets, also shows a decreasing trend in 2022 but then an increase in 2023.

It is important to note that while these performance metrics can offer insight into business management and profitability, they are not the only factor to consider when evaluating the overall health of a business. Equity and investment growth may reflect a business strategy aimed at long-term growth and expansion that could lead to substantial benefits in the future. In summary, while declines in ROE and ROIC may suggest less efficiency in generating returns from shareholder investments in the near term, Monster's overall financial position and continued profit growth indicate a robust financial position and a positive outlook for the future .

Efficiency

Monster's operational efficiency analysis reflects some challenges and opportunities in the use of resources and management of operations. The negative change in inventory turnover in recent years suggests that the company has encountered some difficulties in inventory management, potentially due to its product expansion and move into new lines, such as the acquisition of Bang Energy and the launch of alcoholic beverages such as The Beast Unleashed™. These strategic moves may have temporarily reduced inventory efficiency but represent investments in diversifying product offerings and penetrating new markets.

Over the years, the increase in "Average Days of Inventory" can be interpreted as the result of these strategic changes and the expansion of the product range. This may have extended the life cycle of the inventory before it is sold or consumed. Despite this, the significant increase in net profit and gross margin in 2023 compared to the previous year shows that Monster has been able to convert these investments into profitability growth, indicating that the company is managing to capitalize on the investments made despite the challenges related to the inventory cycle.

The longer “Cash Conversion Cycle” may reflect the impact of these strategic initiatives and the adaptation to managing a larger and more diversified product portfolio. Furthermore, the increase in capital expenditure (Capex) as a percentage of revenues, particularly in 2021 and 2023, confirms that Monster has made substantial investments that could lead to long-term benefits, although in the short term they may weigh on the operational efficiency.

The "Sales to Capital Ratio" finally shows some stability, suggesting that, despite the challenges and investments, the company continues to generate sales efficiently compared to the capital employed. This is supported by the company's overall performance, which reported increased revenue and earnings in 2023, demonstrating Monster's ability to grow and generate shareholder value in a competitive environment

Financial Solidity

The Current Ratio, which measures a company's ability to cover its short-term liabilities with short-term assets, remained well above the threshold of 1, which is considered adequate, indicating good liquidity (last average 5 years: 4.1). Even the Quick Ratio, which is a more stringent indicator because it excludes inventory from the calculation, shows a company's consistent ability to meet its short-term commitments without having to liquidate inventory.

The strength of Monster's interest coverage, as indicated by the Interest Coverage Ratio, was particularly impressive, suggesting that the company generates broadly enough EBIT (earnings before interest and taxes) to cover the interest costs on its debt. This is a sign of excellent financial health and low risk of default. Although this ratio shows a peak in 2021 followed by a reduction, it remains at a level that indicates very comfortable debt coverage.

Valuation

Multiples analysis

The analysis was carried out taking into account direct competitors who adopt the same business model. In particular, the following are noteworthy: Coca-Cola Company, Pepsico beverage, Keurig Dr Pepper Inc. and Celcius Holdings Inc.
Monster's EV/Sales multiple of 7.0 exceeds the median of its competitors, suggesting a premium valuation attributed by the market to the company's sales. This could reflect high growth expectations or a strong perception of the brand and its positioning in the energy drinks market. The P/E of 33.2 puts Monster in an industry-average position, indicating that Monster's earnings may be fairly priced.

Analyzing Monster's P/BV ratio, we observe a value of 6.4. This data, located in an extremely advantageous position compared to competitors, provides an image of underestimation of the company's net worth, freeing investors from the distortions created by extreme values such as those found for Celsius Holdings, Inc.

Particularly noteworthy is Monster's MC/FCF, positioned at 41.9x, which clearly stands out compared to competitors such as PepsiCo and Suntory.
In conclusion, the analysis suggests that Monster Beverage Corp. occupies an attractive position in the competitive landscape of the beverage industry. The company's valuation appears balanced, although some multiples indicate an optimistic valuation and others a pessimistic one. For a more detailed analysis, given the high deviance, an absolute evaluation method will therefore be necessary.

	EV	Market Cap	Ev/Sales	Ev/Ebitda	Ev/Ebit	P/S	P/E	P/BV	P/TBV	MC/FCF
Simple Average	165.680,51	120.079,04	7,3x	31,1x	33,4x	6,8x	44,6x	22,6x	1,1x	63,9x
Weighted average - EV	-	-	5,1x	20,2x	22,8x	4,5x	28,1x	12,3x	-26,1x	40,9x
Weighted average - MC	-	-	5,6x	21,2x	23,5x	5,1x	28,9x	12,7x	-28,0x	40,0x
Median	172.569,58	95.522,62	5,3x	18,7x	21,3x	4,5x	25,9x	11,5x	-10,3x	56,8x
Standard Deviation			5,71	27,15	26,17	6,08	40,06	29,02	49,94	41,50
(% Average)			78%	87%	78%	89%	90%		221%	65%
High	295.458	267.093	15,7x	71,7x	72,6x	15,7x	104,6x	65,6x	71,0x	117,1x
Low	22.125	22.178	3,1x	15,3x	18,4x	2,7x	22,0x	1,9x	-46,0x	24,7x
Price based on multiples			43,89	39,47	52,82	36,229	50,549	121,67	NC	62,55

DCF

WACC

To calculate the average cost of capital, the turnover-weighted average between the 10-year American bond (US10Y) and the German bund (DE10Y) was selected as the risk-free rate, which appears to have a yield on the valuation date 05.27.2024 4.47% and 2.55% respectively. The country risk and market risk premium were calculated as a weighted average based on the turnover of the individual country risk premium and market risk premium of the country/geographical areas. The beta was calculated as a weighted average between the Bottom Up method and its direct correlation with the S&P 500. Finally, the cost of the debt was calculated taking into account the risk free rate to which a spread was added based on the interest cover ratio.

Capital Structure	
Equity	99,46%
Debt	0,54%
Wacc Calculation	
Cost of Equity	**8,21%**
Risk-free Rate	4,09%
Country Risk Premium	0,85%
Market Risk Premium	5,70%
Levered Beta	0,57
Net Cost of Debt	**3,51%**
Cost of Debt	4,68%
Tax Rate	25,00%
WACC	**8,18%**

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Term
Sales (% growth)		10,0%	9,3%	8,6%	7,9%	7,2%	6,5%	5,7%	4,9%	4,1%	3,3%	2,5%
1 Optimistic Scenario		12,00%	11,20%	10,40%	9,60%	8,80%	8,00%	6,90%	5,80%	4,70%	3,60%	2,50%
2 Base Scenario		10,00%	9,30%	8,60%	7,90%	7,20%	6,50%	5,70%	4,90%	4,10%	3,30%	2,50%
3 Pessimistic Scenario		8,00%	7,40%	6,80%	6,20%	5,60%	5,00%	4,40%	3,80%	3,20%	2,60%	2,00%
Gross Profit margin		53,0%	53,4%	53,8%	54,2%	54,6%	55,0%	55,4%	55,8%	56,2%	56,6%	57,0%
1 Optimistic Scenario		54,00%	54,39%	54,79%	55,19%	55,59%	56,00%	56,39%	56,79%	57,19%	57,59%	58,00%
2 Base Scenario		53,00%	53,39%	53,79%	54,19%	54,59%	55,00%	55,39%	55,79%	56,19%	56,59%	57,00%
3 Pessimistic Scenario		52,00%	52,00%	52,00%	52,00%	52,00%	52,00%	52,00%	52,00%	52,00%	52,00%	52,00%
Ebit Margin		28,0%	28,4%	28,8%	29,2%	29,6%	30,0%	30,2%	30,4%	30,6%	30,8%	31,0%
1 Optimistic Scenario		30,00%	30,58%	31,17%	31,77%	32,38%	33,00%	33,00%	33,00%	33,00%	33,00%	33,00%
2 Base Scenario		28,00%	28,39%	28,78%	29,18%	29,59%	30,00%	30,20%	30,40%	30,60%	30,80%	31,00%
3 Pessimistic Scenario		26,00%	26,39%	26,78%	27,18%	27,59%	28,00%	28,00%	28,00%	28,00%	28,00%	28,00%
Depreciation & Amortization (% sales)		1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
1 Optimistic Scenario		0,99%	0,99%	0,98%	0,98%	0,97%	0,97%	0,98%	0,98%	0,99%	0,99%	1,00%
2 Base Scenario		0,99%	0,99%	0,98%	0,98%	0,97%	0,97%	0,98%	0,98%	0,99%	0,99%	1,00%
3 Pessimistic Scenario		0,99%	0,99%	0,99%	0,98%	0,98%	0,98%	0,98%	0,99%	0,99%	1,00%	1,00%
Capital Expenditures (% of sales)		3,3%	3,1%	3,0%	2,8%	2,6%	2,5%	2,4%	2,3%	2,2%	2,1%	2,0%
1 Optimistic Scenario		3,30%	3,12%	2,95%	2,79%	2,64%	2,50%	2,39%	2,29%	2,19%	2,09%	2,00%
2 Base Scenario		3,30%	3,12%	2,95%	2,79%	2,64%	2,50%	2,39%	2,29%	2,19%	2,09%	2,00%
3 Pessimistic Scenario		3,30%	3,12%	2,95%	2,79%	2,64%	2,50%	2,39%	2,29%	2,19%	2,09%	2,00%

DCF

Base case

In the base scenario, we expect steady and moderate growth for Monster Beverage Corporation over the next few years. Sales will initially increase 10% in 2023, with a slight decline in annual growth rates until stabilizing at 2.5% by 2033. This scenario reflects a stable market with no significant shifts in the economic landscape or consumer behavior.

Gross profit margin is expected to remain relatively stable at around 53%, with slight growth to 57% in the long term. This indicates steady management without major innovations or changes in cost structure.

EBIT margin remains constant at 28% in the near term, with a slight increase to 31% in 2033. This may reflect a "business as usual" strategy with a focus on preserving existing assets and a cautious approach towards expansion .

Depreciation and amortization expenses remain stable at 1% of sales, indicating prudent and well-managed investments. Capital expenditure follows a trend of gradual reduction from 3.3% to 2%, a sign that the investments made in the early years are maturing.

Optimistic case

In the optimistic scenario, we expect robust recovery and growth for Monster Beverage Corporation. Sales are expected to grow by 12% in 2023 and maintain higher growth rates than the base scenario, reaching 2.5% in 2033.

Gross profit margin is expected to improve, starting from 54% in 2023 to 58% over the long term. This increase reflects an optimization in cost management and a more aggressive price positioning.

The EBIT margin is expected to grow from 30% in 2023 to 33% in 2033, thanks to high operational efficiency and careful control of expenses. Depreciation and amortization expenses remain stable, indicating prudent and well-managed investments.

Pessimistic scenario

The pessimistic scenario considers the challenges that Monster Beverage Corporation may face due to adverse market conditions or strategic errors. Sales growth is expected to be lower, starting at 8% in 2023 and slowing to 2% by 2033.

Gross profit margin may decline slightly, remaining stable around 52% throughout the period. This reflects the impact of high operating costs and potential inefficiencies.

DCF

Fair Value

Monster Beverages is slightly undervalued compared to current levels with a value of 61.93 Euros compared to the price of 52.70 Euros on 05/27/2024. It is highlighted that the optimistic scenario has a greater potential upside than the pessimistic scenario, reflecting an asymmetric upward risk.

	Worse	Base	Optimistic
Value	50,95	61,93	74,19
+/- %	-3,32%	17,51%	40,78%

Final Outlook

Currently, comparing the evaluations carried out, Monster appears to be slightly undervalued compared to its competitors and shows good growth potential in optimal scenarios. We would like to point out that, however, it generally presents a premium valuation in terms of multiples but a good growth prospect in absolute terms. However, taking these factors into account, we believe that Kering has good prospects as found during the analysis, therefore the thesis of the analysis is BUY.

Sensitivity Analysis

		Wacc				
	$61,93	6,18%	7,18%	8,18%	9,18%	10,18%
Ev/Ebitda	**23,0x**	66,13	62,77	60,59	59,07	57,94
	23,5x	66,80	63,44	61,26	59,74	58,61
	24,0x	67,47	64,11	61,93	60,41	59,28
	24,5x	68,14	64,78	62,60	61,08	59,95
	25,0x	68,81	65,45	63,28	61,75	60,62

		Wacc				
	$61,93	7,18%	7,68%	8,18%	8,68%	9,18%
Growth Rate	1,5%	61,93	61,11	60,41	59,81	59,28
	2,0%	62,92	61,93	61,11	60,41	59,81
	2,5%	64,11	62,92	61,93	61,11	60,41
	3,0%	65,59	64,11	62,92	61,93	61,11
	3,5%	67,47	65,59	64,11	62,92	61,93

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