





MΦNSTER
ENERGY



Overview

- HQ: Corona, California
- Symbol: MNST
- Market Cap: \$47.25B
- Revenue: \$4.6B
- Stock Price: \$87.54





History

1935

1988-92

2002

2012



- They Filed for bankruptcy.
- Acquired by Rodney Sacks for \$14.6M.
- Renamed to Hansen's Natural Company.



- Rename to Monster Beverage Corporation.



- Hansen's Fruit and Vegetable Juices was founded.



- Came out with Monster Energy Drink.



2015

2016

2019



- Coca-Cola purchased 16.7% for \$2.15B.
- Transferred ownership of all Coca-Cola energy drinks.

The classic red and white Coca-Cola script logo.

- Acquired long time partner American Fruits & Flavors for \$690m.



- Released Reign
- Zero sugar, Electrolytes and COQ10



100 Bagger



UFC 226
JULY 7 SAT
LAS VEGAS #BeThere



airasia.com

UFC



UFC

UFC

airasia.com

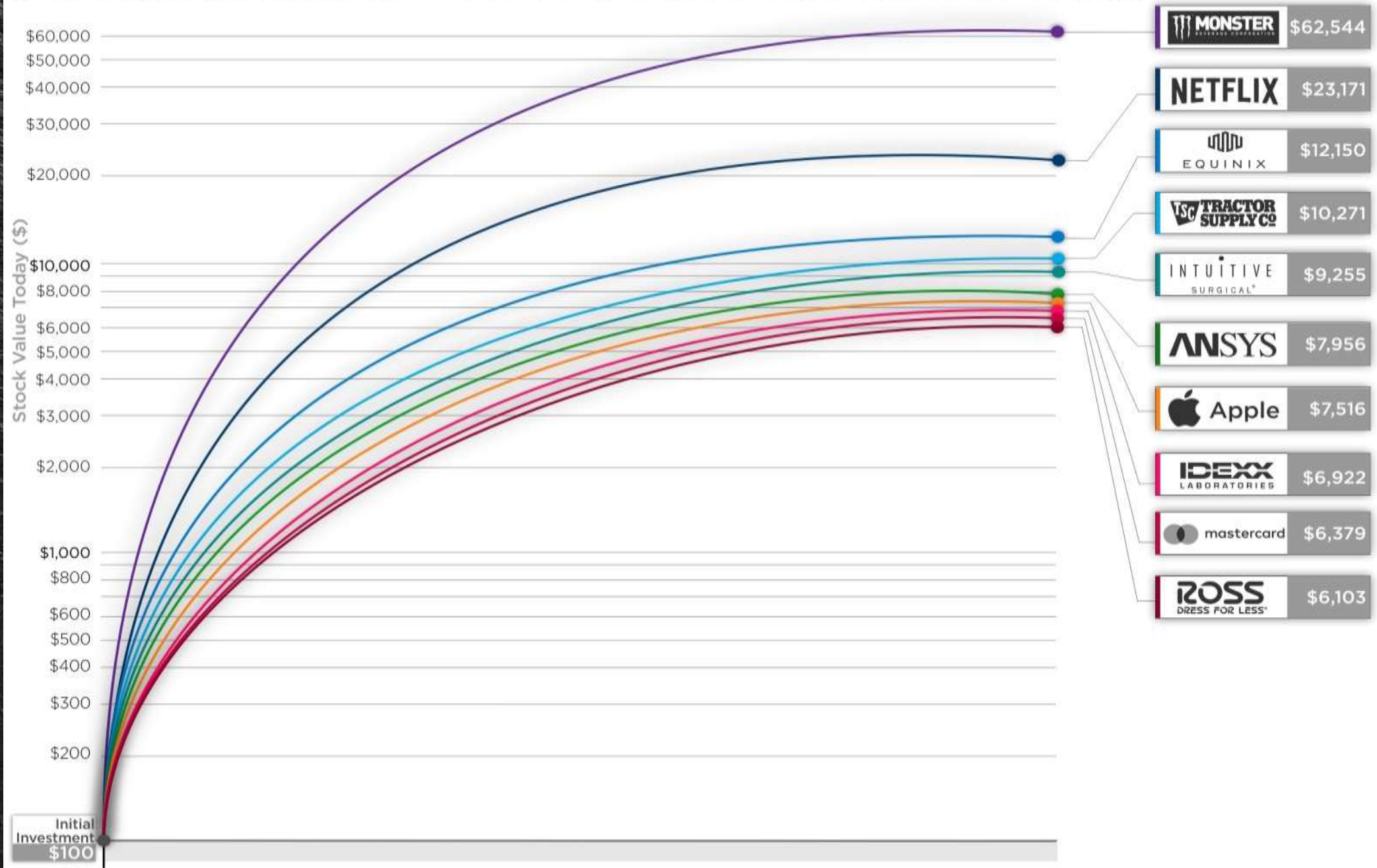


UFC 226
JULY 7 SAT
LAS VEGAS #BeThere

UFC

Best-Performing Stocks of the Century

If You Had Invested \$100 in 2000, What Would You Have Today?



Recent News



News

- Won a lawsuit against Vital Pharmaceuticals(VPX).
- In 2022 True North will be launched
 - Natural Caffeine
 - Zero sugar or sweetener of any type
- Supply Chain Issues



Why Monster?



Why Monster?

- Proven Moat
- Exceptional Business Model
- Prestige Financial
- Solid Valuation



A racing suit and helmet are displayed against a grey background. The suit is primarily black with yellow and blue accents. It features several prominent sponsor logos: 'YAMAHA' in white on the chest and sleeve, 'ENEOS' in white on the chest, 'MONSTER ENERGY' in white and yellow on the chest and sleeve, and 'YAMALUBE' in white on the sleeve. The number '46' is printed in large yellow digits on the chest. The helmet is black with yellow and blue patterns and features the 'AGV' logo in white and red. The text 'Business Model' is overlaid in white in the center of the image.

Business Model

How Monster Makes Money

Performance by Segments



Regional Net Sales

Customer Base

Brand Mapping

How Monster Makes Money

Performance by Segments



Regional Net Sales

Customer Base

Brand Mapping



~~How Monster Makes Money~~

Performance by Segments



Regional Net Sales

Customer Base

Brand Mapping

NEW



Monster Energy

Strategic Brands



Revenue Breakdown

With



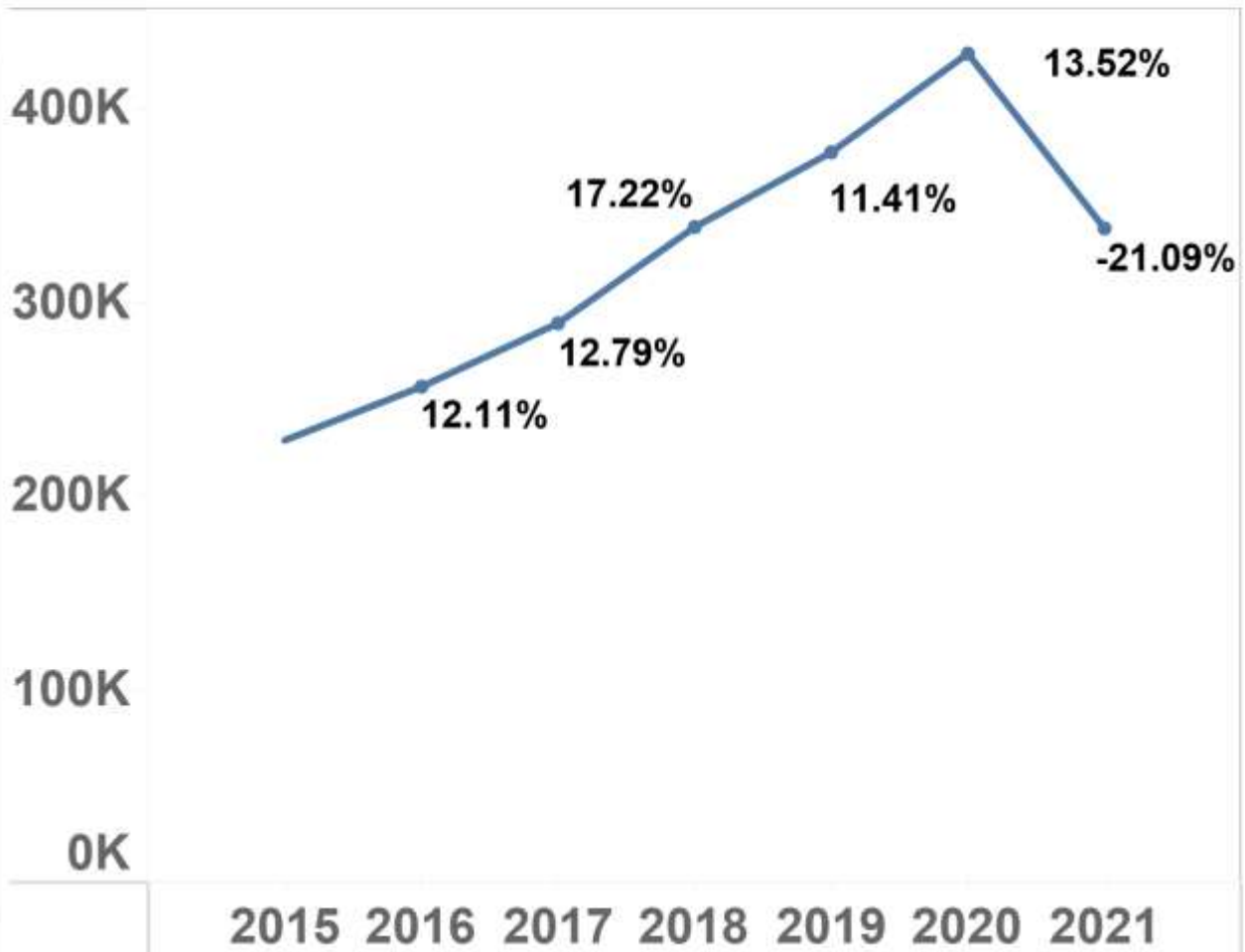
+ a b l e a u

Monster Energy

Net Sales 9% Compound Annual Growth Rate



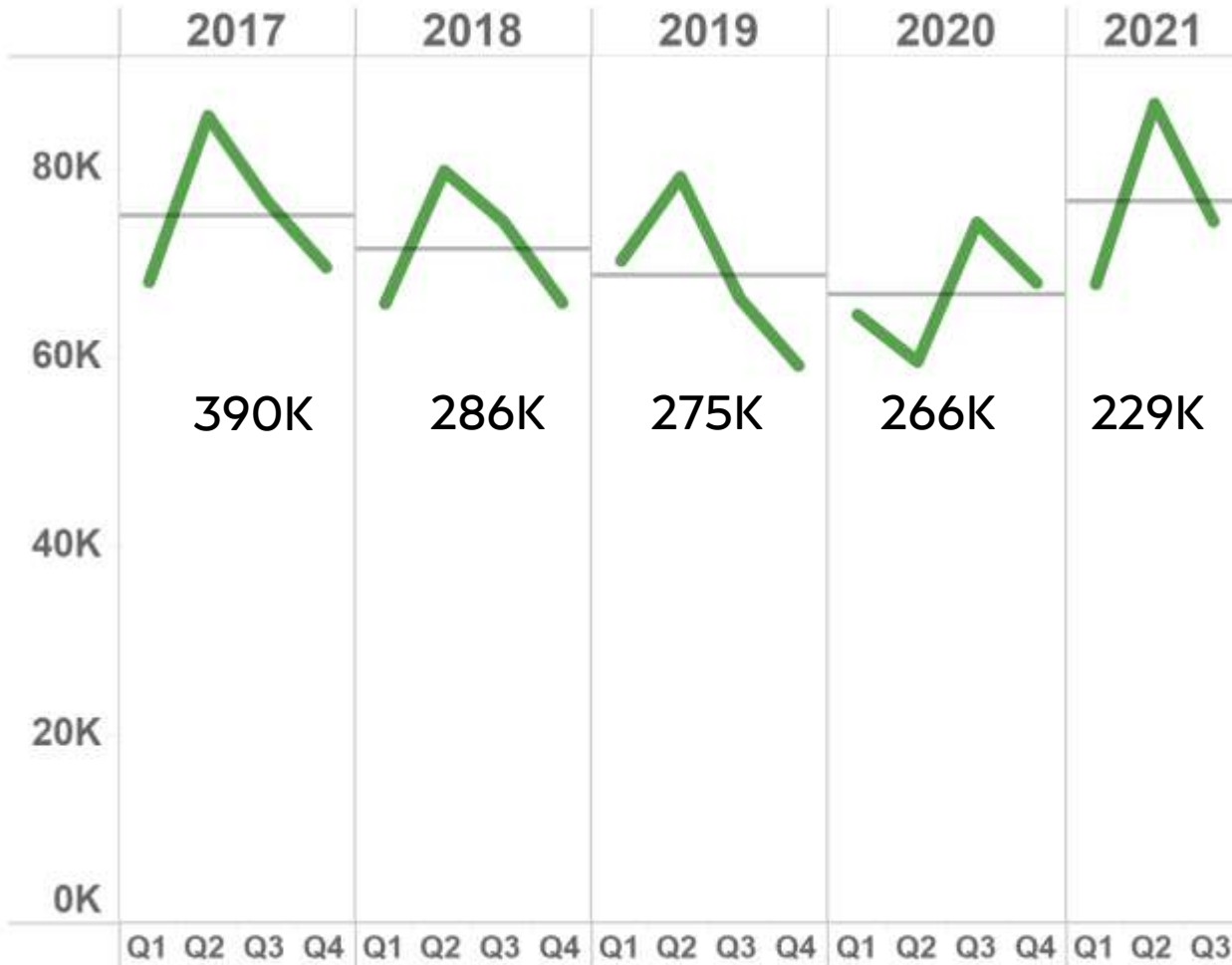
Unit Sales 10% Compound Annual Growth Rate



Strategic Brands

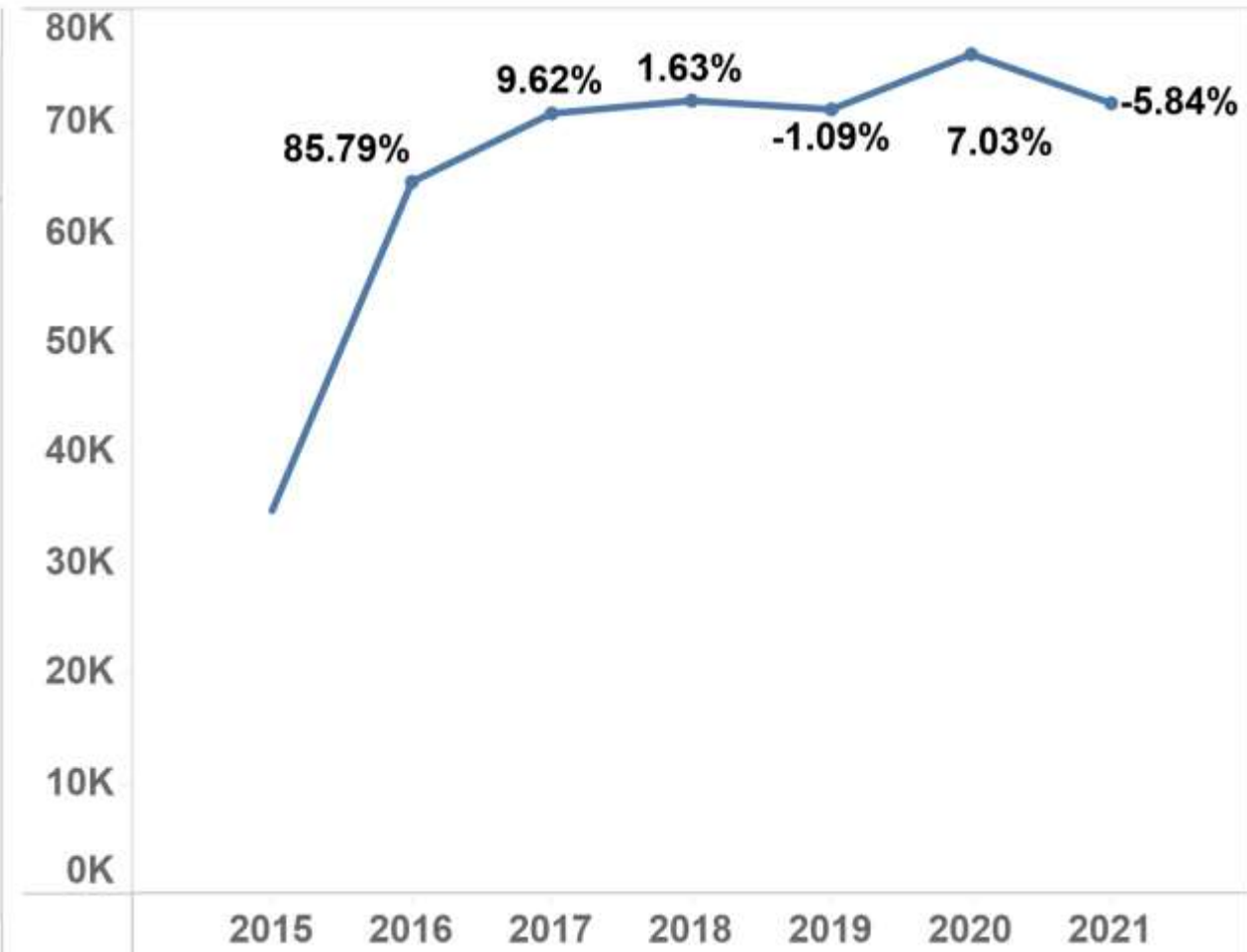
Net Sales

-4% Compound Annual Growth Rate



Unit Sales

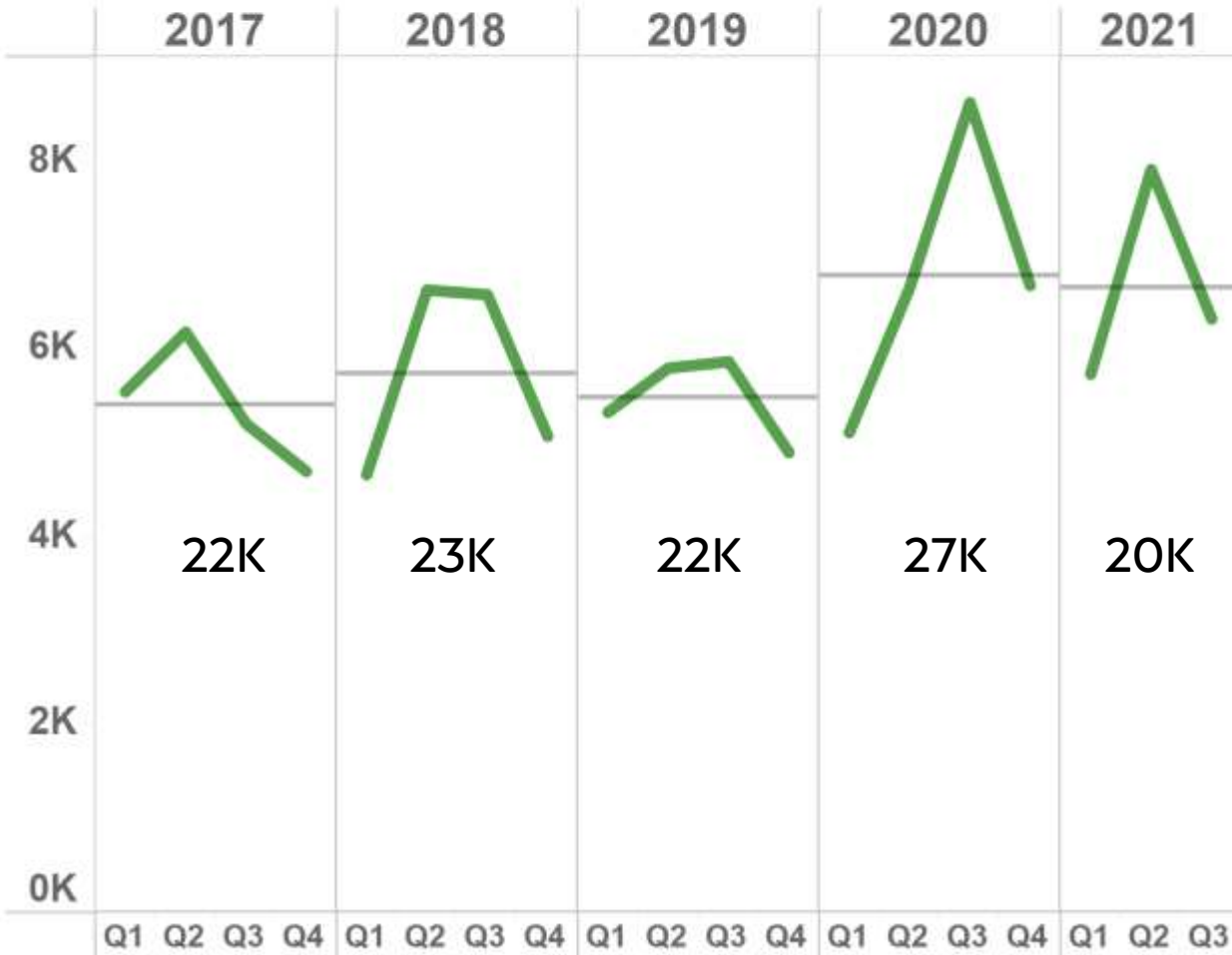
2% Compound Annual Growth Rate



Other (American Fruits & Flavors)

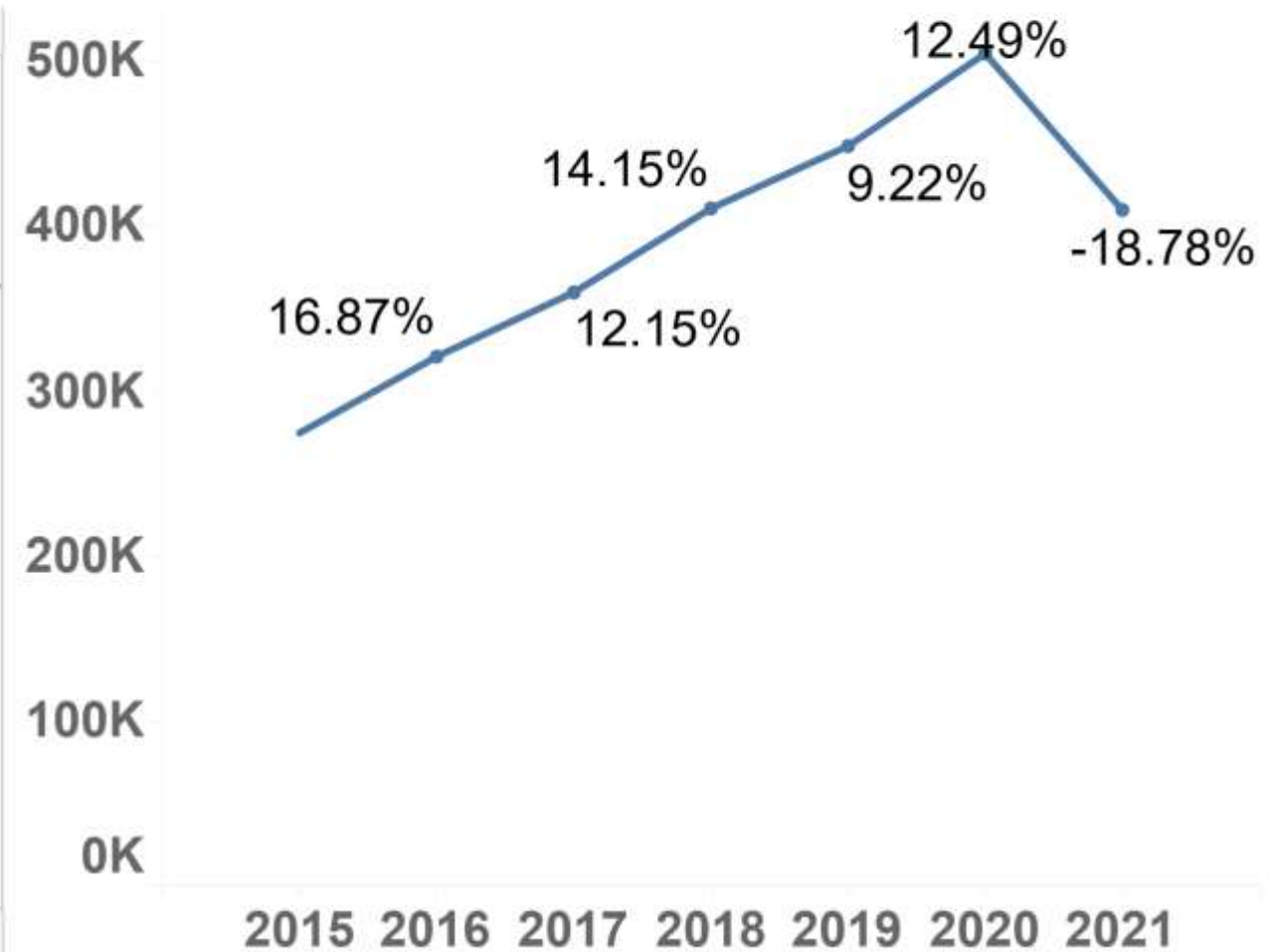
Net Sales

6% Compound Annual Growth Rate



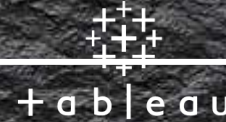
Total Unit Sales

3% Compound Annual Growth Rate



~~How Monster Makes Money~~

~~Performance by Segments~~



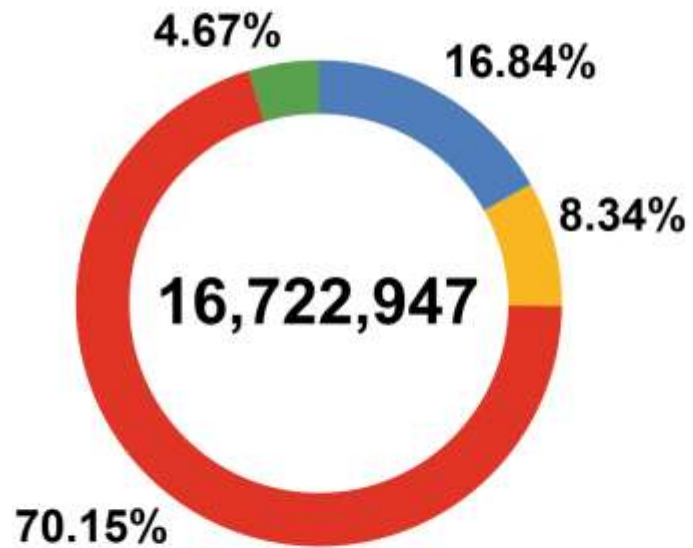
Regional Net Sales

Customer Base

Brand Mapping

Four Year Cumulative Net Sales

by Region (\$ in Thousands)



US & Canada



EMEA



Asia-Pacific

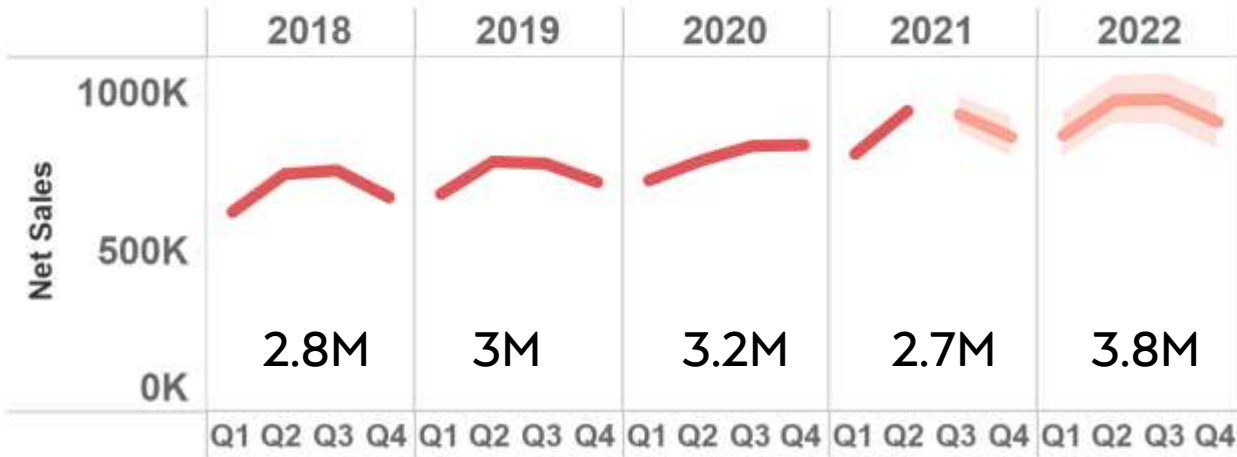


Latin America & Caribbean



Regional Net Sales

US & Canada 4% CAGR



Europe, Middle East, Africa (EMEA) 9% CAGR



Asia-Pacific (AP) 19% CAGR

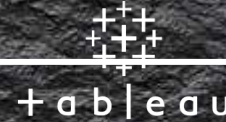


Latin America & Caribbean (LAC) 13% CAGR



~~How Monster Makes Money~~

~~Performance by Segments~~

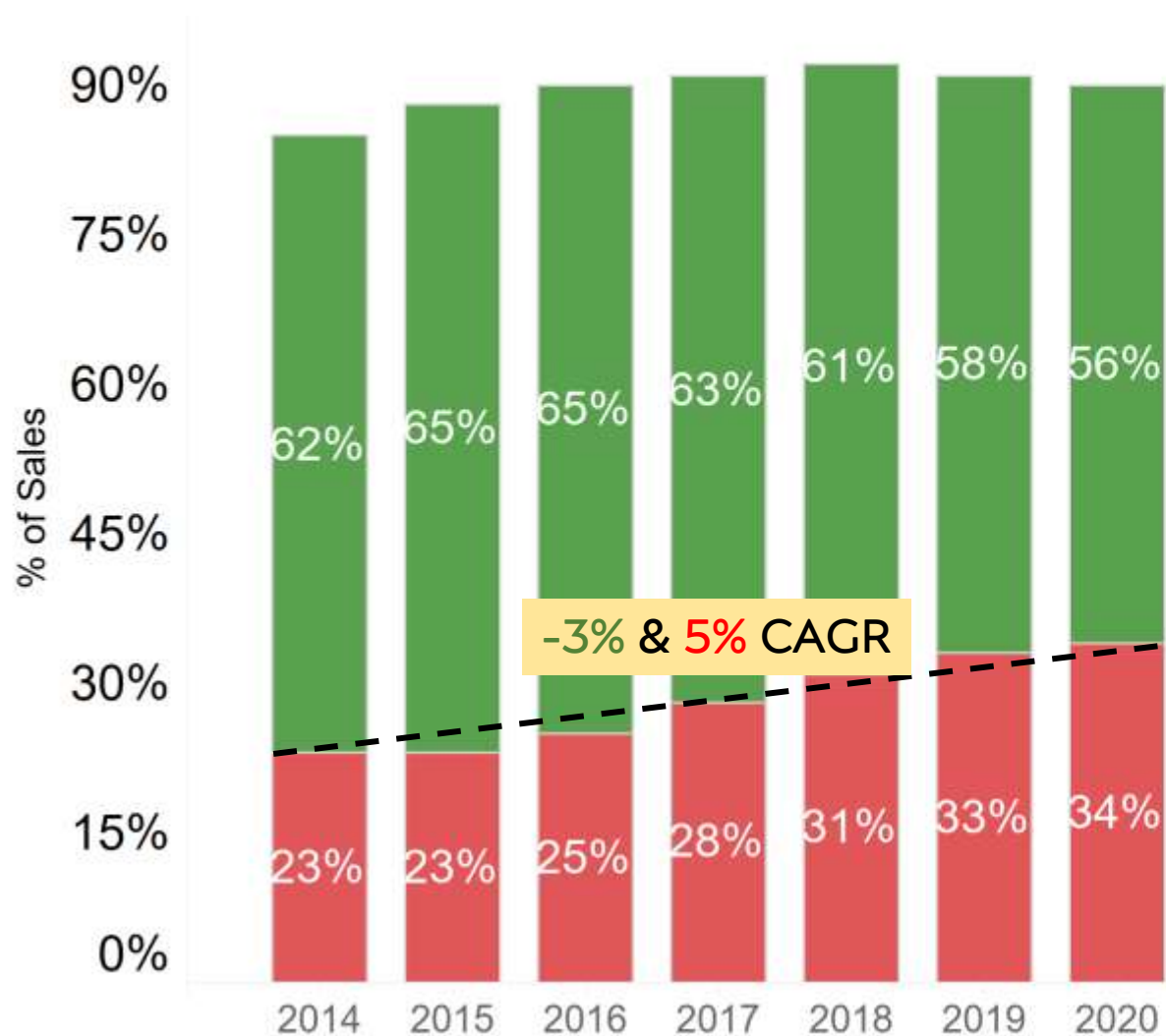


~~Regional Net Sales~~

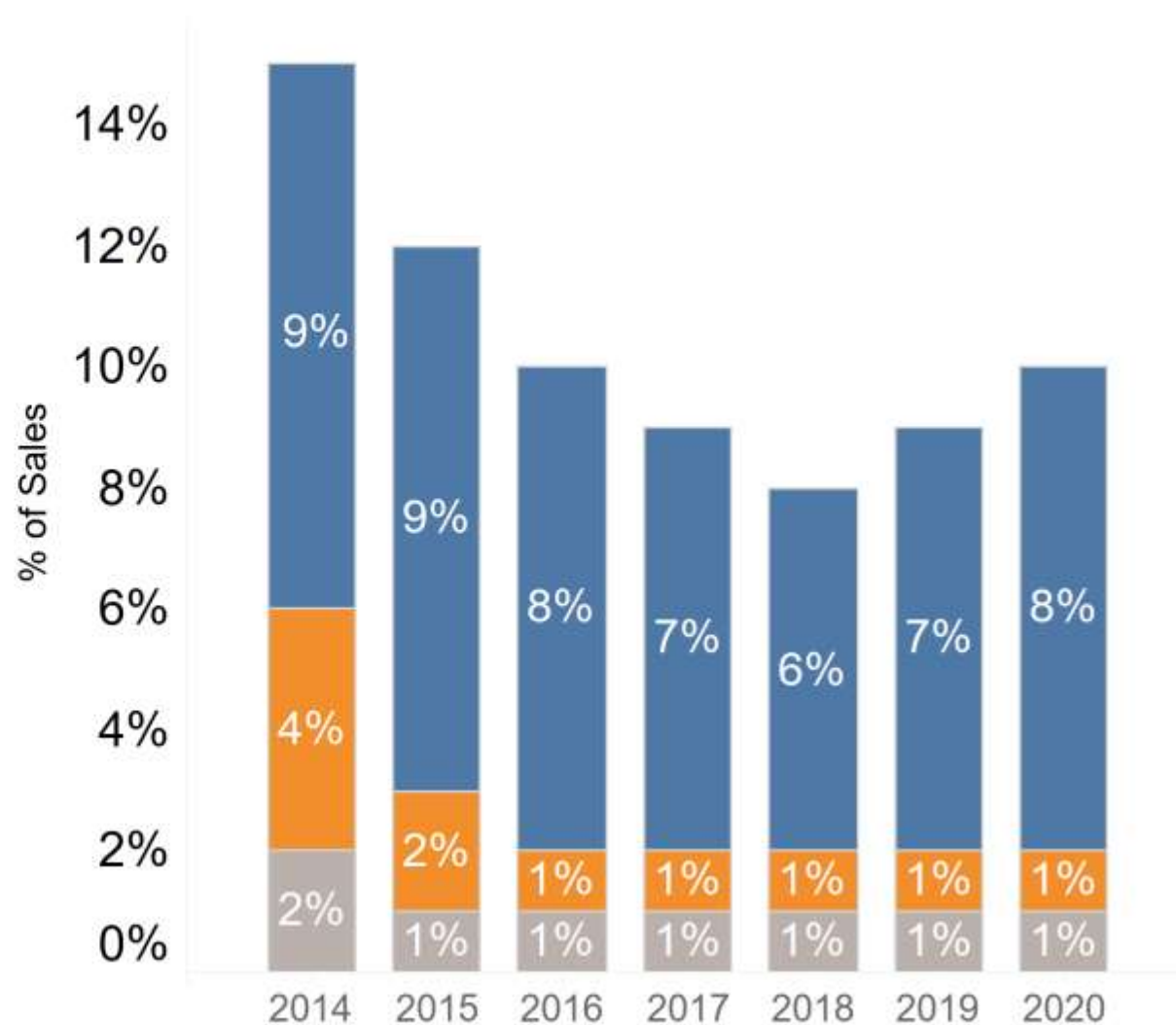
Customer Base

Brand Mapping

Domestic & International Full-Service Bottling/Distribution



Club & Ecommerce, Direct to Consumer, Other



~~How Monster Makes Money~~

~~Performance by Segments~~  tableau

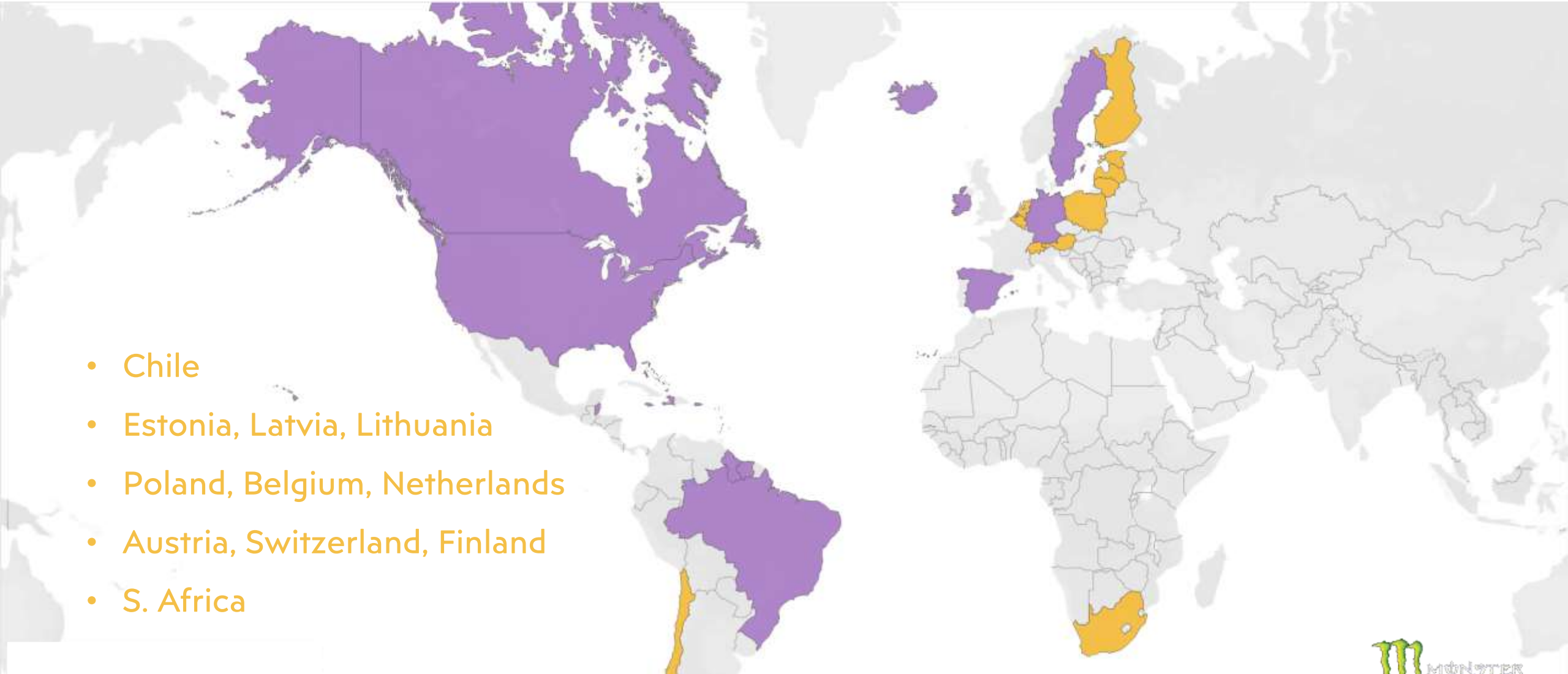
~~Regional Net Sales~~

~~Customer Base~~

Brand Mapping

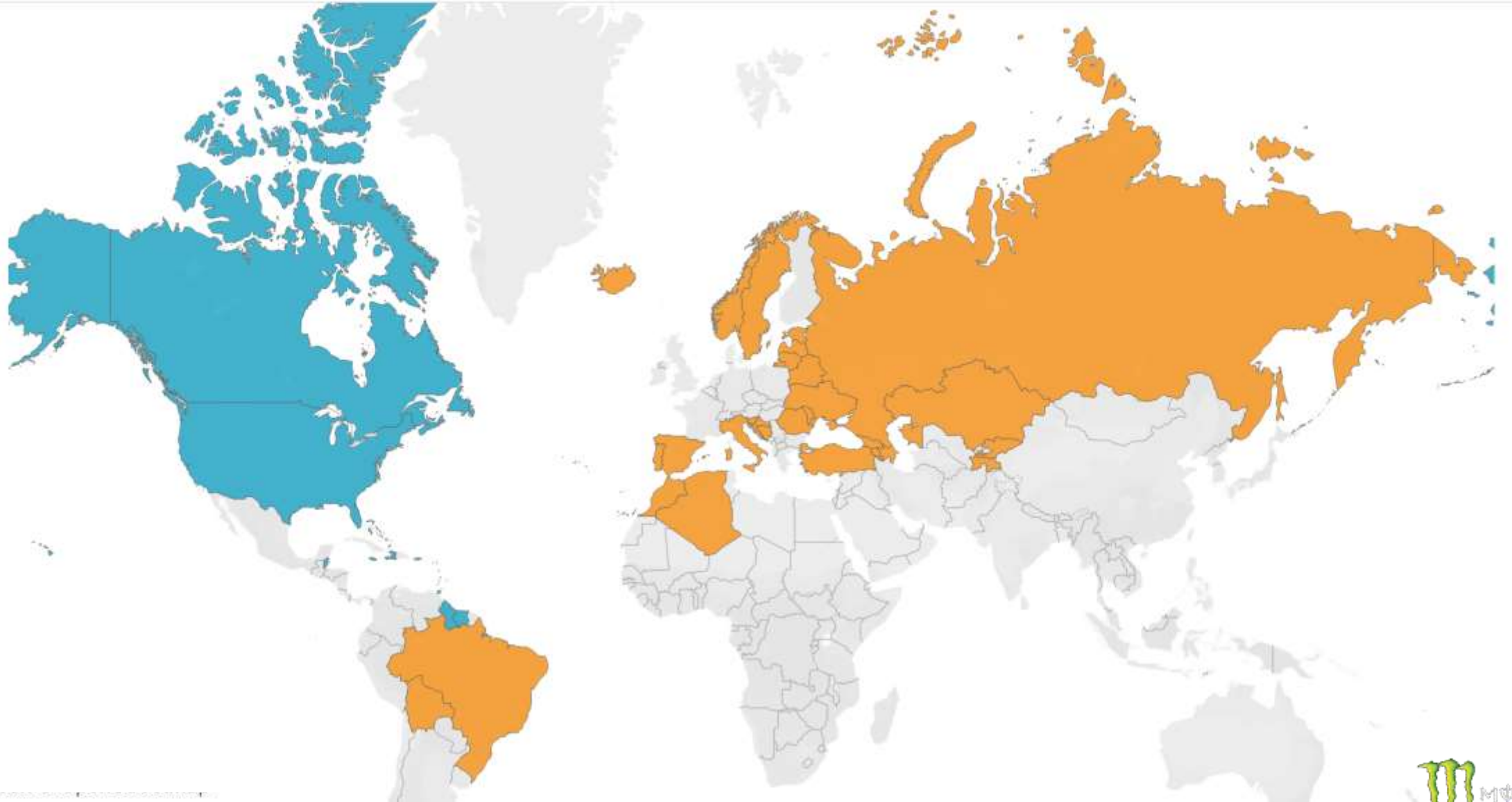
Reign

Established, Emerging



- Chile
- Estonia, Latvia, Lithuania
- Poland, Belgium, Netherlands
- Austria, Switzerland, Finland
- S. Africa

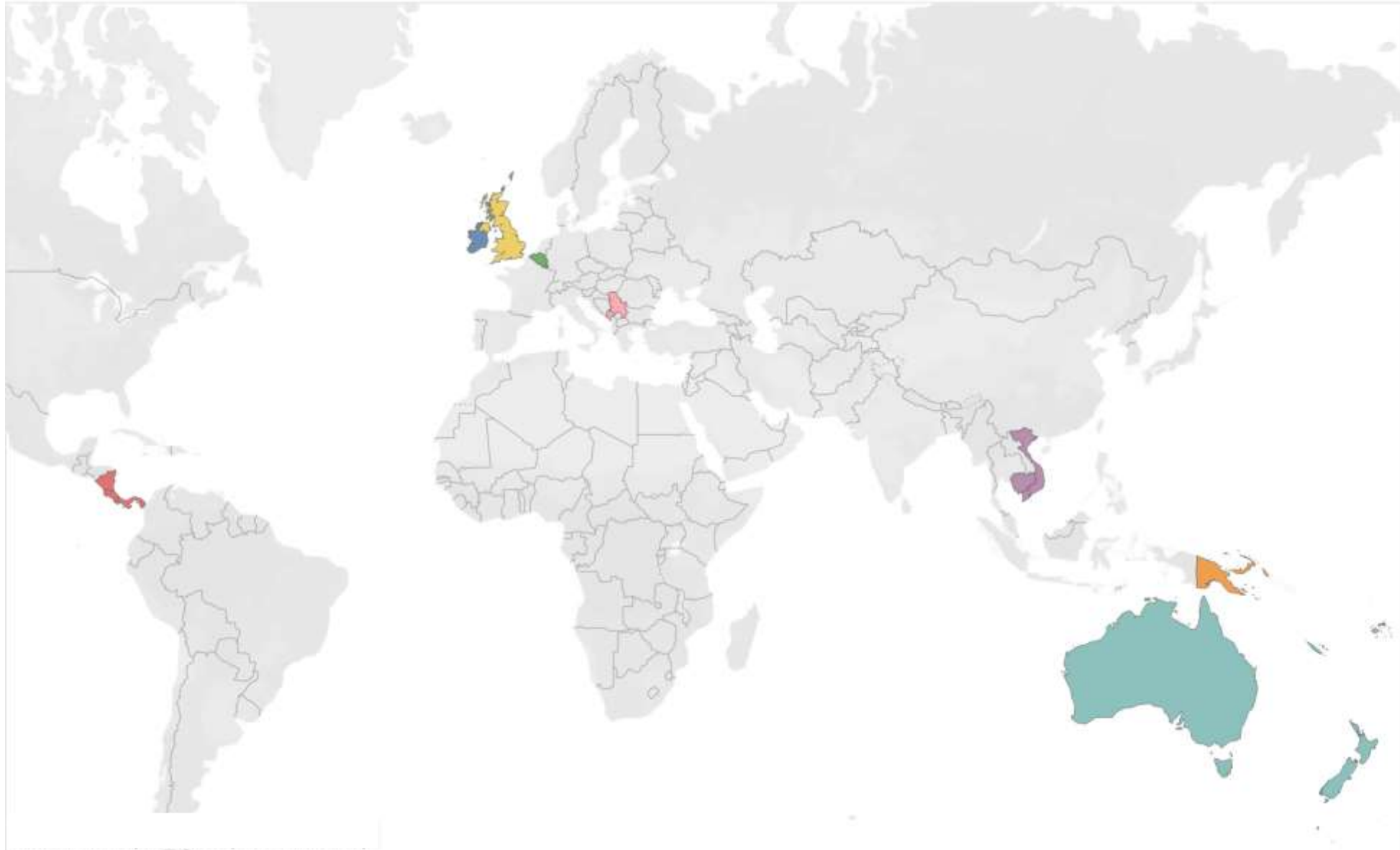
Burn & Full Throttle + NOS



Affordable Energy (Predator & Fury)



Various Strategic Brands



- Brand
- BPM
 - BU
 - Gladiator
 - Mother & Live+
 - Nalu
 - Relentless
 - Samurai
 - Ultra



Untapped Markets



Marketing Strategy





Untraditional Advertising

- Focuses on youth themes and strategies
 - Extreme sporting events and lifestyles like skateboarding, motocross, and surfing
- Less than \$100m spent between digital, print, and TV ads
- Internet has played a huge part in the strategy as Monster has become the “gamer drink”



Advertising - Online

- Operate on Facebook, Google+, Instagram, Twitter and Pinterest
- In top 25 followed Facebook brands with 26m followers
- #44 Unleashed Campaign



Endorsements

- Support world's best-in class athlete McGregor
 - 2017 fight sold 4.6 million pay-per-view units
- Partnership with Ronda Rousey since 2015



Power of Brand – Unleash the Beast

- Aim to sell the experience
- Symbol of rebellion and developed a culture
- **“A lifestyle in a can.”**



A man with dark hair, wearing a dark jacket, is holding a can of Monster Energy drink. He is looking towards the camera with a slight smile. In the foreground, there is a large can of Monster Energy drink, also featuring the green claw logo and the text 'MEGA MONSTER ENERGY'. The background is dark and textured, possibly a wall or a large object.

Management & Capital Allocation

Executives



Rodney Sacks

Chairman & Co-Chief
Executive Officer



Hilton Schlosberg

Vice Chairman & Co-
Chief Executive Officer

Compensation Structure

- Total compensation: \$15,563,685
 - Salary \$934,615
 - Restricted Stock Award \$8,905,549
 - Securities Option 3,599,698
 - Non-Equity Compensation \$2,027,766
 - Other Compensation \$96,057
- Currently holds 93,244 shares valued \$23m

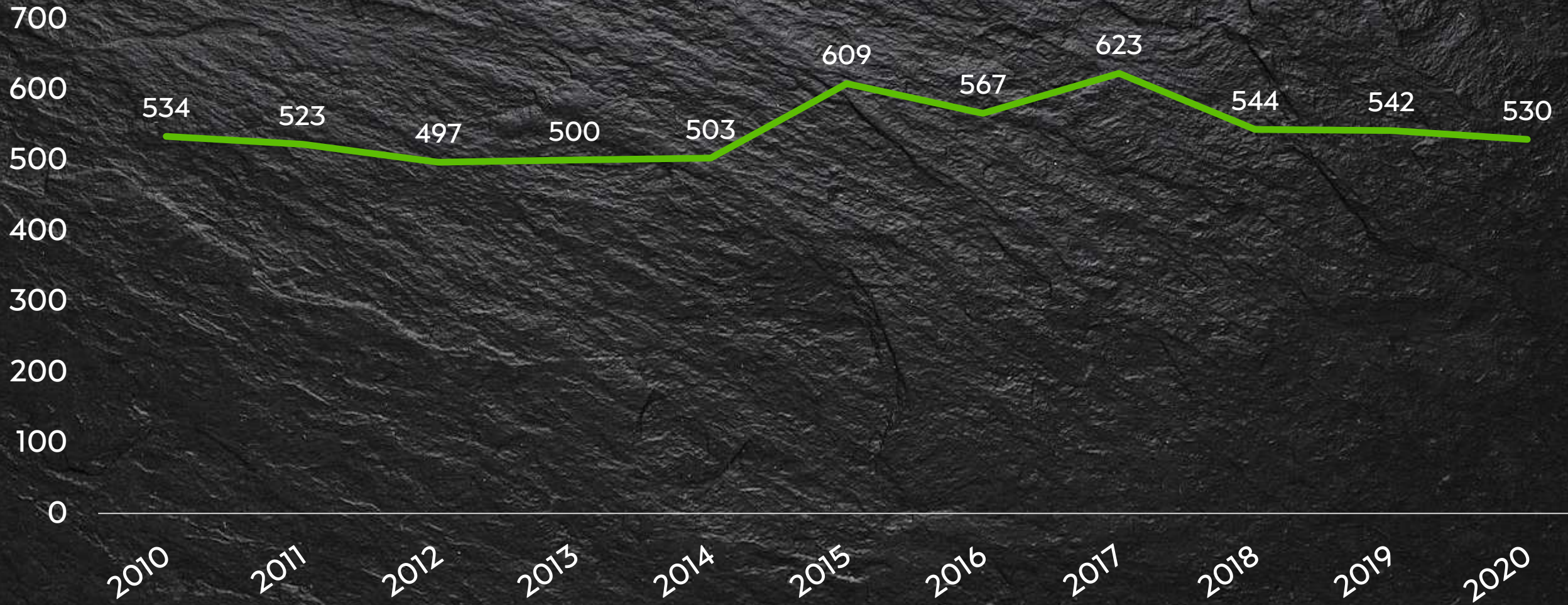


Stock Buybacks



Shares Outstanding

In millions



Economic Moat



Intangible Assets

- Strong brand names "Trademarks"
- Brand preference
- Private label penetration low
 - Soft drinks mid-teens to mid-20s
 - Energy drinks mid-single digits
- Leading market share
 - Unit basis 14% globally
 - 40% in the US



Coca-Cola Partnership

- Additional moat source
- Negotiates shelf space
- Distribution system
- Reaches over 200 countries
- Minimal capital investment
- Scale rapidly
- Maintaining prestige balance sheet



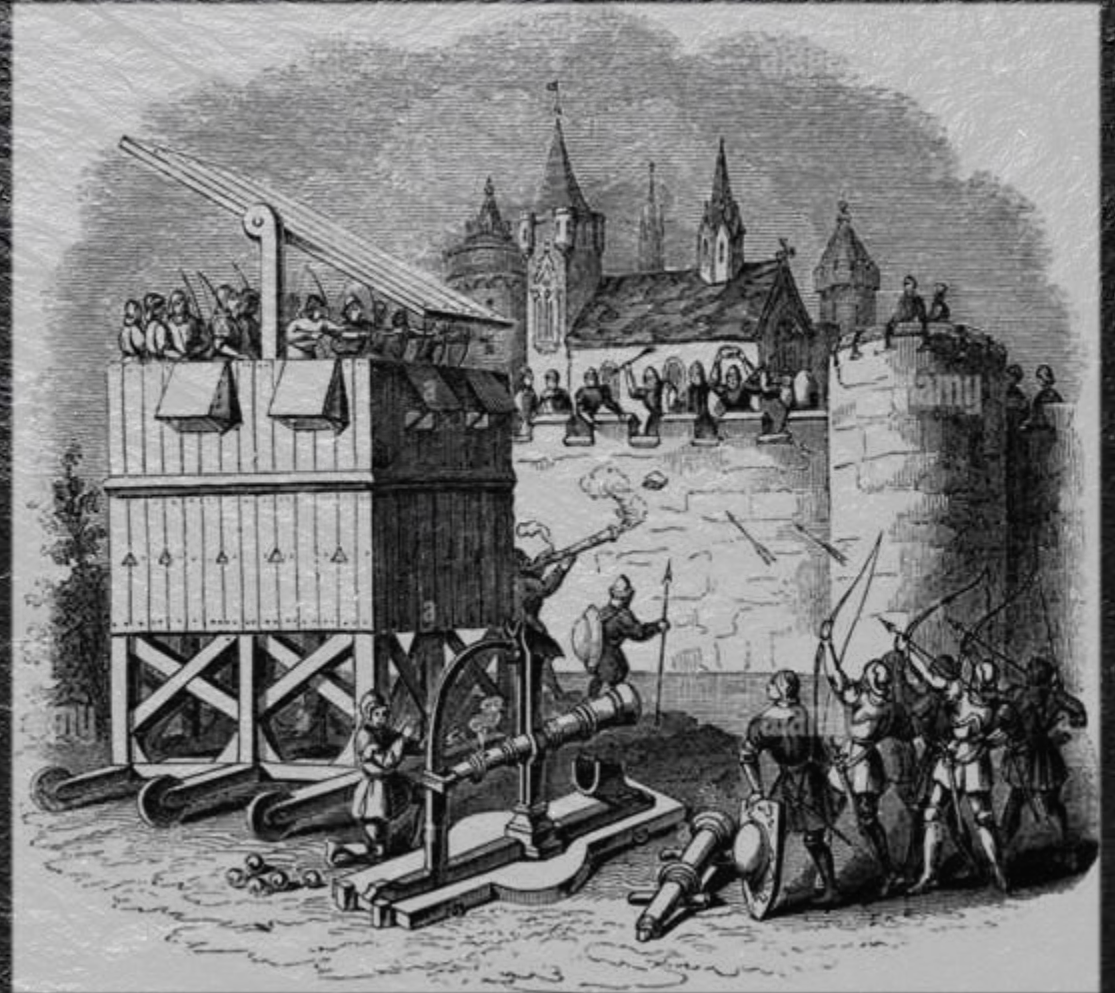
Four-Structural Factors

1. Strength of Monster Brand
2. Monster was still a success prior to 2015
3. The contractual agreement spans Twenty-years
4. Strong unit economics incentivizes bottlers



Moat Attack

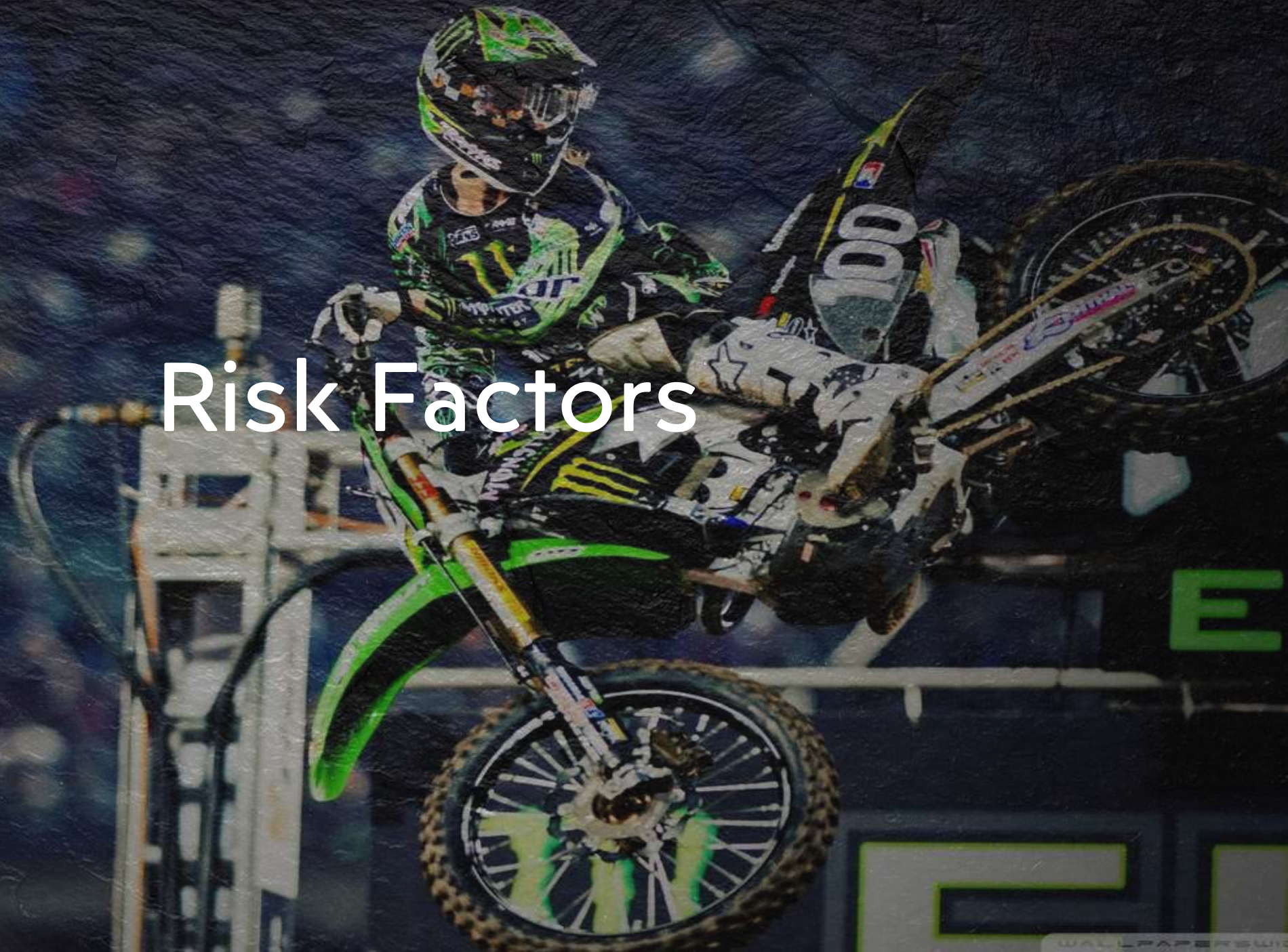
- Coke Energy
- Lost market share and sales
- Discontinued Coke Energy
 - North America
- Value Investing With The Legends Podcast
 - Jeff Mueller and Dan Davidowitz
- You don't know a company has a true moat until it gets attacked





MONSTER
ENERGY

Risk Factors



E

Cans & Supply Chain Issues

- Inflated aluminum prices
 - Can shortage
 - Container shortage
- Source cans from
 - South America & Asia
- Q3 Gross Margins
 - Slightly declined from 59.1% to 55.9%
- Plans to increase prices in FY 2022



Regulations & ESG Risks

- Potential negative externalities
- Potent ingredients
 - (Guarana & Ginseng)
- Canada promotions to children are prohibited
- Social media risk
- Reliance on Trademark



Competition

- Emerging competitors
 - Bang & Celsius
- Strong media presence
- Celsius has healthier ingredients
- Monster Reign & True North
- PepsiCo acquired Rockstar
 - For \$3.85B



Constellation Brands

- Rumor of a merger
- We see this as unlikely
- Could lose Coke partnership
- Potential MNST cocktail or hard seltzer
- Topo Chico hard seltzer
 - Distributed by Molson Coors



What Could Change Our Thesis?

- Decline in ad & sponsorship spent
- Focusing on non-core products
 - Non-energy
- Case unit market share decline
 - As opposed to market share %
- Margin contractions
 - Losing pricing power
- Lost partnership with Coke



A photograph of a motocross rider, likely a winner, holding a large stack of cash. The rider is wearing a black cap with the Monster Energy logo and a blue and yellow racing suit. The background features a green wall with the Monster Energy logo and the text "MONSTER ENERGY CUP". To the left, three cheerleaders in black and green outfits are holding cans of Monster Energy. A large, shiny trophy is visible on the right side of the image. The text "Interpretations Of Financial Statements" is overlaid in white, centered on the image.

Interpretations
Of
Financial Statements

Revenue



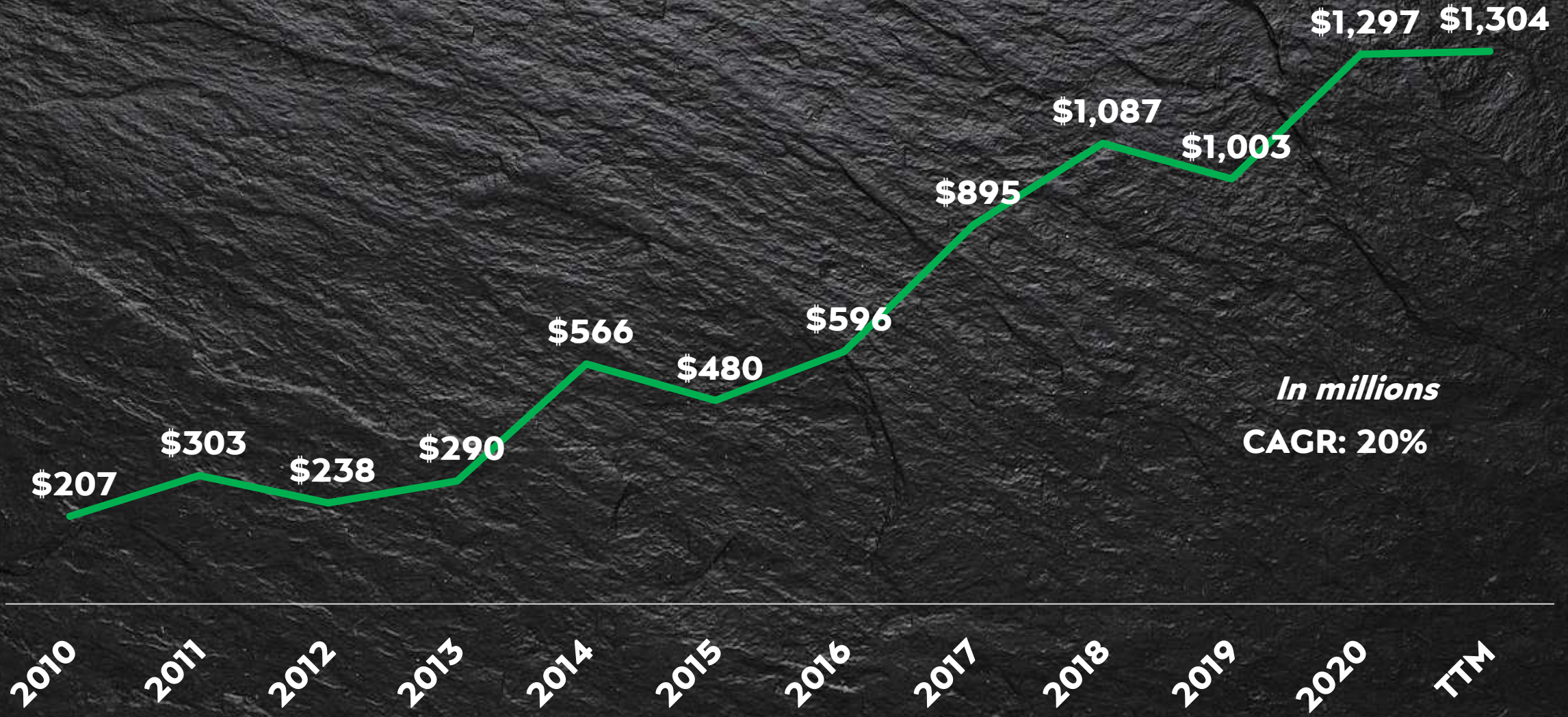
Net Income



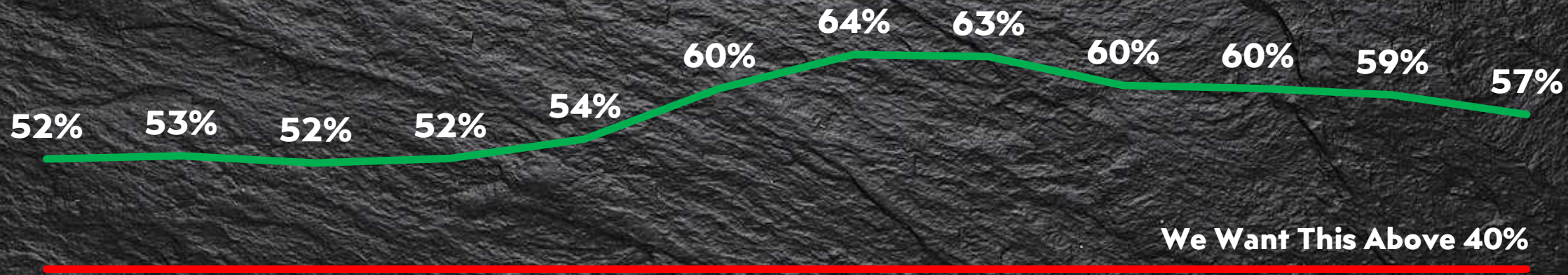
In millions
CAGR: 20%



Free Cash Flow



Gross Profit Margin



2010

2011

2012

2013

2014

2015

2016

2017

2018

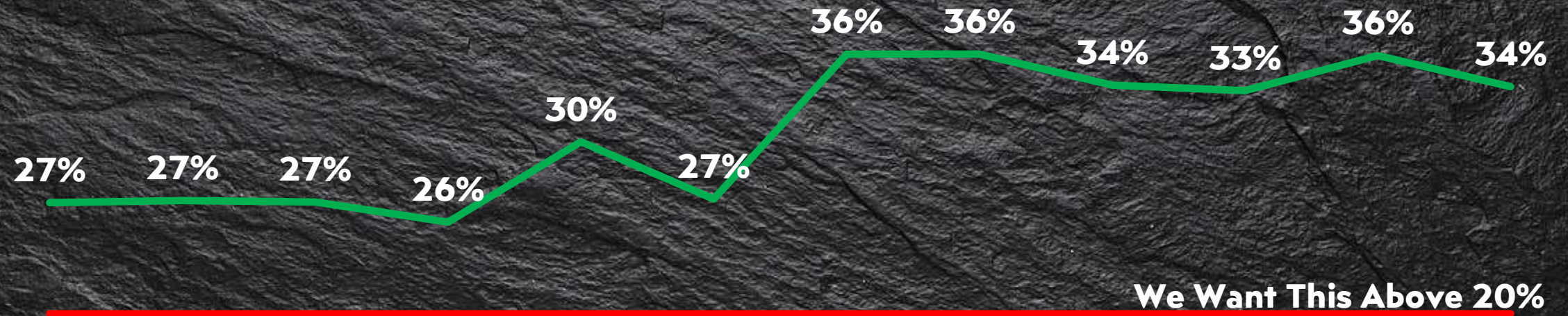
2019

2020

TTM



Operating Margin



2010

2011

2012

2013

2014

2015

2016

2017

2018

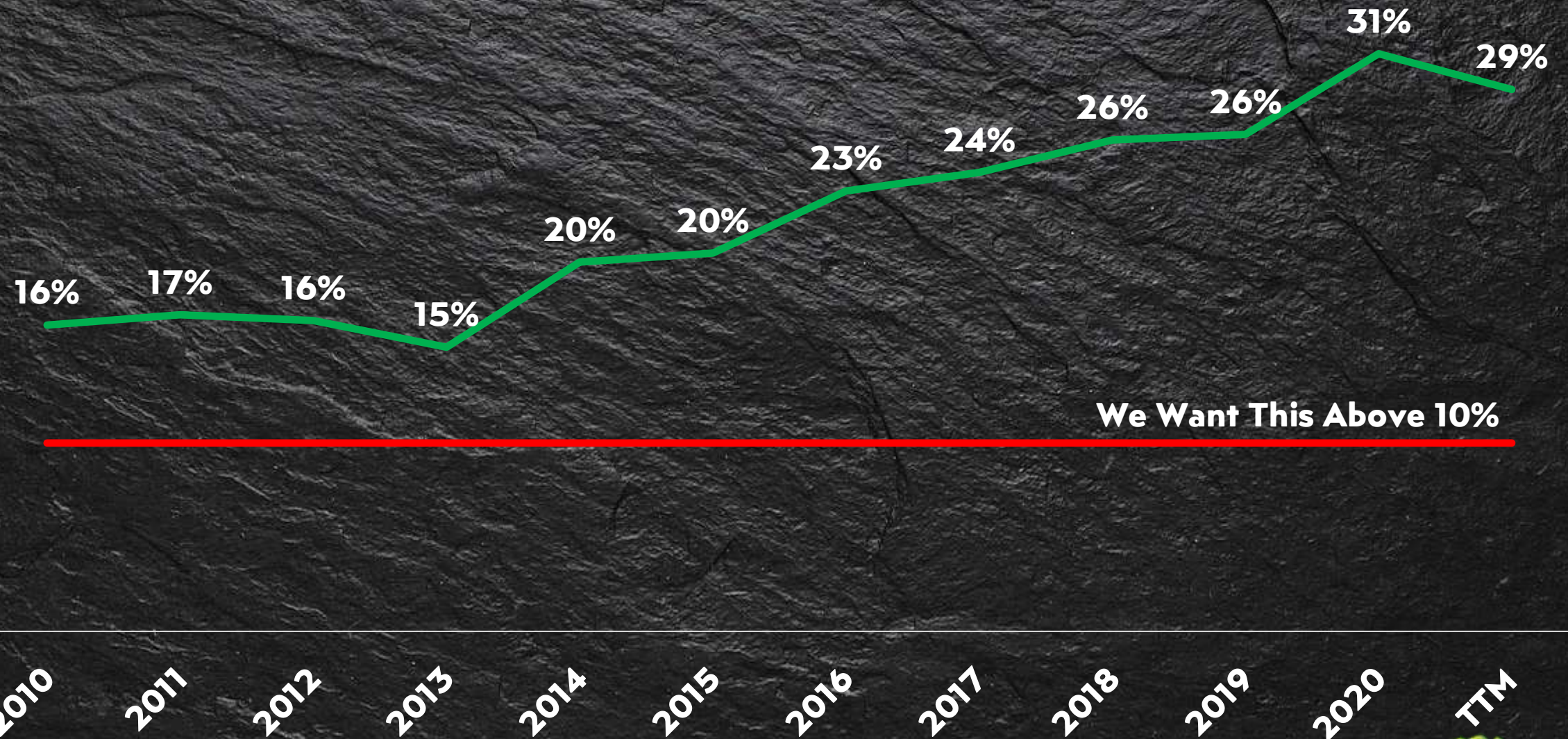
2019

2020

TTM



Net Margin



We Want This Above 10%

2010

2011

2012

2013

2014

2015

2016

2017

2018

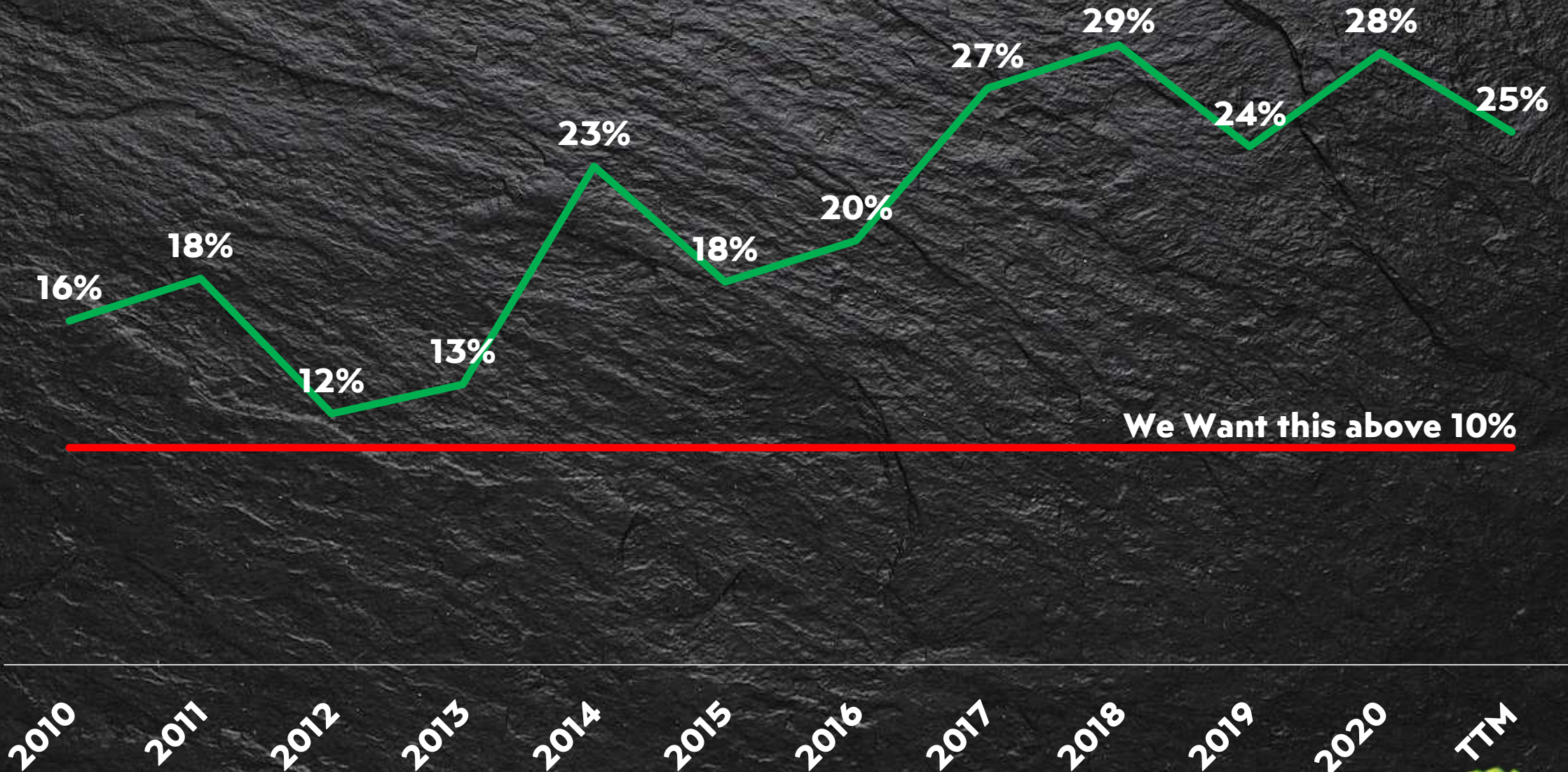
2019

2020

TTM



Free Cash Flow Margin



We Want this above 10%

2010

2011

2012

2013

2014

2015

2016

2017

2018

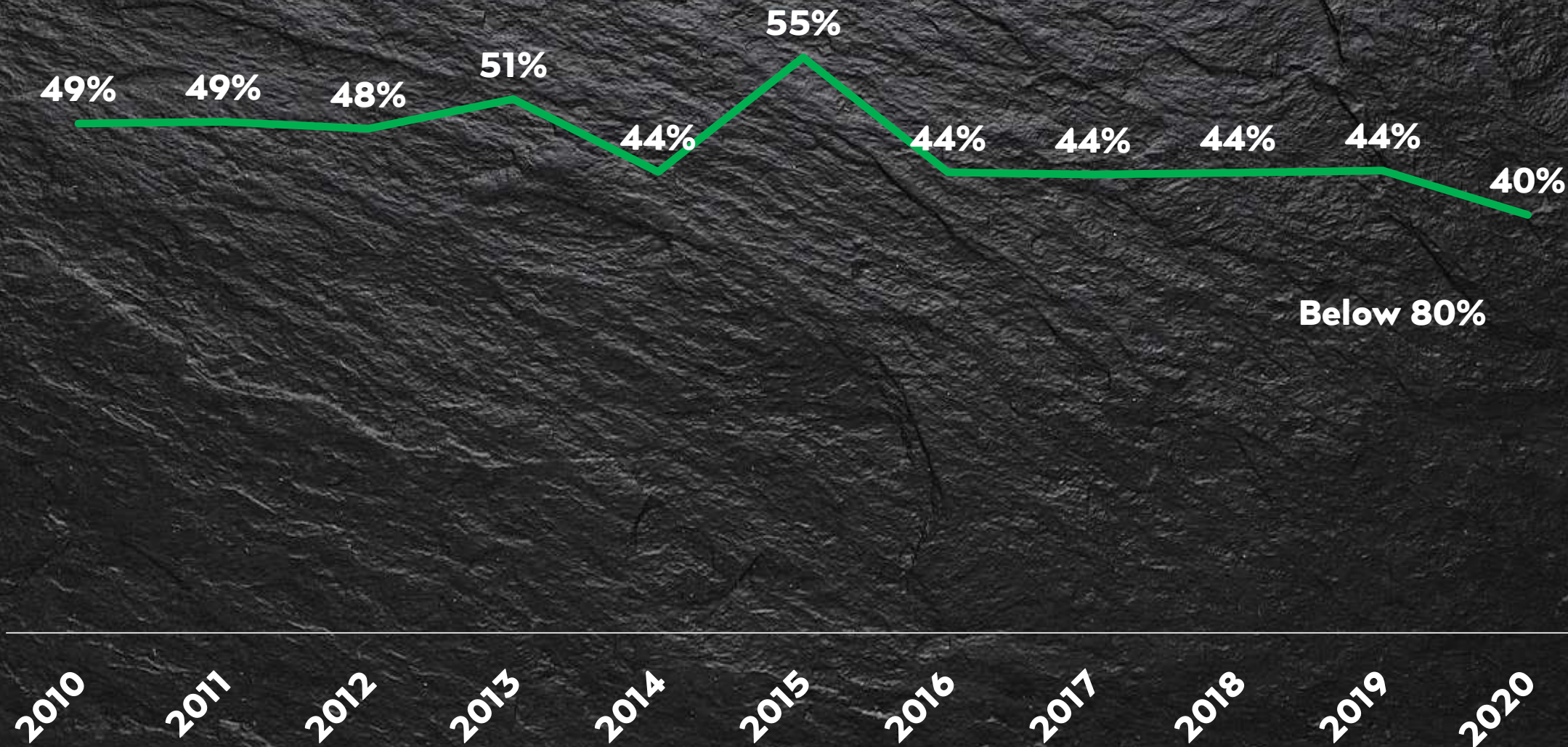
2019

2020

TTM

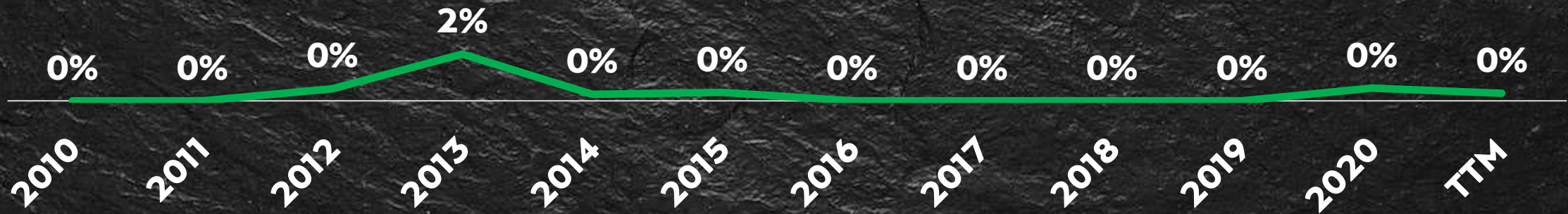


Selling General & Admin. Expenses to Gross Profit

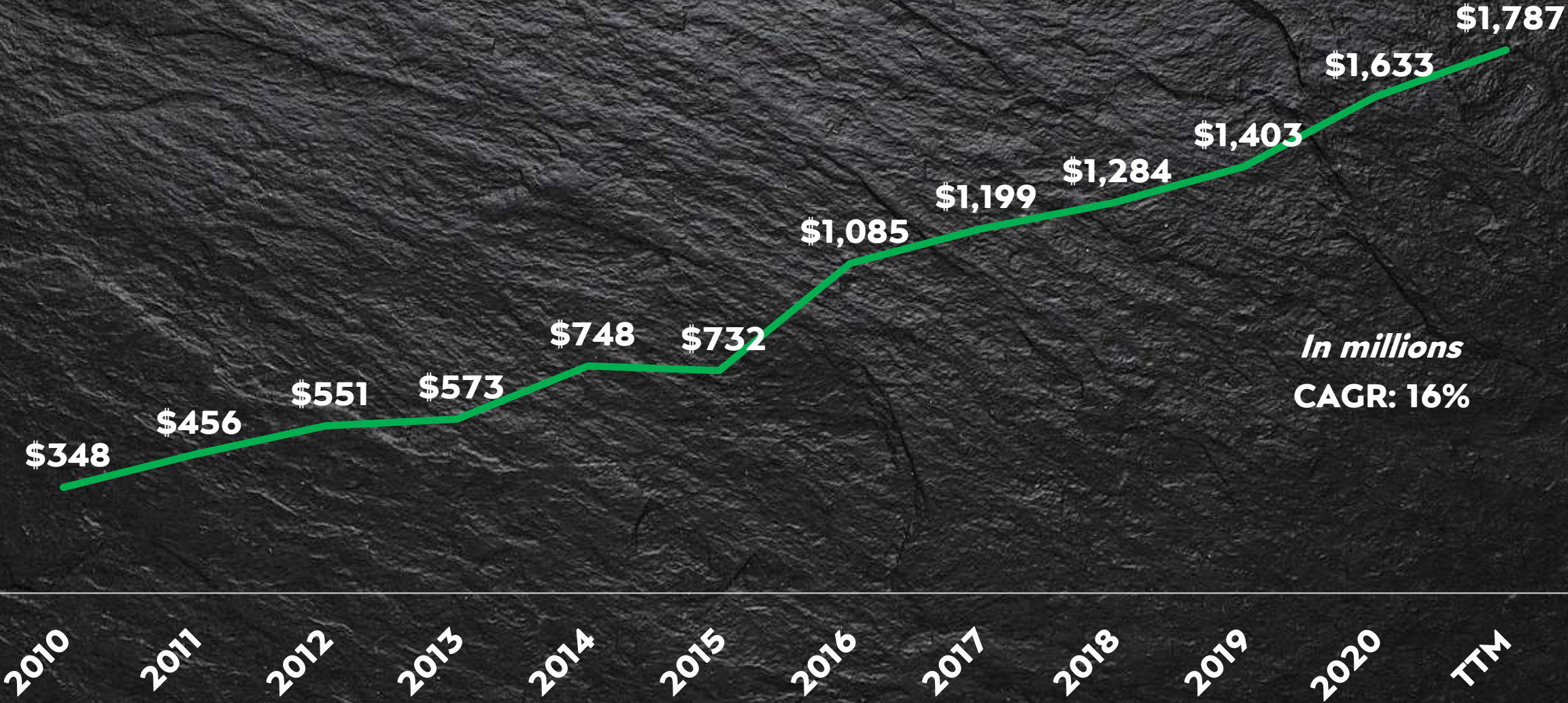


Interest Expense to Operating Income

We Want This Below 15%



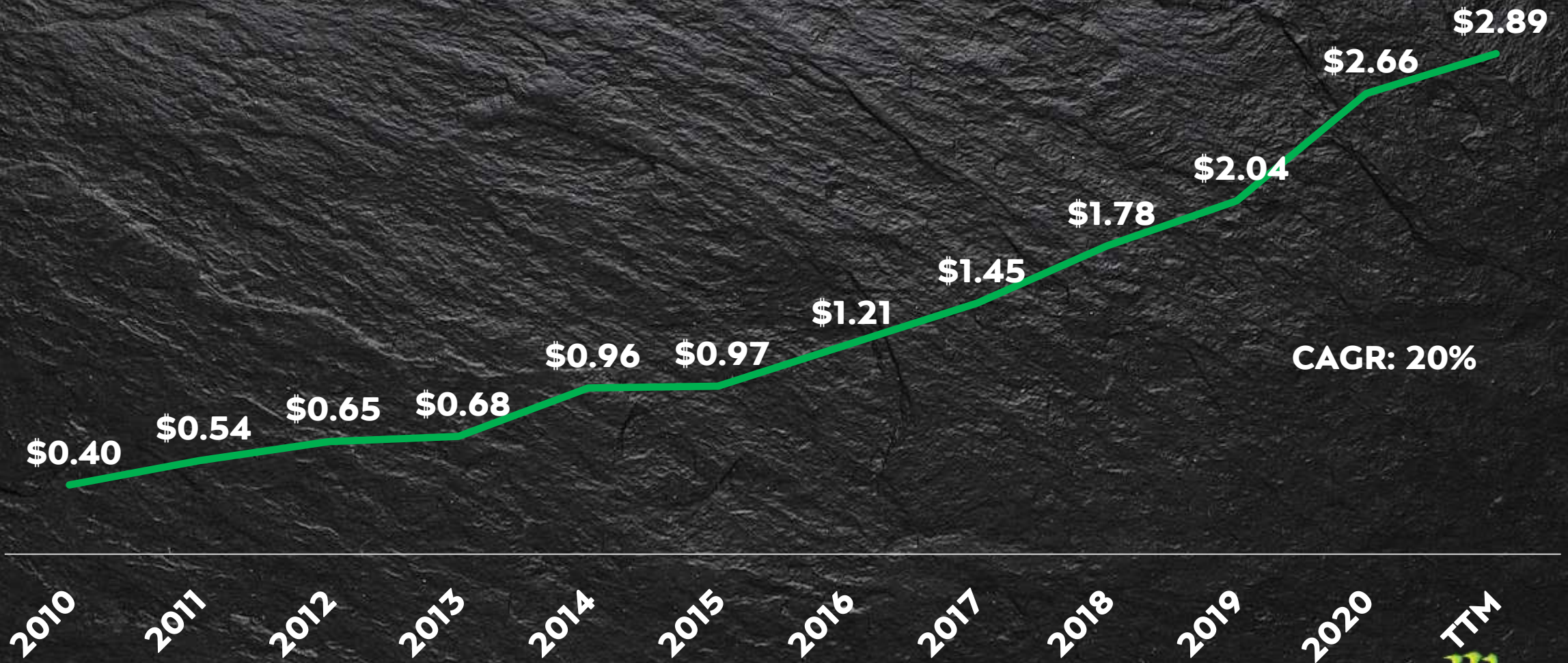
Operating Income



Return on Equity/Return on Capital



Earnings Per Share



Long Term Debt + Dept to Asset + Obligation Ratio

(+) Long Term Debt	0
(+) Short Term Debt	0
(+) Pensions	0
(+) Leases x7	\$9.4
(+) Preferred stock	0
(-) Cash	\$2,937

(÷) Net income	\$1,528
----------------	---------

Obligation Ratio = **-1.9 years** <5

Growth Opportunities



Energy Beverage Industry

- Expected Industry growth
7.3% Five-year
Compounded Annual
Growth Rate
- MNST expected to grow
faster



Product Development

- MNST introduced 25 new products in 2020
- Potential MNST cocktail or hard seltzer
- MNST ready to drink coffee market share is beating Starbucks



Health

- True North
- Direct competitor to Celsius
- Officially released in the US
- But is expected to roll out nationwide in 2022



International Growth

- Sales of predator launched in March 2020 increased 95%
- One or more of the company's energy drinks are distributed in a total of 154 countries and territories



A close-up photograph of a man with long, dark dreadlocks and a full beard. He is wearing a dark-colored shirt with green accents on the sleeves. He is holding a black microphone to his mouth with his right hand, appearing to be in the middle of singing or speaking. The background is dark and out of focus. The text "Competitor Analysis" is overlaid in white, sans-serif font across the center of the image.

Competitor Analysis



- U.S. Based public company
- \$2.99 per 16 oz can
 - Affordable Pricing
- More flavors and models
- Daytime drink
- Extreme Sports/U.S. athlete sponsorships

VS

- Austrian based private company
- \$3.99 per 12 oz can
 - Premium pricing
- Fewer flavors, revolves around standard Red Bull
- Nighttime drink
- Red Bull Games/ International Football sponsorships



- Backed by Coke
- Increasing Market Share
- Mainly appeals to outdoor and extreme sports

VS

- **Owned** by Pepsi
- Decreasing market share
- Appeals to gamers/e-sports





- 12-pack: \$18.99
- More flavors and models
- Ability to scale faster
- Larger infrastructure in place = more efficient manufacturing
- Experienced and longer tenured management

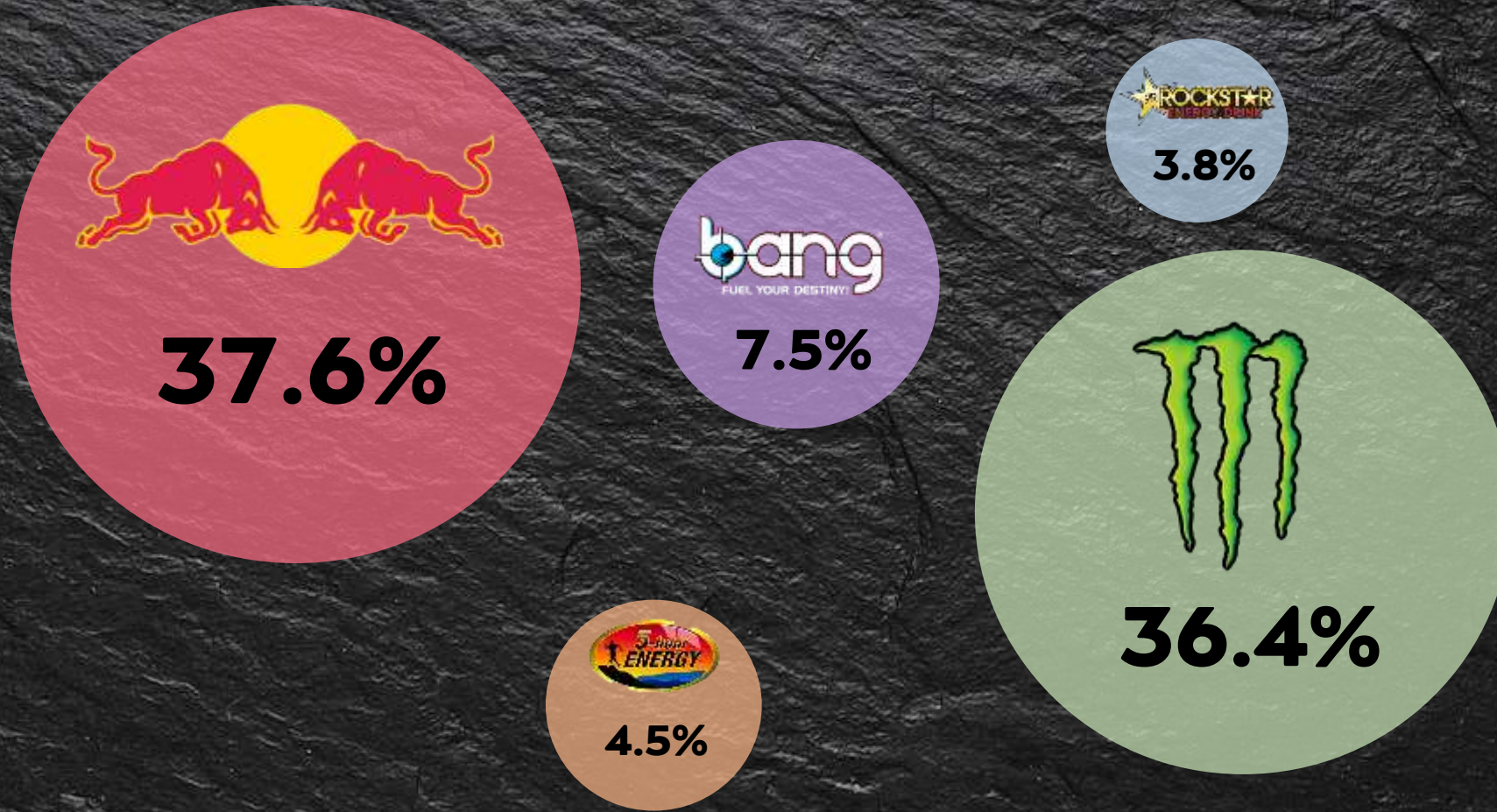
VS



- 12-pack: \$31.99
- Pioneer, combining energy drink with pre-workout
- Appealed to fitness and health-conscious
- Exclusive partnerships with retailers (HEB, Planet K)
- Loyal customer base, but decreasing market share



Market Share – Competitors



Public Competitors - Quality

	GM	OM	NM	ROE	ROC
	57.1%	33.6%	28.8%	27.5%	27.5%
	60.7%	34.2%	25.5%	43.7%	14.8%
	53.9%	18.9%	10.9%	57.1%	15.3%
	56.2%	25.6%	11.4%	7.5%	6.0%
	42.3%	7.6%	6.6%	8.3%	8.3%



Valuation

Intraportfolio – Quality

Return on Equity

MA	58.3%
NKE	44.9%
MSFT	43.2%
TSCO	41.9%
ROST	41.0%
DG	39.9%
AZO	38.9%
QCOM	38.5%
LMT	35.6%
V	32.8%
UNP	32.5%
BF	29.1%
MNST	27.5%
FB	26.5%
ULTA	24.2%
CNI	19.3%
BABA	19.0%
HD	18.6%
GOOG	18.1%
FISV	10.5%
BRK.B	6.0%

Return on Capital

MSFT	32.5%
AZO	27.9%
TSCO	27.9%
MA	27.9%
MNST	27.5%
FB	26.5%
NKE	26.4%
ROST	25.5%
DG	25.3%
ULTA	24.2%
QCOM	23.5%
V	21.8%
GOOG	17.1%
BABA	17.0%
BF	16.2%
LMT	16.1%
UNP	14.3%
CNI	12.8%
HD	12.2%
FISV	7.0%
BRK.B	4.5%

5yr Sales Growth

FB	40%
BABA	40%
GOOG	19%
ULTA	18%
V	16%
MA	15%
DG	13%
TSCO	13%
MSFT	11%
HD	11%
FISV	11%
MNST	11%
AZO	11%
ROST	9%
NKE	8%
LMT	6%
QCOM	6%
CNI	5%
UNP	4%
BF	4%
BRK.B	3%

Intraportfolio – Valuation (Price)

Price/Sales

DG	1.4
LMT	1.5
TSCO	2.2
ROST	2.4
AZO	2.4
HD	2.7
BRK.B	2.7
ULTA	2.9
BABA	4.4
FISV	5.0
NKE	5.3
SBUX	5.8
QCOM	7.6
UNP	8.2
CNI	8.6
MNST	8.9
BF	9.3
GOOG	10.3
FB	10.9
MSFT	13.8
V	18.7
MA	23.5

Price/Earnings

LMT	12.6
BABA	16.1
QCOM	16.3
AZO	16.9
FISV	19.4
DG	20.5
FB	22.1
UNP	22.3
HD	23.2
ROST	23.7
GOOG	24.6
ULTA	24.6
TSCO	24.7
CNI	25.6
BRK.B	28.2
MNST	31.5
SBUX	32.9
MSFT	34.5
V	35.3
BF	37.3
MA	41.9
NKE	43.1

Price/Book

BRK.B	1.5
FISV	2.1
BABA	3.1
LMT	4.4
HD	5.6
CNI	5.6
FB	6.6
MA	7.5
DG	7.6
GOOG	8.4
MNST	9.1
UNP	9.5
ROST	9.8
ULTA	10.7
BF	11.5
TSCO	12.0
V	13.1
QCOM	13.2
MSFT	16.3
NKE	18.6
SBUX	NMF
AZO	NMF

Price/FCF

LMT	13.3
AZO	13.7
DG	16.1
QCOM	16.5
BABA	17.0
ULTA	18.5
TSCO	19.1
HD	19.3
BRK.B	22.2
FISV	22.2
UNP	25.4
SBUX	25.7
GOOG	27.4
ROST	28.4
FB	30.0
NKE	32.2
MNST	32.3
BF	35.9
V	36.4
CNI	40.0
MA	42.7
MSFT	44.3

Intraportfolio – Valuation (EV)

EV/Sales

LMT	1.6
DG	2.0
BRK.B	2.0
ROST	2.2
TSCO	2.3
BABA	2.5
ULTA	3.0
AZO	3.1
HD	3.1
SBUX	5.1
FISV	5.4
NKE	5.7
QCOM	6.0
GOOG	7.4
FB	7.8
MNST	8.5
UNP	8.7
CNI	8.8
BF	10.0
MSFT	13.7
V	18.1
MA	18.3






EV/EBIT

BRK.B	10.3
LMT	13.2
BABA	13.5
CNI	15.1
AZO	15.3
ROST	17.6
QCOM	18.5
FB	18.8
DG	19.4
UNP	20.0
HD	20.6
GOOG	20.8
ULTA	23.0
TSCO	24.0
SBUX	25.2
MNST	25.3
V	26.3
MSFT	31.0
MA	32.3
BF	33.9
NKE	36.3
FISV	37.0

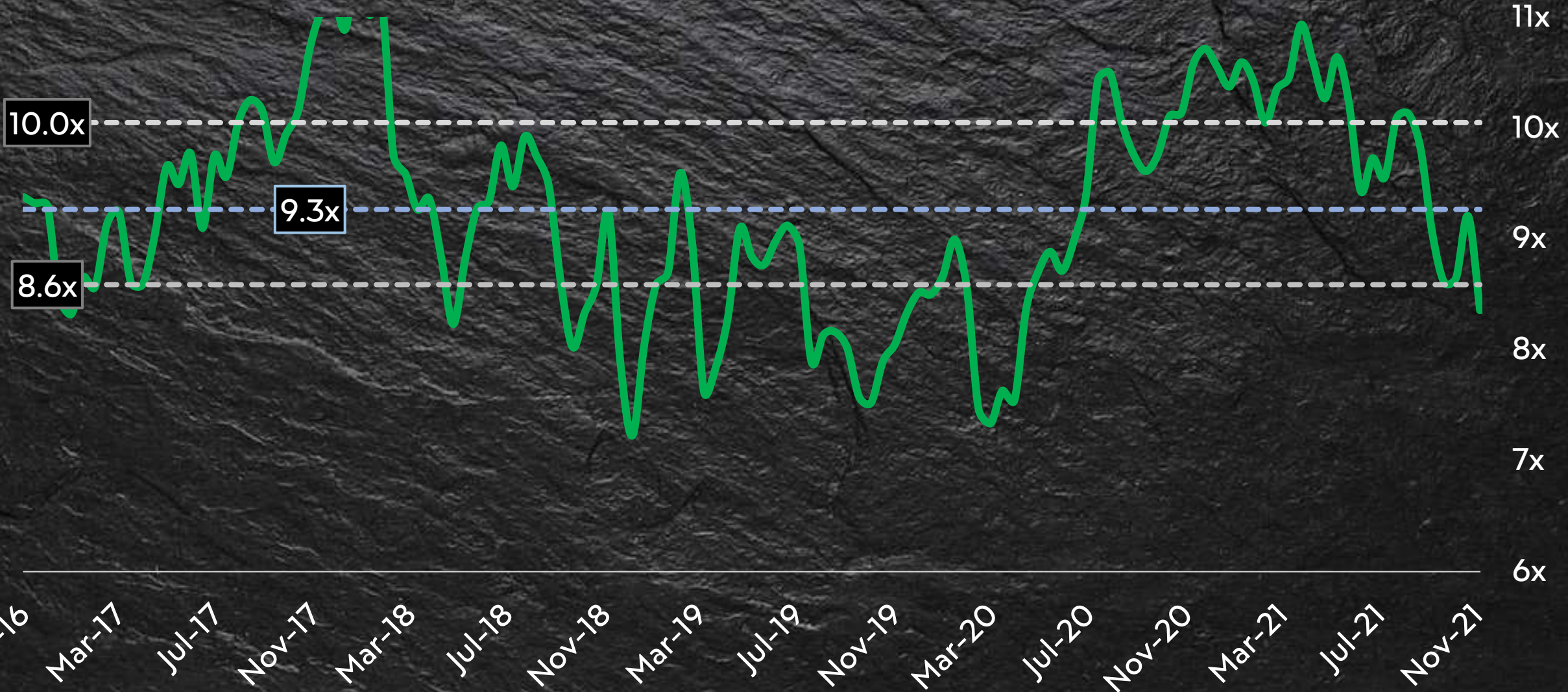
EV/EBITDA

BRK.B	8.73
LMT	11.27
BABA	12.41
AZO	13.43
ROST	15.19
FISV	15.48
FB	16.09
QCOM	16.12
UNP	16.14
DG	16.45
ULTA	17.87
GOOG	18.13
HD	18.33
CNI	18.71
TSCO	19.81
SBUX	19.97
MNST	24.51
V	25.07
MSFT	26.74
MA	30.23
BF	31.58
NKE	32.95

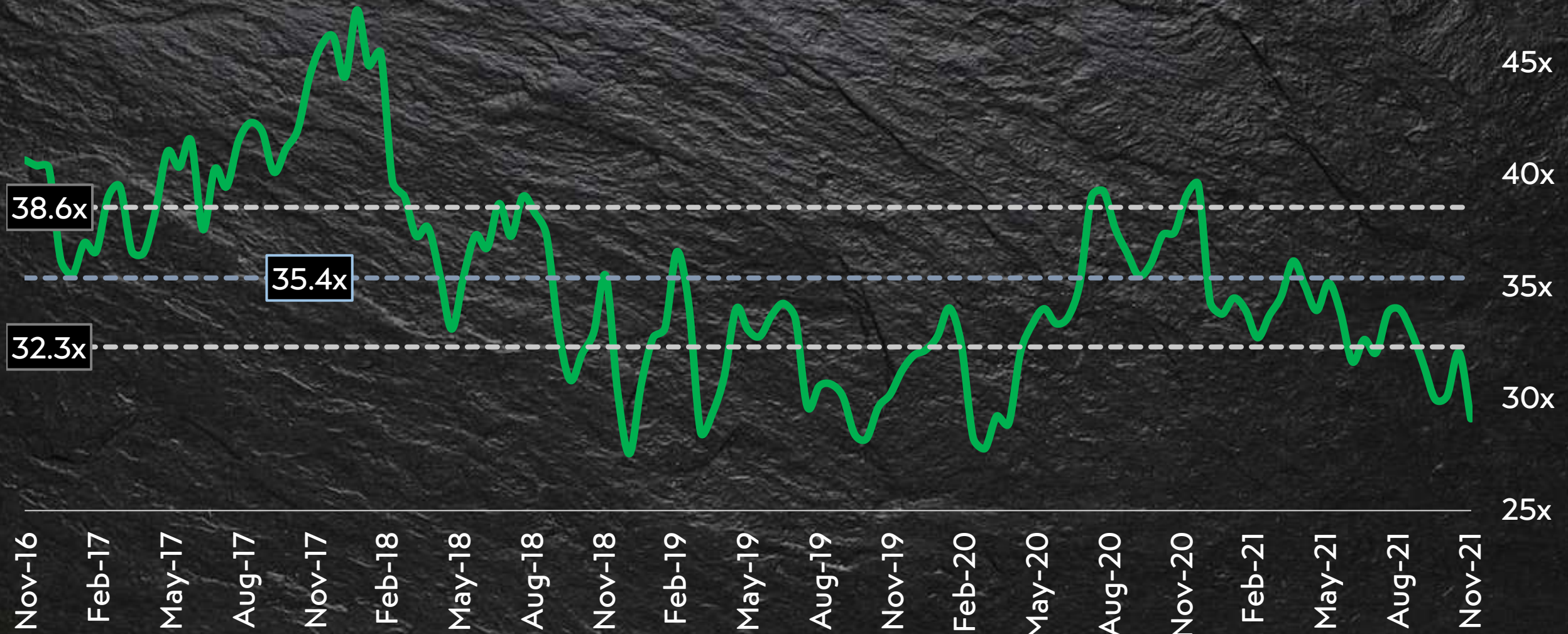
Public Competitors - Valuation

	P/S	P/E	P/FCF	EV/EBITDA	5 yr EPS
 MONSTER ENERGY	8.9	31.5	32.3	24.5	18.0%
 Coca-Cola	6.2	26.3	19.9	21.2	-0.05%
 PEPSICO	2.9	27.5	33.5	17.9	3.5%
 Keurig Dr Pepper	4.1	28.9	22.4	18.3	7.9%
 CELSIUS LIVE FIT	22.6	NMF	NMF	NMF	NMF

Price to Sales



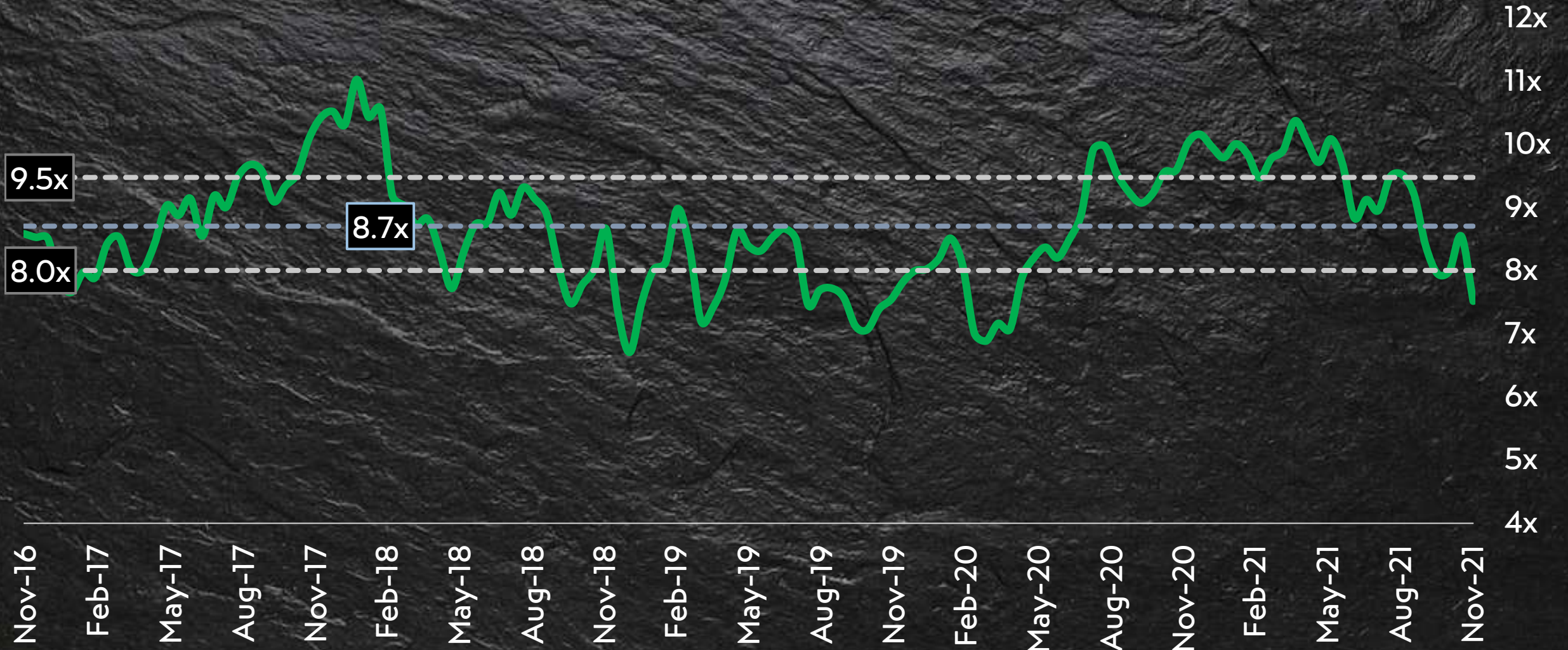
Price to Earnings



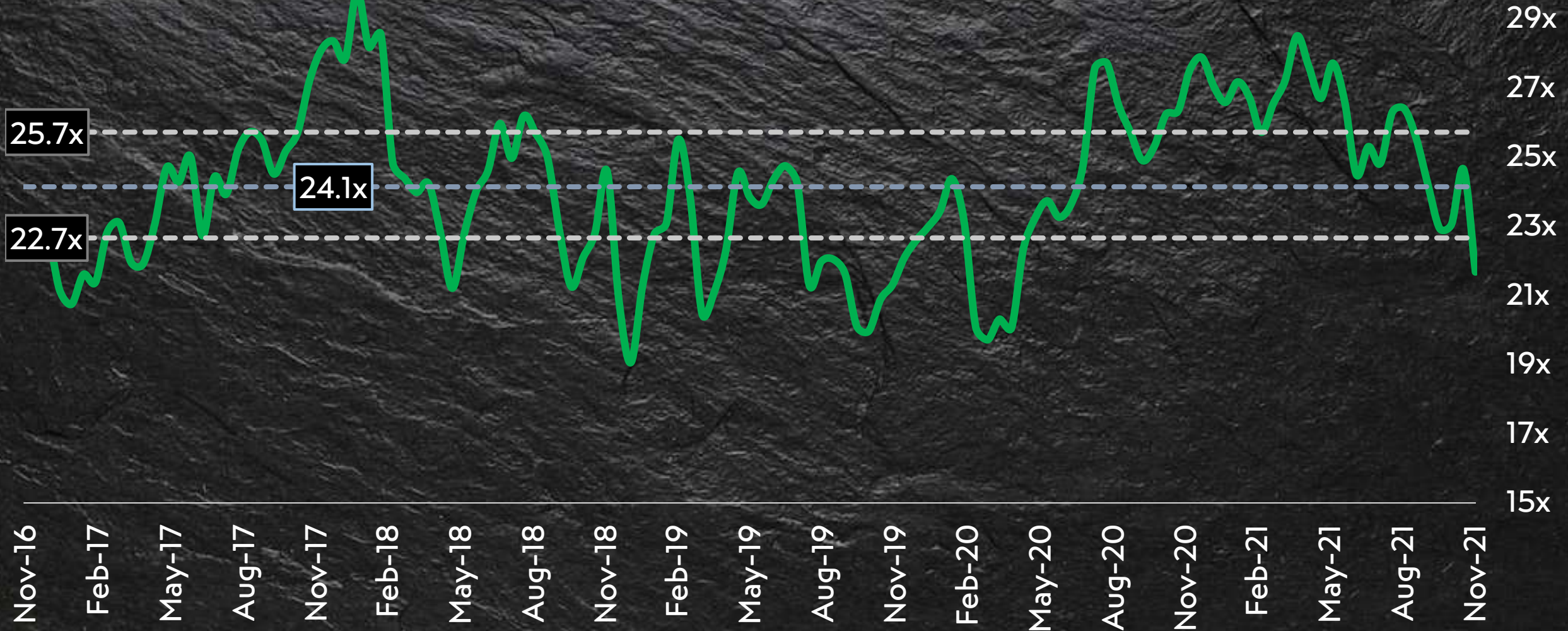
Price to Free Cash Flow



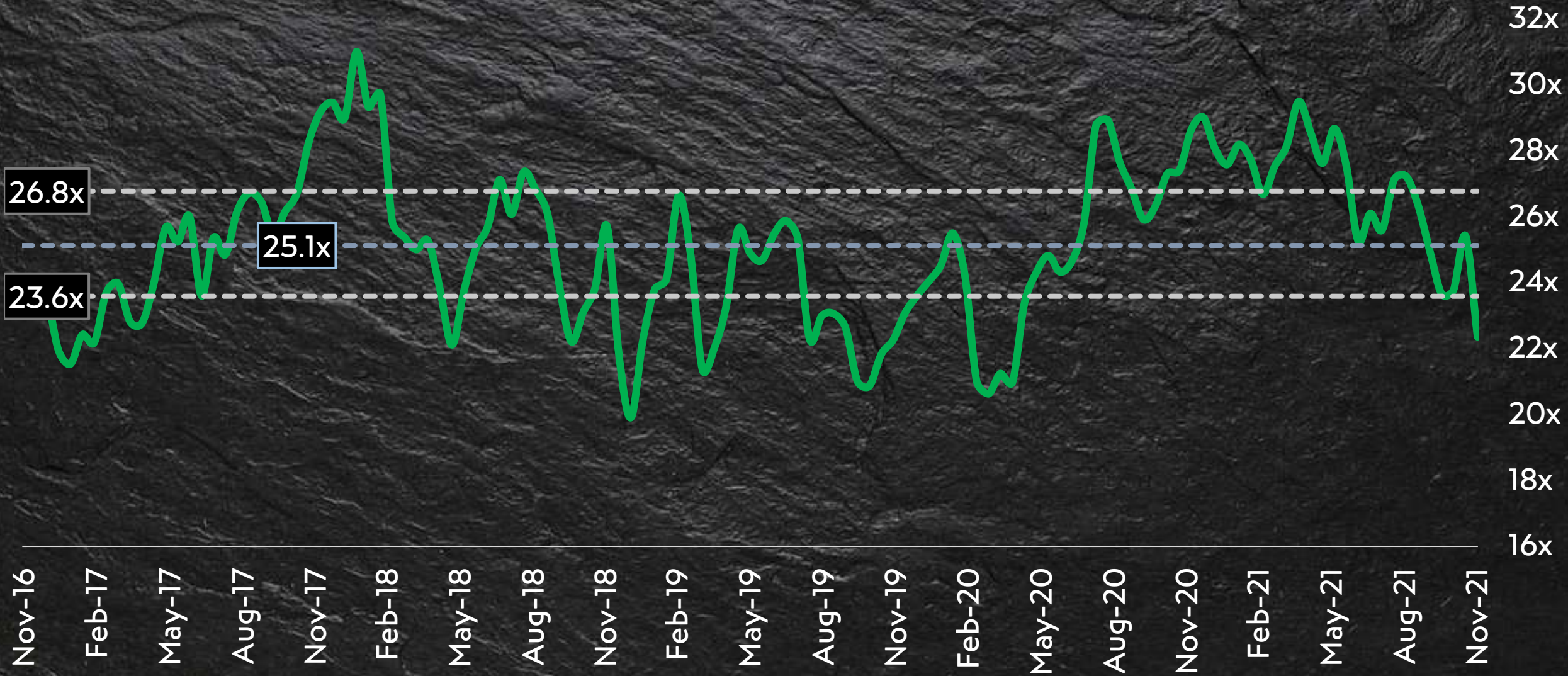
EV to Sales



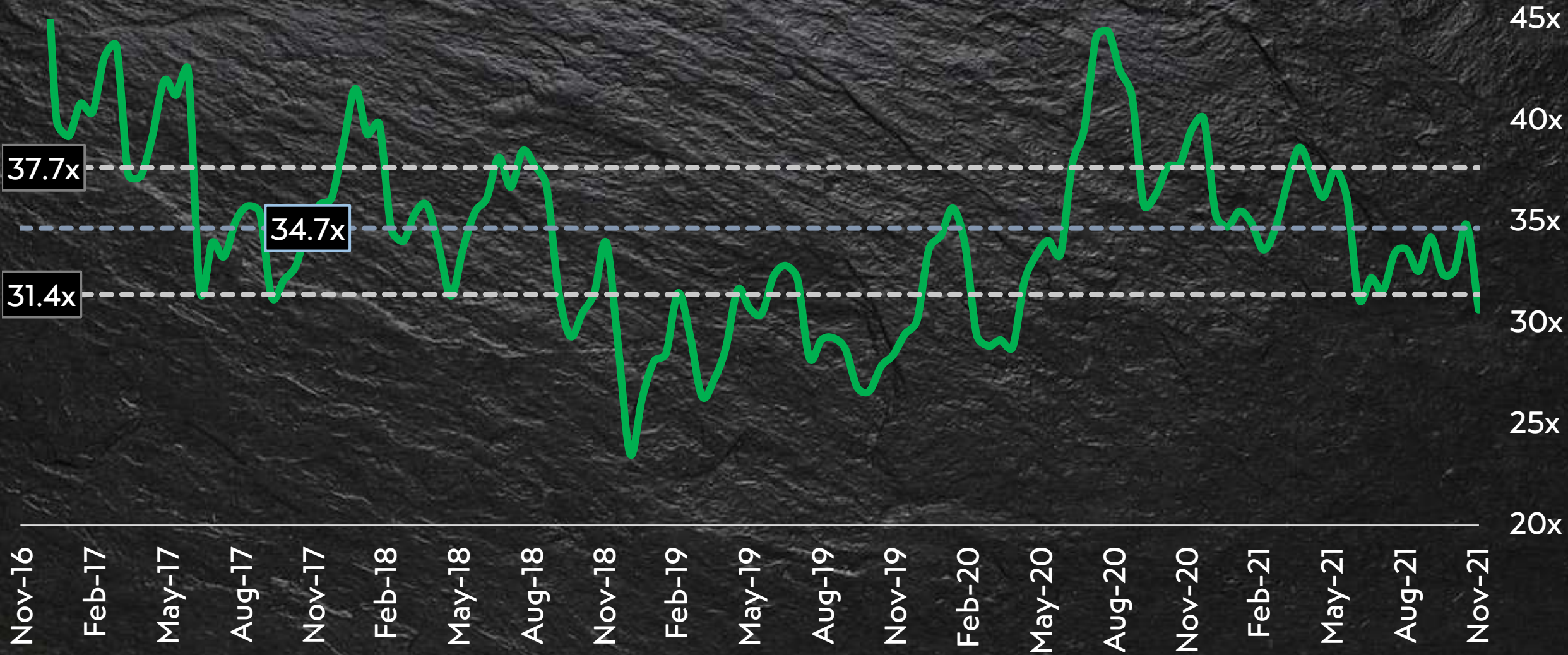
EV to EBITDA



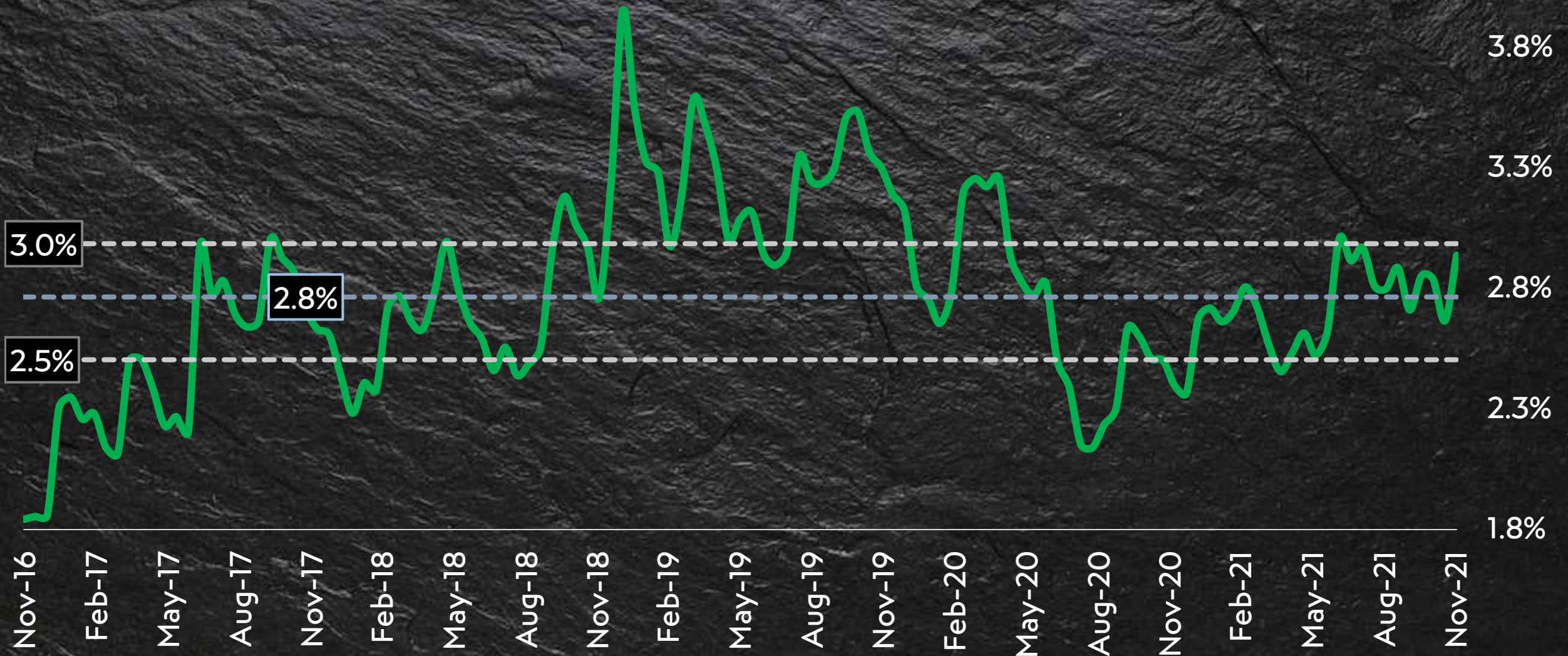
EV to EBIT



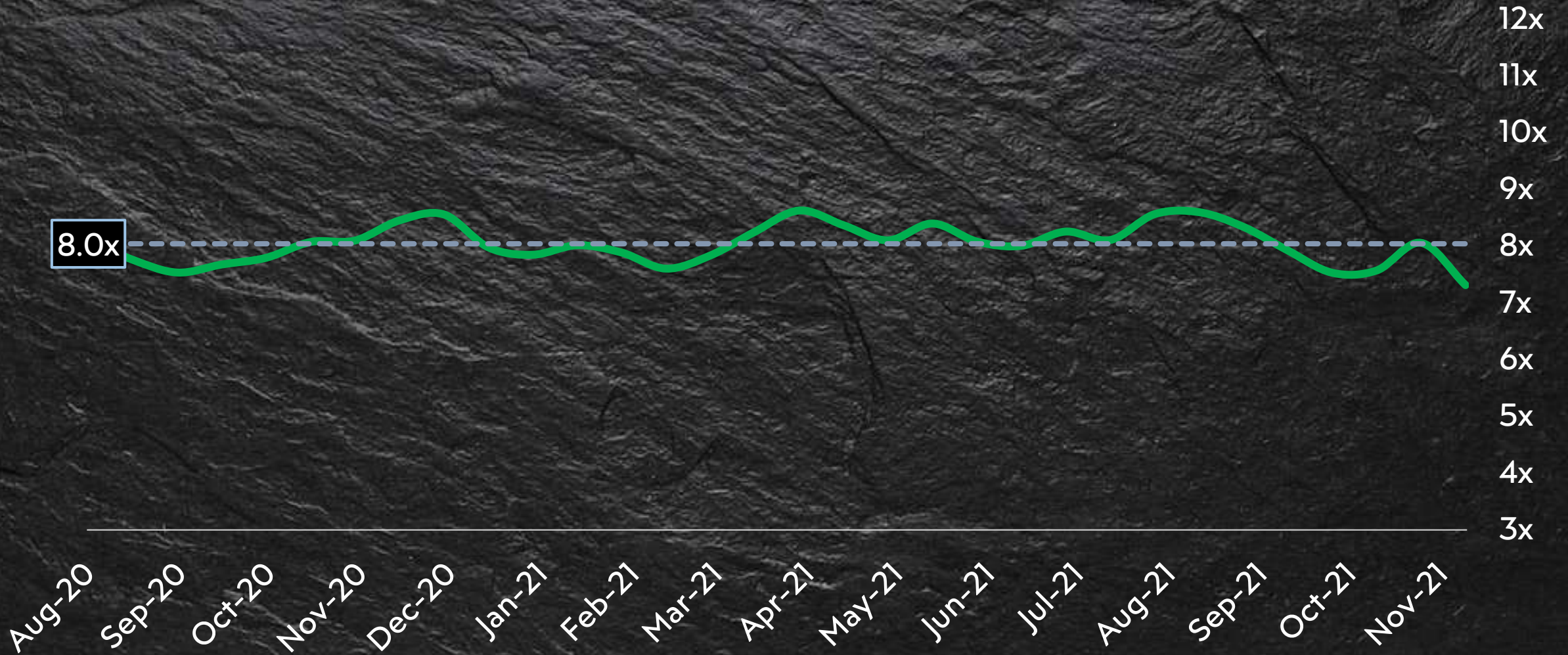
EV to Free Cash Flow



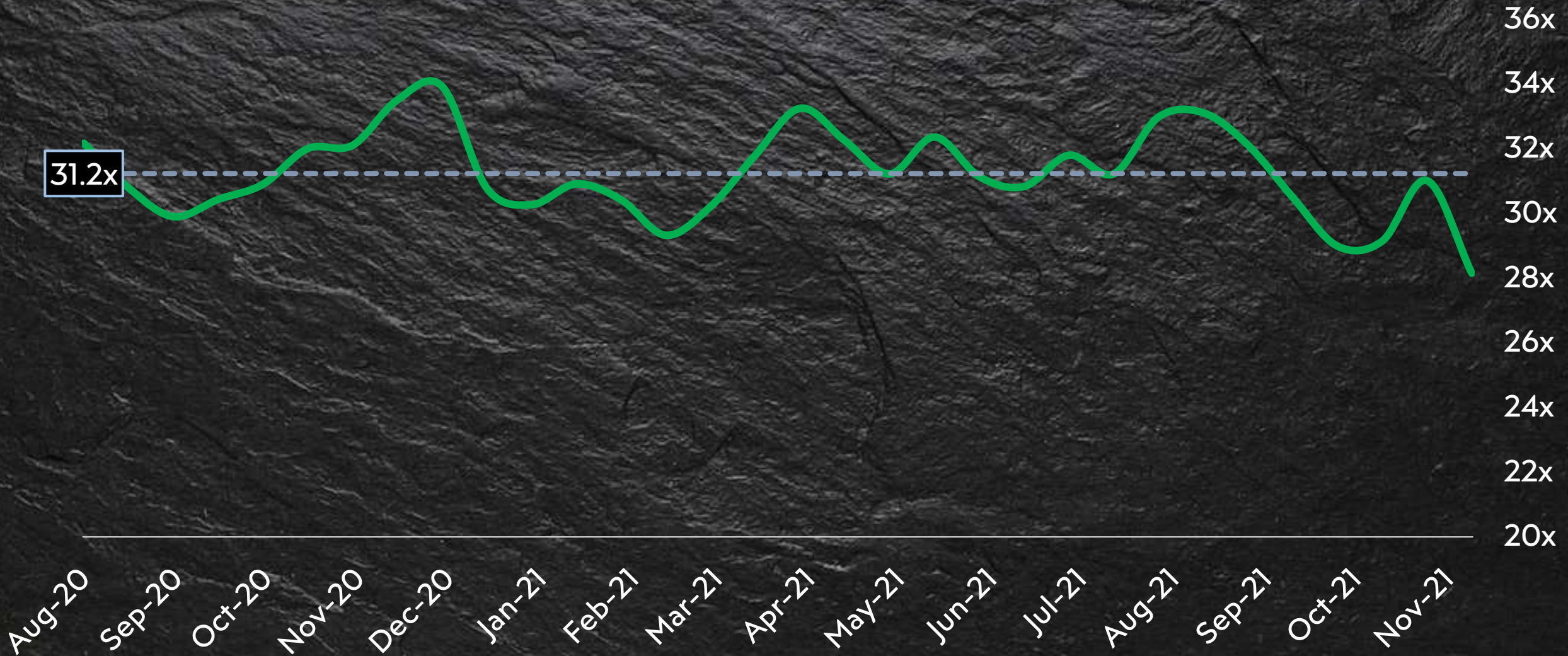
Free Cash Flow Yield



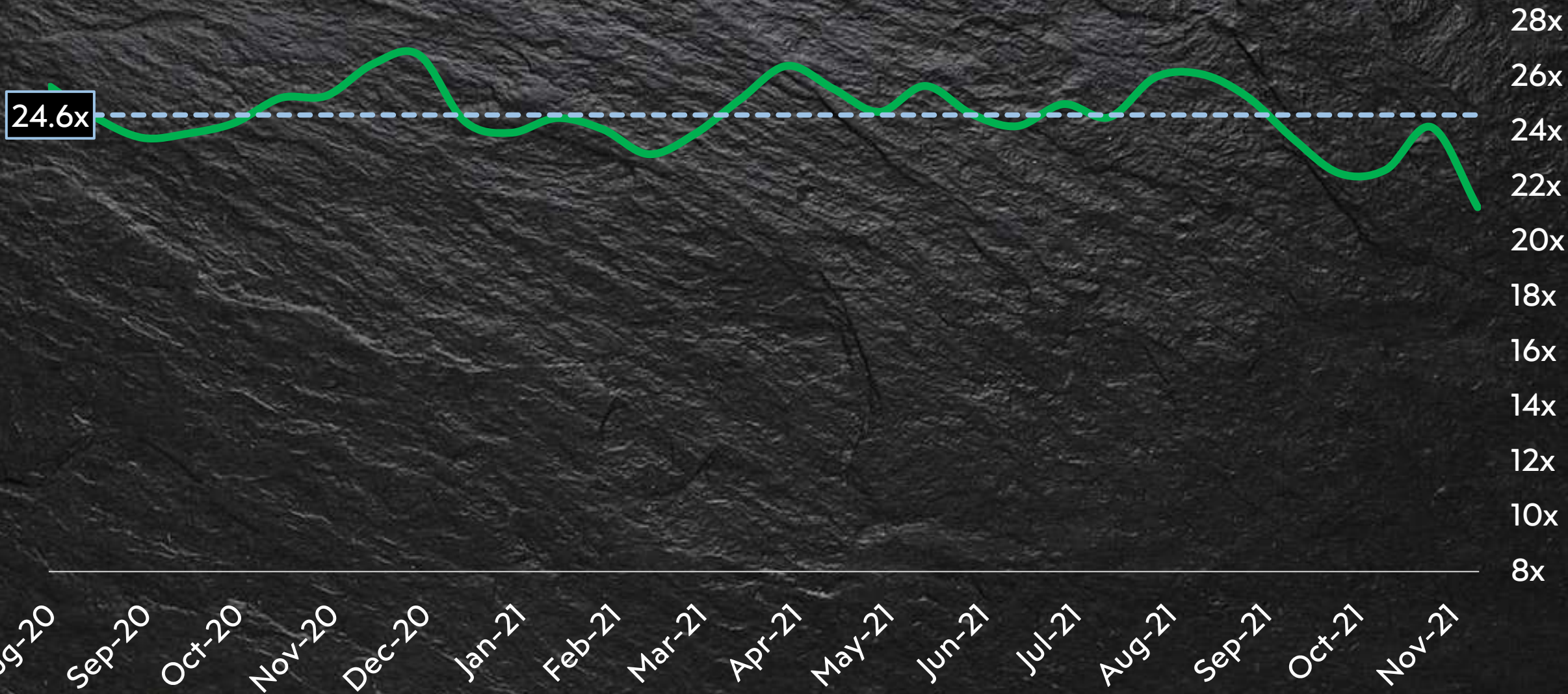
Forward Price to Sales



Forward Price to Earnings



Forward EV to EBITDA



Five-Year Valuation Model

	EPS	Growth Rate	Price to Earnings
Bear	\$2.85	10%	20x
Base	\$2.85	12%	30x
Bull	\$2.85	14%	40x

Total RoR Sensitivity				
	\$2.85	Est. EPS growth rate		
		10%	12%	14%
P / E	20.0x	2.0%	3.9%	5.8%
	30.0x	10.7%	12.7%	14.7%
	40.0x	17.2%	19.4%	21.5%



Conclusion

Conclusion

- Easy to understand
- Predictable and consistent
- Above average financials
- Proven Moat
- Great valuation



Conclusion

- Easy to understand
- Predictable and consistent
- Above average financials
- Proven Moat
- Great valuation
- **Limit order: 3% of Portfolio**





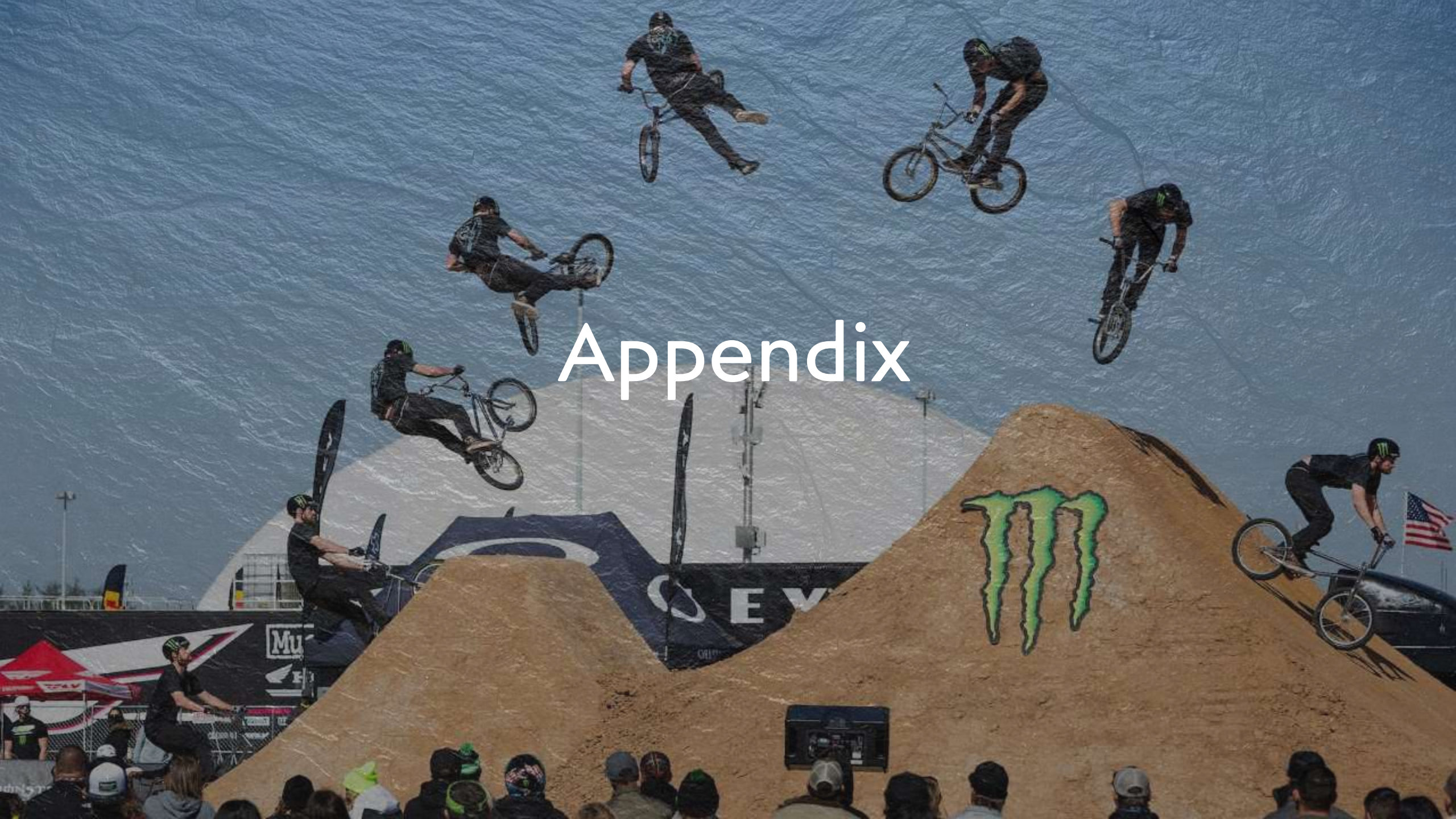
Unleash the Beast



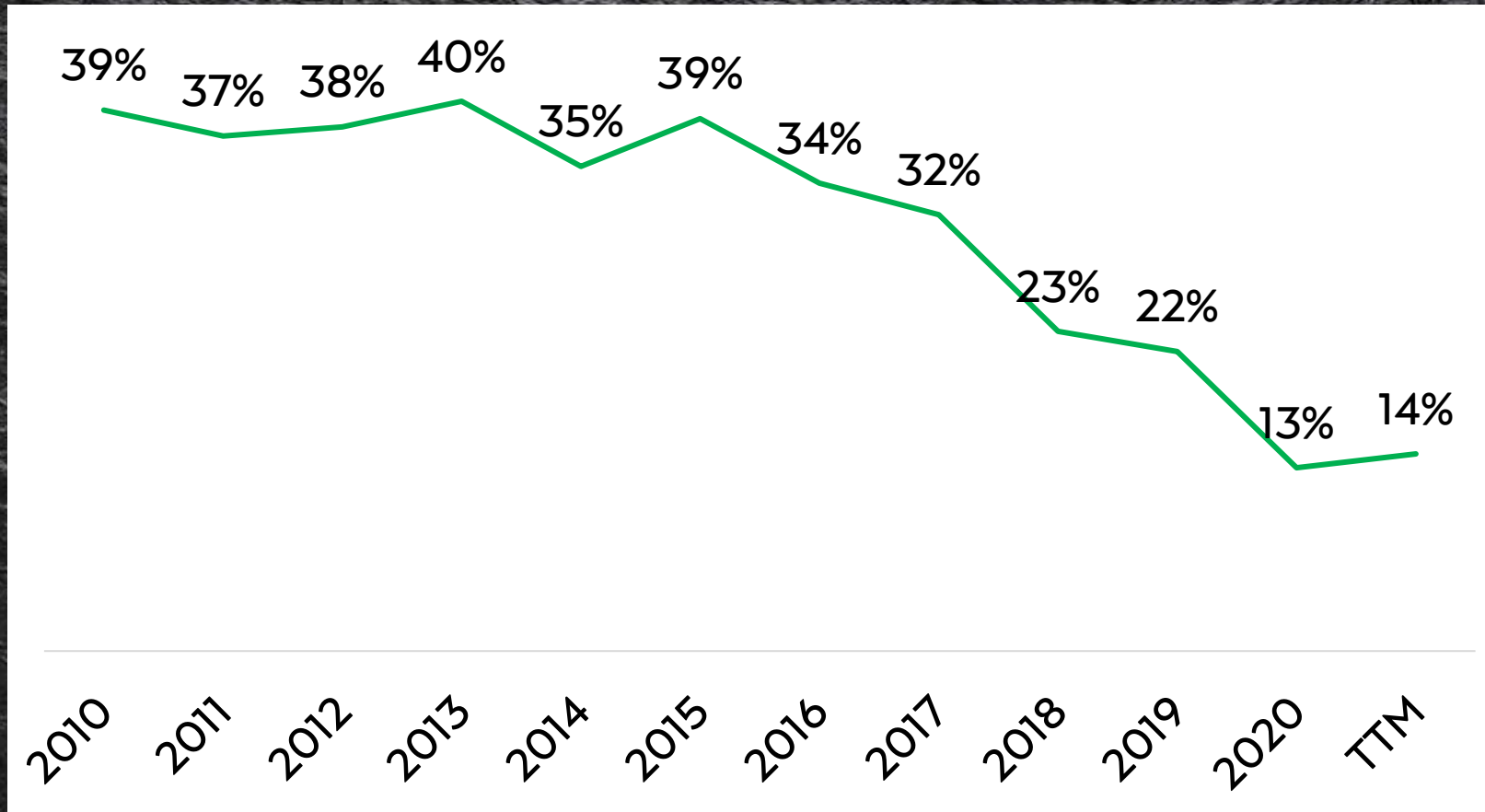
Money Train

questions

Appendix



Tax Rate



Shelf Space

