



**Monster Beverage Corp.**

3Q23 Earnings Results

# Earnings Results

3Q23 Earnings results

## Beat or Miss?

- **Missed** revenue estimates of \$1.87 billion by -0.8%
  - **Beat** EPS estimates of \$0.40 by +8.1%
- 
- Buy rated
  - Outperform rated
  - Mostly in line with expectations but a little bit better than expected volume growth
  - EPS beat from one time Bang gain of \$45.4 million



# Earnings Results

3Q23 Earnings results

- Revenue grew 14.3%
- Gross profit margin expanded 2.7%
- Operating margin expanded 1.8%
- Net margin expanded 4.6%

	2023	2022	Variance
<b>Net sales</b>	\$ 1,856,028	\$ 1,624,286	<b>14.3%</b>
Cost of sales	\$ 872,265	\$ 790,561	10.3%
Gross profit	\$ 983,763	\$ 833,725	18.0%
<b>Gross profit margin</b>	<b>53.00%</b>	<b>51.30%</b>	<b>270bps</b>
expenses	\$ 473,236	\$ 415,795	13.8%
expenses as a % of sales	25.50%	25.00%	
Operating Income	\$ 510,527	\$ 417,930	22.2%
<b>Operating margin</b>	<b>27.50%</b>	<b>25.70%</b>	<b>180bps</b>
Interest and other income (expense), net	\$ 71,357	\$ 2,149	3220.5%
EBIT	\$ 581,884	\$ 420,079	38.5%
Provision for income taxes	\$ 12,919	\$ 97,692	-86.8%
Tax rate	22.20%	23.30%	
Net income	\$ 452,694	\$ 322,387	40.4%
<b>Net margin</b>	<b>24.40%</b>	<b>19.80%</b>	<b>460bps</b>
Basic EPS	\$ 0.43	\$ 0.31	38.7%
<b>Diluted EPS</b>	<b>\$ 0.43</b>	<b>\$ 0.30</b>	<b>43.3%</b>
Basic	1,047.0	1,053.6	-0.6%
Diluted	1,060.0	1,066.6	-0.6%



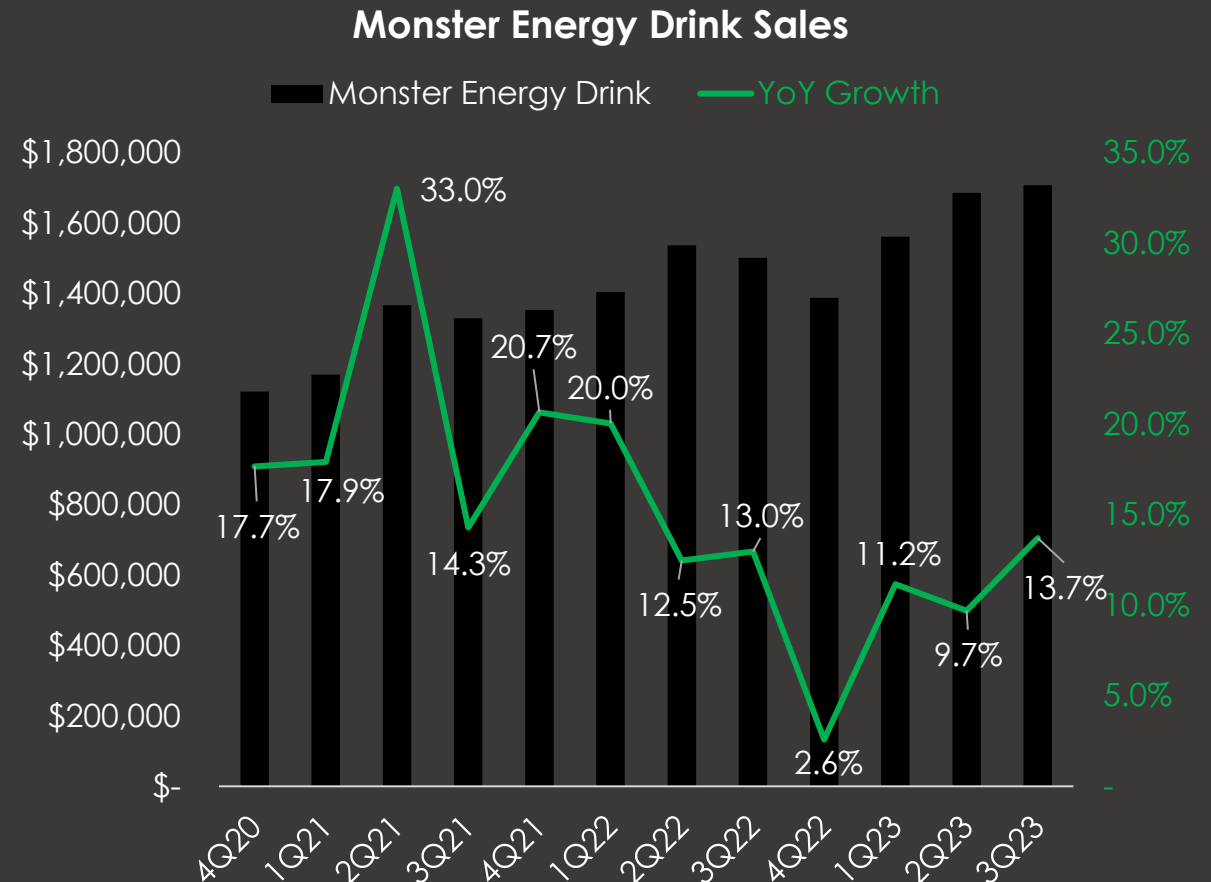
# Top Line Drivers – Monster Brands

3Q23 Earnings results

Includes Monster, Reign, Bang

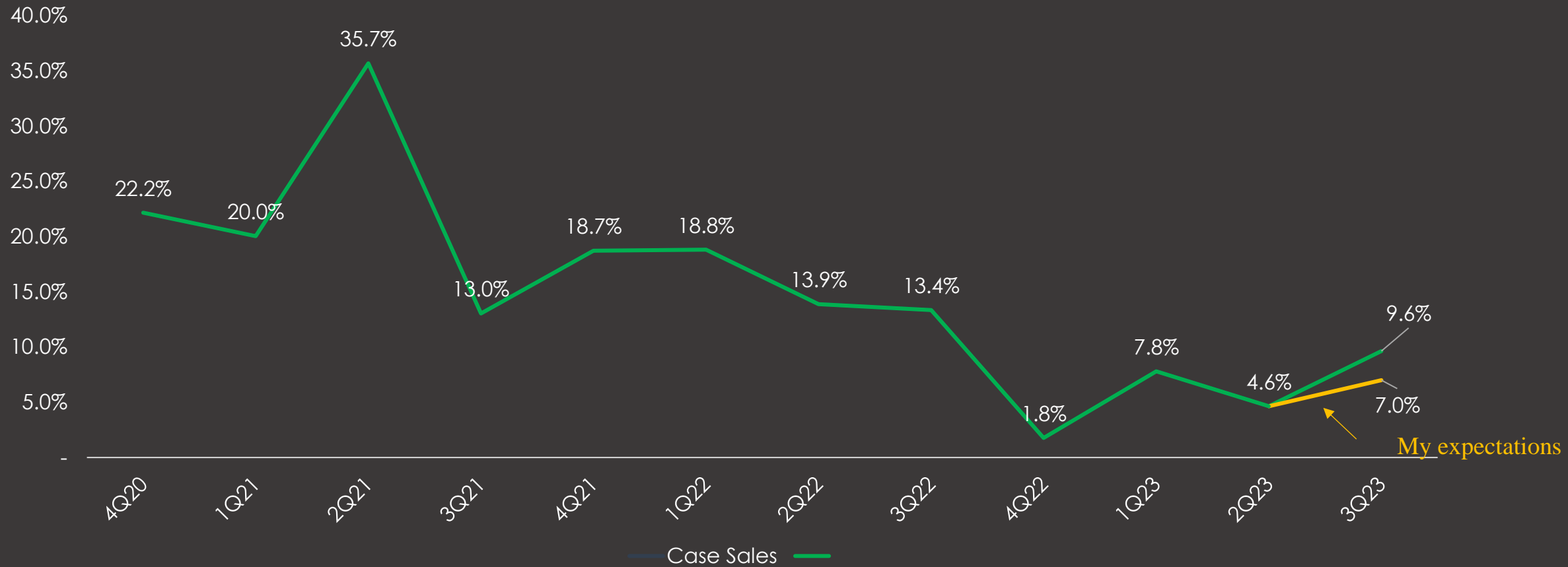
- Sales grew 13.7%
  - Case sales grew 9.6%
  - Implies 4.1% pricing growth
- Minus Bang sales grew ~10.5%
- ~ \$35 - 60 million in Bang Sales

Operating margin expanded 250bps to 35.3%



# Case Sales

3Q23 Earnings results



# Bang Comments

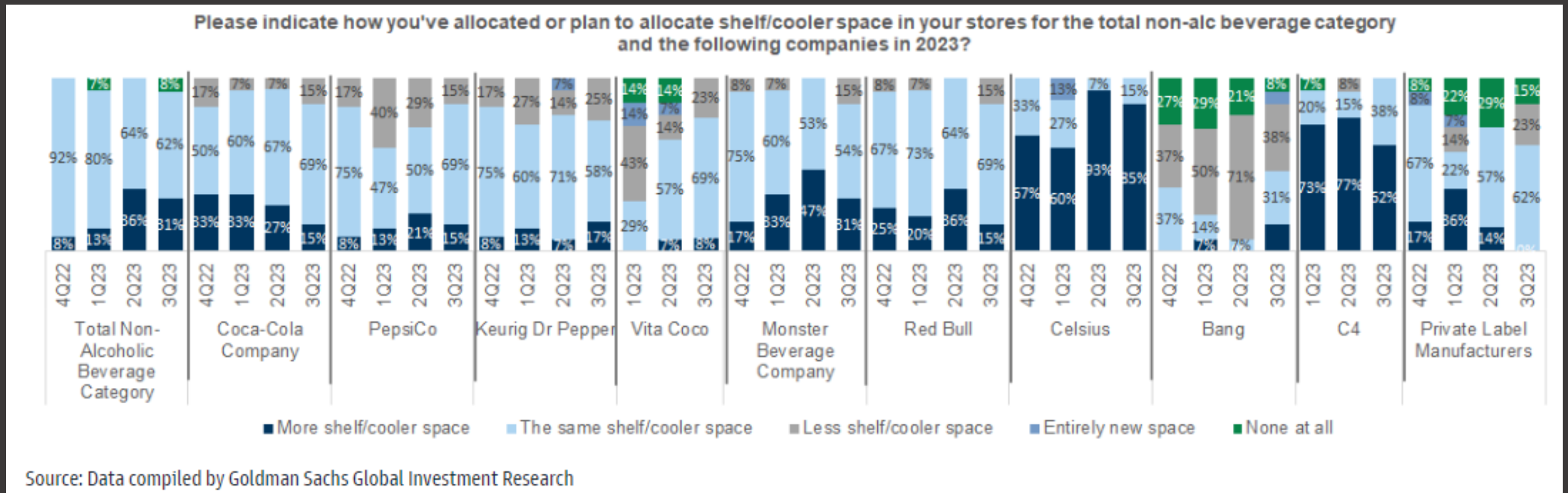
3Q23 Earnings results

- Mentioned 37 times in call
- Launched 12 SKU's in the United States through Coca Cola bottler distributors
  - Phased rollout
- Set objective for sales team to not sacrifice any existing shelf space.
- Want to position separately as a lifestyle brand. Completely away from energy drinks.
- Cautioned analyst at overestimating Bang sales and that's why management didn't break out sales separately.
  - Rebuilding market share of current 1.8% to historical high of 8.3%
  - Rebuilding reputation after false advertising.
  - Rebuilding shelf space after leaving Pepsi.
  - Emergence of Celsius, Reign Storm, and Reign.



# Bang Shelf Space

3Q23 Earnings results



# Bang Competitors - Historical

3Q23 Earnings results

## Performance



### Reign

- 16fl oz
- 300 mg caffeine
- \$25.99 per case
- 10 calories
- 0 sugar
- Vitamins & minerals
- BCAAs & EAAs
- Electrolytes



### Historical Bang

- 16fl oz
- 300 mg caffeine
- \$26.99 per case
- 0 sugar
- 0 calories
- Vitamins & minerals
- BCAAs & EAAS





# Bang Vision - New

3Q23 Earnings results

- More lifestyle focused
- White can
- Rebuilding brand reputation
- Shift from “Super Creatine” to “Fuel Your Destiny”
- Placed separately with Lifestyle and Wellness energy drinks



# Bang Sales Expectations Matrix - Goldman

3Q23 Earnings results

		Hypothetical Bang Energy Drink Market Share by FY27										
		1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
Energy Category Growth Rate FY27E	2%	\$161	\$322	\$484	\$645	\$806	\$967	\$1,128	\$1,290	\$1,451	\$1,612	\$1,773
	3%	\$163	\$326	\$488	\$651	\$814	\$977	\$1,140	\$1,302	\$1,465	\$1,628	\$1,791
	4%	\$164	\$329	\$493	\$657	\$822	\$986	\$1,151	\$1,315	\$1,479	\$1,644	\$1,808
	5%	\$166	\$332	\$498	\$664	\$830	\$996	\$1,162	\$1,328	\$1,494	\$1,659	\$1,825
	6%	\$168	\$335	\$503	\$670	\$838	\$1,005	\$1,173	\$1,340	\$1,508	\$1,675	\$1,843
	7%	\$169	\$338	\$507	\$676	\$846	\$1,015	\$1,184	\$1,353	\$1,522	\$1,691	\$1,860
	8%	\$171	\$341	\$512	\$683	\$853	\$1,024	\$1,195	\$1,366	\$1,536	\$1,707	\$1,878
	9%	\$172	\$345	\$517	\$689	\$861	\$1,034	\$1,206	\$1,378	\$1,550	\$1,723	\$1,895
	10%	\$174	\$348	\$522	\$695	\$869	\$1,043	\$1,217	\$1,391	\$1,565	\$1,739	\$1,912
	11%	\$175	\$351	\$526	\$702	\$877	\$1,053	\$1,228	\$1,403	\$1,579	\$1,754	\$1,930

Source: Company data, Goldman Sachs Global Investment Research



# Goldman vs Me

3Q23 Earnings results

## Goldman:

- ~\$1 billion revenue by 2027
- ~ 34% CAGR
- ~ +1.5% to annual top line growth
- ~6% market share by 2027
- ~11% of sales
- ~ +200bps gross margin by 2027

## Me:

- ~\$700mn
- 4% market share by 2027
- ~1% to annual top line
- ~8% of sales

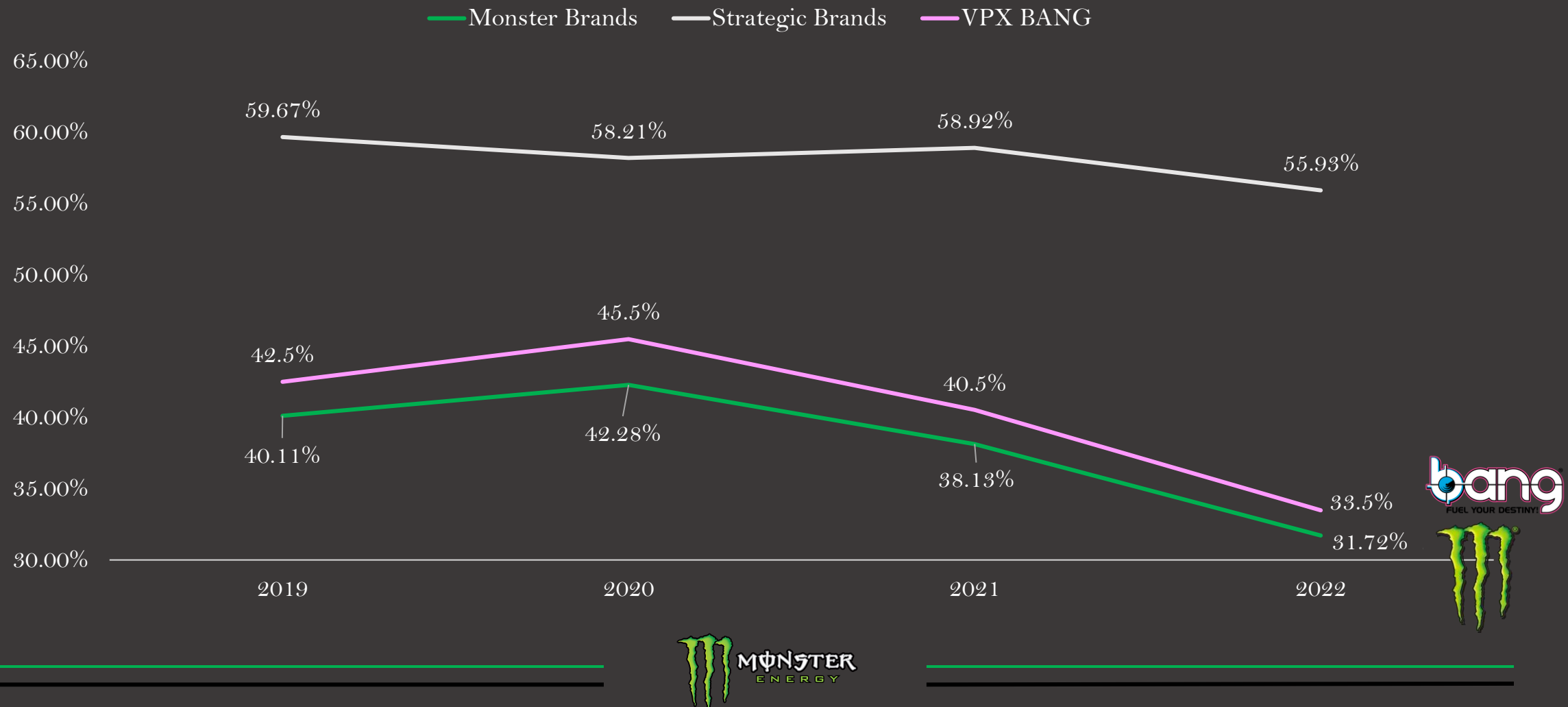
## Reasoning:

- Headwinds rebuilding reputation
- Headwinds fighting for new shelf space



# Unit Economics (Operating Margin Per Case)

3Q23 Earnings results

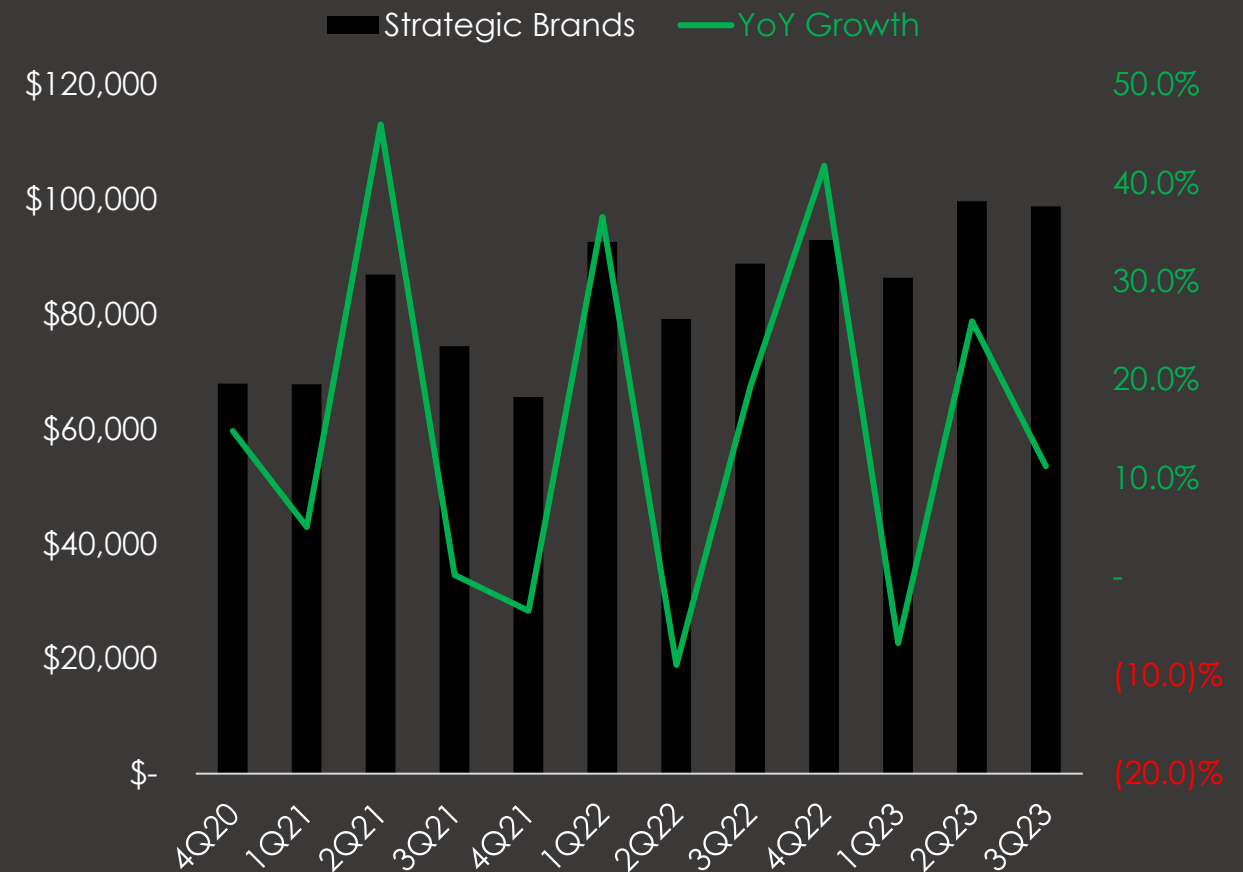


# Top Line Drivers – Strategic Brands

3Q23 Earnings results

Includes NOS, Burn, Predator, Fury, and Full Throttle

- Sales grew 11.2%
- Case sales grew 19.3%
- Implies -8% price decrease
- Operating margin expanded 20bps to 53.4%



# Top Line Drivers - Alcohol

3Q23 Earnings results

Includes the Beast Unleashed and various craft beers

- Sales grew 57.7%
- Beast Unleashed available in 43 states
- Beast Unleashed to be national by end of year



The Nasty Beast 1Q24

- Spiked tea in 4 flavors: Mean Green, Original, Peach Perfect, White Haze





# Alcohol Growth Opportunity

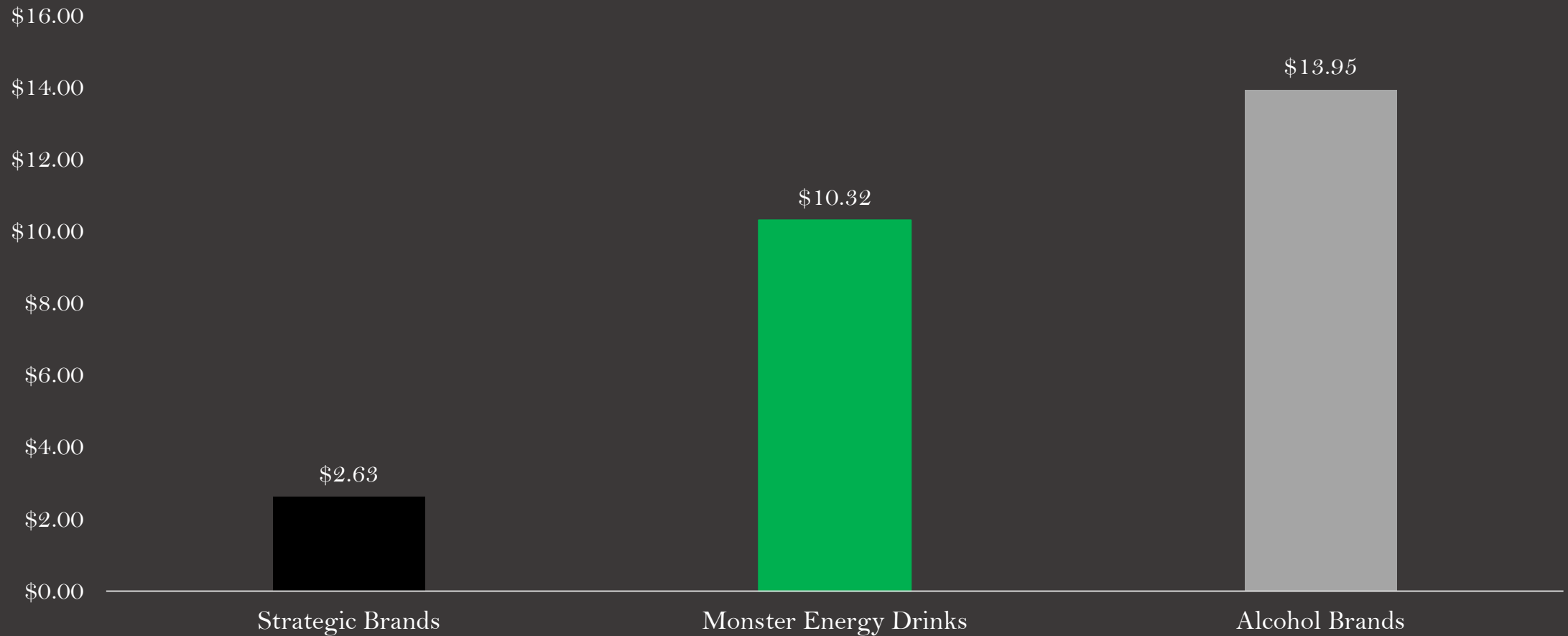
3Q23 Earnings results

- Monster has ~15% market share in canned/ bottled coffee
- Easy segway for alcohol products



# Alcohol Price Per Case – 192 oz case

3Q23 Earnings results



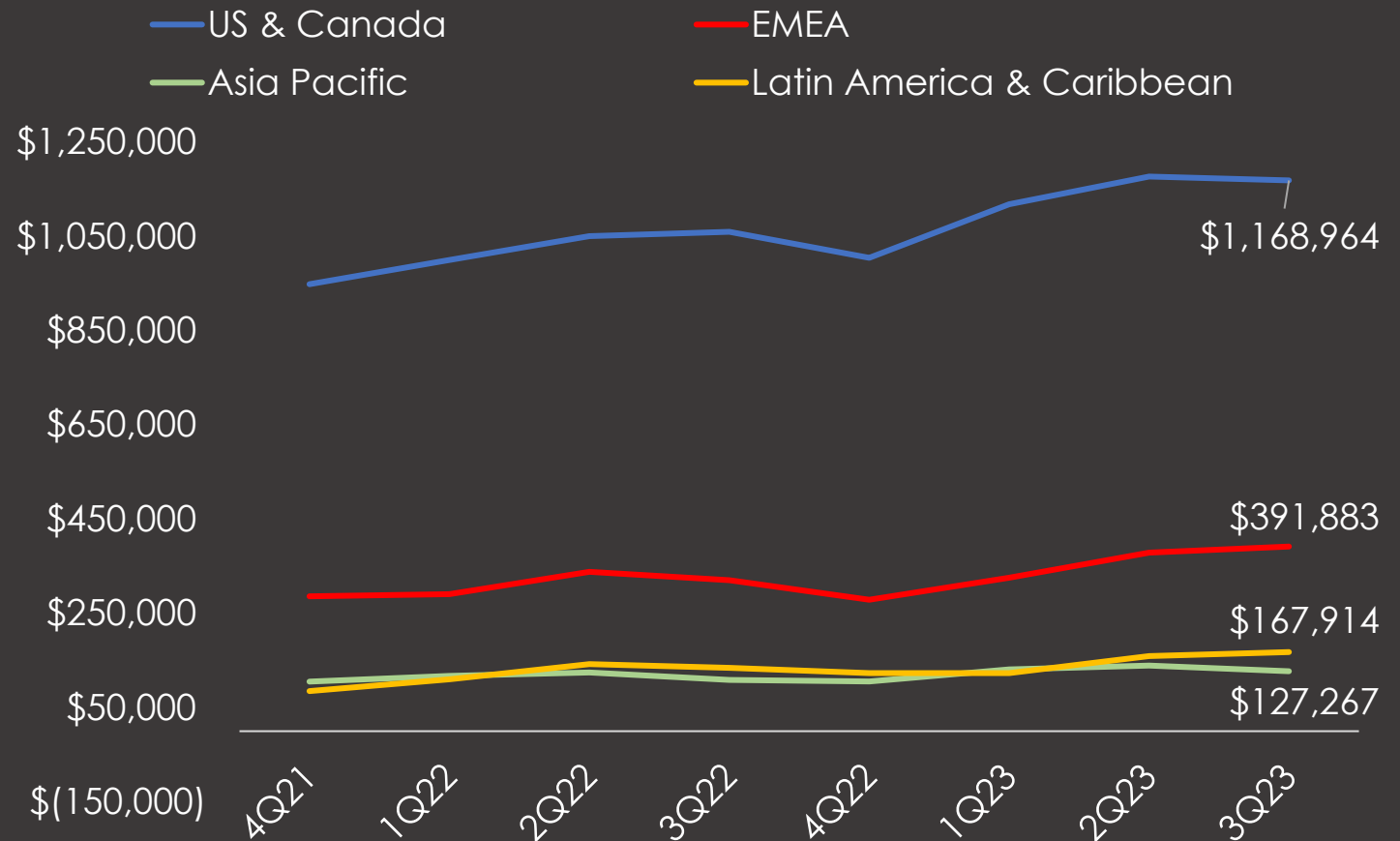


# Top Line Drivers - Geographies

3Q23 Earnings results

## Broad Based Growth

- US & Canada grew 10.3%
- EMEA grew 22.2%
- Asia Pacific 16.7%
- LATAM & Caribbean grew 25%



# Expenses

3Q23 Earnings results

Gross margin increased 270bps to 53%

- Pricing actions
- Decreased aluminum can cost
- Decreased freight expense

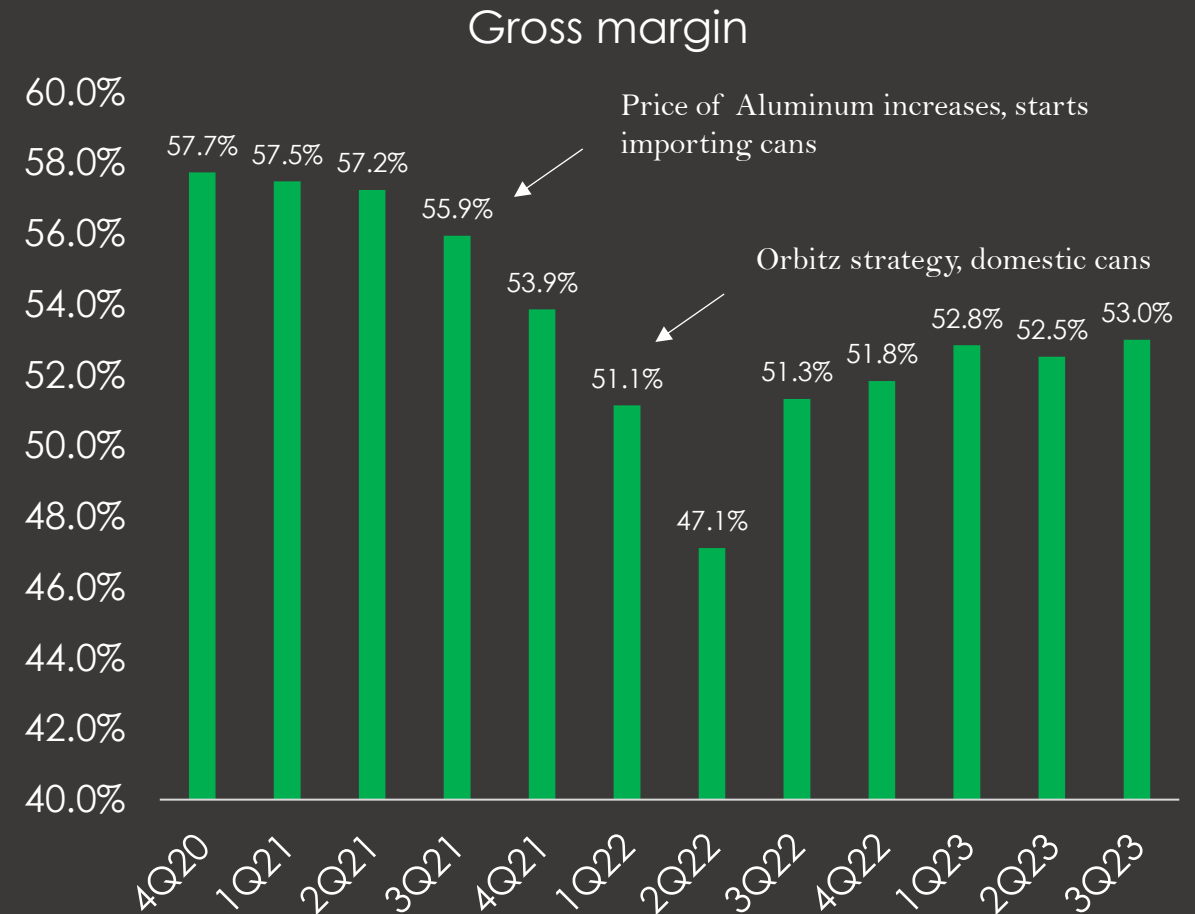
Operating margin increased 180bps to 27.5%

- Increased headcount
- \$8 million acquisition expense

Net Margin increased 460bps to 24.4%

- Lower tax rate of 22.2% vs. 23.3%
- \$45.4 million gain from Bang Acquisition

Net Margin increased 210 bps minus Bang gang to 21.9%



# Bang Gain

3Q23 Earnings results

- 2019 VPX Bang sues Monster alleging Reign copied Bang
  - Awarded in Monsters favor
- April 2022 Monster and Orange Bang awarded \$175 million over violating “Bang” trademark and infringing on Orange Bang VPX settlement
  - Orange Bang teamed up with Monster after settlements
  - \$9 million in attorney fees
- September 2022 Monster wins \$293 million false advertising over “Super Creatine”
  - \$272 million for false advertising
  - \$18 million on claims that Bang interfered with shelf space
  - \$3 million on claims that Bang stole trade secrets
- October 2022 Monster awarded \$20.9 million in attorney fees and \$22 million in additional damages.

Net awards: \$501.9 million

Bang acquisition: \$362 million

Acquisition expenses: \$8 million

Difference: ~\$140 million

**Bang gain: \$45.4 million**



# Earnings Per Share

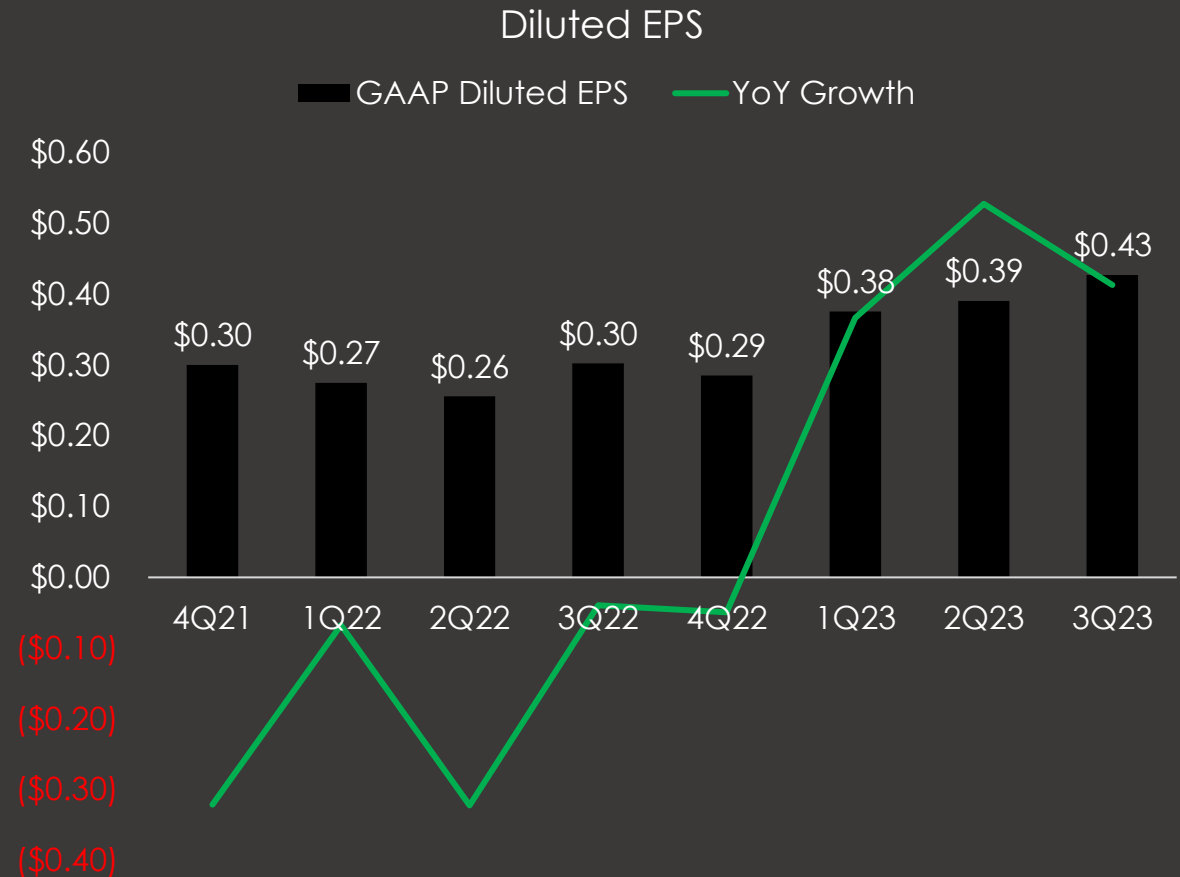
3Q23 Earnings results

EPS grew 41.3% to \$0.43

- Strong top line growth of 14.7%
- Net margin expansion of 4.7%
- Shares outstanding decreased 0.6%

EPS grew 27.2% to \$0.38 minus Bang gain

- \$0.05 EPS from Bang Gain



# Share Repurchases

3Q23 Earnings results

- November 8<sup>th</sup> approved \$500 million share repurchase plan, ~1% of company
- \$282.8 million remaining under current program approved June 2022



# Nielsen Data

3Q23 Earnings results

Retail Beverage Conference (TBA) broad takeaways:

- Declines in hard seltzers moderated to -2% from -5%
- Winners of incremental shelf space were MNST, CELH, and C4
- Promotional activity in non-alcoholic beverages is picking up
- Beer promotional activity cooling down
- Expecting additional price increases for energy drinks

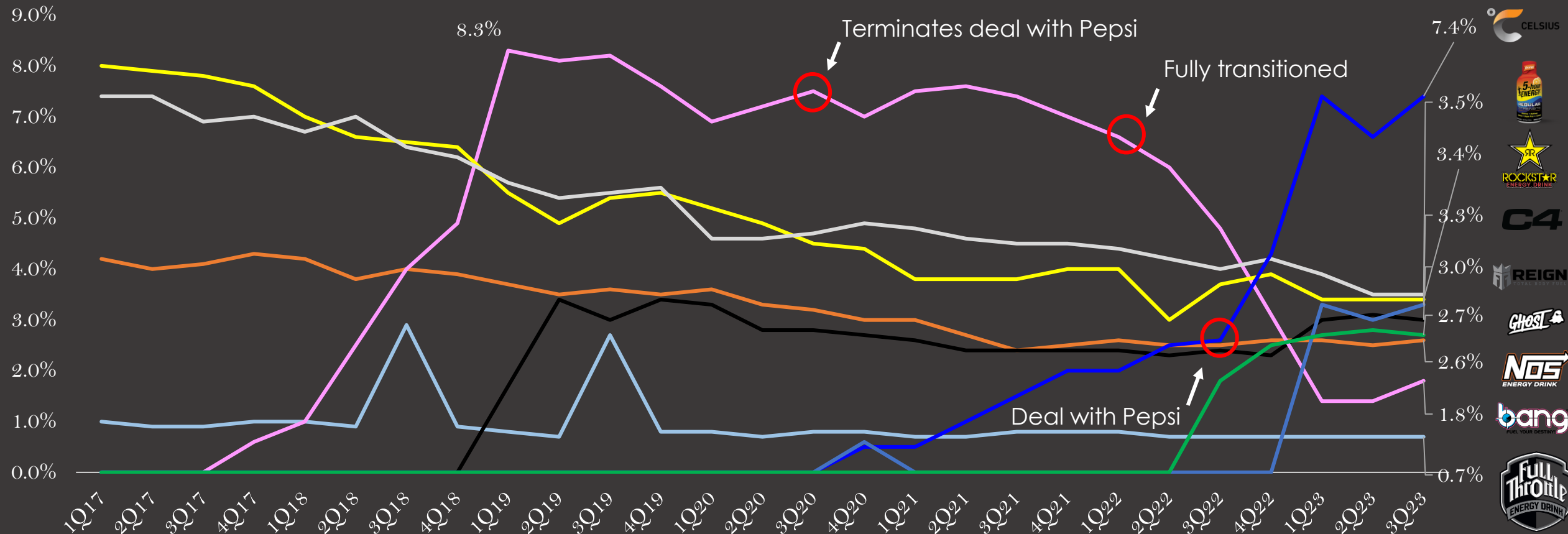


# Market Share <10%

3Q23 Earnings results

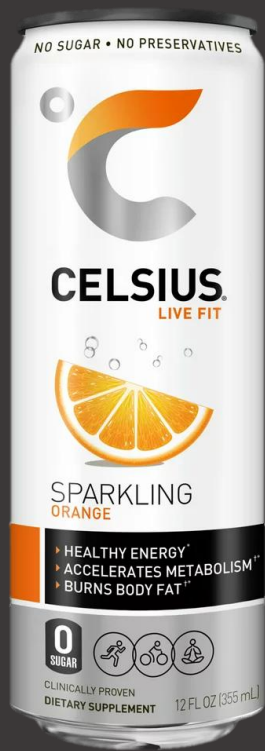
Last 4 weeks of quarter

NOS Full throttle Reign VPX Bang ROCKSTAR 5-hour Celsius C4 Ghost



# Celsius vs. Reign Storm

3Q23 Earnings results



## Celsius Original

- 12fl oz
- \$2.49
- “live fit”
- 200 mg caffeine
- 10 calories
- 0 sugar
- 5 Other ingredients



## Reign Storm

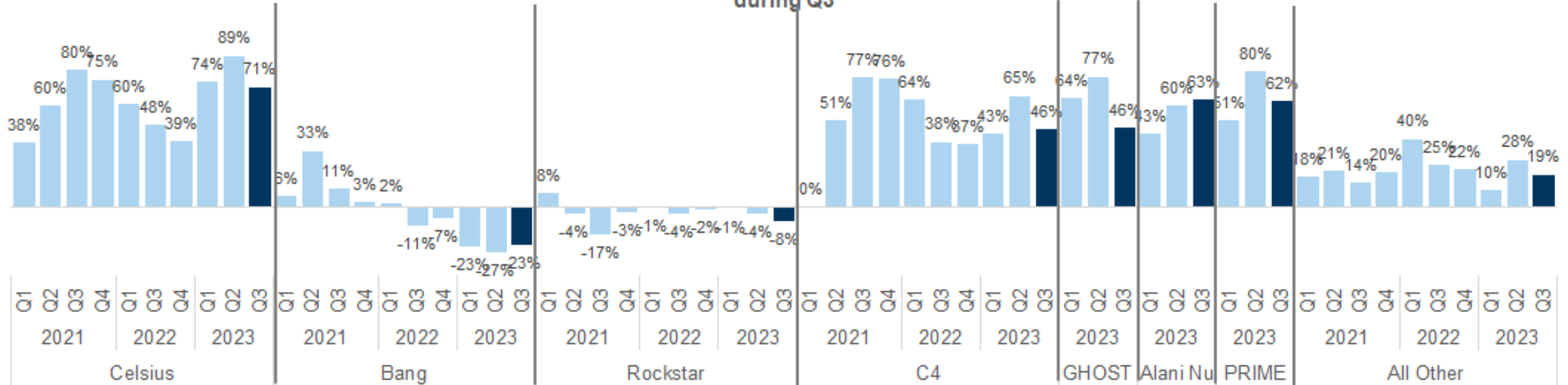
- 12fl oz
- \$2.59
- “Plant-based energy”
- 200 mg caffeine
- 10 calories
- 0 sugar



# Sales Growth Market Share <10%

3Q23 Earnings results

Please indicate the % increase/decrease in terms of overall sales for the energy drink category and key manufacturers during Q3

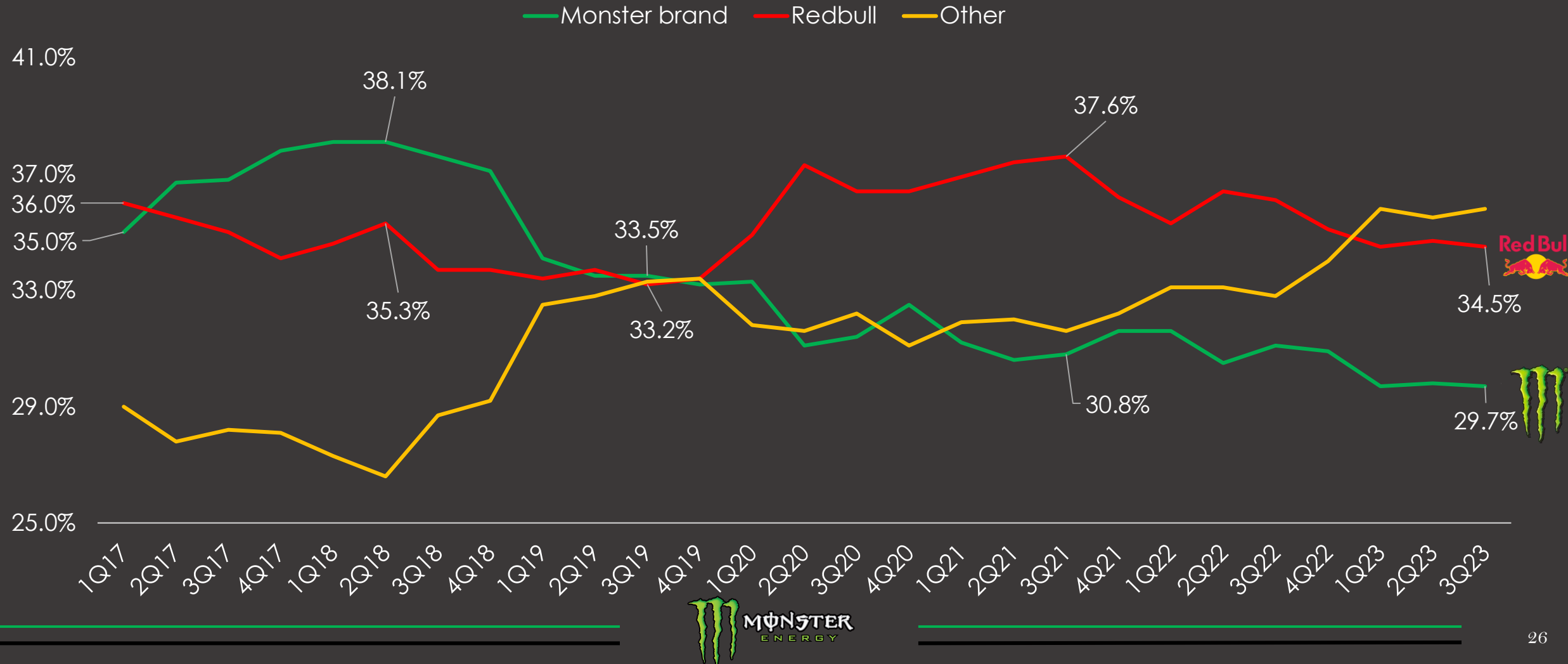


Source: Data compiled by Goldman Sachs Global Investment Research

# Monster Brand vs. Red Bull Market Share

3Q23 Earnings results

Last 4 weeks of quarter



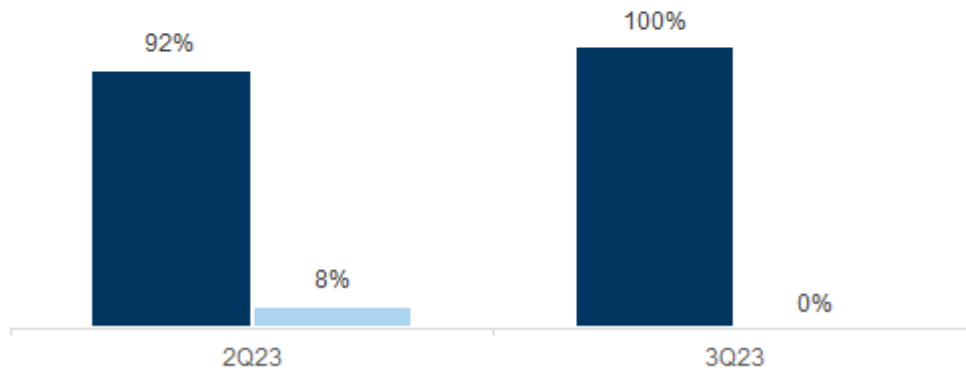
# Monster Zero Sugar

3Q23 Earnings results

**Exhibit 24: All retailers are providing space to Monster Zero Sugar, though not incremental space for MNST**

Did you give the new brand incremental shelf/cooler space and if so, how much?

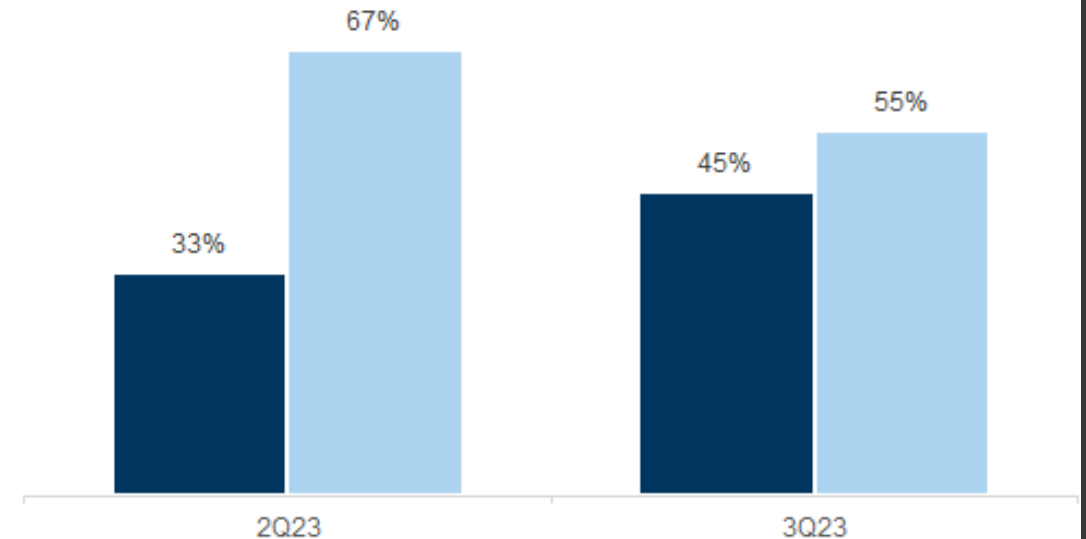
- Yes, providing space, though not incremental
- Yes, providing incremental shelf/cooler space



Source: Data compiled by Goldman Sachs Global Investment Research

**Have sales of Zero Sugar been incremental for Monster?**

- Incremental for MNST
- Cannibalizing MNST



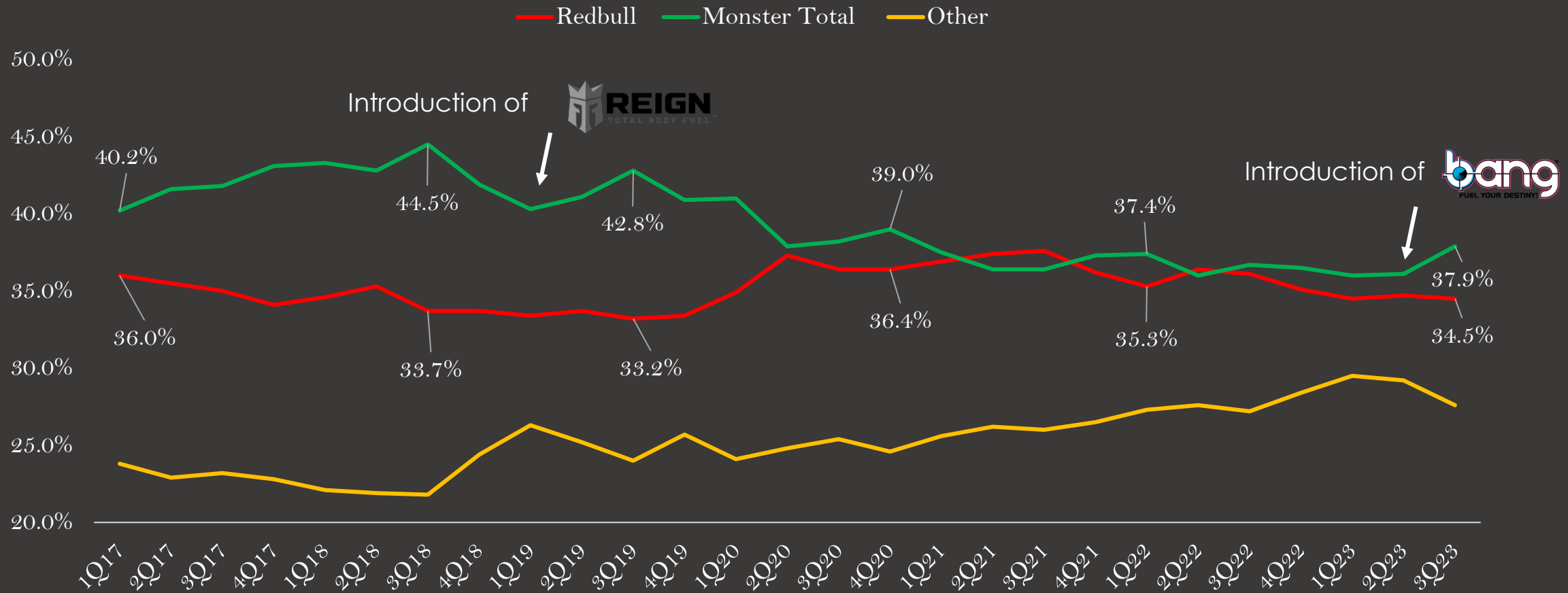
Source: Data compiled by Goldman Sachs Global Investment Research



# Monster Total vs. Red Bull Market Share

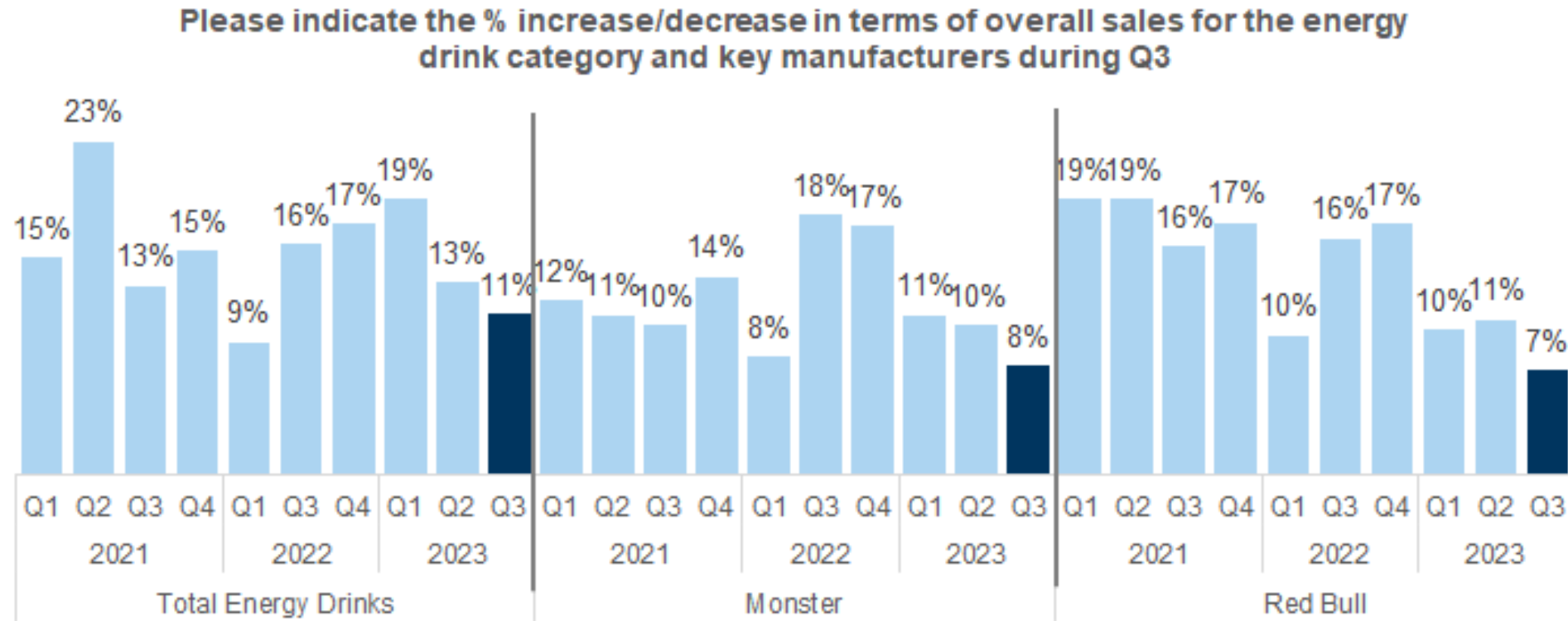
3Q23 Earnings results

Last 4 weeks of quarter



# Red Bull vs. Monster Sales Growth

3Q23 Earnings results

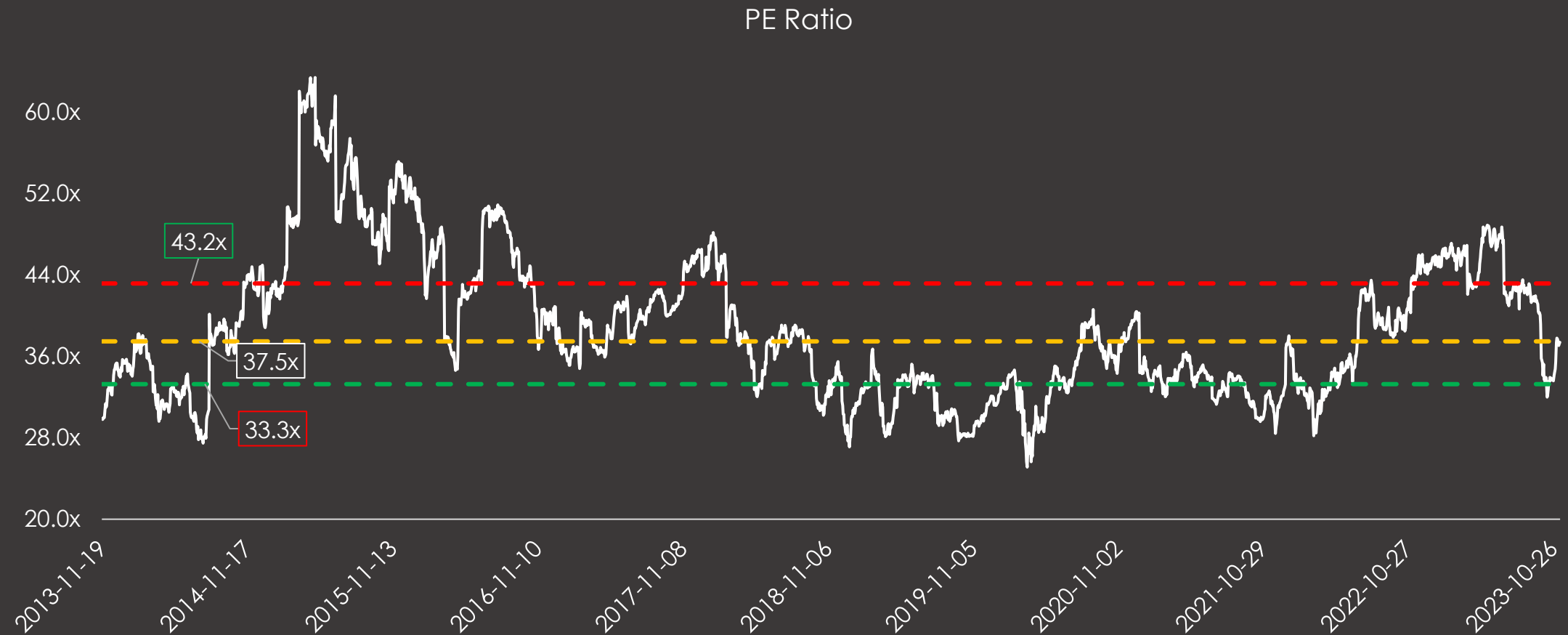


Source: Data compiled by Goldman Sachs Global Investment Research



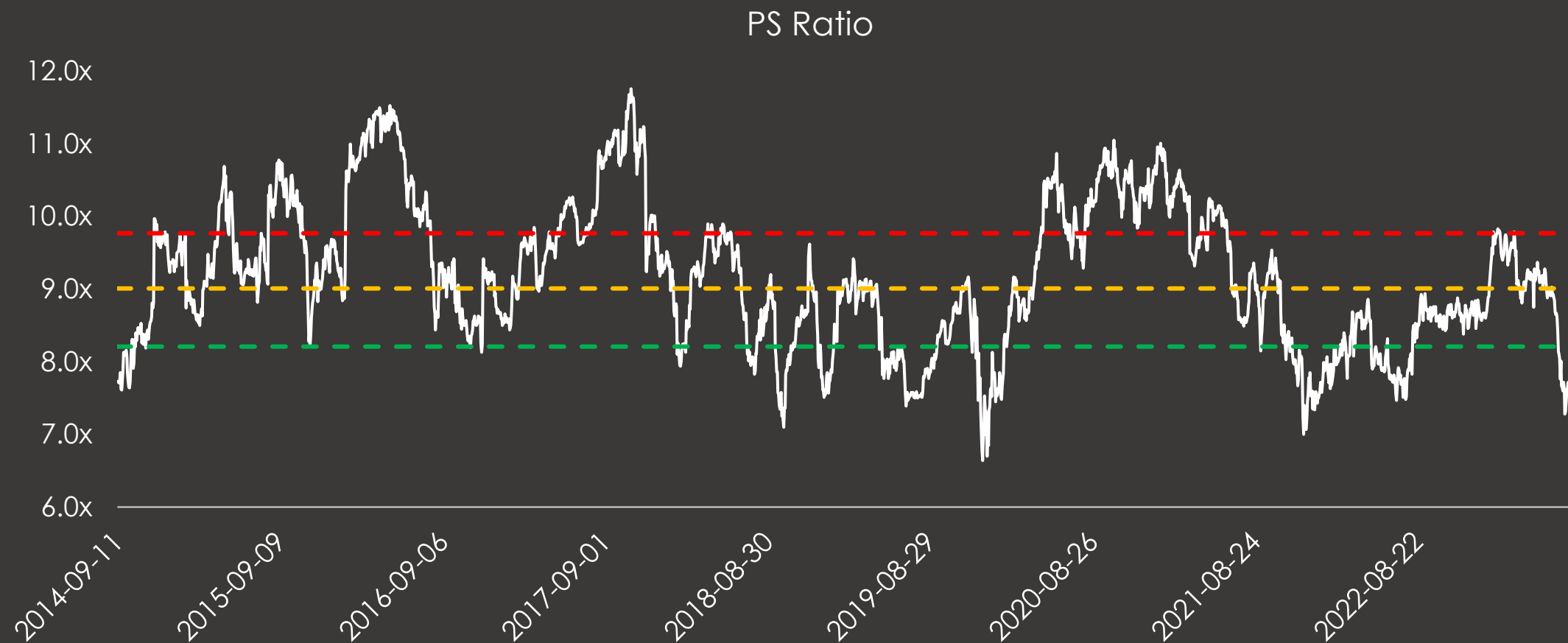
# Value Bands – 10 Years

3Q23 Earnings results



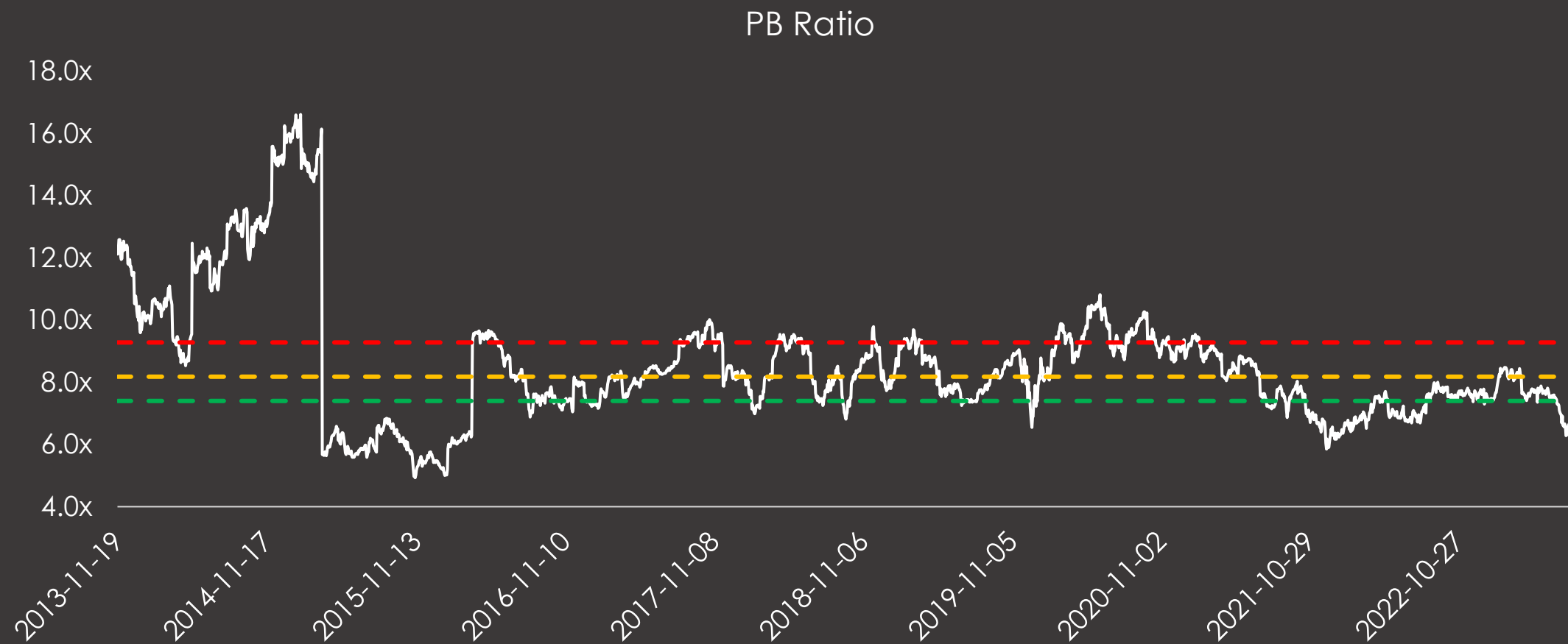
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3Q23 Earnings results



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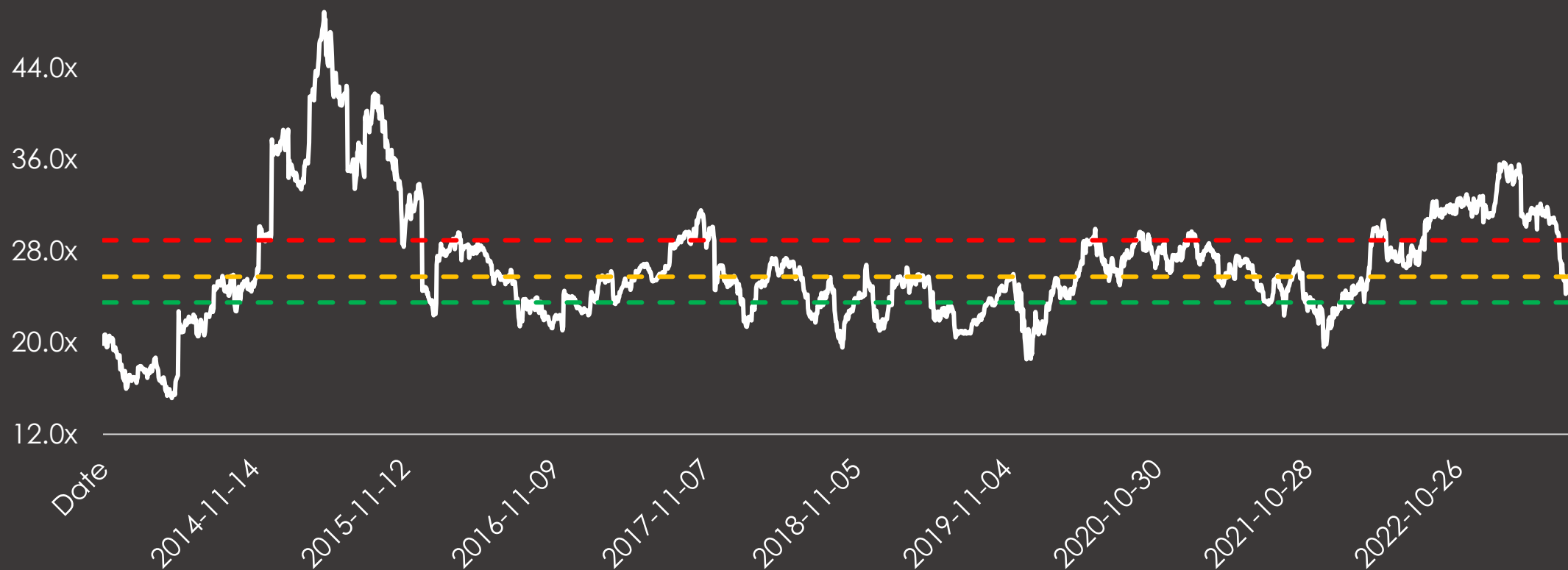




# Value Bands – 10 Years

3Q23 Earnings results

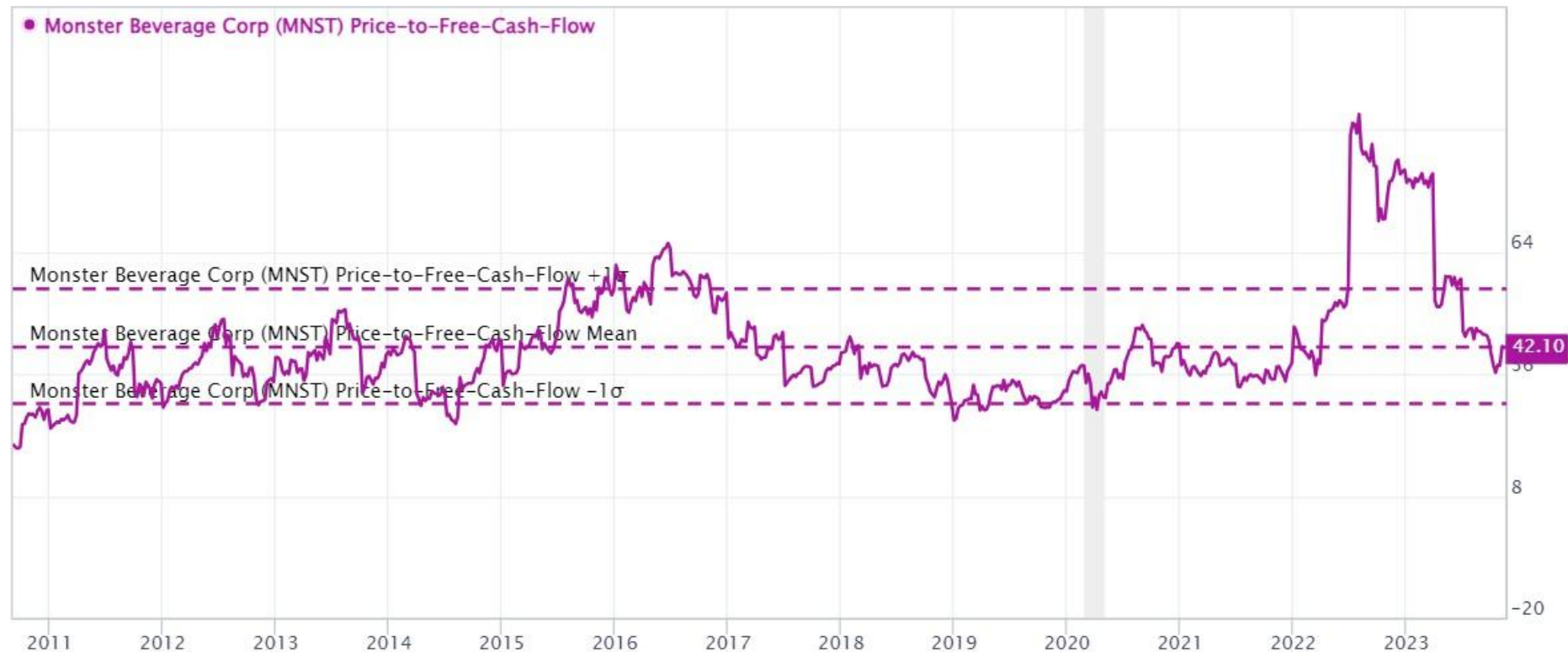
EV/ EBIT



# Value Bands – 10 Years

3Q23 Earnings results

## Monster Beverage Corp (MNST)



Nov 16, 2023 Powered by **guru**focus



## 3Q23 Earnings results

