

# Monster Beverage Corp (MNST)

Earnings Update

Hold | Underperform

Dan, Tristan, & Pablo | March 5, 2025



## Overview (Dan)

### 3 bullet points on what makes the business great:

- Monster is a leading manufacturer and marketer of energy drinks but has recently expanded into the alcohol beverage industry.
- U.S. energy drink grew by 6.2% from January 1 to February 15<sup>th</sup> increasing its market share 1.9% giving Monster a total market share of 20.4%
- Monster's new department for Alcohol, after the acquisition of a brewery company in 2022. Net Sales for the Alcohol department were down 0.8% and in the fourth quarter reported \$130.7 million.

## Results (Tristan)

### 3 bullet points on results vs expectations on revenue and earnings include brief explanation:

- **Revenue Beat** – Net sales **rose 4.7% YoY to \$1.81 billion** in Q4, exceeding expectations. Adjusted for currency fluctuations, net sales grew **7.8%**.
- **Earnings Miss** – Adjusted **EPS remained flat at \$0.38**, missing analyst expectations due to **impairment charges in the Alcohol Brands segment** and increased tax rates.
- **Operating Income Growth** – Adjusted **operating income increased 7.9% YoY to \$517.9 million**, driven by **pricing adjustments and improved cost efficiencies**.

## Key Performance Indicators (Dan)

### Any Important KPIs:

- Monster had a net sales growth of 4.5% in 2024 4Q
- Projected % growth for EPS is from \$1.62 to \$1.83
- In June 2022, Monster authorized a new share repurchase program up to \$500 million. There is still approximately \$157.4 million remaining for repurchase.

## Guidance (Carson)

### 3 bullet points on the next year and quarter:

- Importance of **innovation and growth** with new products starting off with the launch of Ultra Vice Guava in Oct. 24 and looking forward to new launches during the first 2 months of 2025.
- Monster recognized they had **performance issues** in their Alcohol brands and mentioned **exploring opportunities** in distributing in **international markets**... which suggests they are **continuing pursuit in growing their alcohol brand**.
- Monster shows **optimism** about the energy drink market, citing a **resurgence of growth in the U.S.** and positive trends related to households and per capita consumption.

## IOFS (Carson)

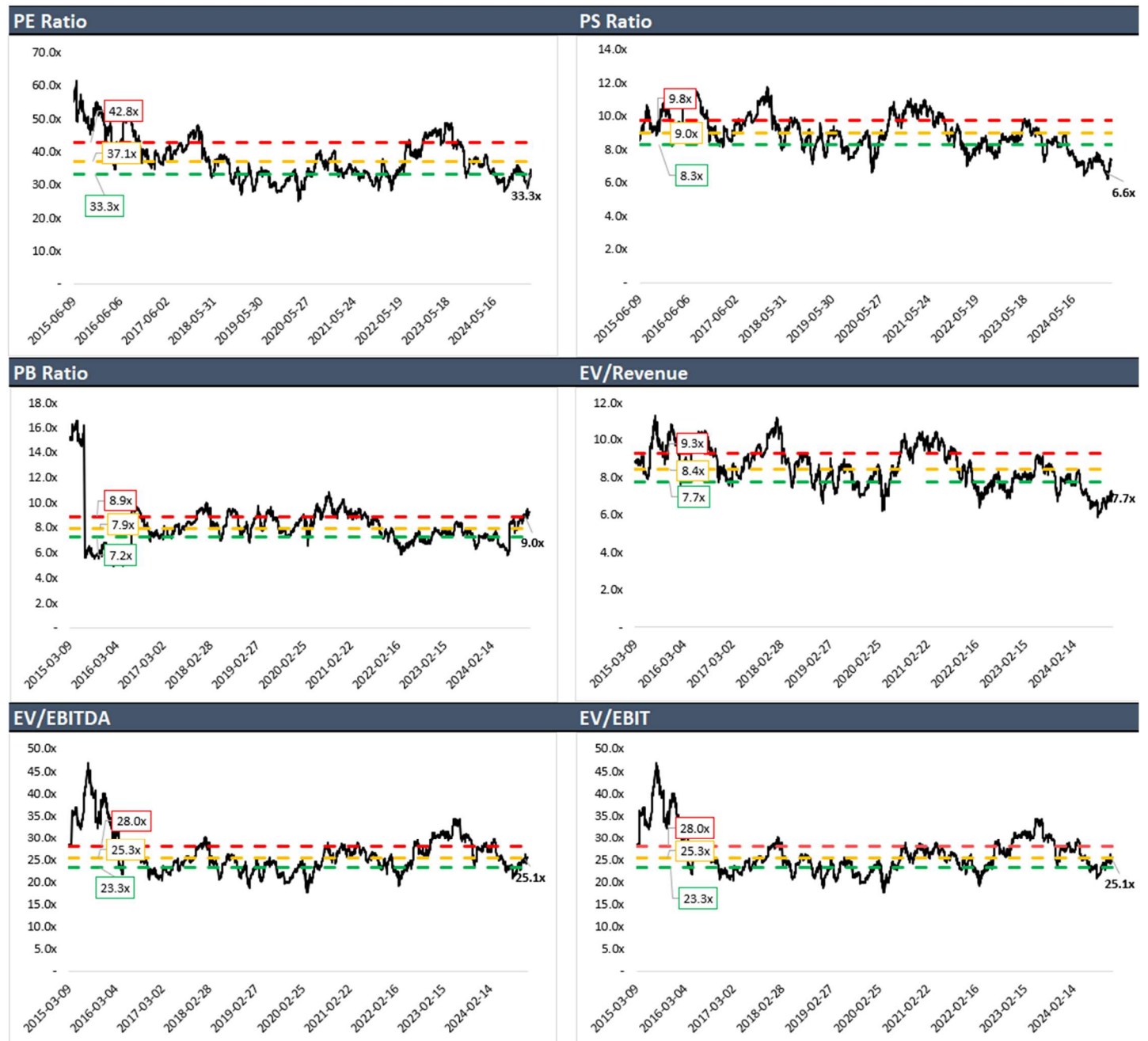
MNST

<i>In Millions Except Per Share Data</i>	2015-12	2016-12	2017-12	2018-12	2019-12	2020-12	2021-12	2022-12	2023-12	2024-12	TTM	Threshold
Revenue	\$ 2,723	\$ 3,049	\$ 3,369	\$ 3,807	\$ 4,201	\$ 4,599	\$ 5,541	\$ 6,311	\$ 7,140	\$ 7,493	\$ 7,493	
Cost of Goods Sold	\$ 1,090	\$ 1,107	\$ 1,231	\$ 1,512	\$ 1,682	\$ 1,875	\$ 2,433	\$ 3,136	\$ 3,346	\$ 3,444	\$ 3,444	
Gross Profit	\$ 1,632	\$ 1,942	\$ 2,138	\$ 2,295	\$ 2,519	\$ 2,724	\$ 3,109	\$ 3,175	\$ 3,794	\$ 4,049	\$ 4,049	
Gross Margin %	60%	64%	63%	60%	60%	59%	56%	50%	53%	54%	54%	> 40%
Selling, General, & Admin. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
% of Gross Profit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	< 30%
EBITDA	\$ 763	\$ 1,126	\$ 1,248	\$ 1,341	\$ 1,464	\$ 1,690	\$ 1,848	\$ 1,646	\$ 2,022	\$ 2,011	\$ 2,011	
Depreciation, Depletion and Amortization	\$ 31	\$ 41	\$ 49	\$ 57	\$ 61	\$ 57	\$ 50	\$ 61	\$ 69	\$ 80	\$ 80	
% of Gross Profit	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	< 10%
Operating Income	\$ 732	\$ 1,085	\$ 1,199	\$ 1,284	\$ 1,403	\$ 1,633	\$ 1,797	\$ 1,585	\$ 1,953	\$ 1,930	\$ 1,930	
Operating Margin %	27%	36%	36%	34%	33%	36%	32%	25%	27%	26%	26%	> 20%
Interest Expense	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ 6	
% of Operating Income	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	< 35%
EBIT	\$ 732	\$ 1,085	\$ 1,199	\$ 1,284	\$ 1,403	\$ 1,633	\$ 1,797	\$ 1,585	\$ 1,953	\$ 1,930	\$ 1,930	
Tax Rate %	39%	34%	32%	23%	22%	13%	24%	24%	21%	24%	24%	
Net Income	\$ 547	\$ 713	\$ 821	\$ 993	\$ 1,108	\$ 1,410	\$ 1,377	\$ 1,192	\$ 1,631	\$ 1,509	\$ 1,509	
Net Margin %	20%	23%	24%	26%	26%	31%	25%	19%	23%	20%	20%	> 10%
Shares Outstanding (Diluted Average)	1155.5	1199.6	1154.3	1128.5	1093.2	1069.6	1071.3	1066.4	1058.0	1013.1	980.7	
EPS (Diluted)	\$ 0.48	\$ 0.60	\$ 0.71	\$ 0.88	\$ 1.02	\$ 1.32	\$ 1.29	\$ 1.12	\$ 1.54	\$ 1.49	\$ 1.59	
ROE %	11%	21%	21%	28%	27%	27%	21%	17%	20%	25%	22%	> 15%
ROC %	11%	21%	21%	28%	27%	27%	21%	17%	20%	24%	24%	> 15%
Net Income	\$ 547	\$ 713	\$ 821	\$ 993	\$ 1,108	\$ 1,410	\$ 1,377	\$ 1,192	\$ 1,631	\$ 1,509	\$ 1,509	
Capital Expenditure	\$ 42	\$ 105	\$ 93	\$ 75	\$ 110	\$ 67	\$ 57	\$ 212	\$ 235	\$ 306	\$ 306	
% of Net Income	8%	15%	11%	8%	10%	5%	4%	18%	14%	20%	20%	< 50%
Free Cash Flow	\$ 480	\$ 596	\$ 895	\$ 1,087	\$ 1,003	\$ 1,297	\$ 1,098	\$ 676	\$ 1,483	\$ 1,622	\$ 1,622	
FCF Margin %	18%	20%	27%	29%	24%	28%	20%	11%	21%	22%	22%	> 10%
Purchase of Business	\$ -	\$ 688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 329	\$ 363	\$ -	\$ -	
Dividends Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Dividend Payout Ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	< 60%
Dividend Yield %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Repurchase of Stock	\$ 808	\$ 2,252	\$ 361	\$ 1,342	\$ 707	\$ 596	\$ 14	\$ 771	\$ 659	\$ 3,772	\$ 3,772	
Stock Based Compensation	\$ 33	\$ 46	\$ 52	\$ 57	\$ 63	\$ 70	\$ 70	\$ 64	\$ 69	\$ 91	\$ 91	
% of Revenue	1.2%	1.5%	1.6%	1.5%	1.5%	1.5%	1.3%	1.0%	1.0%	1.2%	1.2%	
Obligation Ratio	-5.3x	-0.8x	-1.5x	-1.0x	-1.2x	-1.5x	-2.2x	-2.2x	-2.0x	-0.8x	-0.8x	< 5.0x
Short-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374	\$ 374	
Preferred Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Pension Shortfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Leases x7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Marketable Securities	\$ 745	\$ 221	\$ 673	\$ 321	\$ 533	\$ 881	\$ 1,750	\$ 1,362	\$ 956	\$ -	\$ -	
Cash and Cash Equivalents	\$ 2,175	\$ 378	\$ 529	\$ 638	\$ 798	\$ 1,180	\$ 1,326	\$ 1,307	\$ 2,298	\$ 1,533	\$ 1,533	

- ROE remains strong at 25%.
- Operating Margin is on the decline but still above the threshold of 20%.
- Revenue has consistent upwards growth in the past couple of years.

## Valuation (Pablo)

Value Bands:

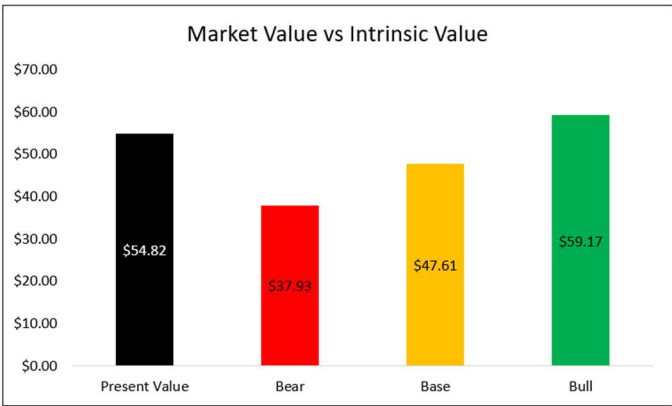


Valuation:

	Bear	Base	Bull
Net Margin Growth	1%	3%	5%
Revenue Growth	7%	11%	15%
Share Buybacks	0.5%	1.5%	2.5%
EPS Growth Rate	7.5%	12.5%	17.5%

Ticker: MNST												
Price: \$54.82												
5 Year Discounted Cash Flow												
								P/E	Total Return Price	PV	5 YR Return	Annual Return
Bear	EPS	Current	2026	2027	2028	2029	2030	21.0x	\$47.94	\$28.45	(12.6)%	(2.6)%
		\$1.59	\$1.71	\$1.84	\$1.98	\$2.12	\$2.28	28.0x	\$63.91	\$37.93	16.6%	3.1%
			7.5%	7.5%	7.5%	7.5%	7.5%	35.0x	\$79.89	\$47.41	45.7%	7.8%
Base	EPS	Current	2026	2027	2028	2029	2030	21.0x	\$60.17	\$35.71	9.8%	1.9%
		\$1.59	\$1.79	\$2.01	\$2.26	\$2.55	\$2.87	28.0x	\$80.23	\$47.61	46.3%	7.9%
			12.5%	12.50%	12.5%	12.5%	12.5%	35.0x	\$100.28	\$59.51	82.9%	12.8%
Bull	EPS	Current	2026	2027	2028	2029	2030	21.0x	\$74.78	\$44.38	36.4%	6.4%
		\$1.59	\$1.87	\$2.20	\$2.58	\$3.03	\$3.56	28.0x	\$99.71	\$59.17	81.9%	12.7%
			17.5%	17.5%	17.5%	17.5%	17.5%	35.0x	\$124.64	\$73.97	127.4%	17.9%

Discount rate:  
11%



Total RoR Sensitivity				
		Est. EPS growth rate		
		8%	13%	16%
P / E	21.0x	(2.6)%	1.9%	5.0%
	28.0x	3.1%	7.9%	11.3%
	35.0x	7.8%	12.8%	16.3%

Monster Beverage Company is currently overvalued but still has future value. Our recommendation is to hold the company for the time being.