

Monster Beverage Corporation

Bank Shots to MNST from CSD earnings thus far

Maintain Rating: BUY | PO: 65.00 USD | Price: 55.29 USD

Recent earnings are a positive read-across for MNST

MNST is scheduled to report 4Q23 earnings results after market close on Wednesday, February 28th, in this “bank shots” report we provide read across from other carbonated soft drink (CSD) companies which have reported earnings so far this cycle. Below, we provide an outlook for MNST by geographic region with heavy reliance on [KO/CCEP/CCH](#) commentary for international regions given MNST is distributed by KO bottlers globally. Topline results have been solid and commentary has been encouraging which can potentially portend well for MNST. We reiterate our Buy rating and \$65 PO.

U.S. (63% of sales): North America organic sales for KO (+5% y/y) & U.S. Refreshment Beverages organic sales for [KDP](#) (+6.8% y/y) came in ahead of our estimate. Organic sales for [PepsiCo Beverages North America](#) (+3.0% y/y) were in line w/ our forecast. MNST scanner sales were up +3.8% y/y in 4Q, we model organic sales up +5.5% as MNST tends to outpace scanner data given faster growth in non-measured channels.

EMEA (20% of sales): Both CCH and CCEP saw strong organic sales growth as energy continues to outperform. CCH saw 4Q energy volumes (represents 40% of MNST’s volume in the EMEA region) increase ~30.6% y/y by our estimate. CCEP’s energy volumes (represents 60% of MNST’s volume in the EMEA region) were up +14.0% y/y.

Asia Pacific (7% of sales): KO highlighted strong demand in Japan which we believe is MNST’s largest market in Asia Pacific. Revenues softened for the last three quarters of the year in China and KO expects sales to improve in 2024 despite the uncertain economic backdrop. We estimate that China is less than 1% of total MNST sales.

Latin America (8% of sales): KO experienced strong growth with unit case volume +4% y/y (across most categories) and concentrate sales up +10.0% y/y. Growth was led by Brazil and Mexico which we believe are MNST’s largest markets in Latin America.

See next page for key considerations ahead of 4Q23 MNST earnings

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.29	1.12	1.53	1.75	2.00
GAAP EPS	1.29	1.12	1.55	1.75	2.00
EPS Change (YoY)	9.3%	-13.2%	36.6%	14.4%	14.3%
Consensus EPS (Bloomberg)			1.56	1.82	2.05
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	42.9x	49.4x	36.1x	31.6x	27.6x
GAAP P/E	42.9x	49.4x	35.7x	31.6x	27.6x
EV / EBITDA*	30.7x	34.5x	27.4x	24.1x	21.7x
Free Cash Flow Yield*	1.9%	1.2%	1.8%	3.0%	3.4%

* For full definitions of *IQmethod*SM measures, see page 6.

26 February 2024

Equity

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Stock Data

Price	55.29 USD
Price Objective	65.00 USD
Date Established	15-Dec-2023
Investment Opinion	B-1-9
52-Week Range	47.13 USD - 60.47 USD
Mkt Val (mn) / Shares Out	58,613 USD / 1,060.1 (mn)
Free Float	72.2%
Average Daily Value (mn)	302.69 USD
BofA Ticker / Exchange	MNST / NAS
Bloomberg / Reuters	MNST US / MNST.OQ
ROE (2023E)	21.5%
Net Dbt to Eqty (Dec-2022A)	-18.6%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

KO: Coca Cola
CCEP: Coca-Cola Europ
CCH: Coca-Cola Hellenic
KDP: Keurig Dr Pepper

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Timestamp: 26 February 2024 05:00AM EST

iQprofileSM Monster Beverage Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	22.4%	17.0%	20.8%	22.0%	24.4%
Return on Equity	23.5%	17.5%	21.5%	22.7%	25.2%
Operating Margin	32.4%	25.1%	28.0%	29.4%	30.1%
Free Cash Flow	1,112	699	1,075	1,771	1,964

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.8x	0.7x	1.0x	1.0x	1.0x
Asset Replacement Ratio	0.9x	3.1x	7.8x	1.3x	1.3x
Tax Rate	23.5%	24.2%	22.0%	23.5%	23.5%
Net Debt-to-Equity Ratio	-20.2%	-18.6%	-22.3%	-19.7%	-19.1%
Interest Cover	NA	NM	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	5,541	6,311	7,167	7,826	8,475
% Change	20.1%	13.9%	13.6%	9.2%	8.3%
Gross Profit	3,109	3,175	3,802	4,285	4,704
% Change	13.0%	2.1%	19.8%	12.7%	9.8%
EBITDA	1,848	1,646	2,071	2,359	2,613
% Change	7.3%	-10.9%	25.8%	13.9%	10.7%
Net Interest & Other Income	4	(13)	69	60	60
Net Income (Adjusted)	1,377	1,192	1,618	1,805	1,999
% Change	8.8%	-13.5%	35.8%	11.5%	10.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,377	1,192	1,618	1,805	1,999
Depreciation & Amortization	50	61	65	60	60
Change in Working Capital	(362)	(487)	(157)	(86)	(86)
Deferred Taxation Charge	21	58	0	0	0
Other Adjustments, Net	69	64	57	72	72
Capital Expenditure	(44)	(189)	(509)	(80)	(80)
Free Cash Flow	1,112	699	1,075	1,771	1,964
% Change	-15.5%	-37.1%	53.7%	64.8%	10.9%
Share / Issue Repurchase	32	(707)	(673)	(2,000)	(2,000)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	3	0	(11)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,326	1,307	1,789	1,559	1,523
Trade Receivables	897	1,016	1,178	1,287	1,393
Other Current Assets	2,459	2,442	2,437	2,442	2,456
Property, Plant & Equipment	314	517	751	771	791
Other Non-Current Assets	2,809	3,011	3,272	3,272	3,272
Total Assets	7,805	8,293	9,427	9,330	9,435
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	965	1,002	1,146	1,173	1,207
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	273	266	262	262	262
Total Liabilities	1,238	1,268	1,408	1,435	1,470
Total Equity	6,567	7,025	8,018	7,895	7,966
Total Equity & Liabilities	7,805	8,293	9,427	9,330	9,435

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Food Processors

Company Description

With more than \$6bn in sales, Monster Beverage Corporation (MNST) is a global leader in the energy drink beverage category with 40%+ market share in the US. Around 70% of sales are in the US and the company has two primary operating segments, Monster Energy Drinks and Strategic Brands. In June 2015, MNST closed on its transaction with The Coca-Cola Company (KO owns 19% of MNST), whereby KO became MNST's primary distributor globally.

Investment Rationale

We rate MNST shares at Buy. In our view, MNST offers superior growth to competitors and should see accelerating topline and margin growth. The company grew sales and profits nearly 10% in the 2009 financial crisis, showcasing the resiliency of the business model. In addition, MNST maintains a pristine balance sheet with strong FCF that we expect to funnel into share repurchases over the next several years.

Stock Data

Average Daily Volume 5,437,024

Quarterly Earnings Estimates

	2022	2023
Q1	0.27A	0.38A
Q2	0.26A	0.39A
Q3	0.30A	0.41A
Q4	0.29A	0.36E

Key considerations ahead of 4Q23 earnings

1) YTD (6 weeks ending 2/10/24) retail sales for MNST (excluding Bang) are down -0.9% y/y which in our view is weaker than what investors anticipated. We believe weaker sales are driven by winter and rainy weather across the U.S. which is weighing on MNST's convenience sales which according to Nielsen is about 65% of total sales. Overall, we think weak sale trends are transient and expect scanner data to improve. 2) MNST bulls want MNST to follow competitor Red Bull who raised prices in November. MNST announced at its [Investor Day in mid-January](#) that it was still evaluating raising prices. 3) In our view, MNST sounded optimistic about growing gross margins in FY24 given lower costs for aluminum and freight and efficiencies from the two company owned production facilities. We expect MNST to remain optimistic on gross margins during its 4Q earnings call. 4) MNST accelerated share repurchases to \$400mm in 3Q23. We are modeling \$2mm worth of share repurchases in FY24.

Exhibit 1: Year over year change in weekly U.S. retail sales for MNST by channel

Convenience channel negatively impacted by weather during the weeks ending 1/6/24, 1/13/24 and 1/20/24

	1 w/e 12/16/23	1 w/e 12/23/23	1 w/e 12/30/23	1 w/e 01/06/24	1 w/e 01/13/24	1 w/e 01/20/24	1 w/e 01/27/24	1 w/e 02/03/24	1 w/e 02/10/24
Convenience channel	5.0%	8.9%	1.6%	-3.4%	-3.9%	-6.9%	0.2%	3.2%	-1.0%
xAOC	2.2%	2.1%	1.2%	2.4%	0.5%	-2.4%	1.8%	4.6%	0.1%
xAOC + Convenience	4.0%	6.4%	1.5%	-1.4%	-2.4%	-5.3%	0.8%	3.7%	-0.7%

Source: NielsenIQ

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Key charts and tables

We use **U.S.** scanner data to model MNST's sales in the U.S. It appears that MNST tends to outpace scanner data given faster growth in non-measured channels. As a result we expect U.S. organic sales to increase +5.5% y/y which is slight ahead of U.S. scanner growth of +3.8%.

Exhibit 2: Tracked shipments versus depletions in the U.S.

MNST U.S. scanner sales were up +3.8% y/y, we model U.S. organic sales up +5.5% as MNST tends to outpace scanner data given faster growth in non-measured channels

U.S.	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23e
Reported company sales growth (shipments)	11.2%	19.6%	10.1%	13.0%	13.5%	23.0%	9.9%	14.8%	5.8%	13.0%	11.5%	13.2%	10.7%	5.5%
Reported Nielsen \$ sales growth (depletions)	13.9%	14.3%	7.0%	9.9%	11.3%	7.6%	6.3%	9.6%	10.9%	8.6%	11.8%	11.1%	7.9%	3.8%
Difference (+ = overshipped, - = undershipped)	-2.7%	5.3%	3.1%	3.1%	2.2%	15.4%	3.6%	5.2%	-5.1%	4.4%	-0.4%	2.1%	2.8%	1.7%

Source: BofA Global Research, NielsenIQ

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In **EMEA**, we rely on public sales growth data for the "energy category" supplied by CCEP and CCH. Based on MNST's form 10-k, CCEP accounts for around 10% of MNST's total sales with the EMEA region comprising about 16% of sales. Therefore, we weight CCEP's energy growth rate at 62.5% for EMEA, with CCH comprising the remaining 37.5%. It seems that MNST undershipped consumption in Europe during the first half of FY23 and can potentially overship consumption in the second half. We also highlight that year ago period has an easy sales comparison.

Exhibit 3: Tracked shipments versus depletions in EMEA

We are modeling Q4 EMEA sales up +29.0% y/y which is higher than CCEP and CCH energy growth rate given easy year ago comparison

	1Q22	2Q22	1H22	3Q22	4Q22	FY22	1Q23	2Q23	1H23	3Q23	4Q23
CCEP YoY % growth	19.0%	16.5%	17.8%	25.5%	14.0%	18.5%	15.0%	14.5%	15.0%	12.0%	14.0%
CCH YoY % growth	31.7%	5.5%	18.6%	14.3%	14.0%	16.3%	23.8%	29.8%	26.8%	24.8%	30.6%
Weighted 62.5/37.5	24.1%	12.1%	18.1%	21.0%	14.0%	17.6%	18.5%	20.6%	19.7%	17.1%	20.6%
MNST EMEA growth	30.0%	30.8%	30.4%	30.4%	14.7%	26.5%	14.8%	16.4%	15.6%	23.6%	29.0%
Under/overship	5.9%	18.7%	12.3%	9.4%	0.7%	8.9%	-3.7%	-4.2%	-4.1%	6.5%	8.4%

Source: BofA Global Research

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Exhibit 4: MNST 4Q23 sales forecast (excludes Alcohol and American Fruits & Flavor segments)

For 4Q23 we are forecasting sales to increase +15.5% y/y with U.S. organic sales up +5.5% and total sales up +9.1% which includes a +360bps contribution from Bang

Region	Organic sales forecast	FX	Other	Net sales forecast
U.S.	5.5%	0.0%	3.6%*	9.1%
EMEA	29.0%	0.0%	0.0%	29.0%
APAC	7.0%	0.0%	0.0%	7.0%
LATAM	44.0%	0.0%	0.0%	44.0%
Consolidated	13.2%	0.0%	2.3%	15.5%

Source: BofA Global Research

*contribution from Bang

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Price objective basis & risk

Monster Beverage Corporation (MNST)

Our \$65 price objective is based on 32.5x our 2025E EPS estimate. At 32.5x, we value MNST shares at a premium to both the large-cap beverage group trading and to other consumer staples growth companies. We believe the premium multiple is warranted, given its faster relative growth and favorable margin structure.

Downside risks: 1) maturing category that could be losing share, 2) limited impact from new product launches 3) slower than expected benefit from international expansion, 4) a rotation from defensive names back into value names 5) greater than expected impact from COVID-19 global headwinds 6) negative currency movements.

Analyst Certification

I, Peter T. Galbo, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA
UNDERPERFORM				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski



US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
RSTR				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

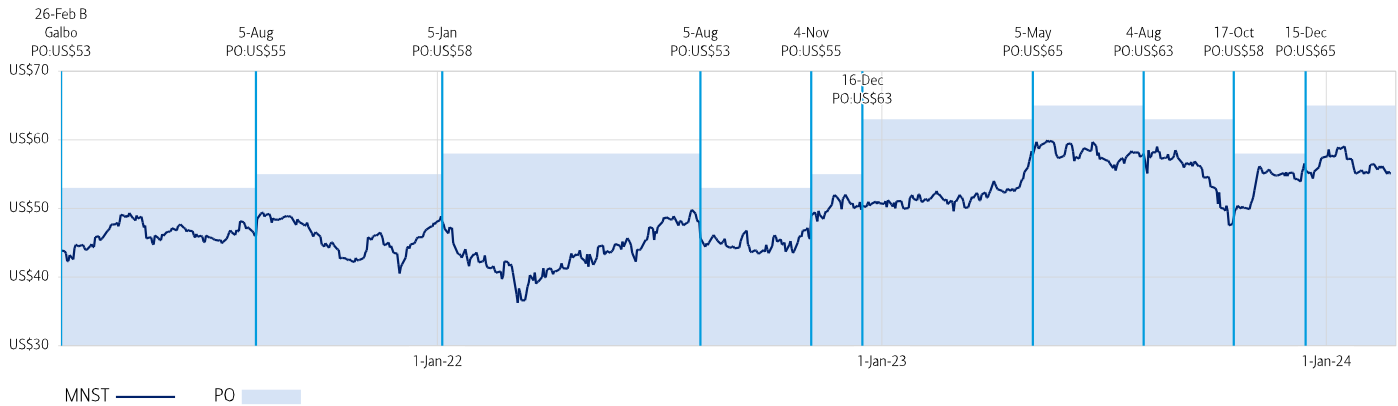
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Disclosures

Important Disclosures

Monster Beverage (MNST) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Food Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	33	49.25%	Buy	16	48.48%
Hold	17	25.37%	Hold	10	58.82%
Sell	17	25.37%	Sell	8	47.06%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

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The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Monster Beverage.

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