
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2023

Commission File Number 001-18761

MONSTER BEVERAGE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-1809393
(I.R.S. Employer
Identification No.)

1 Monster Way
Corona, California 92879
(Address of principal executive offices) (Zip code)

(951) 739 - 6200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MNST	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The registrant had 1,040,441,348 shares of common stock, par value \$0.005 per share, outstanding as of October 31, 2023.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
SEPTEMBER 30, 2023

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PART I – FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022
(In Thousands, Except Par Value) (Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,773,849	\$ 1,307,141
Short-term investments	1,236,752	1,362,314
Accounts receivable, net	1,231,188	1,016,203
Inventories	883,582	935,631
Prepaid expenses and other current assets	162,676	109,823
Prepaid income taxes	23,468	33,785
Total current assets	5,311,515	4,764,897
INVESTMENTS	52,636	61,443
PROPERTY AND EQUIPMENT, net	731,208	516,897
DEFERRED INCOME TAXES, net	176,724	177,039
GOODWILL	1,417,941	1,417,941
OTHER INTANGIBLE ASSETS, net	1,459,447	1,220,410
OTHER ASSETS	164,867	134,478
Total Assets	\$ 9,314,338	\$ 8,293,105
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 539,892	\$ 444,265
Accrued liabilities	207,727	172,991
Accrued promotional allowances	296,577	255,631
Deferred revenue	40,127	43,311
Accrued compensation	76,835	72,463
Income taxes payable	17,644	13,317
Total current liabilities	1,178,802	1,001,978
DEFERRED REVENUE	209,136	223,800
OTHER LIABILITIES	53,251	42,286
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY¹:		
Common stock - \$0.005 par value; 5,000,000 shares authorized; 1,118,498 shares issued and 1,040,420 shares outstanding as of September 30, 2023; 1,283,688 shares issued and 1,044,600 shares outstanding as of December 31, 2022	5,592	6,418
Additional paid-in capital	4,893,289	4,776,804
Retained earnings	5,572,757	9,001,173
Accumulated other comprehensive loss	(198,033)	(159,073)
Common stock in treasury, at cost; 78,078 shares and 239,088 shares as of September 30, 2023 and December 31, 2022, respectively	(2,400,456)	(6,600,281)
Total stockholders' equity	7,873,149	7,025,041
Total Liabilities and Stockholders' Equity	\$ 9,314,338	\$ 8,293,105

¹ Stock Split - On February 28, 2023, the Company announced a two-for-one stock split of its common stock to be effected in the form of a 100% stock dividend. The stock dividend was issued on March 27, 2023 (the "Stock Split"). The accompanying condensed consolidated financial statements and notes thereto have been retroactively updated to reflect the Stock Split. See Note 1 for additional information.

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE- AND NINE-MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands, Except Per Share Amounts) (Unaudited)

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
NET SALES	\$ 1,856,028	\$ 1,624,286	\$ 5,409,919	\$ 4,798,119
COST OF SALES	872,265	790,561	2,554,086	2,407,867
GROSS PROFIT	983,763	833,725	2,855,833	2,390,252
OPERATING EXPENSES	473,236	415,795	1,336,437	1,199,883
OPERATING INCOME	510,527	417,930	1,519,396	1,190,369
INTEREST and OTHER INCOME (EXPENSE), net	71,357	2,149	99,010	(11,932)
INCOME BEFORE PROVISION FOR INCOME TAXES	581,884	420,079	1,618,406	1,178,437
PROVISION FOR INCOME TAXES	129,190	97,692	354,397	288,487
NET INCOME	<u>\$ 452,694</u>	<u>\$ 322,387</u>	<u>\$ 1,264,009</u>	<u>\$ 889,950</u>
NET INCOME PER COMMON SHARE ¹ :				
Basic	\$ 0.43	\$ 0.31	\$ 1.21	\$ 0.84
Diluted	<u>\$ 0.43</u>	<u>\$ 0.30</u>	<u>\$ 1.19</u>	<u>\$ 0.83</u>
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK AND COMMON STOCK EQUIVALENTS ¹ :				
Basic	1,047,015	1,053,594	1,046,337	1,056,526
Diluted	<u>1,059,966</u>	<u>1,066,600</u>	<u>1,059,809</u>	<u>1,069,198</u>

¹ Stock Split - The accompanying condensed consolidated financial statements and notes thereto have been retroactively updated to reflect the Stock Split. See Note 1 for additional information.

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE- AND NINE-MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands) (Unaudited)

	Three-Months Ended		Nine-Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income, as reported	\$ 452,694	\$ 322,387	\$ 1,264,009	\$ 889,950
Other comprehensive income (loss):				
Change in foreign currency translation adjustment	(48,280)	(68,822)	(46,074)	(147,450)
Available-for-sale investments:				
Change in net unrealized gains (losses)	1,272	(2,675)	3,680	(7,840)
Net gains on commodity derivatives	4,700	—	3,434	—
Other comprehensive income (loss)	(42,308)	(71,497)	(38,960)	(155,290)
Comprehensive income	<u>\$ 410,386</u>	<u>\$ 250,890</u>	<u>\$ 1,225,049</u>	<u>\$ 734,660</u>

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE- AND NINE-MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands) (Unaudited)

	Common stock		Additional	Retained	Accumulated Other	Treasury stock		Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Stockholders' Equity
Balance, December 31, 2022	1,283,688	\$ 6,418	\$ 4,776,804	\$ 9,001,173	\$ (159,073)	(239,088)	\$ (6,600,281)	\$ 7,025,041
Stock-based compensation	—	—	15,743	—	—	—	—	15,743
Stock options/awards	3,704	19	36,329	—	—	—	—	36,348
Unrealized gain (loss), net on available-for-sale securities	—	—	—	—	3,181	—	—	3,181
Repurchase of common stock	—	—	—	—	—	(1,688)	(90,378)	(90,378)
Retirement of treasury stock	(170,000)	(850)	425	(4,692,425)	—	170,000	4,692,850	—
Foreign currency translation	—	—	—	—	7,981	—	—	7,981
Net income	—	—	—	397,444	—	—	—	397,444
Balance, March 31, 2023	1,117,392	\$ 5,587	\$ 4,829,301	\$ 4,706,192	\$ (147,911)	(70,776)	\$ (1,997,809)	\$ 7,395,360
Stock-based compensation	—	—	17,176	—	—	—	—	17,176
Stock options/awards	877	4	23,314	—	—	—	—	23,318
Unrealized gain (loss), net on available-for-sale securities	—	—	—	—	(773)	—	—	(773)
Repurchase of common stock	—	—	—	—	—	(8)	(447)	(447)
Foreign currency translation	—	—	—	—	(5,775)	—	—	(5,775)
Net losses on commodity derivatives	—	—	—	—	(1,266)	—	—	(1,266)
Net income	—	—	—	413,871	—	—	—	413,871
Balance, June 30, 2023	1,118,269	\$ 5,591	\$ 4,869,791	\$ 5,120,063	\$ (155,725)	(70,784)	\$ (1,998,256)	\$ 7,841,464
Stock-based compensation	—	—	17,605	—	—	—	—	17,605
Stock options/awards	229	1	5,893	—	—	—	—	5,894
Unrealized gain (loss), net on available-for-sale securities	—	—	—	—	1,272	—	—	1,272
Repurchase of common stock	—	—	—	—	—	(7,294)	(402,200)	(402,200)
Foreign currency translation	—	—	—	—	(48,280)	—	—	(48,280)
Net gains on commodity derivatives	—	—	—	—	4,700	—	—	4,700
Net income	—	—	—	452,694	—	—	—	452,694
Balance, September 30, 2023	<u>1,118,498</u>	<u>\$ 5,592</u>	<u>\$ 4,893,289</u>	<u>\$ 5,572,757</u>	<u>\$ (198,033)</u>	<u>(78,078)</u>	<u>\$ (2,400,456)</u>	<u>\$ 7,873,149</u>

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE- AND NINE-MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands) (Unaudited) (Continued)

	Common stock		Additional	Retained	Accumulated Other	Treasury stock		Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive (Loss) Income	Shares	Amount	Stockholders' Equity
Balance, December 31, 2021	1,280,086	\$ 6,400	\$ 4,649,420	\$ 7,809,549	\$ (69,165)	(221,440)	\$(5,829,253)	\$ 6,566,951
Stock-based compensation	—	—	16,175	—	—	—	—	16,175
Stock options/awards	970	6	4,504	—	—	—	—	4,510
Unrealized gain (loss), net on available-for-sale securities	—	—	—	—	(4,059)	—	—	(4,059)
Repurchase of common stock	—	—	—	—	—	(332)	(12,187)	(12,187)
Foreign currency translation	—	—	—	—	1,079	—	—	1,079
Net income	—	—	—	294,203	—	—	—	294,203
Balance, March 31, 2022	1,281,056	\$ 6,406	\$ 4,670,099	\$ 8,103,752	\$ (72,145)	(221,772)	\$(5,841,440)	\$ 6,866,672
Stock-based compensation	—	—	16,157	—	—	—	—	16,157
Stock options/awards	832	4	18,108	—	—	—	—	18,112
Unrealized gain (loss), net on available-for-sale securities	—	—	—	—	(1,105)	—	—	(1,105)
Repurchase of common stock	—	—	—	—	—	(6,572)	(284,311)	(284,311)
Foreign currency translation	—	—	—	—	(79,707)	—	—	(79,707)
Net income	—	—	—	273,360	—	—	—	273,360
Balance, June 30, 2022	1,281,888	\$ 6,410	\$ 4,704,364	\$ 8,377,112	\$ (152,957)	(228,344)	\$(6,125,751)	\$ 6,809,178
Stock-based compensation	—	—	16,436	—	—	—	—	16,436
Stock options/awards	602	3	12,133	—	—	—	—	12,136
Unrealized gain (loss), net on available-for-sale securities	—	—	—	—	(2,675)	—	—	(2,675)
Repurchase of common stock	—	—	—	—	—	(6,216)	(272,880)	(272,880)
Foreign currency translation	—	—	—	—	(68,822)	—	—	(68,822)
Net income	—	—	—	322,387	—	—	—	322,387
Balance, September 30, 2022	<u>1,282,490</u>	<u>\$ 6,413</u>	<u>\$ 4,732,933</u>	<u>\$ 8,699,499</u>	<u>\$ (224,454)</u>	<u>(234,560)</u>	<u>\$(6,398,631)</u>	<u>\$ 6,815,760</u>

¹ Stock Split - The accompanying condensed consolidated financial statements and notes thereto have been retroactively updated to reflect the Stock Split. See Note 1 for additional information.

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands) (Unaudited)

	Nine-Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,264,009	\$ 889,950
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,364	46,040
Non-cash lease expense	6,471	5,180
Gain on disposal of property and equipment	(686)	(253)
Gain on Bang Transaction	(45,382)	—
Loss on impairment of intangibles	2,800	—
Stock-based compensation	52,465	49,167
Deferred income taxes	—	29,710
Effect on cash of changes in operating assets and liabilities net of acquisition:		
Accounts receivable	(218,804)	(202,447)
Inventories	69,796	(297,140)
Prepaid expenses and other assets	(67,368)	(39,204)
Prepaid income taxes	8,032	7,867
Accounts payable	109,823	52,663
Accrued liabilities	24,697	(2,572)
Accrued promotional allowances	42,425	89,236
Accrued compensation	3,523	(6,636)
Income taxes payable	4,217	(12,823)
Other liabilities	(3,636)	(3,492)
Deferred revenue	(19,320)	(16,060)
Net cash provided by operating activities	1,283,426	589,186
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of available-for-sale investments	1,546,038	1,823,943
Purchases of available-for-sale investments	(1,405,233)	(1,393,910)
Acquisition of Bang Energy	(363,385)	—
Acquisition of CANarchy, net of cash	—	(329,472)
Purchases of property and equipment	(110,224)	(136,158)
Proceeds from sale of property and equipment	1,753	603
Additions to intangibles	(9,110)	(3,578)
Increase in other assets	(19,862)	(19,171)
Net cash used in investing activities	(360,023)	(57,743)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on debt	(11,273)	(719)
Issuance of common stock	65,560	34,759
Purchases of common stock held in treasury	(488,080)	(493,315)
Net cash used in financing activities	(433,793)	(459,275)
Effect of exchange rate changes on cash and cash equivalents	(22,902)	(95,582)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	466,708	(23,414)
CASH AND CASH EQUIVALENTS, beginning of period	1,307,141	1,326,462
CASH AND CASH EQUIVALENTS, end of period	\$ 1,773,849	\$ 1,303,048
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for:		
Interest	\$ 254	\$ 359
Income taxes	\$ 348,948	\$ 297,526

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands) (Unaudited) (Continued)

SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS

Included in accrued liabilities as of September 30, 2023 and 2022 were \$14.3 million and \$14.4 million, respectively, related to net additions to other intangible assets.

Included in accounts payable as of September 30, 2023 and 2022 were available-for-sale short-term investment purchases of \$8.7 million and \$7.9 million, respectively.

Included in accounts payable as of September 30, 2023 and 2022 were \$2.0 million and \$2.6 million, respectively, related to equipment purchases.

Included in accounts payable as of September 30, 2023 and 2022, respectively, were purchases of common stock held in treasury of \$2.6 million and \$76.1 million.

Included in accounts receivable as of September 30, 2023 were available-for-sale short-term investment sales of \$5.9 million.

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

1. BASIS OF PRESENTATION

Reference is made to the Notes to Consolidated Financial Statements, in Monster Beverage Corporation and Subsidiaries (the “Company”) Annual Report on Form 10-K for the year ended December 31, 2022 for a summary of significant accounting policies utilized by the Company and its consolidated subsidiaries and other disclosures, which should be read in conjunction with this Quarterly Report on Form 10-Q (“Form 10-Q”).

The Company’s condensed consolidated financial statements included in this Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and Securities and Exchange Commission (“SEC”) rules and regulations applicable to interim financial reporting. They do not include all the information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP. The information set forth in these interim condensed consolidated financial statements for the three- and nine-months ended September 30, 2023 and 2022, respectively, is unaudited and reflects all adjustments, which include only normal recurring adjustments and which in the opinion of management are necessary to make the interim condensed consolidated financial statements not misleading. Results of operations for periods covered by this report may not necessarily be indicative of results of operations for the full year.

The preparation of financial statements in conformity with GAAP necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Treasury Stock Retirement – On March 10, 2023, the Company retired 170.0 million shares (stock split adjusted) of treasury stock owned by the Company. The retired treasury stock had a carrying value of approximately \$4.69 billion. The Company’s accounting policy upon the formal retirement of treasury stock is to deduct its par value from common stock and to reflect any excess of cost over par as a deduction from retained earnings.

Stock Split – On February 28, 2023, the Company announced a two-for-one stock split of the Company’s common stock to be effected in the form of a 100% stock dividend. The common stock dividend was issued on March 27, 2023 (the “Stock Split”) and the Company’s common stock began trading at the split adjusted price on March 28, 2023. Accordingly, all per share amounts, average common stock outstanding, common stock outstanding, common stock repurchased and equity-based compensation presented in the condensed consolidated financial statements and notes have been adjusted retroactively, where applicable, to reflect the Stock Split. Stockholders’ equity has been retroactively adjusted, where applicable, to give effect to the Stock Split for all periods presented by reclassifying the par value of the additional shares issued in connection with the Stock Split to Common Stock from Retained Earnings and Additional Paid-in Capital.

Derivative Financial Instruments – The Company uses derivative financial instruments for the purpose of hedging risk exposures to fluctuations in foreign currency exchange rates and aluminum commodity prices. The Company’s derivative instruments are recorded in the consolidated balance sheets at fair value. The Company values each derivative financial instrument by obtaining valuation information from a reliable and observable market source. For a derivative designated as a cash flow hedge, the derivative’s mark to fair value is initially recorded as a component of accumulated other comprehensive income (loss) and subsequently reclassified into earnings when the hedged item affects earnings, unless it is probable that the forecasted transaction will not occur. Derivatives that do not qualify for hedge accounting are marked to fair value with gains and losses immediately recorded in earnings. In the consolidated statements of cash flows, derivative activities are classified based on the cash flows of the items being hedged. Upon the dedesignation of an effective derivative contract, the gains or losses are deferred in accumulated other comprehensive income (loss) until the originally hedged item affects earnings, unless it is probable the hedged item will not occur, at which time it is recognized immediately. Any gains or losses incurred after the dedesignation date are recorded in earnings immediately.

Recent Accounting Pronouncements

There have been no changes in recently issued or adopted accounting pronouncements that would materially impact the Company from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

2. ACQUISITIONS

On July 31, 2023, a subsidiary of the Company, Blast Asset Acquisition LLC, completed its acquisition of substantially all of the assets of Vital Pharmaceuticals, Inc. and its debtor affiliates (collectively, “Bang Energy”) (the “Bang Transaction”). The acquired assets primarily include Bang Energy® drinks and a beverage production facility in Phoenix, AZ.

The Company accounted for the Bang Transaction in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805 “Business Combinations”. Under the acquisition method of accounting, the Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. During the three-months ended September 30, 2023, in connection with the Bang Transaction, the Company recorded a gain of \$45.4 million in interest and other income (expense), net within the condensed consolidated statements of income and reported within the Corporate and Unallocated segment (the “Bang Transaction Gain”). During the three-and nine-months ended September 30, 2023, the Company incurred approximately \$8.0 million and \$15.1 million, respectively, of acquisition costs related to the Bang Transaction.

The following table summarizes the preliminary fair value allocations of the Bang Transaction:

	Identifiable Assets Acquired and (Liabilities) Assumed	Consideration Transferred
Intangibles - trademarks (non-amortizing)	\$ 209,000	\$ —
Intangibles - customer relationships (amortizing)	23,000	—
Property and equipment, net	143,200	—
Inventory	30,496	—
Right-of-use assets	12,523	—
Operating lease liabilities	(12,523)	—
Working capital (excluding inventory)	2,871	—
Other	200	—
Cash	—	363,385
Bang Transaction Gain	—	45,382
Total	<u>\$ 408,767</u>	<u>\$ 408,767</u>

The fair value analysis has yet to progress to a stage where there is sufficient information for a definitive measurement of the respective fair values. Accordingly, the respective fair value allocations are preliminary and are based on valuations derived from estimated fair value assumptions used by management. The Company expects to complete its fair value analysis at a level of detail necessary to finalize the underlying fair value allocations as soon as practicable, but no later than twelve months from the closing of the Bang Transaction. Any differences between the final respective fair value allocations and the preliminary management estimates may have an impact on the Company’s financial position and results of operations.

The Company determined the fair values as follows:

- Trademarks – relief-from-royalty method of the income approach
- Customer relationships – multi-period excess earnings method of the income approach
- Property and equipment – cost approach and market approach
- Inventory – comparative sales method and replacement cost method
- Bang Transaction Gain - residual of net assets acquired less cash consideration transferred

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The book value of the working capital (excluding inventory) approximates fair value due to the short-term nature of the accounts.

For tax purposes, the Bang Transaction was recorded as an asset purchase.

In accordance with Regulation S-X, pro forma unaudited condensed financial information for the Bang Transaction has not been provided as the impact of the transaction on the Company's financial position, results of operations and liquidity was not material.

3. REVENUE RECOGNITION

Revenues are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Consumers". The Company has four operating and reportable segments: (i) Monster Energy® Drinks segment ("Monster Energy® Drinks"), which is primarily comprised of the Company's Monster Energy® drinks, Reign Storm™ total wellness energy drinks, Reign® Total Body Fuel high performance energy drinks, Bang Energy® drinks and Monster Tour Water® (ii) Strategic Brands segment ("Strategic Brands"), which is primarily comprised of the various energy drink brands acquired from The Coca-Cola Company ("TCCC") in 2015 as well as the Company's affordable energy brands, (iii) Alcohol Brands segment ("Alcohol Brands"), which is primarily comprised of the various craft beers and hard seltzers purchased as part of the acquisition of CANarchy Craft Brewery Collective LLC ("CANarchy") on February 17, 2022 (the "CANarchy Transaction") as well as The Beast Unleashed™ flavored malt beverages ("FMBs") and (iv) Other segment ("Other"), which is primarily comprised of certain products sold by American Fruits and Flavors, LLC, a wholly-owned subsidiary of the Company, to independent third-party customers (the "AFF Third-Party Products").

The Company's Monster Energy® Drinks segment primarily generates net operating revenues by selling ready-to-drink packaged energy drinks primarily to bottlers and full service beverage bottlers/distributors ("bottlers/distributors"). In some cases, the Company sells ready-to-drink packaged energy drinks directly to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience and gas chains, drug stores, foodservice customers, value stores, e-commerce retailers and the military.

The Company's Strategic Brands segment primarily generates net operating revenues by selling "concentrates" and/or "beverage bases" to authorized bottling and canning operations. Such bottlers generally combine the concentrates and/or beverage bases with sweeteners, water and other ingredients to produce ready-to-drink packaged energy drinks. The ready-to-drink packaged energy drinks are then sold by such bottlers to other bottlers/distributors and to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience and gas chains, foodservice customers, drug stores, value stores, e-commerce retailers and the military. To a lesser extent, the Strategic Brands segment generates net operating revenues by selling certain ready-to-drink packaged energy drinks to bottlers/distributors.

The Company's Alcohol Brands segment primarily generates operating revenues by selling kegged and ready-to-drink canned beers, hard seltzers and FMBs primarily to beer distributors in the United States.

The majority of the Company's revenue is recognized when it satisfies a single performance obligation by transferring control of its products to a customer. Control is generally transferred when the Company's products are either shipped or delivered based on the terms contained within the underlying contracts or agreements. Certain of the Company's bottlers/distributors may also perform a separate function as a co-packer on the Company's behalf. In such cases, control of the Company's products passes to such bottlers/distributors when they notify the Company that they have taken possession or transferred the relevant portion of the Company's finished goods. The Company's general payment terms are short-term in duration. The Company does not have significant financing components or payment terms. The Company did not have any material unsatisfied performance obligations as of September 30, 2023 and December 31, 2022.

The Company excludes from revenues all taxes assessed by a governmental authority that are imposed on the sale of its products and collected from customers.

Distribution expenses to transport the Company's products, where applicable, and warehousing expense after manufacture are accounted for within operating expenses.

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Promotional and other allowances (variable consideration) recorded as a reduction to net sales for the Company's energy drink products primarily include consideration given to the Company's non-alcohol bottlers/distributors or retail customers including, but not limited to, the following:

- discounts granted off list prices to support price promotions to end-consumers by retailers;
- reimbursements given to the Company's bottlers/distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products;
- the Company's agreed share of fees given to bottlers/distributors and/or directly to retailers for advertising, in-store marketing and promotional activities;
- the Company's agreed share of slotting, shelf space allowances and other fees given directly to retailers, club stores and/or wholesalers;
- incentives given to the Company's bottlers/distributors and/or retailers for achieving or exceeding certain predetermined sales goals;
- discounted or free products;
- contractual fees given to the Company's bottlers/distributors related to sales made directly by the Company to certain customers that fall within the bottlers'/distributors' sales territories; and
- commissions to TCCC based on the Company's sales to wholly-owned subsidiaries of TCCC (the "TCCC Subsidiaries") and/or to TCCC bottlers/distributors accounted for under the equity method by TCCC (the "TCCC Related Parties").

The Company's promotional allowance programs for its energy drink products are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, typically ranging from one week to one year. The Company's promotional and other allowances for its energy drink products are calculated based on various programs with bottlers/distributors and retail customers, and accruals are established at the time of initial product sale for the Company's anticipated liabilities. These accruals are based on agreed upon terms as well as the Company's historical experience with similar programs and require management's judgment with respect to estimating consumer participation and/or bottler/distributor and retail customer performance levels. Differences between such estimated expenses and actual expenses for promotional and other allowance costs have historically been insignificant and are recognized in earnings in the period such differences are determined. Promotional and other allowances for our Alcohol Brands segment primarily include price promotions where permitted.

Amounts received pursuant to new and/or amended distribution agreements entered into with certain bottlers/distributors relating to the costs associated with terminating the Company's prior distributors, are accounted for as deferred revenue and recognized as revenue ratably over the anticipated life of the respective distribution agreements, generally over 20 years.

The Company also enters into license agreements that generate revenues associated with third-party sales of non-beverage products bearing the Company's trademarks including, but not limited to, clothing, hats, t-shirts, jackets, helmets and automotive wheels.

Management believes that adequate provision has been made for cash discounts, returns and spoilage based on the Company's historical experience.

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Disaggregation of Revenue

The following tables disaggregate the Company's revenue by geographical markets and reportable segments:

Three-Months Ended September 30, 2023					
Net Sales	U.S. and Canada	EMEA ¹	Asia Pacific (including Oceania)	Latin America and Caribbean	Total
Monster Energy® Drinks	\$ 1,069,856	\$ 355,898	\$ 118,869	\$ 163,618	\$ 1,708,241
Strategic Brands	50,084	35,985	8,398	4,296	98,763
Alcohol Brands	42,326	—	—	—	42,326
Other	6,698	—	—	—	6,698
Total Net Sales	<u>\$ 1,168,964</u>	<u>\$ 391,883</u>	<u>\$ 127,267</u>	<u>\$ 167,914</u>	<u>\$ 1,856,028</u>

Three-Months Ended September 30, 2022					
Net Sales	U.S. and Canada	EMEA ¹	Asia Pacific (including Oceania)	Latin America and Caribbean	Total
Monster Energy® Drinks	\$ 982,952	\$ 288,077	\$ 100,288	\$ 130,902	\$ 1,502,219
Strategic Brands	44,025	32,565	8,805	3,407	88,802
Alcohol Brands	26,818	—	—	—	26,818
Other	6,447	—	—	—	6,447
Total Net Sales	<u>\$ 1,060,242</u>	<u>\$ 320,642</u>	<u>\$ 109,093</u>	<u>\$ 134,309</u>	<u>\$ 1,624,286</u>

¹ Europe, Middle East and Africa ("EMEA")

Nine-Months Ended September 30, 2023					
Net Sales	U.S. and Canada	EMEA ¹	Asia Pacific (including Oceania)	Latin America and Caribbean	Total
Monster Energy® Drinks	\$ 3,160,071	\$ 972,531	\$ 379,342	\$ 444,854	\$ 4,956,798
Strategic Brands	140,353	108,986	25,209	10,263	284,811
Alcohol Brands	149,692	—	—	—	149,692
Other	18,618	—	—	—	18,618
Total Net Sales	<u>\$ 3,468,734</u>	<u>\$ 1,081,517</u>	<u>\$ 404,551</u>	<u>\$ 455,117</u>	<u>\$ 5,409,919</u>

Nine-Months Ended September 30, 2022					
Net Sales	U.S. and Canada	EMEA ¹	Asia Pacific (including Oceania)	Latin America and Caribbean	Total
Monster Energy® Drinks	\$ 2,882,306	\$ 857,805	\$ 327,632	\$ 377,012	\$ 4,444,755
Strategic Brands	135,445	91,912	22,943	10,236	260,536
Alcohol Brands ²	74,472	—	—	—	74,472
Other	18,356	—	—	—	18,356
Total Net Sales	<u>\$ 3,110,579</u>	<u>\$ 949,717</u>	<u>\$ 350,575</u>	<u>\$ 387,248</u>	<u>\$ 4,798,119</u>

¹ Europe, Middle East and Africa ("EMEA")

² Effectively from February 17, 2022 to September 30, 2022

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Contract Liabilities

Amounts received from certain bottlers/distributors at inception of their distribution contracts or at the inception of certain sales/marketing programs are accounted for as deferred revenue. As of September 30, 2023, the Company had \$249.3 million of deferred revenue, which is included in current and long-term deferred revenue in the Company's condensed consolidated balance sheet. As of December 31, 2022, the Company had \$267.1 million of deferred revenue, which is included in current and long-term deferred revenue in the Company's condensed consolidated balance sheet. During both the three-months ended September 30, 2023 and 2022, \$10.0 million of deferred revenue was recognized in net sales. See Note 11. During both the nine-months ended September 30, 2023 and 2022, \$30.0 million of deferred revenue was recognized in net sales. See Note 11.

4. LEASES

The Company leases identified assets consisting primarily of office and warehouse space, warehouse equipment and vehicles. Leases are classified as either finance leases or operating leases based on criteria in ASC 842, "Leases". The Company's leases have remaining lease terms of less than one year to 11 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year.

The components of lease cost were as follows:

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 2,968	\$ 2,306	\$ 8,051	\$ 6,238
Short-term lease cost	2,209	1,001	4,258	2,870
Variable lease cost	295	189	736	567
Finance leases:				
Amortization of right-of-use assets	383	140	708	415
Interest on lease liabilities	88	8	146	18
Finance lease cost	471	148	854	433
Total lease cost	\$ 5,943	\$ 3,644	\$ 13,899	\$ 10,108

Supplemental cash flow information related to leases was as follows:

	Nine-Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 7,600	\$ 5,859
Operating cash outflows from finance leases	146	18
Financing cash outflows from finance leases	3,660	1,678
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	10,120	1,654
Operating leases	15,944	20,093

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Supplemental balance sheet information related to leases was as follows:

	Balance Sheet Location	September 30, 2023	December 31, 2022
Operating leases:			
Right-of-use assets	Other assets	\$ 47,160	\$ 38,012
Current lease liabilities	Accrued liabilities	\$ 9,119	\$ 7,747
Noncurrent lease liabilities	Other liabilities	38,111	29,586
Total operating lease liabilities		<u>\$ 47,230</u>	<u>\$ 37,333</u>
Finance leases:			
Right-of-use assets	Property and equipment, net	\$ 9,824	\$ 1,598
Current lease liabilities	Accrued liabilities	\$ 7,232	\$ 757
Noncurrent lease liabilities	Other liabilities	24	41
Total finance lease liabilities		<u>\$ 7,256</u>	<u>\$ 798</u>

Weighted-average remaining lease term and weighted-average discount rate for the Company's leases were as follows:

	September 30, 2023	December 31, 2022
Weighted-average remaining lease term in years:		
Operating leases	6.5	6.7
Finance leases	0.8	0.8
Weighted-average discount rate:		
Operating leases	4.0 %	3.4 %
Finance leases	6.2 %	3.6 %

The following table outlines maturities of the Company's lease liabilities as of September 30, 2023:

	Operating Leases	Finance Leases
2023 (from October 1, 2023 to December 31, 2023)	\$ 2,512	\$ 2,619
2024	10,271	4,814
2025	8,183	17
2026	6,978	2
2027	6,754	—
2028 and thereafter	19,254	—
Total lease payments	53,952	7,452
Less imputed interest	(6,722)	(196)
Total	<u>\$ 47,230</u>	<u>\$ 7,256</u>

As of September 30, 2023, the Company did not have any significant additional leases that had not yet commenced.

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5. INVESTMENTS

The following table summarizes the Company's investments at:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Continuous Unrealized Loss Position less than 12 Months	Continuous Unrealized Loss Position greater than 12 Months
September 30, 2023						
Available-for-sale						
Short-term:						
Commercial paper	\$ 270,002	\$ —	\$ 2	\$ 270,000	\$ 2	\$ —
Certificates of deposit	15,366	—	—	15,366	—	—
Municipal securities	29,862	—	29	29,833	29	—
U.S. government agency securities	153,356	8	311	153,053	311	—
U.S. treasuries	536,966	9	1,234	535,741	1,234	—
Corporate bonds	233,328	5	574	232,759	574	—
Long-term:						
U.S. government agency securities	11,489	—	12	11,477	12	—
U.S. treasuries	30,364	3	29	30,338	29	—
Corporate bonds	10,845	—	24	10,821	24	—
Total	<u>\$ 1,291,578</u>	<u>\$ 25</u>	<u>\$ 2,215</u>	<u>\$ 1,289,388</u>	<u>\$ 2,215</u>	<u>\$ —</u>
December 31, 2022						
Available-for-sale						
Short-term:						
Commercial paper	\$ 197,712	\$ 1	\$ 4	\$ 197,709	\$ 4	\$ —
Certificates of deposit	10,078	—	—	10,078	—	—
Municipal securities	211,791	60	612	211,239	612	—
U.S. government agency securities	109,697	3	715	108,985	715	—
U.S. treasuries	838,825	17	4,539	834,303	4,539	—
Long-term:						
U.S. government agency securities	2,016	—	3	2,013	3	—
U.S. treasuries	53,215	20	71	53,164	71	—
Variable rate demand notes	6,266	—	—	6,266	—	—
Total	<u>\$ 1,429,600</u>	<u>\$ 101</u>	<u>\$ 5,944</u>	<u>\$ 1,423,757</u>	<u>\$ 5,944</u>	<u>\$ —</u>

During the three- and nine-months ended September 30, 2023 and 2022, realized gains or losses recognized on the sale of investments were not significant.

The Company's investments at September 30, 2023 and December 31, 2022 carried investment grade credit ratings.

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The following table summarizes the underlying contractual maturities of the Company's investments at:

	September 30, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year:				
Commercial paper	\$ 270,002	\$ 270,000	\$ 197,712	\$ 197,710
Municipal securities	29,862	29,833	211,791	211,239
U.S. government agency securities	153,356	153,053	109,697	108,985
Certificates of deposit	15,366	15,366	10,078	10,078
U.S. treasuries	536,966	535,741	838,825	834,302
Corporate bonds	233,328	232,759	—	—
Due 1 - 10 years:				
U.S. treasuries	30,364	30,338	53,215	53,164
U.S. government agency securities	11,489	11,477	2,016	2,013
Variable rate demand notes	—	—	4,862	4,862
Corporate bonds	10,845	10,821	—	—
Due 11 - 20 years:				
Variable rate demand notes	—	—	1,404	1,404
Total	<u>\$ 1,291,578</u>	<u>\$ 1,289,388</u>	<u>\$ 1,429,600</u>	<u>\$ 1,423,757</u>

6. FAIR VALUE OF CERTAIN FINANCIAL ASSETS AND LIABILITIES

ASC 820, "Fair Value Measurement", provides a framework for measuring fair value and requires disclosures regarding fair value measurements. ASC 820 defines fair value as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available. The three levels of inputs required by the standard that the Company uses to measure fair value are summarized below.

- **Level 1:** Quoted prices in active markets for identical assets or liabilities.
- **Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ASC 820 requires the use of observable market inputs (quoted market prices) when measuring fair value and requires a Level 1 quoted price to be used to measure fair value whenever possible.

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The following tables present the fair value of the Company's financial assets and liabilities that are recorded at fair value on a recurring basis, segregated among the appropriate levels within the fair value hierarchy at:

September 30, 2023	Level 1	Level 2	Level 3	Total
Cash	\$ 983,999	\$ —	\$ —	\$ 983,999
Money market funds	588,799	—	—	588,799
Certificates of deposit	—	53,784	—	53,784
Commercial paper	—	270,000	—	270,000
Corporate bonds	—	243,580	—	243,580
Municipal securities	—	29,833	—	29,833
U.S. government agency securities	—	190,712	—	190,712
U.S. treasuries	—	702,530	—	702,530
Foreign currency derivatives	—	695	—	695
Commodity derivatives	—	3,434	—	3,434
Total	\$ 1,572,798	\$ 1,494,568	\$ —	\$ 3,067,366

Amounts included in:				
Cash and cash equivalents	\$ 1,572,798	\$ 201,051	\$ —	\$ 1,773,849
Short-term investments	—	1,236,752	—	1,236,752
Accounts receivable, net	—	4,887	—	4,887
Other assets	—	371	—	371
Investments	—	52,636	—	52,636
Accrued liabilities	—	(1,129)	—	(1,129)
Total	\$ 1,572,798	\$ 1,494,568	\$ —	\$ 3,067,366

December 31, 2022	Level 1	Level 2	Level 3	Total
Cash	\$ 1,132,509	\$ —	\$ —	\$ 1,132,509
Money market funds	121,444	—	—	121,444
Certificates of deposit	—	10,078	—	10,078
Commercial paper	—	225,067	—	225,067
Variable rate demand notes	—	6,266	—	6,266
Municipal securities	—	213,798	—	213,798
U.S. government agency securities	—	113,357	—	113,357
U.S. treasuries	—	908,379	—	908,379
Foreign currency derivatives	—	(3,733)	—	(3,733)
Total	\$ 1,253,953	\$ 1,473,212	\$ —	\$ 2,727,165

Amounts included in:				
Cash and cash equivalents	\$ 1,253,953	\$ 53,188	\$ —	\$ 1,307,141
Short-term investments	—	1,362,314	—	1,362,314
Accounts receivable, net	—	965	—	965
Investments	—	61,443	—	61,443
Accrued liabilities	—	(4,698)	—	(4,698)
Total	\$ 1,253,953	\$ 1,473,212	\$ —	\$ 2,727,165

All of the Company's short-term and long-term investments are classified within Level 1 or Level 2 of the fair value hierarchy. The Company's valuation of its Level 1 investments is based on quoted market prices in active markets for identical securities. The Company's valuation of its Level 2 investments is based on other observable inputs, specifically a market approach which utilizes valuation models, pricing systems, mathematical tools and other relevant information for the same or similar securities. The Company's valuation of its Level 2 foreign currency exchange contracts is based on quoted market prices of the same or similar instruments, adjusted for counterparty risk. There were no transfers between Level 1 and Level 2 measurements during the three- and nine-months ended September 30, 2023, or during the year-ended December 31, 2022, and there were no changes in the Company's valuation techniques.

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7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company accounts for its derivative instruments and hedging activities under ASC 815, “Derivatives and Hedging.” The following table presents the fair values of the Company’s derivative instruments:

Derivatives designated as hedging instruments	Fair value		Balance Sheet location
	September 30, 2023	December 31, 2022	
Assets:			
Commodity contracts	\$ 3,273	\$ —	Accounts receivable, net
Commodity contracts	\$ 371	\$ —	Other assets
Liabilities:			
Commodity contracts	\$ (210)	\$ —	Accrued liabilities

Derivatives not designated as hedging instruments	Fair value		Balance Sheet location
	September 30, 2023	December 31, 2022	
Assets:			
Foreign currency exchange contracts	\$ 1,614	\$ 965	Accounts receivable, net
Liabilities:			
Foreign currency exchange contracts	\$ (919)	\$ (4,698)	Accrued liabilities

Cash Flow Hedging Strategy

The Company uses cash flow hedges to minimize the variability in cash flows of forecasted transactions caused by fluctuations in commodity prices. The changes in the fair values of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss) (“AOCI”) and are reclassified into the line item in our condensed consolidated statement of income in which the hedged items are recorded in the same period that the hedged items affect earnings. The changes in the fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. The maximum length of time for which the Company hedges its exposure to the variability in future cash flows is currently less than two years.

The Company has entered into commodity hedge contracts to mitigate the price risk associated with a portion of its forecasted aluminum purchases. These derivative instruments were designated as part of the Company’s commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of aluminum. The total notional values of derivatives that were designated and qualified for this program were \$83.8 million as of September 30, 2023. Transactions under the commodity cash flow hedging program were executed beginning in May 2023.

The following table presents the impact that changes in the fair values of derivatives designated as cash flow hedges had on other comprehensive income (“OCI”), AOCI and earnings:

Three-months ended September 30, 2023			
Derivatives designated as hedging instruments	Gain (loss) recognized in AOCI	Location of gain (loss) recognized in income	Gain (loss) reclassified from AOCI into income
Commodity contracts	\$ 4,700	Cost of sales	\$ —

Nine-months ended September 30, 2023			
Derivatives designated as hedging instruments	Gain (loss) recognized in AOCI	Location of gain (loss) recognized in income	Gain (loss) reclassified from AOCI into income
Commodity contracts	\$ 3,434	Cost of sales	\$ —

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As of September 30, 2023, the Company estimates that it will reclassify into earnings net gains (losses) of \$3.1 million from the amount recorded in AOCI as the anticipated cash flows occur during the next 12 months.

Economic (Non-Designated) Hedging Strategy

The Company is exposed to foreign currency exchange rate risks related primarily to its foreign business operations. During the nine-months ended September 30, 2023 and the year-ended December 31, 2022, the Company entered into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries' non-functional currency denominated assets and liabilities. All foreign currency exchange contracts of the Company that were outstanding as of September 30, 2023 have terms of one month or less. The Company does not enter into forward currency exchange contracts for speculation or trading purposes.

The Company has not designated its foreign currency exchange contracts as hedge transactions. Therefore, gains and losses on the Company's foreign currency exchange contracts are recognized in interest and other income (expense), net, in the condensed consolidated statements of income, and are largely offset by the changes in the fair value of the underlying economically hedged item. The total notional values of derivatives related to our foreign currency economic hedges were \$310.3 million and \$299.8 million as of September 30, 2023 and December 31, 2022, respectively.

The net gains (losses) on derivatives not designated as hedging instruments in the condensed consolidated statements of income were as follows:

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivatives	Gain (loss) recognized in income on derivatives	
		Three-months ended	
		September 30, 2023	September 30, 2022
Foreign currency exchange contracts	Interest and other income (expense), net	\$ 5,080	\$ 4,631

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivatives	Gain (loss) recognized in income on derivatives	
		Nine-months ended	
		September 30, 2023	September 30, 2022
Foreign currency exchange contracts	Interest and other income (expense), net	\$ (4,695)	\$ 1,355

Certain of the Company's counterparty agreements contain provisions that require the Company to post collateral on derivative instruments in a net liability position. As of September 30, 2023, no amounts were posted as collateral.

8. INVENTORIES

Inventories consist of the following at:

	September 30, 2023	December 31, 2022
Raw materials	\$ 355,557	\$ 467,392
Work in process	1,768	1,688
Finished goods	526,257	466,551
	<u>\$ 883,582</u>	<u>\$ 935,631</u>

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9. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at:

	September 30, 2023	December 31, 2022
Land	\$ 151,963	\$ 139,798
Leasehold improvements	35,531	31,327
Furniture and fixtures	9,814	9,286
Office and computer equipment	23,657	22,386
Computer software	3,693	5,906
Equipment	360,775	244,739
Buildings	210,996	163,885
Vehicles	66,297	49,175
Assets under construction	138,328	83,553
	1,001,054	750,055
Less: accumulated depreciation and amortization	(269,846)	(233,158)
	<u>\$ 731,208</u>	<u>\$ 516,897</u>

Total depreciation and amortization expense was \$16.7 million and \$13.6 million for the three-months ended September 30, 2023 and 2022, respectively. Total depreciation and amortization expense was \$46.1 million and \$40.5 million for the nine-months ended September 30, 2023 and 2022, respectively.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a roll-forward of goodwill for the nine-months ended September 30, 2023 and 2022 by reportable segment:

	Monster Energy® Drinks	Strategic Brands	Alcohol Brands	Other	Total
Balance at December 31, 2022	\$ 693,644	\$ 637,999	\$ 86,298	\$ —	\$ 1,417,941
Acquisitions	—	—	—	—	—
Balance at September 30, 2023	<u>\$ 693,644</u>	<u>\$ 637,999</u>	<u>\$ 86,298</u>	<u>\$ —</u>	<u>\$ 1,417,941</u>

	Monster Energy® Drinks	Strategic Brands	Alcohol Brands	Other	Total
Balance at December 31, 2021	\$ 693,644	\$ 637,999	\$ —	\$ —	\$ 1,331,643
Acquisitions	—	—	81,298	—	81,298
Balance at September 30, 2022	<u>\$ 693,644</u>	<u>\$ 637,999</u>	<u>\$ 81,298</u>	<u>\$ —</u>	<u>\$ 1,412,941</u>

Intangible assets consist of the following at:

	September 30, 2023	December 31, 2022
Amortizing intangibles	\$ 144,378	\$ 121,378
Accumulated amortization	(73,007)	(68,790)
	71,371	52,588
Non-amortizing intangibles	1,388,076	1,167,822
	<u>\$ 1,459,447</u>	<u>\$ 1,220,410</u>

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Amortizing intangibles primarily consist of customer relationships. All amortizing intangibles have been assigned an estimated finite useful life and such intangibles are amortized on a straight-line basis over the number of years that approximate their respective useful lives, generally five to fifteen years. Total amortization expense was \$1.3 million and \$2.0 million for the three-months ended September 30, 2023 and 2022, respectively. Total amortization expense was \$4.2 million and \$5.6 million for the nine-months ended September 30, 2023 and 2022, respectively. For the three-months ended September 30, 2023, no intangible impairments were recorded. For the nine-months ended September 30, 2023, impairment charges of \$2.8 million were recorded to non-amortizing intangibles. For the three- and nine-months ended September 30, 2022, no intangible impairments were recorded.

The following is the future estimated amortization expense related to amortizing intangibles as of September 30, 2023:

2023 (from October 1, 2023 to December 31, 2023)	\$ 1,487
2024	5,948
2025	5,947
2026	5,947
2027	5,946
2028 and thereafter	46,096
	<u>\$ 71,371</u>

11. DISTRIBUTION AGREEMENTS

In the normal course of business, amounts received pursuant to new and/or amended distribution agreements entered into with certain bottlers/distributors, relating to the costs associated with terminating agreements with the Company's prior distributors, or at the inception of certain sales/marketing programs are accounted for as deferred revenue and are recognized as revenue ratably over the anticipated life of the respective agreement, generally 20 years or program duration, as the case may be. Revenue recognized was \$10.0 million for both the three-months ended September 30, 2023 and 2022. Revenue recognized was \$30.0 million for both the nine-months ended September 30, 2023 and 2022.

12. COMMITMENTS AND CONTINGENCIES

The Company had purchase commitments aggregating approximately \$269.9 million at September 30, 2023, which represented commitments made by the Company and its subsidiaries to various suppliers of raw materials for the production of its products. These obligations vary in terms, but are generally satisfied within one year.

The Company had contractual obligations aggregating approximately \$451.3 million at September 30, 2023, which related primarily to sponsorships and other marketing activities.

The Company has a credit facility with HSBC Bank (China) Company Limited, Shanghai Branch, of \$15.0 million. At September 30, 2023, the interest rate on borrowings under the line of credit was 5.5%. As of September 30, 2023, no amounts were outstanding on this line of credit.

Litigation — From time to time in the normal course of business, the Company is named in litigation, including labor and employment matters, personal injury matters, consumer class actions, intellectual property matters and claims from prior distributors. Although it is not possible to predict the ultimate outcome of such litigation, based on the facts known to the Company, management believes that such litigation in aggregate will likely not have a material adverse effect on the Company's financial position or results of operations.

The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued, if any, and any related insurance reimbursements. As of September 30, 2023, \$0.3 million of loss contingencies were included in the Company's accompanying consolidated balance sheet. As of December 31, 2022, no loss contingencies were included in the Company's accompanying consolidated balance sheet.

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On September 29, 2022, a jury in the U.S. District Court for the Central District of California (the “District Court”) awarded Monster Energy Company (“MEC”) approximately \$293 million in damages in its false advertising and trade secrets case (the “Jury Award”) against Vital Pharmaceuticals, Inc. (“VPX”), the maker of Bang Energy. The jury found VPX and its former chief executive officer John H. Owoc to have falsely advertised the “Super Creatine” ingredient of Bang Energy and to have acted willfully and deliberately in violating the federal Lanham Act. The jury also found that VPX stole trade secrets and interfered with MEC’s contracts over shelf space with certain key vendors. On April 12, 2023, the District Court granted Monster’s motion for a permanent injunction which, among other things, enjoined VPX, Mr. Owoc, and others working in concert with them from falsely or deceptively claiming that BANG or any other beverages contain creatine or a form of creatine, requires them to remove all such advertising within 60 days, and required VPX and Mr. Owoc to issue corrective statements to consumers and non-consumer partners, including retailers and distributors.

In April 2022, MEC and Orange Bang, Inc. (“Orange Bang”) filed a joint motion in a separate District Court action to confirm a final arbitration award against VPX that awarded MEC and Orange Bang \$175.0 million and a 5% royalty on all future sales of VPX’s Bang Energy drink and other Bang-branded products as well as certain fees and costs (the “Arbitration Award”). The arbitration arose from a settlement agreement that VPX entered into in 2010 with Orange Bang, a family-owned beverage business. Pursuant to the terms of that agreement, VPX is only permitted to use the Bang mark on “creatine-based” products or on Bang products that are marketed and sold only in the vitamin and dietary supplement sections of stores. On September 29, 2022, the District Court entered final judgment confirming the Arbitration Award. On October 28, 2022, VPX filed a notice of appeal of the District Court’s final judgment confirming the Arbitration award.

On October 10, 2022, VPX, along with certain of its domestic subsidiaries and affiliates, filed for protection under Chapter 11 of the Bankruptcy Code in the Southern District of Florida. Due to such ongoing proceedings, VPX’s appeal of the District Court’s final judgment confirming the Arbitration Award was stayed. While reserving all rights to appeal, VPX made its first royalty payment of \$3.6 million on February 14, 2023, which is for sales of Bang Energy drink and other Bang-branded products from October 10, 2022 through December 31, 2022. On May 25, 2023, VPX made an additional royalty payment in the amount of approximately \$3.7 million for sales of Bang-branded products from January 1, 2023 through March 31, 2023. Per ASC 450 “Contingencies”, the Company will not recognize the royalty payments until they are realized or realizable.

On June 28, 2023, VPX and certain of its affiliates (“Bang Energy”) entered into an Asset Purchase Agreement (the “APA”) with the Company (“Buyer”), which among other things, provided for the Buyer’s acquisition of substantially all of Bang Energy’s assets. The transactions contemplated by the APA were approved by the U.S. Bankruptcy Court for the Southern District of Florida (the “Bankruptcy Court”) on July 14, 2023 and closed on July 31, 2023, at which time Monster was deemed to have allowed general unsecured claims in VPX’s bankruptcy case relating to the Jury Award (subject to the potential modification of the Jury Award in light of pending post-verdict motions filed by MEC and VPX) and the Arbitration Award. Pursuant to the APA, Bang Energy and the Company have mutually released each other from all claims and liabilities related to the Jury Award and the Arbitration Award, except (i) any claims that the Company might have against Mr. Owoc in relation to the Jury Award and (ii) the Bankruptcy Court’s allowance of the Company’s unsecured claims in an amount of approximately \$422.0 million. Per ASC 450 “Contingencies”, the Company will not recognize the allowed general unsecured claims as it relates to VPX and its affiliates, or the Jury Award as it relates to Mr. Owoc, until they are realized or realizable.

In June 2023, the Company entered into an agreement with Orange Bang regarding the Company’s use and registration of certain Bang® trademarks and trade names. Under this agreement, the Company paid Orange Bang a one-time payment of approximately \$12.5 million and will pay a 2.5% royalty on the Company’s sales of products bearing the tradename Bang®.

On October 31, 2023, the Bankruptcy Court overseeing the chapter 11 cases of VPX and its affiliates confirmed the VPX and affiliates Plan of Reorganization that, among other things, made no modification to Monster’s allowed unsecured claims. As part of the Plan of Reorganization, a Liquidating Trust is formed to pursue all claims not released under the Plan of Reorganization, and to liquidate any assets still owned by VPX and its affiliates. The Company has one of three seats on the Oversight Board that oversees the appointed Liquidating Trustee’s efforts to pursue litigation and otherwise liquidate any remaining assets. As provided herein, per ASC 450 “Contingencies”, the Company will not recognize the allowed unsecured claims until they are realized or realizable.

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13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss by component, after tax, for the nine-months ended September 30, 2023 and 2022 are as follows:

	Accumulated Net Gains on Commodity Derivatives	Currency Translation Gains (Losses)	Unrealized Gains (Losses) on Available-for- Sale Securities	Total
Balance at December 31, 2022	\$ —	\$ (153,230)	\$ (5,843)	\$ (159,073)
Other comprehensive income before reclassifications	3,434	(46,074)	3,680	(38,960)
Net current-period other comprehensive (loss) gain	3,434	(46,074)	3,680	(38,960)
Balance at September 30, 2023	<u>\$ 3,434</u>	<u>\$ (199,304)</u>	<u>\$ (2,163)</u>	<u>\$ (198,033)</u>
	Accumulated Net Gains on Commodity Derivatives	Currency Translation Losses	Unrealized Losses on Available-for- Sale Securities	Total
Balance at December 31, 2021	\$ —	\$ (68,209)	\$ (956)	\$ (69,165)
Other comprehensive loss before reclassifications	—	(147,450)	(7,840)	(155,290)
Net current-period other comprehensive loss	—	(147,450)	(7,840)	(155,290)
Balance at September 30, 2022	<u>\$ —</u>	<u>\$ (215,659)</u>	<u>\$ (8,796)</u>	<u>\$ (224,455)</u>

14. TREASURY STOCK

On March 10, 2023, the Company retired 170.0 million shares (stock split adjusted) of treasury stock owned by the Company. The retired stock had a carrying value of approximately \$4.69 billion. The Company's accounting policy upon the formal retirement of treasury stock is to deduct its par value from common stock and to reflect any excess of cost over par as a deduction from retained earnings.

On June 14, 2022, the Company's Board of Directors authorized a share repurchase program for the purchase of up to \$500.0 million of the Company's outstanding common stock (the "June 2022 Repurchase Plan"). During the three-months ended September 30, 2023, the Company purchased approximately 3.3 million shares of common stock at an average purchase price of \$55.52 per share, for a total amount of approximately \$182.8 million (excluding broker commissions), which exhausted the availability under the June 2022 Repurchase Plan.

On November 2, 2022, the Company's Board of Directors authorized a share repurchase program for the purchase of up to an additional \$500.0 million of the Company's outstanding common stock (the "November 2022 Repurchase Plan"). During the three-months ended September 30, 2023, the Company purchased approximately 4.0 million shares of common stock at an average purchase price of \$54.26 per share, for a total amount of approximately \$217.1 million (excluding broker commissions), under the November 2022 Repurchase Plan. As of November 6, 2023, \$282.8 million remained available for repurchase under the November 2022 Repurchase Plan.

The aggregate amount of the Company's outstanding common stock that remains available for repurchase under all previously authorized repurchase plans is \$282.8 million as of November 6, 2023.

During the three-months ended September 30, 2023, 135 shares of common stock were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of \$7,688. While such purchases are considered common stock repurchases, they are not counted as purchases against the Company's authorized share repurchase programs. Such shares are included in common stock in treasury in the accompanying consolidated balance sheet at September 30, 2023.

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15. STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans under which shares were available for grant at September 30, 2023: (i) the Monster Beverage Corporation 2020 Omnibus Incentive Plan, including the Monster Beverage Corporation Deferred Compensation Plan as a sub-plan thereunder, and (ii) the Monster Beverage Corporation 2017 Compensation Plan for Non-Employee Directors as Amended and Restated on February 23, 2022, including the Monster Beverage Corporation Deferred Compensation Plan for Non-Employee Directors as a sub-plan thereunder.

The Company recorded \$17.9 million and \$16.6 million of compensation expense relating to outstanding options, restricted stock units, performance share units and other share-based awards during the three-months ended September 30, 2023 and 2022, respectively. The Company recorded \$52.5 million and \$49.2 million of compensation expense relating to outstanding options, restricted stock units, performance share units and other share-based awards during the nine-months ended September 30, 2023 and 2022, respectively.

The tax benefit for tax deductions from non-qualified stock option exercises, disqualifying dispositions of incentive stock options and vesting of restricted stock units and performance share units for the three-months ended September 30, 2023 and 2022 was (\$0.2) million and \$2.0 million, respectively. The tax benefit for tax deductions from non-qualified stock option exercises, disqualifying dispositions of incentive stock options and vesting of restricted stock units and performance share units for the nine-months ended September 30, 2023 and 2022 was \$29.9 million and \$4.6 million, respectively.

Stock Options

Under the Company's stock-based compensation plans, all stock options granted as of September 30, 2023 were granted at prices based on the fair value of the Company's common stock on the date of grant. The Company records compensation expense for stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton option pricing formula with the assumptions included in the table below. The Company uses historical data to determine the exercise behavior, volatility and forfeiture rate of the options.

The following weighted-average assumptions were used to estimate the fair value of options granted during:

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %
Expected volatility	27.0 %	27.6 %	27.6 %	27.7 %
Risk-free interest rate	4.2 %	2.8 %	3.7 %	2.1 %
Expected term	6.3 years	6.2 years	6.3 years	6.1 years

Expected Volatility: The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the option.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the option.

Expected Term: The Company's expected term represents the weighted-average period that the Company's stock options are expected to be outstanding. The expected term is based on the expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options to derive employee behavioral patterns used to forecast expected exercise patterns.

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The following table summarizes the Company's activities with respect to its stock option plans as follows:

Options	Number of Shares (in thousands)	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2023	29,710	\$ 26.38	5.0	\$ 724,651
Granted 01/01/23 - 03/31/23	3,962	\$ 50.82		
Granted 04/01/23 - 06/30/23	31	\$ 59.36		
Granted 07/01/23 - 09/30/23	25	\$ 57.71		
Exercised	(4,218)	\$ 15.54		
Cancelled or forfeited	(306)	\$ 40.05		
Outstanding at September 30, 2023	29,204	\$ 31.17	5.3	\$ 636,250
Vested and expected to vest in the future at September 30, 2023	28,330	\$ 30.77	5.2	\$ 628,547
Exercisable at September 30, 2023	18,467	\$ 24.70	3.5	\$ 521,638

The weighted-average grant-date fair value of options granted during the three-months ended September 30, 2023 and 2022 was \$21.01 per share and \$15.97 per share, respectively. The weighted-average grant-date fair value of options granted during the nine-months ended September 30, 2023 and 2022 was \$18.27 per share and \$11.68 per share, respectively.

The total intrinsic value of options exercised during the three-months ended September 30, 2023 and 2022 was \$7.1 million and \$15.3 million, respectively. The total intrinsic value of options exercised during the nine-months ended September 30, 2023 and 2022 was \$164.9 million and \$38.2 million, respectively.

Cash received from option exercises under all plans for the three-months ended September 30, 2023 and 2022 was \$5.9 million and \$12.1 million, respectively. Cash received from option exercises under all plans for the nine-months ended September 30, 2023 and 2022 was \$65.6 million and \$34.8 million, respectively.

At September 30, 2023, there was \$106.2 million of total unrecognized compensation expense related to non-vested options granted to employees under the Company's stock-based compensation plans. That cost is expected to be recognized over a weighted-average period of 3.2 years.

Restricted Stock Units and Performance Share Units

The cost of stock-based compensation for restricted stock units and performance share units is measured based on the closing fair market value of the Company's common stock at the date of grant. In the event that the Company has the option and intent to settle a restricted stock unit or performance share unit in cash, the award is classified as a liability and revalued at each balance sheet date.

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The following table summarizes the Company's activities with respect to non-vested restricted stock units and performance share units as follows:

	Number of Shares (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2023	2,026	\$ 36.27
Granted 01/01/23 - 03/31/23 ¹	523	\$ 48.49
Granted 04/01/23 - 06/30/23	22	\$ 59.70
Granted 07/01/23 - 09/30/23	2	\$ 56.38
Vested	(593)	\$ 32.82
Forfeited/cancelled	(12)	\$ 32.71
Non-vested at September 30, 2023	<u>1,968</u>	<u>\$ 40.86</u>

¹The grant activity for performance share units is recorded based on the target performance level earning 100% of target performance share units. The actual number of performance share units earned could range from 0% to 200% of target depending on the achievement of pre-established performance goals.

The weighted-average grant-date fair value of restricted stock units and/or performance share units granted during the three-months ended September 30, 2023 and 2022 was \$56.38 and \$47.59 per share, respectively. The weighted-average grant-date fair value of restricted stock units and/or performance share units granted during the nine-months ended September 30, 2023 and 2022 was \$51.22 and \$37.12 per share, respectively.

As of September 30, 2023, 1.9 million of restricted stock units and performance share units are expected to vest over their respective terms.

At September 30, 2023, total unrecognized compensation expense relating to non-vested restricted stock units and performance share units was \$39.5 million, which is expected to be recognized over a weighted-average period of 1.4 years.

Other Share-Based Awards

The Company has granted other share-based awards to certain employees that are payable in cash. These awards are classified as liabilities and are valued based on the fair value of the award at the grant date and are remeasured at each reporting date until settlement, with compensation expense being recognized in proportion to the completed requisite service period up until date of settlement. At September 30, 2023, other share-based awards outstanding included grants that vest over three years payable in the first quarters of 2024, 2025 and 2026.

At September 30, 2023, there was \$1.2 million of total unrecognized compensation expense related to nonvested other share-based awards granted to employees under the Company's stock-based compensation plans. That expense is expected to be recognized over a weighted-average period of 1.6 years.

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16. INCOME TAXES

The following is a roll-forward of the Company's total gross unrecognized tax benefits, not including interest and penalties, for the nine-months ended September 30, 2023:

	Gross Unrecognized Tax Benefits
Balance at December 31, 2022	\$ 3,020
Additions for tax positions related to the current year	—
Additions for tax positions related to the prior years	738
Decreases for tax positions related to the prior years	—
Balance at September 30, 2023	<u>\$ 3,758</u>

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Company's condensed consolidated financial statements. As of September 30, 2023, the Company had approximately \$0.7 million in accrued interest and penalties related to unrecognized tax benefits. If the Company were to prevail on all uncertain tax positions, the resultant impact on the Company's effective tax rate would not be significant. It is expected that any change in the amount of unrecognized tax benefits within the next 12 months will not be significant.

The Company is subject to U.S. federal income tax as well as to income tax in multiple state and foreign jurisdictions.

The Company is in various stages of examination with certain states and certain foreign jurisdictions. The Company's 2019 through 2022 U.S. federal income tax returns are subject to examination by the IRS. The Company's state income tax returns are subject to examination for the 2018 through 2022 tax years.

17. EARNINGS PER SHARE

A reconciliation of the weighted-average shares used in the basic and diluted earnings per common share computations is presented below (in thousands):

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Weighted-average shares outstanding:				
Basic	1,047,015	1,053,594	1,046,337	1,056,526
Dilutive	12,951	13,006	13,472	12,672
Diluted	<u>1,059,966</u>	<u>1,066,600</u>	<u>1,059,809</u>	<u>1,069,198</u>

For the three-months ended September 30, 2023 and 2022, options and awards outstanding totaling 4.1 million shares and 7.0 million shares, respectively, were excluded from the calculations as their effect would have been antidilutive. For the nine-months ended September 30, 2023 and 2022, options and awards outstanding totaling 3.1 million shares and 5.8 million shares, respectively, were excluded from the calculations as their effect would have been antidilutive.

18. SEGMENT INFORMATION

The Company has four operating and reportable segments: (i) Monster Energy® Drinks segment, which is primarily comprised of the Company's Monster Energy® drinks, Reign Storm™ total wellness energy drinks, Reign® Total Body Fuel high performance energy drinks, Bang Energy® drinks and Monster Tour Water® (ii) Strategic Brands segment, which is primarily comprised of the various energy drink brands acquired from TCCC in 2015 as well as the Company's affordable energy brands, (iii) Alcohol Brands segment, which is primarily comprised of the various craft beers and hard seltzers purchased as part of the CANarchy Transaction on February 17, 2022 as well as The Beast Unleashed™ FMBs and (iv) Other segment, which is primarily comprised of the AFF Third-Party Products.

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The Company's Monster Energy® Drinks segment primarily generates net operating revenues by selling ready-to-drink packaged drinks primarily to bottlers/distributors. In some cases, the Company sells ready-to-drink packaged drinks directly to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience and gas chains, drug stores, foodservice customers, value stores, e-commerce retailers and the military.

The Company's Strategic Brands segment primarily generates net operating revenues by selling "concentrates" and/or "beverage bases" to authorized bottling and canning operations. Such bottlers generally combine the concentrates and/or beverage bases with sweeteners, water and other ingredients to produce ready-to-drink packaged energy drinks. The ready-to-drink packaged energy drinks are then sold by such bottlers to other bottlers/distributors and to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience and gas chains, foodservice customers, drug stores, value stores, e-commerce retailers and the military. To a lesser extent, the Strategic Brands segment generates net operating revenues by selling certain ready-to-drink packaged energy drinks to bottlers/distributors.

Generally, the Monster Energy® Drinks segment generates higher per case net operating revenues, but lower per case gross profit margin percentages than the Strategic Brands segment.

The Company's Alcohol Brands segment primarily generates operating revenues by selling kegged and ready-to-drink canned beers, hard seltzers and FMBs primarily to beer distributors in the United States.

Generally, the Alcohol Brands segment has lower gross profit margin percentages than the Monster Energy® Drinks segment.

Corporate and unallocated amounts that do not relate to a reportable segment have been allocated to "Corporate & Unallocated." No asset information, other than goodwill and other intangible assets, has been provided in the Company's reportable segments, as management does not measure or allocate such assets on a segment basis.

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The net revenues derived from the Company's reportable segments and other financial information related thereto for the three- and nine-months ended September 30, 2023 and 2022 were as follows:

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Net sales:				
Monster Energy® Drinks ¹	\$ 1,708,242	\$ 1,502,219	\$ 4,956,797	\$ 4,444,755
Strategic Brands	98,763	88,802	284,810	260,536
Alcohol Brands ²	42,326	26,818	149,692	74,472
Other	6,697	6,447	18,620	18,356
Corporate and unallocated	—	—	—	—
	<u>\$ 1,856,028</u>	<u>\$ 1,624,286</u>	<u>\$ 5,409,919</u>	<u>\$ 4,798,119</u>

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Operating Income:				
Monster Energy® Drinks ¹	\$ 603,670	\$ 492,534	\$ 1,762,410	\$ 1,388,815
Strategic Brands	52,730	47,282	159,639	145,977
Alcohol Brands ²	(11,734)	(10,262)	(25,193)	(19,873)
Other	1,296	977	2,654	3,138
Corporate and unallocated	(135,435)	(112,601)	(380,114)	(327,688)
	<u>\$ 510,527</u>	<u>\$ 417,930</u>	<u>\$ 1,519,396</u>	<u>\$ 1,190,369</u>

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Income before tax:				
Monster Energy® Drinks ¹	\$ 604,688	\$ 493,486	\$ 1,765,018	\$ 1,391,026
Strategic Brands	52,746	47,319	159,683	146,082
Alcohol Brands ²	(11,757)	(10,124)	(25,208)	(19,620)
Other	1,315	977	2,679	3,139
Corporate and unallocated	(65,108)	(111,579)	(283,766)	(342,190)
	<u>\$ 581,884</u>	<u>\$ 420,079</u>	<u>\$ 1,618,406</u>	<u>\$ 1,178,437</u>

- (1) Includes \$10.0 million for both the three-months ended September 30, 2023 and 2022 related to the recognition of deferred revenue. Includes \$30.0 million for both the nine-months ended September 30, 2023 and 2022 related to the recognition of deferred revenue.
- (2) For the nine-months ended September 30, 2022, effectively from February 17, 2022 to September 30, 2022.

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Depreciation and amortization:				
Monster Energy® Drinks	\$ 10,023	\$ 7,773	\$ 27,830	\$ 24,035
Strategic Brands	199	234	616	709
Alcohol Brands	3,816	3,713	11,973	9,679
Other	50	1,121	1,224	3,345
Corporate and unallocated	3,891	2,768	8,721	8,272
	<u>\$ 17,979</u>	<u>\$ 15,609</u>	<u>\$ 50,364</u>	<u>\$ 46,040</u>

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
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(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

Corporate and unallocated expenses for the three-months ended September 30, 2023 include \$82.7 million of payroll costs, of which \$17.4 million was attributable to stock-based compensation expenses (see Note 15 “Stock-Based Compensation”), as well as \$27.3 million attributable to professional service expenses, including accounting and legal costs, and \$25.4 million of other operating expenses.

Corporate and unallocated expenses for the three-months ended September 30, 2022 include \$69.4 million of payroll costs, of which \$16.2 million was attributable to stock-based compensation expenses (see Note 15 “Stock-Based Compensation”), as well as \$26.0 million attributable to professional service expenses, including accounting and legal costs, and \$17.2 million of other operating expenses.

Corporate and unallocated expenses for the nine-months ended September 30, 2023 include \$245.5 million of payroll costs, of which \$51.1 million was attributable to stock-based compensation expenses (see Note 15 “Stock-Based Compensation”), as well as \$74.7 million attributable to professional service expenses, including accounting and legal costs, and \$59.9 million of other operating expenses.

Corporate and unallocated expenses for the nine-months ended September 30, 2022 include \$207.6 million of payroll costs, of which \$48.5 million was attributable to stock-based compensation expenses (see Note 15 “Stock-Based Compensation”), as well as \$69.3 million attributable to professional service expenses, including accounting and legal costs, and \$50.8 million of other operating expenses.

Coca-Cola Europacific Partners accounted for approximately 14% and 12% of the Company’s net sales for the three-months ended September 30, 2023 and 2022, respectively. Coca-Cola Europacific Partners accounted for approximately 13% of the Company’s net sales for both the nine-months ended September 30, 2023 and 2022.

Coca-Cola Consolidated, Inc. accounted for approximately 10% and 11% of the Company’s net sales for the three-months ended September 30, 2023 and 2022, respectively. Coca-Cola Consolidated, Inc. accounted for approximately 10% of the Company’s net sales for both the nine-months ended September 30, 2023 and 2022.

Reyes Holdings, LLC accounted for approximately 9% and 10% of the Company’s net sales for the three-months ended September 30, 2023 and 2022, respectively. Reyes Holdings, LLC accounted for approximately 9% and 10% of the Company’s net sales for the nine-months ended September 30, 2023 and 2022, respectively.

Net sales to customers outside the United States amounted to \$733.7 million and \$610.6 million for the three-months ended September 30, 2023 and 2022, respectively. Such sales were approximately 40% and 38% of net sales for the three-months ended September 30, 2023 and 2022, respectively. Net sales to customers outside the United States amounted to \$2.07 billion and \$1.81 billion for the nine-months ended September 30, 2023 and 2022, respectively. Such sales were approximately 38% of net sales for both the nine-months ended September 30, 2023 and 2022.

Goodwill and other intangible assets for the Company’s reportable segments as of September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023	December 31, 2022
Goodwill and other intangible assets:		
Monster Energy® Drinks	\$ 1,667,462	\$ 1,424,212
Strategic Brands	982,311	979,896
Alcohol Brands	227,615	233,140
Other	—	1,103
	<u>\$ 2,877,388</u>	<u>\$ 2,638,351</u>

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
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19. RELATED PARTY TRANSACTIONS

TCCC controls approximately 19.6% of the voting interests of the Company. The TCCC Subsidiaries, the TCCC Related Parties and certain TCCC independent bottlers/distributors purchase and distribute the Company's products in domestic and certain international markets. The Company also pays TCCC a commission based on certain sales within the TCCC distribution network.

TCCC commissions, based on sales to the TCCC Subsidiaries and the TCCC Related Parties, were \$21.4 million and \$12.8 million for the three-months ended September 30, 2023 and 2022, respectively, and are included as a reduction to net sales. TCCC commissions, based on sales to the TCCC Subsidiaries and the TCCC Related Parties, were \$55.2 million and \$41.3 million for the nine-months ended September 30, 2023 and 2022, respectively, and are included as a reduction to net sales.

TCCC commissions, based on sales to TCCC independent bottlers/distributors, were \$8.8 million and \$5.5 million for the three-months ended September 30, 2023 and 2022, respectively, and are included in operating expenses. TCCC commissions, based on sales to TCCC independent bottlers/distributors, were \$25.7 million and \$24.4 million for the nine-months ended September 30, 2023 and 2022, respectively, and are included in operating expenses.

Net sales to the TCCC Subsidiaries for the three-months ended September 30, 2023 and 2022 were \$40.2 million and \$36.6 million, respectively. Net sales to the TCCC Subsidiaries for the nine-months ended September 30, 2023 and 2022 were \$108.4 million and \$95.0 million, respectively.

The Company also purchases concentrates from TCCC, which are then sold to certain of the Company's bottlers/distributors. Concentrate purchases from TCCC were \$7.8 million and \$6.5 million for the three-months ended September 30, 2023 and 2022, respectively. Concentrate purchases from TCCC were \$22.5 million and \$21.5 million for the nine-months ended September 30, 2023 and 2022, respectively.

Certain TCCC Subsidiaries also contract manufacture certain of the Company's energy drinks. Such contract manufacturing expenses were \$10.1 million and \$9.1 million for the three-months ended September 30, 2023 and 2022, respectively. Such contract manufacturing expenses were \$25.1 million and \$23.1 million for the nine-months ended September 30, 2023 and 2022, respectively.

Accounts receivable, accounts payable, accrued promotional allowances and accrued liabilities related to the TCCC Subsidiaries were as follows at:

	September 30, 2023	December 31, 2022
Accounts receivable, net	\$ 138,987	\$ 88,169
Accounts payable	\$ (49,937)	\$ (35,467)
Accrued promotional allowances	\$ (13,256)	\$ (11,222)
Accrued liabilities	\$ (21,789)	\$ (14,733)

One director of the Company through certain trusts, and a family member of one director are the principal owners of a company that provides promotional materials to the Company. Expenses incurred with such company in connection with promotional materials purchased during the three-months ended September 30, 2023 and 2022 were \$0.9 million and \$1.3 million, respectively. Expenses incurred with such company in connection with promotional materials purchased during the nine-months ended September 30, 2023 and 2022 were \$3.0 million and \$4.7 million, respectively.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
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The Company occasionally charters a private aircraft that is indirectly owned by Mr. Rodney C. Sacks, Co-Chief Executive Officer and Chairman of the Board of Directors. On certain occasions, Mr. Sacks is accompanied by guests and other Company personnel when using such aircraft for business travel. During the three-months ended September 30, 2023, the Company incurred costs of \$0.10 million, amounts the Company believes is commensurate with market rates for comparable travel. No amounts were incurred during the three-months ended September 30, 2022. During the nine-months ended September 30, 2023 and 2022, the Company incurred costs of \$0.13 million and \$0.08 million, respectively, amounts the Company believes is commensurate with market rates for comparable travel.

In December 2018, the Company and a director of the Company entered into a 50-50 partnership that purchased land, and real property thereon, in Kona, Hawaii for the purpose of producing coffee products. This partnership meets the definition of a Variable Interest Entity ("VIE") for which the Company has determined that it is the primary beneficiary. Therefore, the Company consolidates the VIE in the accompanying condensed consolidated financial statements. The aggregate carrying values of the VIE's assets and liabilities, after elimination of any intercompany transactions and balances, as well as the results of operations for all periods presented, are not material to the Company's condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Business

When this report uses the words “the Company”, “we”, “us”, and “our”, these words refer to Monster Beverage Corporation and its subsidiaries, unless the context otherwise requires. Based in Corona, California, Monster Beverage Corporation is a holding company and conducts no operating business except through its consolidated subsidiaries. The Company’s subsidiaries primarily develop and market energy drinks, and to a lesser extent, craft beers, hard seltzers and flavored malt beverages (“FMBs”).

Bang Energy®

On July 31, 2023, we completed our acquisition of substantially all of the assets of Vital Pharmaceuticals, Inc. and its debtor affiliates (collectively, “Bang Energy”) (the “Bang Transaction”). The acquired assets primarily include Bang Energy® drinks and a beverage production facility in Phoenix, AZ.

Inventory purchased as part of the Bang Transaction was recorded at fair value. Certain of the purchased inventory was subsequently sold in the three-months ended September 30, 2023 and was recognized through cost of sales at fair value (the “Bang Inventory Step-Up”). Gross profit was negatively impacted by approximately \$7.8 million during the three-months ended September 30, 2023 as a result.

During the three-months ended September 30, 2023, in connection with the Bang Transaction, we recorded a gain of \$45.4 million in interest and other income (expense), net within the condensed consolidated statements of income and reported within the Corporate and Unallocated segment (the “Bang Transaction Gain”).

During the three- and nine-months ended September 30, 2023, we incurred approximately \$8.0 million and \$15.1 million, respectively, of acquisition costs related to the Bang Transaction (the “Bang Transaction Expenses”).

Stock Split

On February 28, 2023, we announced a two-for-one stock split of our common stock to be effected in the form of a 100% stock dividend (the “Stock Split”). The common stock dividend was issued on March 27, 2023 and our common stock began trading at the split adjusted price on March 28, 2023. Accordingly, all per share amounts, average common stock outstanding, common stock outstanding, common stock repurchased and equity-based compensation presented in this Form 10-Q have been adjusted retroactively, where applicable, to reflect the Stock Split.

Pricing Actions

We implemented a price increase effective September 1, 2022 in the United States and implemented price increases at various times in certain international markets during 2022 and the first, second and third quarters of 2023 (the “Pricing Actions”), all of which positively impacted gross profit margins in the third quarter of 2023.

Gross Profit Margins

Gross profit as a percentage of net sales for the three-months ended September 30, 2023 improved to 53.0% (53.4% exclusive of the Bang Inventory Step-Up) from 51.3% for the comparative three-months ended September 30, 2022. This improvement was primarily attributable to (i) Pricing Actions, (ii) a reduction in certain freight-in costs and (iii) decreased aluminum can costs.

Overview

We develop, market, sell and distribute energy drink beverages and concentrates for energy drink beverages, primarily under the following brand names:

- Monster Energy®
- Monster Energy Ultra®
- Monster Rehab®
- Monster Energy® Nitro
- Java Monster®
- Punch Monster®
- Juice Monster®
- Monster Hydro® Energy Water
- Monster Hydro® Super Sport
- Monster Super Fuel®
- Monster Dragon Tea®
- Reign® Total Body Fuel
- Reign Infemo® Thermogenic Fuel
- Reign Storm™
- True North®
- Bum®
- NOS®
- Full Throttle®
- Bum®
- Mother®
- Nalu®
- Ultra Energy®
- Play® and Power Play® (stylized)
- Relentless®
- BPM®
- BU®
- Gladiator®
- Samurai®
- Live+®
- Predator®
- Fury®
- Bang Energy®

We also develop, market, sell and distribute craft beers, FMBs and hard seltzers under a number of brands, including Jai Alai® IPA, Florida Man™ IPA, Dale's Pale Ale®, Wild Basin® Hard Seltzers, Dallas Blonde®, Deep Ellum™ IPA, Perrin Brewing Company™ Black Ale, Hop Rising® Double IPA, Wasatch® Apricot Hefeweizen, The Beast Unleashed™ and a host of other brands.

We also develop, market, sell and distribute still and sparkling waters under the Monster Tour Water® brand name.

We have four operating and reportable segments: (i) Monster Energy® Drinks segment ("Monster Energy® Drinks"), which is primarily comprised of our Monster Energy® drinks, Reign Storm™ total wellness energy drinks, Reign® Total Body Fuel high performance energy drinks, Bang Energy® drinks and Monster Tour Water® (ii) Strategic Brands segment ("Strategic Brands"), which is primarily comprised of the various energy drink brands acquired from The Coca-Cola Company ("TCCC") in 2015 as well as our affordable energy brands, (iii) Alcohol Brands segment ("Alcohol Brands"), which is primarily comprised of the various craft beers and hard seltzers purchased as part of our acquisition of CANarchy Craft Brewery Collective LLC ("CANarchy") on February 17, 2022 (the "CANarchy Transaction") as well as The Beast Unleashed™ FMBs and (iv) Other segment ("Other"), which is primarily comprised of certain products sold by American Fruits and Flavors LLC ("AFF"), a wholly-owned subsidiary of the Company, to independent third-party customers (the "AFF Third-Party Products").

During the three-months ended September 30, 2023, we continued to expand our existing drink portfolio by adding additional products to our portfolio in a number of countries and further developed our distribution markets. During the three-months ended September 30, 2023, we sold the following new products to our customers:

- Bang Energy® Black Cherry Vanilla
- Bang Energy® Blue Razz®
- Bang Energy® Candy Apple Crisp®
- Bang Energy® Cotton Candy
- Bang Energy® Delish Strawberry Kiss™
- Bang Energy® Peach Mango
- Bang Energy® Purple Haze™
- Bang Energy® Radical Skadattle®
- Bang Energy® Rainbow Unicorn®
- Bang Energy® Sour Heads®
- Bang Energy® Star Blast®

- Bang Energy® Wyldin' Watermelon™
- Mother® Rainbow Sherbet
- NOS® Zero Sugar

In the normal course of business, we discontinue certain products and/or product lines. Those products or product lines discontinued in the three- and nine-months ended September 30, 2023, either individually or in aggregate, did not have a material adverse impact on our financial position, results of operations or liquidity.

Our net sales of \$1.86 billion for the three-months ended September 30, 2023 represented record sales for our third fiscal quarter. Net changes in foreign currency exchange rates had an unfavorable impact on net sales of approximately \$29.2 million for the three-months ended September 30, 2023.

The vast majority of our net sales are derived from our Monster Energy® Drinks segment. Net sales of our Monster Energy® Drinks segment were \$1.71 billion for the three-months ended September 30, 2023. Net sales of our Strategic Brands segment were \$98.8 million for the three-months ended September 30, 2023. Net sales of our Alcohol Brands segment were \$42.3 million for the three-months ended September 30, 2023. Net sales of our Other segment were \$6.7 million for the three-months ended September 30, 2023.

Our Monster Energy® Drinks segment represented 92.0% and 92.5% of our net sales for the three-months ended September 30, 2023 and 2022, respectively. Our Strategic Brands segment represented 5.3% and 5.5% of our net sales for the three-months ended September 30, 2023 and 2022, respectively. Our Alcohol Brands segment represented 2.3% and 1.7% of our net sales for the three-months ended September 30, 2023 and 2022, respectively. Our Other segment represented 0.4% and 0.3% of our net sales for the three-months ended September 30, 2023 and 2022, respectively.

Our growth strategy includes further developing our domestic markets, expanding our international business and growing our business into new sectors, such as the alcohol beverage sector. Net sales to customers outside the United States were \$733.7 million for the three-months ended September 30, 2023, an increase of approximately \$123.1 million, or 20.2% higher than net sales to customers outside of the United States of \$610.6 million for the three-months ended September 30, 2022. Such sales were approximately 40% and 38% of net sales for the three-months ended September 30, 2023 and 2022, respectively. Net changes in foreign currency exchange rates had an unfavorable impact on net sales to customers outside of the United States of approximately \$29.2 million for the three-months ended September 30, 2023. Net sales to customers outside the United States, on a foreign currency adjusted basis, increased 24.9% for the three-months ended September 30, 2023.

Our non-alcohol customers are primarily full service beverage bottlers/distributors, retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience and gas chains, foodservice customers, value stores, e-commerce retailers and the military. Our alcohol customers are primarily beer distributors who in turn sell to retailers within the alcohol distribution system. Percentages of our gross billings to our various customer types for the three- and nine-months ended September 30, 2023 and 2022 are reflected below. Such information includes sales made by us directly to the customer types concerned, which include our full service beverage bottlers/distributors in the United States. Such full service beverage bottlers/distributors in turn sell certain of our products to some of the same customer types listed below. We limit our description of our customer types to include only our sales to our full service bottlers/distributors without reference to such bottlers/distributors' sales to their own customers.

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
U.S. full service bottlers/distributors	46 %	48 %	47 %	48 %
International full service bottlers/distributors	41 %	39 %	40 %	39 %
Club stores and e-commerce retailers	8 %	9 %	8 %	9 %
Retail grocery, direct convenience, specialty chains and wholesalers	2 %	2 %	2 %	2 %
Alcohol, value stores and other	3 %	2 %	3 %	2 %

Our non-alcohol customers include Coca-Cola Canada Bottling Limited, Coca-Cola Consolidated, Inc., Coca-Cola Bottling Company United, Inc., Reyes Coca-Cola Bottling, LLC, Coca-Cola Southwest Beverages LLC, The Coca-Cola Bottling Company of Northern New England, Inc., Swire Pacific Holdings, Inc. (USA), Liberty Coca-Cola Beverages, LLC, Coca-Cola Europacific Partners (formerly Coca-Cola European Partners and Coca-Cola Amatil), Coca-Cola Hellenic, Coca-Cola FEMSA, Swire Coca-Cola (China),

COFCO Coca-Cola, Coca-Cola Beverages Africa, Coca-Cola İçecek and certain other TCCC network bottlers, Asahi Soft Drinks, Co., Ltd., Wal-Mart, Inc. (including Sam's Club), Costco Wholesale Corporation and Amazon.com, Inc.

Our alcohol customers include Reyes Beverage Group, Ben E. Keith Company, J.J. Taylor Distributing and Sheehan Family Companies.

A decision by any large customer to decrease amounts purchased from us or to cease carrying our products could have a material adverse effect on our financial condition and consolidated results of operations.

Coca-Cola Europacific Partners accounted for approximately 14% and 12% of our net sales for the three-months ended September 30, 2023 and 2022, respectively. Coca-Cola Europacific Partners accounted for approximately 13% of our net sales for both the nine-months ended September 30, 2023 and 2022.

Coca-Cola Consolidated, Inc. accounted for approximately 10% and 11% of our net sales for the three-months ended September 30, 2023 and 2022, respectively. Coca-Cola Consolidated, Inc. accounted for approximately 10% of our net sales for both the nine-months ended September 30, 2023 and 2022.

Reyes Holdings, LLC accounted for approximately 9% and 10% of our net sales for the three-months ended September 30, 2023 and 2022, respectively. Reyes Holdings, LLC accounted for approximately 9% and 10% of our net sales for the nine-months ended September 30, 2023 and 2022, respectively.

Results of Operations

The following table sets forth key statistics for the three- and nine-months ended September 30, 2023 and 2022.

(In thousands, except per share amounts)	Three-Months Ended September 30,		Percentage Change 23 vs. 22	Nine-Months Ended September 30,		Percentage Change 23 vs. 22
	2023	2022		2023	2022	
Net sales ¹	\$ 1,856,028	\$ 1,624,286	14.3 %	\$ 5,409,919	\$ 4,798,119	12.8 %
Cost of sales	872,265	790,561	10.3 %	2,554,086	2,407,867	6.1 %
Gross profit* ¹	983,763	833,725	18.0 %	2,855,833	2,390,252	19.5 %
Gross profit as a percentage of net sales	53.0 %	51.3 %		52.8 %	49.8 %	
Operating expenses	473,236	415,795	13.8 %	1,336,437	1,199,883	11.4 %
Operating expenses as a percentage of net sales	25.5 %	25.6 %		24.7 %	25.0 %	
Operating income ¹	510,527	417,930	22.2 %	1,519,396	1,190,369	27.6 %
Operating income as a percentage of net sales	27.5 %	25.7 %		28.1 %	24.8 %	
Interest and other income (expense), net	71,357	2,149	3,220.5 %	99,010	(11,932)	929.8 %
Income before provision for income taxes ¹	581,884	420,079	38.5 %	1,618,406	1,178,437	37.3 %
Provision for income taxes	129,190	97,692	32.2 %	354,397	288,487	22.8 %
Income taxes as a percentage of income before taxes	22.2 %	23.3 %		21.9 %	24.5 %	
Net income	\$ 452,694	\$ 322,387	40.4 %	\$ 1,264,009	\$ 889,950	42.0 %
Net income as a percentage of net sales	24.4 %	19.8 %		23.4 %	18.5 %	
Net income per common share:						
Basic	\$ 0.43	\$ 0.31	41.3 %	\$ 1.21	\$ 0.84	43.4 %
Diluted	\$ 0.43	\$ 0.30	41.3 %	\$ 1.19	\$ 0.83	43.3 %
Energy drink case sales (in thousands) (in 192-ounce equivalents)	203,087	182,460	11.3 %	583,937	535,451	9.1 %

¹Includes \$10.0 million for both the three-months ended September 30, 2023 and 2022 related to the recognition of deferred revenue. Includes \$30.0 million for both the nine-months ended September 30, 2023 and 2022 related to the recognition of deferred revenue.

*Gross profit may not be comparable to that of other entities since some entities include all costs associated with their distribution process in cost of sales, whereas others exclude certain costs and instead include such costs within another line item such as operating expenses. We include out-bound freight and warehouse costs in operating expenses rather than in cost of sales.

Three-Months Ended September 30, 2023 Compared to the Three-Months Ended September 30, 2022.

Net Sales

Net Sales. Net sales were \$1.86 billion for the three-months ended September 30, 2023, an increase of approximately \$231.7 million, or 14.3% higher than net sales of \$1.62 billion for the three-months ended September 30, 2022. Net sales increased primarily due to increased worldwide sales by volume of our Monster Energy® brand energy drinks as a result of increased consumer demand, as well as due to Pricing Actions in certain markets. Net changes in foreign currency exchange rates had an unfavorable impact on net sales of approximately \$29.2 million for the three-months ended September 30, 2023. Net sales on a foreign currency adjusted basis increased 16.1% for the three-months ended September 30, 2023.

Net sales in EMEA, Asia Pacific (including Oceania), Latin America and the Caribbean were \$687.1 million for the three-months ended September 30, 2023, an increase of approximately \$123.1 million, or 21.8% higher than net sales in EMEA, Asia Pacific, Latin America and the Caribbean of \$564.0 million for the three-months ended September 30, 2022.

Net sales for the Monster Energy® Drinks segment were \$1.71 billion for the three-months ended September 30, 2023, an increase of approximately \$206.0 million, or 13.7% higher than net sales of \$1.50 billion for the three-months ended September 30, 2022. Net sales for the Monster Energy® Drinks segment increased primarily due to increased worldwide sales by volume of our Monster Energy® brand energy drinks as a result of increased consumer demand as well as due to Pricing Actions in certain markets. Net changes in foreign currency exchange rates had an unfavorable impact on net sales for the Monster Energy® Drinks segment of approximately \$20.2 million for the three-months ended September 30, 2023. Net sales for the Monster Energy® Drinks segment on a foreign currency adjusted basis increased 15.1% for the three-months ended September 30, 2023.

Net sales for the Strategic Brands segment were \$98.8 million for the three-months ended September 30, 2023, an increase of approximately \$10.0 million, or 11.2% higher than net sales of \$88.8 million for the three-months ended September 30, 2022. Net sales for the Strategic Brands segment increased primarily due to increased sales by volume of our NOS® and Bum® brand energy drinks. Net changes in foreign currency exchange rates had an unfavorable impact on net sales of approximately \$9.0 million for the Strategic Brands segment for the three-months ended September 30, 2023. Net sales for the Strategic Brands segment on a foreign currency adjusted basis increased 21.3% for the three-months ended September 30, 2023. Net sales of concentrates within the Strategic Brands segment tend to have more pronounced fluctuations from period to period as compared to net sales of our finished goods within the Monster Energy Drinks® segment.

Net sales for the Alcohol Brands segment were \$42.3 million for the three-months ended September 30, 2023, an increase of approximately \$15.5 million, or 57.8% higher than net sales of \$26.8 million for the three-months ended September 30, 2022. Net sales of The Beast Unleashed™ FMBs, which launched during the 2023 first quarter in the United States on a rolling state basis, were \$19.0 million for the three-months ended September 30, 2023.

Net sales for the Other segment were \$6.7 million for the three-months ended September 30, 2023, an increase of approximately \$0.3 million, or 3.9% higher than net sales of \$6.4 million for the three-months ended September 30, 2022.

Case sales for our energy drink products, in 192-ounce case equivalents, were 203.1 million cases for the three-months ended September 30, 2023, an increase of approximately 20.6 million cases or 11.3% higher than case sales of 182.5 million cases for the three-months ended September 30, 2022. The overall average net sales per case increased to \$8.90 for the three-months ended September 30, 2023, which was 2.0% higher than the average net sales per case of \$8.72 for the three-months ended September 30, 2022.

Case sales for our craft beers, hard seltzers and FMBs, in 192-ounce equivalents, were 3.0 million cases for the three-months ended September 30, 2023, an increase of approximately 1.3 million cases or 78.9% higher than case sales of 1.7 million cases for the three-months ended September 30, 2022. Barrel sales for our craft beers, hard seltzers and FMBs, in 31 U.S. gallon equivalents, were 0.15 million barrels for the three-months ended September 30, 2023, an increase of approximately 0.07 million barrels or 78.9% higher than barrel sales of 0.08 million barrels for the three-months ended September 30, 2022.

Gross Profit

Gross profit was \$983.8 million for the three-months ended September 30, 2023, an increase of approximately \$150.0 million, or 18.0% higher than the gross profit of \$833.7 million for the three-months ended September 30, 2022. The increase in gross profit dollars was primarily the result of the \$231.8 million increase in net sales for the three-months ended September 30, 2023.

Gross profit as a percentage of net sales increased to 53.0% for the three-months ended September 30, 2023 from 51.3% for the three-months ended September 30, 2022. The increase in gross profit as a percentage of net sales for the three-months ended September 30, 2023 was primarily the result of Pricing Actions in certain markets, decreased freight-in costs as well as decreased aluminum can costs. Gross profit as a percentage of gross sales was 53.4% for the three-months ended September 30, 2023, exclusive of the Bang Inventory Step-Up.

Operating Expenses

Total operating expenses were \$473.2 million for the three-months ended September 30, 2023, an increase of approximately \$57.4 million, or 13.8% higher than total operating expenses of \$415.8 million for the three-months ended September 30, 2022.

The increase in operating expenses was primarily due to increased selling and marketing expenses of \$19.9 million, increased payroll expenses of \$19.3 million (of which \$2.1 million was related to the Alcohol Brands segment) and increased travel and entertainment expenses of \$8.9 million. Operating expenses as a percentage of net sales for the three-months ended September 30, 2023 were 25.5% as compared to 25.6% for the three-months ended September 30, 2022. Operating expenses for the three-months ended September 30, 2023 included approximately \$8.0 million acquisition costs related to the Bang Transaction.

Operating Income

Operating income was \$510.5 million for the three-months ended September 30, 2023, an increase of approximately \$92.6 million, or 22.2% higher than operating income of \$417.9 million for the three-months ended September 30, 2022. Operating income as a percentage of net sales increased to 27.5% for the three-months ended September 30, 2023 from 25.7% for the three-months ended September 30, 2022. The increase in operating income was primarily the result of an increase in net sales, as well as an increase in gross profit as a percentage of net sales.

Operating income was \$114.1 million and \$89.9 million for the three-months ended September 30, 2023 and 2022, respectively, for our operations in EMEA, Asia Pacific (including Oceania), Latin America and the Caribbean.

Operating income for the Monster Energy® Drinks segment, exclusive of corporate and unallocated expenses, was \$603.7 million for the three-months ended September 30, 2023, an increase of approximately \$111.1 million, or 22.6% higher than operating income of \$492.5 million for the three-months ended September 30, 2022. The increase in operating income for the Monster Energy® Drinks segment was primarily the result of an increase in net sales as well as an increase in gross profit as a percentage of net sales.

Operating income for the Strategic Brands segment, exclusive of corporate and unallocated expenses, was \$52.7 million for the three-months ended September 30, 2023, an increase of approximately \$5.4 million, or 11.5% higher than operating income of \$47.3 million for the three-months ended September 30, 2022. The increase in operating income for the Strategic Brands segment was primarily the result of an increase in net sales.

Operating loss for the Alcohol Brands segment, exclusive of corporate and unallocated expenses, was \$11.7 million for the three-months ended September 30, 2023, an increase of approximately \$1.5 million, or 14.3% higher than the operating loss of \$10.3 million for the three-months ended September 30, 2022. The operating losses for the three-months ended September 30, 2023 were primarily due to expenses and infrastructure investments for the expansion of the Alcohol Brands segment.

Operating income for the Other segment, exclusive of corporate and unallocated expenses, was \$1.3 million for the three-months ended September 30, 2023, as compared to operating income of \$1.0 million for the three-months ended September 30, 2022.

Interest and Other Income (expense), net

Interest and other non-operating income (expense), net, was \$71.4 million for the three-months ended September 30, 2023, as compared to interest and other non-operating income (expense), net, of \$2.1 million for the three-months ended September 30, 2022. Foreign currency transaction losses were \$13.2 million and \$6.2 million for the three-months ended September 30, 2023 and 2022, respectively. Interest income was \$39.3 million and \$9.6 million for the three-months ended September 30, 2023 and 2022, respectively. Interest and other income (expense), net, for the three-months ended September 30, 2023 included the Bang Transaction Gain.

Provision for Income Taxes

Provision for income taxes was \$129.2 million for the three-months ended September 30, 2023, an increase of \$31.5 million, or 32.2% higher than the provision for income taxes of \$97.7 million for the three-months ended September 30, 2022. The effective combined federal, state and foreign tax rate decreased to 22.2% from 23.3% for the three-months ended September 30, 2023 and 2022, respectively. The decrease in the effective tax rate was primarily attributable to an increase in deductible interest expense.

Net Income

Net income was \$452.7 million for the three-months ended September 30, 2023, an increase of \$130.3 million, or 40.4% higher than net income of \$322.4 million for the three-months ended September 30, 2022. The increase in net income for the three-months ended September 30, 2023 was primarily due to the increase in net sales, the increase in the gross profit percentage of net sales, the decrease in the effective combined federal, state and foreign tax rate as well as the Bang Transaction Gain. The increase in net income for the three-months ended September 30, 2023 was partially offset by the Bang Inventory Step-Up and the Bang Transaction Expenses.

Nine-Months Ended September 30, 2023 Compared to the Nine-Months Ended September 30, 2022.**Net Sales**

Net Sales. Net sales were \$5.41 billion for the nine-months ended September 30, 2023, an increase of approximately \$611.8 million, or 12.8% higher than net sales of \$4.80 billion for the nine-months ended September 30, 2022. Net sales increased primarily due to increased worldwide sales by volume of our Monster Energy® brand energy drinks as a result of increased consumer demand, as well as due to Pricing Actions in certain markets. Net changes in foreign currency exchange rates had an unfavorable impact on net sales of approximately \$119.6 million for the nine-months ended September 30, 2023. Net sales on a foreign currency adjusted basis increased 15.2% for the nine-months ended September 30, 2023.

Net sales in EMEA, Asia Pacific (including Oceania), Latin America and the Caribbean for the nine-months ended September 30, 2023 were \$1.94 billion, an increase of approximately \$253.7 million, or 15.0% higher than net sales in EMEA, Asia Pacific, Latin America and the Caribbean of \$1.69 billion for the nine-months ended September 30, 2022.

Net sales for the Monster Energy® Drinks segment were \$4.96 billion for the nine-months ended September 30, 2023, an increase of approximately \$512.0 million, or 11.5% higher than net sales of \$4.44 billion for the nine-months ended September 30, 2022. Net sales for the Monster Energy® Drinks segment increased primarily due to increased worldwide sales by volume of our Monster Energy® brand energy drinks as a result of increased consumer demand as well as due to Pricing Actions in certain markets. Net changes in foreign currency exchange rates had an unfavorable impact on net sales for the Monster Energy® Drinks segment of approximately \$105.4 million for the nine-months ended September 30, 2023. Net sales for the Monster Energy® Drinks segment on a foreign currency adjusted basis increased 13.9% for the nine-months ended September 30, 2023.

Net sales for the Strategic Brands segment were \$284.8 million for the nine-months ended September 30, 2023, an increase of approximately \$24.3 million, or 9.3% higher than net sales of \$260.5 million for the nine-months ended September 30, 2022. Net sales for the Strategic Brands segment increased primarily due to increased sales by volume of our Bum®, NOS®, Fury® and Predator® brand energy drinks. Net changes in foreign currency exchange rates had an unfavorable impact on net sales of approximately \$14.1 million for the Strategic Brands segment for the nine-months ended September 30, 2023. Net sales for the Strategic Brands segment on a foreign currency adjusted basis increased 14.7% for the nine-months ended September 30, 2023. Net sales of concentrates within the Strategic Brands segment tend to have more pronounced fluctuations from period to period as compared to net sales of our finished goods within the Monster Energy Drinks® segment.

Net sales for the Alcohol Brands segment were \$149.7 million for the nine-months ended September 30, 2023, an increase of approximately \$75.2 million, or 101.0% higher than net sales of \$74.5 million for the nine-months ended September 30, 2022. The comparative 2022 net sales for the Alcohol Brands segment were effectively from February 17, 2022 to September 30, 2022, as we completed the CANarchy Transaction on February 17, 2022. Net sales of The Beast Unleashed™ FMBs, which launched during the 2023 first quarter in the United States on a rolling state basis, were \$73.0 million for the nine-months ended September 30, 2023.

Net sales for the Other segment were \$18.6 million for the nine-months ended September 30, 2023, an increase of approximately \$0.3 million, or 1.4% higher than net sales of \$18.4 million for the nine-months ended September 30, 2022.

Case sales for our energy drink products, in 192-ounce case equivalents, were 583.9 million cases for the nine-months ended September 30, 2023, an increase of approximately 48.5 million cases or 9.1% higher than case sales of 535.5 million cases for the nine-months ended September 30, 2022. The overall average net sales per case increased to \$8.98 for the nine-months ended September 30, 2023, which was 2.2% higher than the average net sales per case of \$8.79 for the nine-months ended September 30, 2022.

Case sales for our craft beers, hard seltzers and FMBs, in 192-ounce equivalents, were 10.6 million cases for the nine-months ended September 30, 2023, an increase of approximately 5.8 million cases or 120.1% higher than case sales of 4.8 million cases for the nine-months ended September 30, 2022. Barrel sales for our craft beers, hard seltzers and FMBs, in 31 U.S. gallon equivalents, were 0.5 million barrels for the nine-months ended September 30, 2023, an increase of approximately 0.3 million barrels or 120.1% higher than barrel sales of 0.2 million barrels for the nine-months ended September 30, 2022.

Gross Profit

Gross profit was \$2.86 billion for the nine-months ended September 30, 2023, an increase of approximately \$465.6 million, or 19.5% higher than the gross profit of \$2.39 billion for the nine-months ended September 30, 2022. The increase in gross profit dollars was primarily the result of the \$611.8 million increase in net sales for the nine-months ended September 30, 2023.

Gross profit as a percentage of net sales increased to 52.8% for the nine-months ended September 30, 2023 from 49.8% for the nine-months ended September 30, 2022. The increase in gross profit as a percentage of net sales for the nine-months ended September 30, 2023 was primarily the result of Pricing Actions in certain markets, decreased freight-in costs as well as decreased aluminum can costs.

Operating Expenses

Total operating expenses were \$1.34 billion for the nine-months ended September 30, 2023, an increase of approximately \$136.6 million, or 11.4% higher than total operating expenses of \$1.20 billion for the nine-months ended September 30, 2022.

The increase in operating expenses was primarily due to increased selling and marketing expenses of \$60.7 million, increased warehouse expenses of \$15.3 million, increased travel and entertainment expenses of \$9.5 million as well as increased payroll expenses of \$59.7 million (of which \$10.0 million was related to the Alcohol Brands segment). The increase in operating expenses was partially offset by a decrease in out-bound fuel and freight expenses of \$26.6 million for the nine-months ended September 30, 2023. Operating expenses as a percentage of net sales for the nine-months ended September 30, 2023 were 24.7% as compared to 25.0% for the nine-months ended September 30, 2022. Operating expenses for the nine-months ended September 30, 2023, included approximately \$15.1 million acquisition costs related to the Bang Transaction.

Operating Income

Operating income was \$1.52 billion for the nine-months ended September 30, 2023, an increase of approximately \$329.0 million, or 27.6% higher than operating income of \$1.19 billion for the nine-months ended September 30, 2022. Operating income as a percentage of net sales increased to 28.1% for the nine-months ended September 30, 2023 from 24.8% for the nine-months ended September 30, 2022. The increase in operating income was primarily the result of an increase in net sales, as well as an increase in gross profit as a percentage of net sales.

Operating income was \$322.0 million and \$244.3 million for the nine-months ended September 30, 2023 and 2022, respectively, for our operations in EMEA, Asia Pacific (including Oceania), Latin America and the Caribbean.

Operating income for the Monster Energy® Drinks segment, exclusive of corporate and unallocated expenses, was \$1.76 billion for the nine-months ended September 30, 2023, an increase of approximately \$373.6 million, or 26.9% higher than operating income of \$1.39 billion for the nine-months ended September 30, 2022. The increase in operating income for the Monster Energy® Drinks segment was primarily the result of an increase in net sales as well as an increase in gross profit as a percentage of net sales.

Operating income for the Strategic Brands segment, exclusive of corporate and unallocated expenses, was \$159.6 million for the nine-months ended September 30, 2023, an increase of approximately \$13.7 million, or 9.4% higher than operating income of \$146.0 million for the nine-months ended September 30, 2022. The increase in operating income for the Strategic Brands segment was primarily the result of an increase in net sales.

Operating loss for the Alcohol Brands segment, exclusive of corporate and unallocated expenses, was \$25.2 million for the nine-months ended September 30, 2023, an increase of approximately \$5.3 million, or 26.8% higher than operating loss of \$19.9 million for the nine-months ended September 30, 2022 (effectively from February 17, 2022 to September 30, 2022). The operating losses for the nine-months ended September 30, 2023 were primarily due to expenses and infrastructure investments for the expansion of the Alcohol Brands segment.

Operating income for the Other segment, exclusive of corporate and unallocated expenses, was \$2.7 million for the nine-months ended September 30, 2023, as compared to operating income of \$3.1 million for the nine-months ended September 30, 2022.

Interest and Other Income (Expense), net

Interest and other non-operating income (expense), net, was \$99.0 million for the nine-months ended September 30, 2023, as compared to interest and other non-operating income (expense), net, of (\$11.9) million for the nine-months ended September 30, 2022. Foreign currency transaction losses were \$38.6 million and \$22.9 million for the nine-months ended September 30, 2023 and 2022, respectively. Interest income was \$92.1 million and \$14.8 million for the nine-months ended September 30, 2023 and 2022, respectively. Interest and other income (expense), net, for the nine-months ended September 30, 2023 included the Bang Transaction Gain.

Provision for Income Taxes

Provision for income taxes was \$354.4 million for the nine-months ended September 30, 2023, an increase of \$65.9 million, or 22.8% higher than the provision for income taxes of \$288.5 million for the nine-months ended September 30, 2022. The effective combined federal, state and foreign tax rate decreased to 21.9% from 24.5% for the nine-months ended September 30, 2023 and 2022, respectively. The decrease in the effective tax rate was primarily attributable to the increase in the stock compensation deduction and the increase in deductible interest expense in the nine-months ended September 30, 2023.

Net Income

Net income was \$1.26 billion for the nine-months ended September 30, 2023, an increase of \$374.1 million, or 42.0% higher than net income of \$890.0 million for the nine-months ended September 30, 2022. The increase in net income for the nine-months ended September 30, 2023 was primarily due to the increase in net sales, the increase in the gross profit percentage of net sales as well as the decrease in the effective combined federal, state and foreign tax rate.

Key Business Metrics

We use certain key metrics and financial measures not prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") to evaluate and manage our business. For a further discussion of how we use key metrics and certain non-GAAP financial measures, see "Non-GAAP Financial Measures and Other Key Metrics."

Non-GAAP Financial Measures and Other Key Metrics

Gross Billings**

Gross billings were \$2.15 billion for the three-months ended September 30, 2023, an increase of approximately \$281.9 million, or 15.1% higher than gross billings of \$1.87 billion for the three-months ended September 30, 2022. Net changes in foreign currency exchange rates had an unfavorable impact on gross billings of approximately \$24.3 million for the three-months ended September 30, 2023.

Gross billings for the Monster Energy® Drinks segment were \$1.99 billion for the three-months ended September 30, 2023, an increase of approximately \$252.9 million, or 14.6% higher than gross billings of \$1.73 billion for the three-months ended September 30, 2022. Gross billings for the Monster Energy® Drinks segment increased primarily due to increased worldwide sales by volume of our Monster Energy® brand energy drinks as a result of increased consumer demand as well as due to Pricing Actions in certain markets. Net changes in foreign currency exchange rates had an unfavorable impact on gross billings for the Monster Energy® Drinks segment of approximately \$15.5 million for the three-months ended September 30, 2023.

Gross billings for the Strategic Brands segment were \$112.5 million for the three-months ended September 30, 2023, an increase of \$12.9 million, or 13.0% higher than gross billings of \$99.6 million for the three-months ended September 30, 2022. Gross Billings for the Strategic Brands segment increased primarily due to increased sales by volume of our Bum® and NOS® brand energy drinks. Net changes in foreign currency exchange rates had an unfavorable impact on gross billings in the Strategic Brands segment of approximately \$8.8 million for the three-months ended September 30, 2023.

Gross billings for the Alcohol Brands segment were \$43.1 million for the three-months ended September 30, 2023, an increase of approximately \$15.9 million, or 58.2% higher than gross billings of \$27.3 million for the three-months ended September 30, 2022. Gross Billings of The Beast Unleashed™ FMBs, which launched during the 2023 first quarter in the United States on a rolling state basis, were \$19.3 million for the three-months ended September 30, 2023.

Gross billings for the Other segment were \$6.7 million for the three-months ended September 30, 2023, an increase of \$0.2 million, or 3.8% higher than gross billings of \$6.4 million for the three-months ended September 30, 2022.

Promotional allowances, commissions and other expenses, as described in the footnote below, were \$302.8 million for the three-months ended September 30, 2023, an increase of \$50.3 million, or 19.9% higher than promotional allowances, commissions and other expenses of \$252.6 million for the three-months ended September 30, 2022. Promotional allowances, commissions and other expenses as a percentage of gross billings increased to 14.1% from 13.5% for the three-months ended September 30, 2023 and 2022, respectively.

Gross billings were \$6.25 billion for the nine-months ended September 30, 2023, an increase of approximately \$730.0 million, or 13.2% higher than gross billings of \$5.52 billion for the nine-months ended September 30, 2022. Net changes in foreign currency exchange rates had an unfavorable impact on gross billings of approximately \$127.3 million for the nine-months ended September 30, 2023.

Gross billings for the Monster Energy® Drinks segment were \$5.75 billion for the nine-months ended September 30, 2023, an increase of approximately \$623.9 million, or 12.2% higher than gross billings of \$5.13 billion for the nine-months ended September 30, 2022. Gross billings for the Monster Energy® Drinks segment increased primarily due to increased worldwide sales by volume of our Monster Energy® brand energy drinks as a result of increased consumer demand as well as due to Pricing Actions in certain markets. Net changes in foreign currency exchange rates had an unfavorable impact on gross billings for the Monster Energy® Drinks segment of approximately \$113.5 million for the nine-months ended September 30, 2023.

Gross billings for the Strategic Brands segment were \$322.8 million for the nine-months ended September 30, 2023, an increase of \$29.1 million, or 9.9% higher than gross billings of \$293.7 million for the nine-months ended September 30, 2022. Gross Billings for the Strategic Brands segment increased primarily due to increased sales by volume of our Bum®, NOS®, Fury® and Predator® brand energy drinks. Net changes in foreign currency exchange rates had an unfavorable impact on gross billings in the Strategic Brands segment of approximately \$13.8 million for the nine-months ended September 30, 2023.

Gross billings for the Alcohol Brands segment were \$152.3 million for the nine-months ended September 30, 2023, an increase of approximately \$76.7 million, or 101.5% higher than gross billings of \$75.6 million for the nine-months ended September 30, 2022. The comparative 2022 gross billings for the Alcohol Brands segment were effectively from February 17, 2022 to September 30, 2022 as we completed the CANarchy Transaction on February 17, 2022. Gross billings of The Beast Unleashed™ FMBs, which launched during the 2023 first quarter on the United States on a rolling state basis, were \$74.2 million for the nine-months ended September 30, 2023.

Gross billings for the Other segment were \$18.6 million for the nine-months ended September 30, 2023, as compared to gross billings of \$18.4 million for the nine-months ended September 30, 2022.

Promotional allowances, commissions and other expenses, as described in the footnote below, were \$866.0 million for the nine-months ended September 30, 2023, an increase of \$118.2 million, or 15.8% higher than promotional allowances, commissions and other expenses of \$747.9 million for the nine-months ended September 30, 2022. Promotional allowances, commissions and other expenses as a percentage of gross billings increased to 13.9% from 13.6% for the nine-months ended September 30, 2023 and 2022, respectively.

***Gross Billings represent amounts invoiced to customers net of cash discounts, returns and excise taxes. Gross billings are used internally by management as an indicator of and to monitor operating performance, including sales performance of particular products, salesperson performance, product growth or declines and is useful to investors in evaluating overall Company performance. The use of gross billings allows evaluation of sales performance before the effect of any promotional items, which can mask certain performance issues. We therefore believe that the presentation of gross billings provides a useful measure of our operating performance. The use of gross billings is not a measure that is recognized under GAAP and should not be considered as an alternative to net sales, which is determined in accordance with GAAP, and should not be used alone as an indicator of operating performance in place of net sales. Additionally, gross billings may not be comparable to similarly titled measures used by other companies, as gross billings has been defined by our internal reporting practices. In addition, gross billings may not be realized in the form of cash receipts as promotional payments and allowances may be deducted from payments received from certain customers.*

The following table reconciles the non-GAAP financial measure of gross billings with the most directly comparable GAAP financial measure of net sales:

(In thousands)	Three-Months Ended September 30,		Percentage Change 23 vs. 22	Nine-Months Ended September 30,		Percentage Change 23 vs. 22
	2023	2022		2023	2022	
Gross Billings	\$ 2,148,834	\$ 1,866,888	15.1 %	\$ 6,245,968	\$ 5,515,964	13.2 %
Deferred Revenue	10,043	9,955	0.9 %	29,974	30,026	(0.2)%
Less: Promotional allowances, commissions and other expenses***	302,849	252,557	19.9 %	866,023	747,871	15.8 %
Net Sales	<u>\$ 1,856,028</u>	<u>\$ 1,624,286</u>	14.3 %	<u>\$ 5,409,919</u>	<u>\$ 4,798,119</u>	12.8 %

****Although the expenditures described in this line item are determined in accordance with GAAP and meet GAAP requirements, the presentation thereof does not conform to GAAP presentation requirements. Additionally, our definition of promotional and other allowances may not be comparable to similar items presented by other companies. Promotional and other allowances for our energy drink products primarily include consideration given to our non-alcohol bottlers/distributors or retail customers including, but not limited to the following: (i) discounts granted off list prices to support price promotions to end-consumers by retailers; (ii) reimbursements given to our bottlers/distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products; (iii) our agreed share of fees given to bottlers/distributors and/or directly to retailers for advertising, in-store marketing and promotional activities; (iv) our agreed share of slotting, shelf space allowances and other fees given directly to retailers, club stores and/or wholesalers; (v) incentives given to our bottlers/distributors and/or retailers for achieving or exceeding certain predetermined sales goals; (vi) discounted or free products; (vii) contractual fees given to our bottlers/distributors related to sales made by us direct to certain customers that fall within the bottlers'/distributors' sales territories; and (viii) certain commissions paid based on sales to our bottlers/distributors. The presentation of promotional and other allowances facilitates an evaluation of their impact on the determination of net sales and the spending levels incurred or correlated with such sales. Promotional and other allowances for our energy drink products constitute a material portion of our marketing activities. Our promotional allowance programs for our energy drink products with our numerous bottlers/distributors and/or retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, ranging from one week to one year. Promotional and other allowances for our Alcohol Brands segment primarily include price promotions where permitted.*

Sales

The table below discloses selected quarterly data regarding sales for the three- and nine-months ended September 30, 2023 and 2022, respectively. Data from any one or more quarters or periods is not necessarily indicative of annual results or continuing trends.

Sales of our products are expressed in unit case volume. A “unit case” means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings). Unit case volume means the number of unit cases (or unit case equivalents) of finished products or concentrates as if converted into finished products sold by us.

Our quarterly results of operations reflect seasonal trends that are primarily the result of increased demand in the warmer months of the year. Beverage sales tend to be lower during the first and fourth quarters of each calendar year. However, our experience with our energy drink products suggests they are less seasonal than the seasonality expected from traditional beverages. In addition, our continued growth internationally may further reduce the impact of seasonality on our business. Quarterly fluctuations may also be affected by other factors including the introduction of new products, the opening of new markets where temperature fluctuations are more pronounced, the addition of new bottlers/distributors, changes in the sales mix of our products and changes in marketing and promotional expenses.

Energy Drinks: (In thousands, except average net sales per case)	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,856,028	\$ 1,624,286	\$ 5,409,919	\$ 4,798,119
Less: Alcohol Brands segment sales	(42,326)	(26,818)	(149,692)	(74,472)
Less: Other segment sales	(6,698)	(6,447)	(18,620)	(18,355)
Adjusted net sales ¹	\$ 1,807,004	\$ 1,591,021	\$ 5,241,607	\$ 4,705,292
Case sales by segment: ¹				
Monster Energy® Drinks	165,504	150,961	479,964	447,233
Strategic Brands	37,584	31,499	103,973	88,218
Total case sales	203,088	182,460	583,937	535,451
Average net sales per case - Energy Drinks	\$ 8.90	\$ 8.72	\$ 8.98	\$ 8.79

¹ Excludes Alcohol Brands segment and Other segment net sales.

Net changes in foreign currency exchange rates had an unfavorable impact on the overall average net sales per case for the three- and nine-months ended September 30, 2023.

Craft Beers, Hard Seltzers and FMBs: (In thousands, except average net sales per case)	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2023	2022	2023	2022
Alcohol Brands segment net sales	\$ 42,326	\$ 26,818	\$ 149,692	\$ 74,472
Case sales	3,034	1,696	10,581	4,807
Average net sales per case - Alcohol Brands	\$ 13.95	\$ 15.81	\$ 14.15	\$ 15.49

See Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations” for additional information related to the increase in sales.

Liquidity and Capital Resources

Cash and cash equivalents, short-term and long-term investments. At September 30, 2023, we had \$1.77 billion in cash and cash equivalents, \$1.24 billion in short-term investments and \$52.6 million in long-term investments, including certificates of deposit, commercial paper, U.S. government agency securities, municipal securities, U.S. treasuries and corporate bonds. We maintain our investments for cash management purposes and not for purposes of speculation. Our risk management policies emphasize credit quality (primarily based on short-term ratings by nationally recognized statistical organizations) in selecting and maintaining our investments. We regularly assess market risk of our investments and believe our current policies and investment practices adequately limit those

risks. However, certain of these investments are subject to general credit, liquidity, market and interest rate risks. These market risks associated with our investment portfolio may have an adverse effect on our future results of operations, liquidity and financial condition.

Of our \$1.77 billion of cash and cash equivalents held at September 30, 2023, \$924.7 million was held by our foreign subsidiaries. No short-term or long-term investments were held by our foreign subsidiaries at September 30, 2023.

We believe that cash available from operations, including our cash resources and access to credit, will be sufficient for our working capital needs, including purchase commitments for raw materials and inventory, increases in accounts receivable, payments of tax liabilities, expansion and development needs, purchases of capital assets, purchases of equipment, purchases of real property, acquisitions and purchases of shares of our common stock, through at least the next 12 months. Based on our current plans, at this time we estimate that capital expenditures (exclusive of common stock repurchases) are likely to be less than \$500 million through September 30, 2024. However, future business opportunities may cause a change in this estimate.

Purchases of inventories, increases in accounts receivable and other assets, acquisition of property and equipment (including real property, personal property, plant and manufacturing equipment, and coolers), leasehold improvements, advances for or the purchase of equipment for our bottlers, acquisition and maintenance of trademarks, payments of accounts payable, income taxes payable and purchases of our common stock are expected to remain our principal recurring use of cash.

The following summarizes our cash flows for the nine-months ended September 30, 2023 and 2022 (in thousands):

Net cash provided by (used in):

	2023	2022
Operating activities	\$ 1,283,426	\$ 589,186
Investing activities	\$ (360,023)	\$ (57,743)
Financing activities	\$ (433,793)	\$ (459,275)

Cash flows provided by operating activities. Cash provided by operating activities was \$1.28 billion for the nine-months ended September 30, 2023, as compared with cash provided by operating activities of \$589.2 million for the nine-months ended September 30, 2022.

For the nine-months ended September 30, 2023, cash provided by operating activities was primarily attributable to net income earned of \$1.26 billion and adjustments for certain non-cash expenses, consisting of \$50.4 million of depreciation and amortization, \$52.5 million of stock-based compensation, \$6.5 million of non-cash lease expense and \$2.8 million loss on impairment of intangibles, partially offset by the \$45.4 million Bang Transaction Gain. For the nine-months ended September 30, 2023, cash provided by operating activities also increased due to a \$109.8 million increase in accounts payable, a \$69.8 million decrease in inventories, a \$42.4 million increase in accrued promotional allowances, a \$24.7 million increase in accrued liabilities, a \$8.0 million decrease in prepaid income taxes, a \$4.2 million increase in income taxes payable and a \$3.5 million increase in accrued compensation. For the nine-months ended September 30, 2023, cash used in operating activities was primarily attributable to a \$218.8 million increase in accounts receivable, a \$67.4 million increase in prepaid expenses and other assets, a \$19.3 million decrease in deferred revenue and a \$3.6 million decrease in other liabilities.

For the nine-months ended September 30, 2022, cash provided by operating activities was primarily attributable to net income earned of \$890.0 million and adjustments for certain non-cash expenses, consisting of \$49.2 million of stock-based compensation and \$51.2 million of depreciation and amortization and non-cash lease expense. For the nine-months ended September 30, 2022, cash provided by operating activities also increased due to a \$52.7 million increase in accounts payable, an \$89.2 million increase in accrued promotional allowances, a \$29.7 million decrease in deferred income taxes and a \$7.9 million decrease in prepaid income taxes. For the nine-months ended September 30, 2022, cash used in operating activities was primarily attributable to a \$297.1 million increase in inventories, a \$202.4 million increase in accounts receivable, a \$39.2 million increase in prepaid expenses and other assets, a \$16.1 million decrease in deferred revenue, a \$12.8 million decrease in income taxes payable, a \$2.6 million decrease in accrued liabilities, a \$6.6 million decrease in accrued compensation and a \$3.5 million decrease in other liabilities.

Cash flows used in investing activities. Cash used in investing activities was \$360.0 million for the nine-months ended September 30, 2023 as compared to cash used in investing activities of \$57.7 million for nine-months ended September 30, 2022.

For both the nine-months ended September 30, 2023 and 2022, cash provided by investing activities was primarily attributable to sales of available-for-sale investments. For the nine-months ended September 30, 2023, cash used in investing activities included \$363.4 million related to the Bang Transaction. For the nine-months ended September 30, 2022, cash used in investing activities included \$329.5 million net of cash acquired, related to the CANarchy Transaction. For both the nine-months ended September 30, 2023 and 2022, cash used in investing activities was primarily attributable to purchases of available-for-sale investments. To a lesser extent, for both the nine-months ended September 30, 2023 and 2022, cash used in investing activities also included the acquisitions of fixed assets consisting of vans and promotional vehicles, coolers and other equipment to support our marketing and promotional activities, production equipment, furniture and fixtures, office and computer equipment, computer software, equipment used for sales and administrative activities, certain leasehold improvements, as well as acquisitions of and/or construction of and/or improvements to real property. We expect to continue to use a portion of our cash in excess of our requirements for operations for purchasing short-term and long-term investments, leasehold improvements, the acquisition of capital equipment (specifically, vans, trucks and promotional vehicles, coolers, other promotional equipment, merchandise displays, warehousing racks as well as items of plant and production equipment required to produce certain of our existing and/or new products) to develop our brand in international markets, acquisitions and for other corporate purposes. From time to time, we may also use cash to purchase additional real property related to our beverage business and/or acquire compatible businesses.

Cash flow used in financing activities. Cash used in financing activities was \$433.8 million for the nine-months ended September 30, 2023 as compared to cash used in financing activities of \$459.3 million for the nine-months ended September 30, 2022. Cash used in financing activities for both the nine-months ended September 30, 2023 and 2022 was primarily the result of the repurchases of our common stock. Cash provided by financing activities for both the nine-months ended September 30, 2023 and 2022 was primarily attributable to the issuance of our common stock under our stock-based compensation plans.

The following represents a summary of the Company's contractual commitments and related scheduled maturities as of September 30, 2023:

Obligations	Total	Payments due by period (in thousands)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations ¹	\$ 451,257	\$ 357,971	\$ 86,632	\$ 6,573	\$ 81
Finance Leases	7,452	7,427	25	—	—
Operating Leases	53,952	10,586	15,683	12,398	15,285
Purchase Commitments ²	269,941	180,921	88,511	509	—
	<u>\$ 782,602</u>	<u>\$ 556,905</u>	<u>\$ 190,851</u>	<u>\$ 19,480</u>	<u>\$ 15,366</u>

¹ Contractual obligations include our obligations related to sponsorships and other commitments.

² Purchase commitments include obligations made by us and our subsidiaries to various suppliers for raw materials used in the production of our products. These obligations vary in terms, but are generally satisfied within one year.

In addition, approximately \$3.8 million of unrecognized tax benefits have been recorded as liabilities as of September 30, 2023. It is expected that the amount of unrecognized tax benefits will not significantly change within the next 12 months. As of September 30, 2023, we had \$0.7 million of accrued interest and penalties related to unrecognized tax benefits.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. GAAP requires us to make estimates and assumptions that affect the reported amounts in our consolidated financial statements. Critical accounting estimates are those that management believes are the most important to the portrayal of our financial condition and results and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and that have had, or are reasonably likely to have, a material impact on our financial condition or results of operations. Judgments and uncertainties may result in materially different amounts being reported under different conditions or using different assumptions. There have been no material changes to our critical accounting policies or estimates from the information provided in "Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 8 – Financial Statements and Supplementary Data – Note 1 – Organization and Summary of Significant Accounting Policies", included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 ("Form 10-K").

Recent Accounting Pronouncements

There have been no changes in recently issued or adopted accounting pronouncements that would materially impact the Company from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Inflation

We believe inflation did not have a significant impact on our results of operations for the three- and nine-months ended September 30, 2023.

Forward-Looking Statements

Certain statements made in this report may constitute forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) (the “Exchange Act”) regarding the expectations of management with respect to revenues, profitability, adequacy of funds from operations and our existing credit facility, among other things. All statements containing a projection of revenues, income (loss), earnings (loss) per share, capital expenditures, dividends, capital structure or other financial items, a statement of management’s plans and objectives for future operations, or a statement of future economic performance contained in management’s discussion and analysis of financial condition and results of operations, including statements related to new products, volume growth and statements encompassing general optimism about future operating results and non-historical information, are forward-looking statements within the meaning of the Exchange Act. Without limiting the foregoing, the words “believes,” “thinks,” “anticipates,” “plans,” “expects,” “estimates” and similar expressions are intended to identify forward-looking statements.

Management cautions that these statements are qualified by their terms and/or important factors, many of which are outside our control and involve a number of risks, uncertainties and other factors, that could cause actual results and events to differ materially from the statements made including, but not limited to, the following:

- Our ability to successfully integrate the Bang Energy® business and recognize the anticipated benefits of the transaction;
- Our ability to successfully transition the acquired Bang Energy® beverages to the Company’s primary bottlers/distributors;
- Our ability to procure shelf space, retain customers and increase sales of the acquired Bang Energy® beverages;
- Our ability to consolidate operations and/or rationalize brands acquired from CANarchy and Bang Energy®;
- Our ability to achieve profitability within our Alcohol Brands segment;
- Our ability to absorb, mitigate or pass on cost increases to our bottlers/distributors and/or consumers;
- The impact of rising costs, interest rates and inflation on the discretionary income of our consumers;
- Uncertainties associated with an economic slowdown or recession that could negatively impact the financial condition of our customers and could result in a reduced demand for our products;
- The impact of the military conflict in Ukraine as well as tensions across the Taiwan Straits, Israel and Gaza, including supply chain disruptions, volatility in commodity and energy prices, increased economic uncertainty and escalating geopolitical tensions;
- Fluctuations in growth and/or growth rates (positive or negative) of the domestic and international energy drink categories generally, including in the convenience and gas channel (which is our largest channel) and the impact on demand for our products resulting from deteriorating economic conditions and/or financial uncertainties;
- The impact of temporary or permanent facility closures, production slowdowns and disruptions in operations experienced by our manufacturing facilities, our suppliers, and/or bottlers/distributors, and/or co-packers, and/or breweries, including any material disruptions on the production and distribution of our products;
- Disruption to our and/or our copackers’ manufacturing facilities and operations due to severe weather, natural disasters, climate change, labor-related issues, production difficulties, capacity limitations, or other causes, which could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results;
- Our ability to modify our manufacturing facilities to comply with safety, health, environmental, and other regulations;
- The consolidation of co-packers leading us to increasingly rely on fewer co-packing groups, certain of which account for a large percentage of our co-packing capacity for our Monster Energy® drinks;
- The impact of logistical issues and delays, including shortages of shipping containers and port of entry congestion;

- The human and economic consequences of a material reemergence of COVID-19, including new variants, as well as the measures that may be taken by governments and businesses (including the Company and its suppliers, bottlers/distributors, co-packers, and other service providers) and the public at large to limit the spread of COVID-19, including, but not limited to, lockdowns, labor issues, delays, and/or decreased sponsorship, endorsement, sampling, and/or innovation activities, which may have an adverse impact on our business and operations;
- We have extensive commercial arrangements with TCCC and, as a result, our future performance is substantially dependent on the success of our relationship with TCCC;
- The impact of TCCC's bottlers/distributors distributing Coca-Cola brand energy drinks and possible reductions in the number of our SKUs carried by such bottlers/distributors and/or such bottlers/distributors imposing limitations on distributing new product SKUs;
- The effect of TCCC being one of our significant stockholders and the potential divergence of TCCC's interests from those of our other stockholders;
- Our ability to maintain relationships with TCCC system bottlers/distributors and manage their ongoing commitment to focus on our non-alcohol products;
- Disruption in distribution channels and/or decline in sales due to the termination and/or insolvency of existing and/or new domestic and/or international bottlers/distributors;
- Lack of anticipated demand for our products in domestic and/or international markets;
- Fluctuations in our inventory levels or those of our bottlers/distributors, planned or otherwise, and the resultant impact on our revenues;
- Unfavorable regulations, including taxation, age restrictions imposed on the sale, purchase, or consumption of our products, marketing restrictions, product registration requirements, tariffs, trade restrictions, container size limitations and/or ingredient restrictions;
- The effect of inquiries from, and/or actions by, state attorneys general, the Federal Trade Commission (the "FTC"), the Food and Drug Administration (the "FDA"), the Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF"), municipalities, city attorneys, other government agencies, quasi-government agencies, government officials (including members of U.S. Congress) and/or analogous central and local agencies and other authorities in the foreign countries in which our products are manufactured and/or distributed, into the advertising, marketing, promotion, ingredients, sale and/or consumption of our products, including voluntary and/or required changes to our business practices;
- Our ability to comply with laws, regulations and evolving industry standards regarding consumer privacy and data use and security, including, but not limited to, with respect to the General Data Protection Regulation and the California Consumer Privacy Act of 2018;
- Our ability to achieve profitability and/or repatriate cash from certain of our operations outside the United States;
- Our ability to manage legal and regulatory requirements in foreign jurisdictions, potential difficulties in staffing and managing foreign operations and potentially higher incidence of fraud or corruption and credit risk of foreign customers and/or bottlers/distributors;
- Changes in U.S. tax laws as a result of any legislation proposed by the U.S. Presidential Administration or U.S. Congress, which may include efforts to change or repeal the 2017 Tax Cuts and Jobs Act and the federal corporate income tax rate reduction;
- Our ability to produce our products in international markets in which they are sold, thereby reducing freight costs and/or product damages;
- Our ability to effectively manage our inventories and/or our accounts receivables;
- Our foreign currency exchange rate risk with respect to our sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. dollar, which will continue to increase as foreign sales increase;
- The long-term impact of the United Kingdom's departure from the European Union (or "Brexit");
- Changes in accounting standards may affect our reported profitability;
- Implications of the Organization for Economic Cooperation and Development's base erosion and profit shifting project;
- Any proceedings which may be brought against us by the Securities and Exchange Commission (the "SEC"), the FDA, the FTC, the ATF or other governmental agencies or bodies;
- The outcome and/or possibility of future shareholder derivative actions or shareholder securities litigation that may be filed against us and/or against certain of our officers and directors, and the possibility of other private shareholder litigation;

- The outcome of product liability or consumer fraud litigation and/or class action litigation (or its analog in foreign jurisdictions) regarding the safety of our products and/or the ingredients in and/or claims made in connection with our products and/or alleging false advertising, marketing and/or promotion, and the possibility of future product liability and/or class action lawsuits;
- Exposure to significant liabilities due to litigation, legal or regulatory proceedings, including litigation directed at the energy and alcohol beverage industries generally or at the Company in particular;
- Intellectual property injunctions;
- Unfavorable resolution of possible tax matters;
- Uncertainty and volatility in the domestic and global economies, including risk of counterparty default or failure;
- Our ability to address any significant deficiencies or material weakness in our internal controls over financial reporting;
- Our ability to continue to generate sufficient cash flows to support our expansion plans and general operating activities;
- Decreased demand for our products resulting from changes in consumer preferences, including, but not limited to: changes in demand for different packages, sizes and configurations; changes due to perceived health concerns such as obesity, ingredients in our products or packaging, and alcohol abuse; changes due to product safety concerns and/or changes due to decreased consumer discretionary spending power;
- Adverse publicity surrounding obesity, alcohol consumption, and other health concerns related to our products, product safety and quality, water usage, environmental impact and sustainability, human rights, our culture, workforce and labor and workplace laws;
- Our ability to meet or comply with sustainability-related expectations, standards, and regulations, including forthcoming rules set forth by the SEC and European Commission;
- Changes in demand that are weather or season related and/or for other reasons, including changes in product category and/or package consumption and changes in cost and availability of certain key ingredients including aluminum cans, as well as disruptions to the supply chain, as a result of climate change and poor or extreme weather conditions;
- The impact of unstable political conditions, civil unrest, large scale terrorist acts, the outbreak or escalation of armed hostilities, major natural disasters and extreme weather conditions, or widespread outbreaks of infectious diseases (such as the COVID-19 pandemic), or unforeseen economic and political changes and local or international catastrophic events;
- The impact on our business of competitive products and pricing pressures and our ability to increase or maintain our market share as a result of actions by competitors, including unsubstantiated and/or misleading claims, false advertising claims and tortious interference, as well as competitors selling misbranded products;
- The impact on our business of trademark and trade dress infringement proceedings brought against us relating to any of our brands, which could result in an injunction barring us from selling certain of our products and/or require changes to be made to our current trade dress;
- Our ability to implement and/or maintain price increases, including through reductions in promotional allowances;
- An inability to achieve volume growth through product and packaging initiatives;
- Our ability to sustain the current level of sales and/or achieve growth for our Monster Energy® brand energy drinks and/or our other products, including our Strategic Brands and Alcohol Brands;
- Our ability to implement our growth strategy, including expanding our business in existing and new sectors, such as the alcohol beverage sector;
- The inherent operational risks presented by the alcohol beverage industry that may not be adequately covered by insurance or lead to litigation relating to alcohol marketing, advertising, or distribution practices, alcohol abuse problems and other health consequences arising from excessive consumption of or other misuse of alcohol, including death;
- Our inability to transition distribution agreements in our Alcohol Brands segment and/or the impact of higher costs to change distributors for our alcohol beverages;
- The impact of criticism of our products and/or the energy drink and/or alcohol beverage markets generally and/or legislation enacted (whether as a result of such criticism or otherwise) that restricts the marketing or sale of energy drinks and/or alcohol beverages (including prohibiting the sale of energy and/or alcohol drinks at certain establishments or pursuant to certain governmental programs), limits caffeine or alcohol content in beverages, requires certain product labeling disclosures and/or warnings, imposes excise and/or sales taxes, limits product sizes and/or imposes age restrictions for the sale of energy and/or alcohol drinks;
- Our ability to comply with and/or resulting lower consumer demand and/or lower profit margins for energy drinks and/or alcohol beverages due to proposed and/or future U.S. federal, state and local laws and regulations and/or proposed or existing

laws and regulations in certain foreign jurisdictions and/or any changes therein, including changes in taxation requirements (including tax rate changes, new tax laws, new and/or increased excise, sales and/or other taxes on our products and revised tax law interpretations) and environmental laws, as well as the Federal Food, Drug, and Cosmetic Act and regulations or rules made thereunder or in connection therewith by the FDA. In addition, our business may be adversely impacted by changes in other food, drug or similar laws in the United States and internationally, especially those changes that may restrict the sale of energy and/or alcohol drinks (including prohibiting the sale of energy and/or alcohol drinks at certain establishments or pursuant to certain governmental programs), limit caffeine or alcohol content in beverages, require certain product labeling disclosures and/or warnings, impose excise taxes, impose sugar taxes, limit product sizes, or impose age restrictions for the sale of energy and/or alcohol drinks, as well as laws and regulations or rules made or enforced by the ATF and/or the FTC or their foreign counterparts;

- Disruptions in the timely import or export of our products and/or ingredients including flavors, flavor ingredients and supplement ingredients due to port congestion, strikes and related labor issues or otherwise;
- Our ability to satisfy all criteria set forth in any model energy and/or alcohol drink guidelines, including, without limitation, those adopted by the American Beverage Association, of which we are a member, and/or any international beverage associations and the impact of our failure to satisfy such guidelines may have on our business;
- The effect of unfavorable or adverse public relations, press, articles, comments and/or media attention;
- Changes in the cost, quality and availability of containers, packaging materials, aluminum cans or kegs, the Midwest and other premiums, raw materials, including flavors and flavor ingredients, and other ingredients and juice concentrates, and our ability to obtain and/or maintain favorable supply arrangements and relationships and procure timely and/or sufficient production of all or any of our products to meet customer demand;
- Any shortages that may be experienced in the procurement of containers and/or other raw materials including, without limitation, water, flavors, flavor ingredients, supplement ingredients, aluminum cans generally, PET containers used for our Monster Hydro® energy drinks, 24-ounce aluminum cap cans, 19.2-ounce cans and 550ml BRE aluminum cans with resealable ends;
- Limitations in procuring sufficient quantities of aluminum cans;
- In order to secure sufficient quantities of aluminum cans and sufficient co-packing availability in the future, we may be required to commit to minimum purchase volumes and/or minimum co-packing volumes. In the event that we over-estimate future demand for our products and therefore may not purchase such minimum quantities in full, or utilize such minimum co-packing volumes in full, we may incur claims and/or costs or losses in respect of such shortfalls;
- The impact on our cost of sales of corporate activity among the limited number of suppliers from whom we purchase certain raw materials;
- Our ability to pass on to our customers all or a portion of any increases in the costs of raw materials, ingredients, commodities and/or other cost inputs affecting our business;
- Our ability to penetrate new domestic and/or international markets and/or gain approval or mitigate the delay in securing approval for the sale of our products in various countries;
- The effectiveness of sales and/or marketing efforts by us and/or by the bottlers/distributors of our products, most of whom distribute products that may be regarded as competitive with our products;
- Unilateral decisions by bottlers/distributors, buying groups, convenience and gas chains, grocery chains, mass merchandisers, specialty chain stores, e-commerce retailers, e-commerce websites, club stores and other customers to discontinue carrying all or any of our products that they are carrying at any time, restrict the range of our products they carry, impose restrictions or limitations on the sale of our products and/or the sizes of containers of our products and/or devote less resources to the sale of our products;
- The impact of certain activities by competitors and others to persuade regulators and/or retailers and/or customers in certain countries to reduce the permitted or maximum container sizes for our products from those currently being sold and marketed by us;
- The impact of possible trading disputes between our bottler/distributors and their customers and/or one or more buying groups which may result in the delisting of certain of the Company products, temporarily or otherwise;
- The effects of retailer consolidation on our business and our ability to successfully adapt to the rapidly changing retail landscape, including, but not limited to, competition from new entrants, consolidations by competitors and retailers, and other competitive activities;
- Our ability to adapt to the changing retail landscape with the rapid growth in e-commerce retailers;

- The effects of bottler/distributor consolidation on our business;
- The costs and/or effectiveness, now or in the future, of our sponsorships and endorsements, marketing and promotional strategies;
- The success of our sports marketing, social media and other general marketing endeavors both domestically and internationally;
- Possible product recalls and/or reformulations of certain of our products and/or market withdrawals of certain of our products due to defective and/or non-compliant formulas or production in one or more jurisdictions;
- The failure of our bottlers and/or co-packers to manufacture our products on a timely basis or at all;
- Our ability to make suitable arrangements and/or procure sufficient capacity for the co-packing of any of our products both domestically and internationally, the timely replacement of discontinued co-packing arrangements and/or limitations on co-packing availability, including for retort production;
- Our ability to make suitable arrangements for the timely procurement of non-defective raw materials;
- Our inability to protect and/or the loss of our intellectual property rights and/or our inability to use our trademarks, trade names or designs and/or trade dress in certain countries;
- Volatility of stock prices which may restrict stock sales, stock purchases or other opportunities as well as negatively impact the motivation of equity award grantees;
- Provisions in our organizational documents and/or control by insiders which may prevent changes in control even if such changes would be beneficial to other stockholders;
- Any disruption in and/or lack of effectiveness of our information technology systems, including a breach of cyber security, that disrupts our business or negatively impacts customer relationships, as well as cybersecurity incidents involving data shared with third parties; and
- Succession plans for and/or the recruitment and retention of senior management, other key employees and our employee base in general.

The foregoing list of important factors and other risks detailed from time to time in our reports filed with the SEC is not exhaustive. See the section entitled “Risk Factors” in our Form 10-K and in Item 1A of this Quarterly Report for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. Those factors and the other risk factors described therein are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, our actual results could be materially different from the results described or anticipated by our forward-looking statements, due to the inherent uncertainty of estimates, forecasts and projections and may be better or worse than anticipated. Given these uncertainties, you should not rely on forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, in order to reflect changes in circumstances or expectations or the occurrence of unanticipated events except to the extent required by applicable securities laws.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks during the three-months ended September 30, 2023 compared with the disclosures in Part II, Item 7A of our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures – Under the supervision and with the participation of the Company’s management, including our Co-Chief Executive Officers and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, the Co-Chief Executive Officers and Chief Financial Officer have concluded that our disclosure controls and procedures are adequate and effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC and (2) accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting – There were no changes in the Company’s internal controls over financial reporting during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is incorporated herein by reference to the Notes to Condensed Consolidated Financial Statements - Note 12. Commitments and Contingencies: Litigation in Part I, Item 1, of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the condensed consolidated financial statements and related notes, you should carefully consider the risks discussed in "Part I, Item 1A – Risk Factors" in our Form 10-K. If any of these risks occur or continue to occur, our business, reputation, financial condition and/or operating results could be materially adversely affected. We also note that the risk factors described in this report and our Form 10-K are not the only risks facing our Company, and such additional risks or uncertainties that we currently deem to be immaterial or are unknown to us could negatively impact our business, operations, or financial results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 14, 2022, the Company's Board of Directors authorized a share repurchase program for the purchase of up to \$500.0 million of the Company's outstanding common stock (the "June 2022 Repurchase Plan"). During the three-months ended September 30, 2023, the Company purchased approximately 3.3 million shares of common stock at an average purchase price of \$55.52 per share for a total amount of approximately \$182.8 million (excluding broker commissions), which exhausted the availability under the June 2022 Repurchase Plan.

On November 2, 2022, the Company's Board of Directors authorized a share repurchase program for the purchase of up to an additional \$500.0 million of the Company's outstanding common stock (the "November 2022 Repurchase Plan"). During the three-months ended September 30, 2023, the Company purchased approximately 4.0 million shares of common stock at an average purchase price of \$54.26 per share, for a total amount of approximately \$217.1 million (excluding broker commissions), under the November 2022 Repurchase Plan. As of November 6, 2023, \$282.8 million remained available for repurchase under the November 2022 Repurchase Plan.

The aggregate amount of the Company's outstanding common stock that remains available for repurchase under all previously authorized repurchase plans is \$282.8 million as of November 6, 2023.

The following tabular summary reflects the Company's repurchase activity during the quarter ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price per Share ¹	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands) ²
Jul 1 – Jul 31, 2023	—	\$ —	—	\$ 682,838
Aug 1 – Aug 31, 2023	—	\$ —	—	\$ 682,838
Sep 1 – Sep 30, 2023	7,293,834	\$ 54.83	7,293,834	\$ 282,838

¹Excluding broker commissions paid.

²Net of broker commissions paid.

During the three-months ended September 30, 2023, 135 shares of common stock were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of \$7,688. While such purchases are considered common stock repurchases, they are not counted as purchases against the Company's authorized share repurchase programs. Such shares are included in common stock in treasury in the accompanying consolidated balance sheet at September 30, 2023.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three-months ended September 30, 2023, none of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

ITEM 6. EXHIBITS

- 3.1 [Second Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to our Form 8-K dated June 27, 2023\).](#)
- 3.2 [Third Amended and Restated By-laws of the Company \(incorporated by reference to Exhibit 3.2 to our Form 8-K dated June 27, 2023\).](#)
- 31.1* [Certification by Co-Chief Executive Officer pursuant to Rule 13A-14\(a\) or 15D-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification by Co-Chief Executive Officer pursuant to Rule 13A-14\(a\) or 15D-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.3* [Certification by Chief Financial Officer pursuant to Rule 13A-14\(a\) or 15D-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification by Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2* [Certification by Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.3* [Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101* The following financial information from Monster Beverage Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, (ii) Condensed Consolidated Statements of Income for the three- and nine-months ended September 30, 2023 and 2022, (iii) Condensed Consolidated Statements of Comprehensive Income for the three- and nine-months ended September 30, 2023 and 2022, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three- and nine-months ended September 30, 2023 and 2022, (v) Condensed Consolidated Statements of Cash Flows for the nine-months ended September 30, 2023 and 2022, and (vi) the Notes to Condensed Consolidated Financial Statements.
- 104* The cover page from Monster Beverage Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language) and contained in Exhibit 101.

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MONSTER BEVERAGE CORPORATION
Registrant

Date: November 6, 2023

/s/ RODNEY C. SACKS

Rodney C. Sacks
Chairman of the Board of Directors
and Co-Chief Executive Officer

Date: November 6, 2023

/s/ HILTON H. SCHLOSBERG

Hilton H. Schlosberg
Vice Chairman of the Board of Directors
and Co-Chief Executive Officer