Monster Beverage Corporation's (MNST) CEO Rodney Sacks on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-07-19 Earnings Summary

Press Release

EPS of $0.55 beats by $0.01 | Revenue of $1.13B (11.55% Y/Y) beats by $22.83M

Earning Call Audio

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Monster Beverage Corporation (NASDAQ:MNST) Q3 2019 Results Earnings Conference Call November 7, 2019 5:00 PM ET

Company Participants

Rodney Sacks - Chairman and CEO

Hilton Schlosberg - Vice Chairman and President

Tom Kelly - Executive Vice President, Finance

Conference Call Participants

Andrea Teixeira - JPMorgan

Steve Powers - Deutsche Bank

Mark Astrachan - Stifel

Rodney Sacks

Good afternoon, ladies and gentlemen. Thank you for attending this call. I am Rodney Sacks. Hilton Schlosberg, our Vice Chairman and President is with me; as is Tom Kelly, our Executive Vice President of Finance.

As you may have already noticed, my voice is soft today. That’s because I recently had a benign polyp removed from my larynx. The good news is that I am fine. But I have been advised to use my voice sparingly. So I will save my voice for the Q&A and hand the call over to Hilton.

Hilton Schlosberg

Thank you. Tom Kelly is going to ready the Safe Harbor statement before we start the call.

Tom Kelly

Before we begin, we would like to remind listeners that certain statements made during this call 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, and are based on currently available information regarding the expectations of management with respect to revenues, profitability, future business, future events, financial performance and trends.

Management cautions that these statements are based on our current knowledge and expectations and are subject to certain risks and uncertainties, many of which are outside the control of the company that may cause actual results to differ materially from the forward-looking statements made during this call

Please refer to our filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K filed on February 28, 2019, and our most recent quarterly report on Form 10-Q filed on August 8, 2019, including the sections contained therein Risk Factors and Forward-looking Statements for a discussion on specific risks and uncertainties that may affect our performance. The Company assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

An explanation of the non-GAAP measure of gross sales and certain expenditures, which may be mentioned during the course of this call, is provided in the notes and designated with asterisks in the condensed consolidated statements of income and other information attached to the earnings release dated November 7, 2019. A copy of this information is also available on our website at monsterbevcorp.com in the Financial Information section.

Hilton Schlosberg

Thank you, Tom. We again to turn out to the quarter and we will move on from there. Consumer beverage preferences and tastes continue to evolve at an increasing pace. And we are endeavoring to address them through our ongoing innovation of new products.

In the third quarter of 2019 net sales were $1.13 billion up 11.6% from $1.02 billion in the third quarter of 2018. Net sales for the third quarter were negatively impacted by approximately $12.2 million of foreign currency movements. Without these foreign currency movements, net sales for the quarter would have been up 12.8%.

The comparative net sales in the 2018 third quarter included approximately $16 million in net sales of advanced purchases as a result of the price increase in the United States in of our products effective November 1, 2018. Adjusting for these advanced purchases and foreign currency movements, net sales for the 2019 third quarter would have been up 14.6%.

Turning now to gross profit, gross profit as a percentage of sales for the 2019 third quarter was 59.4%, compared with 59.8% in the 2018 third quarter. The decrease in gross profit as a percentage of net sales for the 2019 third quarter was primarily the result of geographical and product sales mix. Such decrease was partially offset by price increases, as well as reduced input costs.

Distribution costs as a percentage of net sales were 3.3% for the 2019 third quarter, as compared to 4.1% in the 2018 third quarter.

Selling and marketing expenses as a percentage of net sales were 11.1% for the 2019 third quarter, as compared to 11.2% in the same quarter in 2018.

General and administrative costs as a percentage of net sales were 10.1% for the 2019 third quarter, as compared to 11.1% in the same quarter in 2018.

In the quarter, payroll expenses as a percentage of net sales was 6.5%, compared to 6.2% in the same period in 2018. Payroll costs increased $10.4 million, primarily due to headcount growth, both domestically and internationally. Stock-based compensation and non-cash item were $16 million in the third quarter of 2019, compared to $14.1 million in the same quarter in 2018.

Our effective tax rate increased from 21.8% in 2018 third quarter to 25% in the 2019 third quarter. The increase in the effective tax rate was primarily due to increased income taxes in certain foreign jurisdictions, as well as the decrease in the equity compensation deduction. In addition, the comparative effective tax rate for the 2018 third quarter included a non-recurring tax benefit.

Net income was $298.9 million in the 2019 third quarter, compared to net income of $267.7 million in the 2018 third quarter, an increase of 11.6%.

Diluted earnings per share for the 2019 third quarter increased 14% to $0.55 from $0.48 in the third quarter of 2018.

Now we turn to The Coca-Cola Company transition update. In the third quarter of 2019 Monster Energy was launched by or transition to coke bottlers in the Dominican Republic, El Salvador and Honduras. We are planning further international launches later this year.

We launched Predator, our affordable energy brand in the third quarter of 2019 in Botswana and in Slovakia. We are planning to launch Predator in selected additional markets in Eastern Europe and Africa in the fourth quarter of 2019.

In China, we completed the rollout of both Monster Ultra Violet and Monster Mango in the third quarter. We have significantly expanded our shelf space for Monster with these three SKUs in our targeted top 40 cities and key accounts.

We continue to roll out a Monster across India and began the launch of Ultra Violet into approximately 20% of our accounts in September. We will continue Ultra’s expansion into the fourth quarter, as well as commencing the launch Mango Loco to leverage consumer taste preferences in India.

I will now briefly discuss a litigation with Vital Pharmaceuticals, VPX, the maker of Bang energy drinks. Monster filed a lawsuit against VPX in September 2018 for false advertising and VPX filed a trademark lawsuit against Monster in relation to our Reign Total Body Fuel high-performance energy drinks in March 2019. Both proceedings are ongoing.

In August 2019, VPX filed another lawsuit in the Southern District of Florida, alleging a host of legal challenges, including many similar to the claims Monster alleged against VPX. Monster will seek the dismissal of VPX's most recent lawsuit.

In October 2019, U.S. Court, the US District Court for the Southern District denied VPX's motion for preliminary injunction against Reign Total Body Fuel high-performance energy drinks in its trademark lawsuit. In his decision, the Court ruled that VPX fail to meet any of the elements of a preliminary injunction and failed to establish that it is likely to succeed on the merits of its claims.

The VPX recently announced an intention to launch its own Reign -- own line of Reign branded energy drinks in 16 ounce cans to be sold in convenience stores. We recently filed an expedited motion for preliminary injunction asking the court to stop this product launch and to prevent VPX from infringing Monster's trademark rights in this way.

In one of the Court findings in May 2019, we stated that sales of Reign beverages from June to December 2019 were projected to exceed $235 million. Our sales of Reign through October was solid, as illustrated by the Nielsen numbers were lower than our initial expectations.

As with any new product launches, sales may be affected by many factors, including retail authorizations, the dates on which listings are secured for products with major retailers and introductions of new flavors. The company has not changed its practice with respect to projections and will not be providing projections with respect to Reign or any other products.

As our litigation with VPX is subjugated, we will not be answering questions on this matter on today's call.

Now we are going to turn to the Nielsen reports in North America. According to the Nielsen reports for the 13 weeks through October 26, 2019 all outlets combined, namely convenience, grocery, drug, mass merchandisers, sales in dollars in the energy drink category, including energy shots increased by 9.1% versus the same period a year ago.

Sales of the company's energy brands including Reign grew 4.6% in a 13-week period. Sales of Monster were down 2.4%. Sale of NOS decreased 1.8% and sales of Full Throttle decreased 12.8%. Sales of Red Bull increased 6.4%. Sales of Rockstar decreased by 10.8%. Sales of 5-Hour decreased 9% and sales of Amp decreased 42.4%. A there were no comparable sales of our Reign products last year, we have not referenced Reign.

According to Nielsen for the four weeks ended October 26, 2019, sales in the convenience and gas channel, including energy shots in dollars increased 6.5% over the same period of the previous year.

Sales of the company's energy brands which include Reign grew 2.5% in the four-week period in the convenience and gas channel. Sales in Monster decreased by 5% over the same period versus the previous year, NOS was down 3.3% and Full Throttle was down 11.6%. Sales of Red Bull were up 4.8%, Rockstar was down 11.2%, 5-Hour was down 7.9% and Amp was down 35.1%.

According to Nielsen for the four weeks ended October 26, 2019. The company's market share of the energy drink category in the convenience and gas channel including energy shots in dollars decreased by 1.6 points over the same period of the previous year to 40.7%.

Monster share decreased 4.1 share points to 33.5%, Reign share was 3%, NOS share declined 0.4 share points to 3.6% and Full Throttle share declined 0.2 of a point to 2.7%, Red Bull share decrease 0.5 points to 33.2%, Rockstar share was down 1.1 points to 5.4%, 5-Hour share was lower by 0.9 points at 5.5% and Amp share decreased by 0.2 points to 2.4%. The VPX Bang share increased 4.2 points to 8.2%.

According to Nielsen for the four weeks ended October 26, 2019, sales of coffee plus energy drinks, which includes Cafe Monster and Espresso Monster in dollars for the convenience and gas channel increased 7.4% over the same period the previous year. Sales of our Monster -- of Java Monster alone were 9.6% higher than in the same period the previous year. Sales of our coffee plus energy drinks were 5.9% lower, while sales of Starbucks Energy were 18.1% higher.

Our company share of the coffee plus energy category, which includes Java Monster, Cafe Monster, Espresso Monster, Starbucks, Double Shot and Rockstar Roasted for the four weeks ended October 26, 2019, was 49.3% down 7points. Java Monster share on its own for the four weeks ended October 26, 2019 was 44.7%, down 2.6 points, while Starbucks Energy share was 47.9%, up 4.3 points.

According to Nielsen in the convenience and gas channel in Canada for the 12 weeks ended September 14, 2019, the energy drink category increase 6% in dollars. Sales of the company's energy drink brands increased 5% versus a year ago.

The market share of the company's energy drink brands was 37.6%, down 0.7 points. Monsters market share remained the same at 33.9 share points. Monsters sales decreased 7% and its market share decreased 0.4 share points to 2.6%. Full Throttle sales decreased 15% and its market share decreased 0.3 points to 1.1%. Red Bull sales increased 6% and its market share decrease 0.2 points to 37.5%. Rockstar sales increased 12% and its market share increased 0.8 points to 15.7%.

Turning to Mexico, according to Nielsen, for all outlets combined in Mexico, the energy drink category grew 14% for the month of September 2019. Monster sales increased 10.5%. Our market share in value decreased 0.9 points to 29.3%, against the comparable period the previous year. Sales of Burn were down 48.0%. Burn's market share decreased 1 point to 0.8%. Red Bull's sales decreased 5.1% and its market share decreased by 1.6 points to 7.8%. Vive 100 sales decreased 11.3% and its market share decreased by 7.7 points to 27.1%. Vault's sales increased 33.5% and its market share increased 4.5 share points to 17.5%. While Boost's sales decrease 3.5% and its market share decreased 1.3 points to 6.9%. Amp and affordable energy brand launched in March increased its market share to 8.7% in the month of September 2019.

The Nielsen statistics for Mexico cover single months, which is a short period that may often be materially influenced positively and/or negatively by sales in the OXXO convenience chain, which dominates the market. Sales in the OXXO convenience chain in turn can be materially influenced by promotions that maybe undertaken in that chain by one or more energy drink brands during a particular month. Consequently, such activities could have a significant impact on the monthly Nielsen statistics for Mexico.

Now I would turn to EMEA, I would like to point out that the Nielsen numbers in EMEA should only be use as a guide because the channels read by Nielsen in EMEA vary from country-to-country and are reported on varying dates within the month referred to from country-to-country.

According to Nielsen the 13 weeks ended October 5, 2019, Monster's retail market share in value as compared to the same period of previous year grew from 12.3% to 12.9% in Belgium, from 23.3% to 27.6% in France, from 20.9% to 21.5% in Great Britain, from 7.1% to 7.2% in the Netherlands, from 18.0% to 23.7% in Norway, and from 30.3% to 33.4% in Spain. In the same period, Monster's retail market share in value as compared to the same period the previous year declined from 13.7% to 13.1% in Sweden.

According to Nielsen in the 13-week period ended in September 2019, Monster's retail market share in value as compared to the same period the previous year grew from 15.6% to 15.8% in Germany and from 10.7% to 15% in Poland.

According to Nielsen, the 13-week period ended in August 2019, Monster's retail market share in value as compared to the same period the previous year grew from 13.8% to 13.9% in the Czech Republic, from 34.1% to 36.6% in Greece, from 15.8 to 19.3% in Ireland, from 16.7% to 20.4% in Italy, and from 18 -- and from 14.8% to 17.4% in South Africa.

Turning to Nielsen in South America, according to Nielsen for the month of September 2019 in Chile, Monster's retail market share in value increased from 34.5% to 38%, compared to the same month the previous year. According to Nielsen in Brazil, Monster's retail market share for the month of September 2019 increased from 17.7% to 26.2% as compared to the same month the previous year. According to Nielsen in Argentina for the month of September 2019, Monster's retail market chain in value increased from 13.9% to 27.9% compared to the same month the previous year.

Turning to Asia-Pacific, according to IRI in Australia, Monster's market share in value for the four weeks ended September 29, 2019, increased from 9.1% to 9.6%, as compared to the same period the previous year, Monster's market share in value decreased from 13.7% to 12.9% during the same period.

According to IRI in New Zealand, Monsters' market share in value for the four weeks ended September 29, 2019 increased from 5.7% to 6.2% as compared to the same period the previous year. Lift Plus market share in value decreased from 8.8% to 8.3% and Mother's market share in value increased from 6.8% to 8%.

According to Nielsen in South Korea, Monsters' market share in value in all outlets combined for the quarter ended September the 2019 grew from 38.3% to 40.5% as compared to the same period in the previous year. Monster is now the leading energy brand by market share in value in all measured outlets in South Korea.

According to INTAGE in Japan, Monster's market share in value in the convenience store channel for the 13-week period ended September 30, 2019, grew from 48.9% to 51.2% as compared to the same period in the previous year. We again point out that certain market statistics that cover single months or four-week period may often be materially influenced positively and/or negatively by promotions or other trading factors during those periods.

So, now we are going to turn to sales and the segments. Net sales for the Monster Energy Drinks segment for the third quarter of 2019, which include Reign increased 13.5% from $935.1 million to $1.06 billion from the comparable period in 2018.

Net sales for the Monster Energy Drinks segment in the third quarter of 2019 were negatively impacted by approximately $10.8 million of foreign currency movements. Without these foreign currency movements net sales for the Monster Energy Drinks segment for the quarter would have been up 14.7%.

The comparative net sales in the 2018 third quarter included approximately $16 million in net sales with advanced purchases as a result of the price increase in the United States by uncertain about products effective November 1, 2018. Adjusting for these advanced purchases and foreign currency movement net sales for the Monster Energy Drinks segment for the 2019 third quarter would have been up 16.6%.

Net sales for the Strategic Brands segment which includes Predator Affordable Energy brand was $66.3 million for the third quarter as compared to $74.4 million in the same quarter in 2018. Net sales for the company's Strategic Brands segment in the third quarter of 2019 were negatively impacted by approximately $1.4 million of foreign currency movement.

Net sales for the Other segments, which includes third-party sales made by AFF were $5.9 million in the third quarter, as compared to $6.6 million in the same quarter in 2018.

Net sales to customers outside the United States were $379.8 million, that's 32.5% of total net sales in the 2019 third quarter, compared to $283 million or 28.6% of total net sales in the corresponding quarter in 2018. Foreign currency exchange rates had the effect of decreasing net sales in U.S. dollars by approximately $12.2 million. Included in reported geographic sales are our sales to the company's military customers, which are delivered in the U.S. and trans-shipped to the military and their customers overseas.

Now, we turn to sales in EMEA, in EMEA supply chain and production issues have largely been resolved. In EMEA net sales in the third quarter increased 34.1% in dollars and increased 40.1% in local currencies over the same period in 2018.

Gross profit in this region as a percentage of net sales for the quarter was 39.3%, compared to 41.3% in the same quarter in 2018. Gross profit percentage for the region was impacted by country and product mix, as well as increases in manufacturing costs.

We are also pleased that Monster continues to perform well and gain market share in Belgium, the Czech Republic, France, Germany, Great Britain, Greece, Ireland, Italy, the Netherlands, Norway, Poland, South Africa and Spain.

Now turning to Asia-Pacific, in Asia-Pacific net sales in the third quarter increased 43.6% in dollars and 43.4%in local currencies over the same period in 2018. Gross profit in this region as a percentage of net sales was 40.5% versus 44.1% over the same period in 2018 as a result of country and product mix. In Japan net sales in the quarter increased 60% in dollars and 55.5% in local currency. In South Korea, net sales increased 15.9% in dollars and 23.5% in local currency as compared to the same quarter in 2018.

In Oceania, which includes Australia, New Zealand, Tahiti, French Polynesia, New Caledonia, Papua New Guinea and Guam net sales decreased 12.8% in dollars and 7.2% in local currencies, although, I would like to point out that Monster increased 4.5% in dollars and 10.7% in local currency as compared to the same quarter in 2018.

Now turning to sales in Latin America and the Caribbean, in Latin America, including Mexico and the Caribbean, net sales in the third quarter increased 41.5% in dollars and 51% in local currencies over the same period in 2018.

Gross profit in this region as a percentage of net sales was 44.0% for both periods. In Brazil net sales in the quarter increased by 80.2% in dollars and increased 82.3% in local currency. Net sales in Chile increased 70.9% in dollars and increased 84.2% in local currency in the quarter.

So now turning to new products in North America, in United States, we launched Monster Mule Ginger Brew nationally, Reign Orange Creamsicle, Monster MAXX, Mango Magic and Monster MAXX Red-Red extra strength with zero sugar at the end of September. In October, we launched Java Monster Farmers Oats, which contains Oatmilk and is non-dairy and vegan, as well as two new flavors in the Reign brand family, Strawberry Sublime and Mango Magic. In 2020 in United States we will be discontinuing our Cafe Monster line of products and repositioning our Espresso Monster line.

In Canada in the third quarter of 2019 we launched Monster Pacific Punch nationally in July, as well as Monster Mule nationally in September. During the third quarter of 2019 in Mexico we launched Pipeline Punch. During the third quarter of 2019 in Brazil, we launched Absolutely Zero, Ultra Violet, as well as Mango Loco, Now turning to new products in EMEA, Monster Pipeline Punch was launched in Bosnia, Bulgaria, Cyprus, Croatia, Greece, Poland and Slovenia in the third quarter of 2019, and is now available in 15 markets across EMEA. Espresso Monster was made available in six markets in EMEA, France, Great Britain, Germany, Norway, Spain and Sweden in both milk and vanilla variants during the 2019 third quarter. We also recently launched both variants in Belgium and Ireland in October 2019 and will launch both in Poland this month. We are pleased with the performance of Espresso Monster in EMEA.

We are planning to rollout two flavors of Espresso Monster into further 12 markets in the fourth quarter of 2019 and throughout 2020. Additionally, we are looking to launch our new Salted Caramel Espresso variant in eight EMEA markets over the course of the fourth quarter of 2019 and 2020.

Reign has launched in Sweden in the third quarter of 2019 and we are planning to launch Reign in the further two markets by the end of 2019. We are planning to launch Monster in Israel in the fourth quarter of 2019. We are planning to launch Predator, our affordable energy brand in Ethiopia, Kenya, Poland, Uganda and Zambia in the 2019 fourth quarter.

Turning to new products in Asia-Pacific, we launched Monster Green in 500 milliliter resealable aluminum bottles in Japan during the 2019 third quarter. In Korea, we launched Pipeline Punch with initial positive results. We launched Ultra White in India and competed its rollout in Vietnam during the 2019 quarter. Ultra Paradise launched in Australia in July and in New Zealand in September, and Mango Loco was successfully relaunched in July after resolution of local production capabilities. We are planning to launch a number of products in Asia-Pacific over the upcoming months, including a full relaunch of Pipeline Punch in Japan in the spring of 2020.

Now turning to balance sheet, cash and cash equivalents amounted to $717.6 million at September 30, 2019, compared to $637.5 million at December 31, 2018. Short-term investments were $597.4 million at September 30, 2019, compared to $320.7 million at December 31, 2018. Net accounts receivable increased to $648 million at September 30, 2019 from $484.6 million at December 31, 2018.

Days outstanding for accounts receivable were 44.6 days at September 30, 2019, compared to 41.4 days at December 31, 2018. Inventories increased to $317.7 million at September 30, 2019 from $277.7 million at December 31, 2018. Average days of inventory were 62.1 days at September 30, 2019, compared to 67.2 days at December 31, 2018.

Now we can talk a little about October 2019 gross sales. We estimate October 2019 gross sales to be approximately 7.3% higher than in October 2018. On a foreign currency adjusted basis, October 2019 gross sales would have been approximately 8.6% higher than comparable October 2018 gross sales.

The comparative gross sales in October 2018 included advanced purchases as a result of the price increase in the United States on certain of our products effective November 1, 2018. Adjusting for these advanced purchases and foreign currency movements, we estimate gross sales for the month of October 2019 would have been approximately 14.6% higher than in October 2018.

In this regard, we caution again that sales over a short period, often disproportionately impacted by various factors, such as, for example, selling days, days of the week in which holidays fall, timing of new product launches and the timing of price increases and promotions in retail stores, distribute incentives, as well as shifts in the timing of production in some instances, where our bottlers are responsible for production and unilaterally determine their production schedules, which affects the dates on which we invoice such bottlers, as well as inventory levels maintained by our distribution partners, which they alter unilaterally for their own business reasons.

We reiterate that sales over a short period such as a single month or even two months should not necessarily be imputed to or regarded as indicative of results for a full quarter or any future period.

Share repurchase programs, during the 2019 third quarter the company purchased approximately 4.3 million shares of common stock at an average purchase price of $58.60 per share, for a total of $254.3 million excluding broker commissions.

As of November 6, 2019, approximately $36.6 million remains available for -- US$36.6 million remains available for repurchase under the previously authorized repurchase program. On November 6, 2019, the company's Board of Directors authorize a new repurchase program for the repurchase of up to an additional $500 million of the company's outstanding common stock.

In conclusion, I'd like to summarize some recent positive points. Retail sales statistics for many countries around the world demonstrate that the energy category is continuing to grow and then Monster is generally going ahead of the category in line with the earlier periods.

Number two, the new additions to the Monster family continue to add the company's sales.

Number three, we are excited about the prospects for our brands and our new product launches this year, as well as our innovation pipeline in 2024.

Fourthly, we are encouraged by the prospects for Reign Total Body Fuel high-performance energy drinks, not only within the U.S. but looking further abroad.

Number five, we are pleased with our growth and performance in our international markets. Net sales in the third quarter in EMEA increased 40.1% in local currency, in Asia-Pacific increased 43.4% in local currency and in Latin America and the Caribbean increased 51% in local currency. We reiterated the growth potential for us in China and India.

And lastly, we are proceeding with our plans for future launches of Affordable Energy Drink brands internationally. We also proceeding with our plans for the launch of Reign Total Body Fuel high-performance energy drinks in certain countries outside of the U.S.

I'd like to open the floor to questions about the quarter. Thank you.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] And our first question is going to come from Andrea Teixeira from JPMorgan. Your line is now open.

Andrea Teixeira

Thank you all, and Rodney, I wish you a fast recovery. And so you can help us with the positioning of the core Monster, which I understand correct, if I understand correctly was down 2.4% in all outlets and declined 5% in convenience. Do you believe that is related to the promotional environment of your main competitor or just a function of Reign gaining more shelf space? And how are you planning to react to that? Will you feel the need for more promotion for to become more promotion as well or you are just happy with the total performance? Thank you.

Rodney Sacks

Well, I will take that. Forgive of my vocal. Just I think that if you look at the category, what we have noticed is you have had an impact on all of the -- pretty much on all of the SKUs that are had been existing in the market over the past couple of months. You are seeing the increases coming from us and our main competitor coming from new products.

So -- but -- if you look at the total category, the total category remains healthy. It’s up 9%, which is really good growth. So the category is growing. It’s been a shift within the category. We -- you have got to look at brands and whatever we have in the category. So you look at the fact that we are down or some of the individually SKUs are down. But overall, the category is growing, our overall corporate sales are growing, we would address obviously individual SKUs.

And I think this is an experience that’s being experienced by general consumer products for established brands. There is a movement generally on consumers to want to try new products, new flavors, new innovation. And we do have a new innovation, which we -- some of that we have announced we recently launched. We have plans to launch quite a lot of new innovation. I think that in some cases, some of our new innovation that we launched earlier this year, perhaps, didn’t get enough shelf space or there have been some shelf space taken from our existing product, which I think has affected sales.

So looking at one of the sort of main things I think we will look at going forward is improving the quality of our distribution, getting out innovation more efficiently and more effectively on the shelves And as we go forward, we believe there will be additional space allocated to the performance energy category, which will relieve pressure on the space we are looking for our existing energy brands and the innovation under the Monster line.

Hilton Schlosberg

So just to add to what Rodney is saying, if you asked, if we are happy with the way things are, and obviously, we are not. We want to see the Monster brand growing. What we have evidence of is that the price increase has stuck. And when you will get our Q tomorrow and you can even see it, I think, in the release, that the promotional allowances are very much in line with where they should be and we are not over promoting.

Having said that, I just want to reiterate that the category if you look back 52 weeks, the energy category has shown incremental growth per Nielsen of $1.3 billion. So this is a growing category and it’s a category that now has a new segment, which is performance energy and performance energy is growing within that category.

And, as I look at some of our other competitors, and this is no defense, but as we look for example, even at Red Bull, which is growing and we mentioned on the call that it’s growing. The Red Bull core brands also not showing growth. The diet SKUs are and their additions are, but in general the Red Bull core brands are also not showing growth and are in decline. Having said that, we have got plans with our distribution, which has been a challenge to dramatically improve distribution and distribution on shelf and in the coolers.

Rodney Sacks

Perhaps there’s just one other aspect I’d like to add to that, this is sort of broad view. These comments we have made really focus on the U.S. and the US has been our major market. But as we develop as a company, the opportunity for us for our energy brands Monster in particular plus our other brands is international.

And if you look at the information we just gave on this call about how we have accelerated international growth in existing international markets and new markets, that’s where we look to in the future for the company.

Our sales as we -- U.S. was about 72% of our sales last year this quarter and it’s now down to 67. So if you take that with as a growth position, it’s going to continue to grow. So we see a lot of run way to grow internationally, to grow the brand and these markets are continuing to grow and are very healthy.

So, we need to address challenges we have in the U.S. at the moment. But, overall, we still believe in the health and we still believe in the growth of the brand both internationally and even in -- within the U.S. as well in our other energy brands.

Hilton Schlosberg

And then one thing we really should -- turning back a few years for a moment, sorry. The one thing we really should not forget about is the unmeasured channels, which we have been absolutely emphatic about, our Food Service is unmeasured, Amazon is unmeasured, Costco is unmeasured, and a slew of other Home Depot and Lowes all of those channels are unmeasured. And the amount of sales that are going through those channels is really -- is a significant number.

Rodney Sacks

Thanks.

Andrea Teixeira

Thank you both.

Operator

Thank you. And our next question comes from Steve Powers from Deutsche Bank. Your line is now open.

Steve Powers

Yes. Thank you. Maybe a little bit more on the U.S. Can you talk about growth in the quarter coming in a touch below 3% versus the Nielsen data over the course of the quarter pointing closer to 6%? I think we all know you had tough comparisons in the year ago quarter, but at the same time, there was an extra selling day this quarter. And so just how do you think about that 3% number in light of those factors, building on Andrea's question? And then if I could related question, building on what you just said, but in the context of Coke Energy, and I think, that we all appreciate what you and Coke have each said about the intended interplay between Monster and really Monster and Reign and Coke energy and that they are targeted different consumers and designed to minimize cannibalization risk, but given that they will be going through common distributors, just how confident are you that those new Coke SKUs won't take away from some of your smaller SKU use whether Monster Reign, NOS, Full Throttle or otherwise, rather than having them successfully fine incremental space in the cooler or take away from competition distributed by others? Thanks.

Hilton Schlosberg

So let me start with your first question. When you look at Nielsen and you look at our own financial numbers, you cannot draw an exact interpolation from one to the other. Nielsen sales out, our sales are sells to the distributors, the bottlers. We have a SKU of unmeasured channels that I mentioned. And while it's a good indication of what's of the movement of sales, it's not an absolute science and one has to be very wary, but we have said this on many calls in the past, I am going to be very careful trying to balance our sales to our bottlers and our distributors with sales out to the consumer.

Nielsen read a sample. They don't read all the channels. They don't read, as I said, the Food Service, they don't read Amazon, they don't read Costco. They don't read the Home Depot's and the Lowe's and all the other channels where our products are distributed. So it's difficult to draw a comparison from one to the other. All we can do is give you the facts and you guys make your own assessments from there.

Rodney Sacks

Now as regards to Coke Energy. I think that most of the analysts are very up-to-date and astute on analyzing Nielsen well. They should be looking and analyzing Nielsen around the world and that would give everybody their own view on what's been happening with the rollout of Coke Energy around the world.

We have seen the brand rollout and we have also seen the rate of sale, not keeping pace with initial sales, the percentage market share has been small and hasn't really had an impact on us. The main impact that I think we will repeatedly said is that we did have concerns or is the sort of noise and in the market and focus from divergence of focus. But ultimately, in Europe, things are settling down, our growth rates of our brands are on track and have continued.

And I think that by and large, the Coke system has pretty much focused on not trying to cannibalize our existing products and take pricing from us and it has worked reasonably well. There have been a few countries where there have been some challenges and we have addressed them.

So, again, we don't know, we can't tell what Coke Energy will be in the United States. It's formulated little differently. It's a little different in sizes. There are two variants. But, ultimately, we think that, we just need to manage the lack of focus or conflict of focusing from to bottlers. Ultimately, we don't think it will have a major impact on our brand and we will manage it and going forward how you feel.

Hilton Schlosberg

Yeah. I mean, what I would do if I were an analyst, I would get the information from the markets in which they have launched and there are a number of them. And frankly, they have not -- the numbers that I have seen and I can't talk for numbers that other people may have seen. The numbers that I have seen are showing that they have not performed particularly well and that our brands have continued to grow and our brands have continued to develop in those markets. But get the homework.

Rodney Sacks

We don't know what the U.S. will be, it's own market. And so we will see how things go and we will manage it.

Operator

Thank you. And our next question comes from Mark Astrachan from Stifel. Your line is now open.

Mark Astrachan

Thanks. Good afternoon, everyone. And Tom, good to hear from you on the call today.

Tom Kelly

Thank you, Mark.

Mark Astrachan

There it is again. So, I guess, I wanted to ask about gross margin. International continues to be a bit of a sore spot there. U.S. again continued to be pretty good. So you touched on some of the supply chain issues and EMEA having been resolved and kind of talking directionally to stabilization or at least that's maybe my interpretation of it. LatAm was obviously flat in gross margin. So is the worst behind you at this point. You have anymore visibility on that, I am not asking for guidance. I love a personal point of view, kind of how we should all think about that since I think it's one of those areas that is a bit more of a black box than others. So any help there would be a appreciate it?

Hilton Schlosberg

It's not really a black box. I mean, we sell concentrates at high margins and through the strategic brands. And we sell finished products at different margins that really are a base for a number of factors on the relationships we have developed with the bottlers and distributors in various countries and the cost of production.

So it's always every quarter the issue is how much do we sell internationally, which has low margins and I will get on to that, and I think, I have discussed it on a previous call. And how much strategic brands did we sell as a cooperation versus finished goods at Monster

Energy.

So when we established a model in the United States, the distributors were allocated on margin, which was satisfactory to them and we had the lion's share of the margin. As we have grown internationally in more virgin territories, the bottles in the Coke system where we have transitioned or launched with, they have demanded a highest share of the value chain.

And this is something that we have had to deal with, understanding that if we want to launch in various countries internationally, that's going to cost us more in margin than in the U.S., where we had a very established business and the Coca-Cola bottlers segued into this establish business with the same margins. We also have different costs impacts around the world, which we try to manage as best as we can.

And then one of the other issues that we are facing is that our juice products are doing very well. Our coffee products are doing very well and they themselves have lower margins than the traditional Monster beverages, which have, and of course, the diet has the best margin of all.

So, you have this issue of competing margins. However, there are things we can do with the juice products, we can establish greater efficiencies. We had a big improvement this year in this quarter in the U.S. In fact in freight getting product and raw materials to our co-packers, that was big benefit -- the other benefit that we had in the U.S. was in aluminum.

So there is a difficult range of factors that go into what the overall consolidated margin is. It is not just a simple one calculation. But we are working on it. And, as we have done in the U.S. and as we have done with freight in, we continue to look at our model internationally, and see where we can improve on our gross margin percentages. And as I have always said, Mark, we sell products and we make gross profit dollars. We don't make gross profit percentages.

Rodney Sacks

I think that the only thing I would like to add to that is -- very briefly is that, in the international market, there are a lot of markets that we have had to traditionally shipped into many markets, so many countries from other countries.

We have -- and as we continue to expand and have sufficient volumes in countries, we are all switching to local production in those countries. We have opened up quite a number of additional production facilities in Europe this year and have got a number -- a large number going forward, and as we go forward, we think that will certainly help our margins internationally as well. But, at this point we just don’t think there is any numbers we can point you to.

Hilton Schlosberg

And also the community knows that we purchased REFILE, the concentrate facility from the Coca-Cola Company with the intention of producing ingredients in EMEA, which will reduce our improving efficiencies, improve costs and reduce the huge distances that we shipping these ingredients right now.

Rodney Sacks

Yeah. We will also address some of the challenges we had last year and a little bit this year even in out of stocks and where we have increased demand for particular products, we had very long lead times in order to ship ingredients to pack us to try increased volumes this will obviously improve those efficiencies and will help us going forward. So that’s been a -- we think we are very excited about the fact that that will help us in the whole of the EMEA and Middle East and Africa.

Operator

Thank you. This concludes today’s Q&A session. I would now like to turn the call back to Mr. Rodney Sacks and Mr. Hilton Schlosberg for further remarks.

Hilton Schlosberg

So thank you. You got my name right. We tested them before that, so well done on that. Thank you. On behalf of Monster, I'd like to thank everyone for their continued interest in the company. We continue to believe in what we are doing in the company and our growth strategy and remain committed to continue to innovate, develop and differentiate our brands and expand the company both at home and abroad, and in particularly expand distribution of our products to the Coca-Cola bottler system internationally. We always excited by the new opportunities that we have going forward with a portfolio of energy drink products throughout the world, comprised of our Monster Energy brand together with our strategic brands as well as Hydro, Predator and Reign and the new innovation plan for 2020. Thank you very much for your attendance.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect. Everyone have a great day.