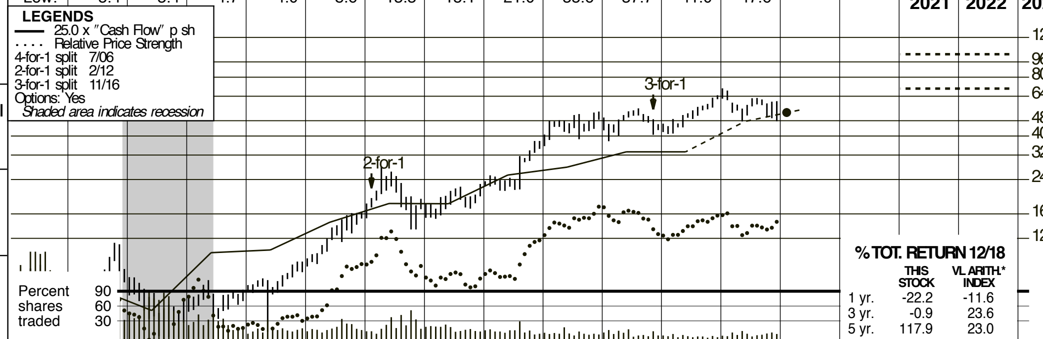
# MONSTER BEVERAGE NDQ-MNST

RECENT PRICE **52.83** | P/E RATIO **27.7** (Trailing: 32.6 / Median: 30.0) | RELATIVE P/E RATIO **1.76** | DIV'D YLD **Nil** | VALUE LINE

**TIMELINESS** 3 Lowered 10/12/18
**SAFETY** 3 Raised 5/2/08
**TECHNICAL** 3 Raised 12/28/18
**BETA** .85 (1.00 = Market)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 11.4 | 7.6 | 7.3 | 9.1 | 16.4 | 28.0 | 22.8 | 37.8 | 53.5 | 55.5 | 64.8 | 70.2 |
| Low: | 5.4 | 3.4 | 4.7 | 4.0 | 8.6 | 13.3 | 15.1 | 21.0 | 35.6 | 37.7 | 41.0 | 47.6 |

**Target Price Range**
2021 | 2022 | 2023




**2021-23 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 105 | (+100%) | *19%* |
| Low | 70 | (+35%) | *7%* |

**Insider Decisions**

| | M | A | M | J | J | A | S | O | N |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| to Sell | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |

**Institutional Decisions**

| | 1Q2018 | 2Q2018 | 3Q2018 |
|---|---|---|---|
| to Buy | 266 | 238 | 265 |
| to Sell | 291 | 286 | 274 |
| Hld's(000) | 371199 | 357148 | 355663 |

**% TOT. RETURN 12/18**

| | THIS STOCK | VL ARITH.* INDEX |
|---|---|---|
| 1 yr. | -22.2 | -11.6 |
| 3 yr. | -0.9 | 23.6 |
| 5 yr. | 117.9 | 23.0 |

In the 1930's Hubert Hansen and his three sons started a business selling fresh non-pasturized juices in California. This business eventually became Hansen's Juices, which subsequently became known as The Fresh Juice Company of California. In 1977, Tim Hansen, a grandson of the founder, began making pasteurized natural juices and juice blends and formed Hansen Foods. Hansen Natural Corp. was then incorporated in Delaware in 1990. The name was changed to Monster Beverage Corporation in 2012.

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | © VALUE LINE PUB. LLC | 21-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.91 | 2.16 | 2.44 | 3.26 | 4.14 | 4.49 | 4.90 | 4.47 | 5.38 | 5.41 | *7.05* | *7.60* | Sales per sh | *9.95* |
| .21 | .41 | .42 | .58 | .73 | .72 | 1.01 | 1.11 | 1.33 | 1.33 | *1.90* | *2.20* | "Cash Flow" per sh | *3.10* |
| .19 | .37 | .38 | .51 | .62 | .65 | .92 | 1.12 | 1.19 | 1.35 | *1.75* | *2.00* | Earnings per sh A | *2.85* |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | *Nil* | Div'ds Decl'd per sh | *Nil* |
| .01 | .04 | .02 | .05 | .09 | .08 | .06 | .06 | .18 | .13 | *.20* | *.30* | Cap'l Spending per sh | *.50* |
| .81 | 1.11 | 1.55 | 1.87 | 1.30 | 1.98 | 3.01 | 7.90 | 5.88 | 6.25 | *7.60* | *8.55* | Book Value per sh C | *15.60* |
| 541.97 | 528.95 | 533.88 | 522.83 | 497.33 | 500.47 | 503.17 | 608.70 | 566.57 | 623.20 | *550.00* | *545.00* | Common Shs Outst'g B | *500.00* |
| 28.6 | 15.8 | 19.3 | 24.4 | 31.8 | 28.8 | 29.1 | 40.5 | 40.1 | 38.2 | *32.9* | | Avg Ann'l P/E Ratio | *30.0* |
| 1.72 | 1.05 | 1.23 | 1.53 | 2.02 | 1.62 | 1.53 | 2.04 | 2.10 | 1.90 | *1.75* | | Relative P/E Ratio | *1.65* |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | Avg Ann'l Div'd Yield | *Nil* |
| 1033.8 | 1143.3 | 1303.9 | 1703.2 | 2060.7 | 2246.4 | 2464.9 | 2722.6 | 3049.4 | 3369.0 | *3780* | *4150* | Sales ($mill) | *4975* |
| 16.2% | 30.0% | 27.6% | 27.8% | 27.7% | 26.5% | 31.4% | 34.0% | 36.9% | 35.4% | *37.0%* | *39.0%* | Operating Margin | *40.5%* |
| 3.4 | 5.8 | 11.7 | 17.0 | 20.5 | 22.7 | 25.7 | 30.9 | 40.8 | 48.9 | *50.0* | *52.0* | Depreciation ($mill) | *65.0* |
| 108.0 | 208.7 | 212.0 | 286.2 | 340.0 | 338.7 | 483.2 | 646.1 | 712.7 | 780.9 | *1010* | *1140* | Net Profit ($mill) | *1490* |
| 37.7% | 37.8% | 39.3% | 37.4% | 38.1% | 39.9% | 35.2% | 27.5% | 34.0% | 32.0% | *25.0%* | *25.0%* | Income Tax Rate | *25.0%* |
| 10.5% | 18.3% | 16.3% | 16.8% | 16.5% | 15.1% | 19.6% | 23.7% | 23.4% | 23.2% | *26.7%* | *27.4%* | Net Profit Margin | *29.9%* |
| 374.0 | 501.8 | 769.4 | 916.6 | 546.5 | 867.0 | 1338.2 | 3068.4 | 961.7 | 1526.0 | *2500* | *2900* | Working Cap'l ($mill) | *3100* |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | *Nil* | *Nil* | Long-Term Debt ($mill) | *Nil* |
| 436.3 | 585.0 | 828.4 | 979.2 | 644.4 | 992.3 | 1515.2 | 4809.4 | 3329.7 | 3895.2 | *4250* | *4700* | Shr. Equity ($mill) | *7800* |
| 24.8% | 35.7% | 25.6% | 29.2% | 52.8% | 34.1% | 31.9% | 13.4% | 21.4% | 20.0% | *24.0%* | *24.0%* | Return on Total Cap'l | *19.0%* |
| 24.8% | 35.7% | 25.6% | 29.2% | 52.8% | 34.1% | 31.9% | 13.4% | 21.4% | 20.0% | *24.0%* | *24.0%* | Return on Shr. Equity | *19.0%* |
| 24.8% | 35.7% | 25.6% | 29.2% | 52.8% | 34.1% | 31.9% | 13.4% | 21.4% | 20.0% | *24.0%* | *24.0%* | Retained to Com Eq | *19.0%* |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | *Nil* | All Div'ds to Net Prof | *Nil* |

**CAPITAL STRUCTURE as of 9/30/18**
**Total Debt** None

**Leases, Uncapitalized:** Annual rentals $10.7 mill.

**No Defined Benefit Pension Plan**
**Common Stock** 552,963,481 shs
**as of 10/31/18**

**MARKET CAP: $29.2 billion (Large Cap)**

| CURRENT POSITION ($MILL.) | 2016 | 2017 | 9/30/18 |
|---|---|---|---|
| Cash Assets | 598.1 | 1201.5 | 1171.5 |
| Receivables | 448.1 | 449.5 | 620.1 |
| Inventory (FIFO) | 161.9 | 255.7 | 262.0 |
| Other | 224.1 | 179.6 | 99.0 |
| Current Assets | 1432.2 | 2086.3 | 2152.6 |
| Accts Payable | 193.2 | 245.9 | 278.9 |
| Debt Due | -- | -- | -- |
| Other | 277.3 | 314.4 | 377.4 |
| Current Liab. | 470.5 | 560.3 | 656.3 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '15-'17 to '21-'23 |
|---|---|---|---|
| Sales | 16.0% | 9.0% | *12.0%* |
| "Cash Flow" | 20.5% | 17.0% | *16.0%* |
| Earnings | 21.5% | 19.5% | *15.0%* |
| Dividends | -- | -- | *Nil* |
| Book Value | 30.5% | 33.5% | *15.0%* |

| Cal-endar | QUARTERLY SALES ($ mill.) Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2015 | 626.8 | 693.7 | 756.7 | 645.4 | 2722.6 |
| 2016 | 680.1 | 827.5 | 788.0 | 753.8 | 3049.4 |
| 2017 | 742.1 | 907.0 | 909.5 | 810.4 | 3369.0 |
| 2018 | 850.9 | 1015.8 | 1016.1 | *897.2* | *3780* |
| 2019 | *950* | *1125* | *1125* | *950* | *4150* |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun. 30 | Sep. 30 | Dec. 31 | Full Year |
|---|---|---|---|---|---|
| 2015 | .21 | .42 | .28 | .22 | 1.12 |
| 2016 | .27 | .30 | .33 | .30 | 1.19 |
| 2017 | .31 | .39 | .38 | .28 | 1.35 |
| 2018 | .38 | .48 | .48 | *.41* | *1.75* |
| 2019 | *.45* | *.57* | *.51* | *.47* | *2.00* |

| Cal-endar | QUARTERLY DIVIDENDS PAID Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2015 | NO CASH DIVIDENDS BEING PAID | | | | |
| 2016 | | | | | |
| 2017 | | | | | |
| 2018 | | | | | |
| 2019 | | | | | |

**BUSINESS:** Monster Beverage Corporation develops, markets, sells, and distributes a line of all-natural beverages. The company's product line includes bottled juices, natural sodas, energy drinks, iced teas, lemonades, and cocktails, and functional beverages. Functional beverages are intended to have added health benefits, as they are fortified with vitamins, minerals and herbs. Markets its products through retail chains, club stores, and specialty stores. Has 2,991 employees. Officers & directors own about 9.7% of common shares, The Coca-Cola Company, 18.2%. (4/18 Proxy). 2017 depreciation rate: 21.2%. Chairman & CEO: Rodney C. Sacks. Inc.: DE. Address: 1 Monster Way, Corona, California 92879. Telephone: 951-739-6200. Internet: www.monsterbevcorp.com.

**Monster Beverage stock declined a bit on news of a dispute with The Coca-Cola Company.** The shares are down roughly 15% in value since our October report. Investors headed for the exits in early November, 2018, after The Coca-Cola Company announced plans to launch two *Coke*-branded energy drinks. A dispute with Monster arose after this announcement. Since 2015, the companies have had an allied agreement whereby Coca-Cola markets and distributes Monster's energy drinks and includes no Coca-Cola energy beverages in the portfolio. Thus, Monster views the debuts as a violation of the deal. The latest development is that the Coca-Cola launch has been delayed to spring of 2019. Until a decision is made, this legal matter will likely weigh in MNST shares.

**The selloff seems unwarranted, in our view.** First, Coca-Cola owns slightly under one-fifth of Monster Beverage. Being an equity owner gives that company a vested interest in its success. Also, although Coca-Cola plans to introduce these energy drinks, their reception in the market is unknown. To wit, Monster has prevailed over competition before and recently cemented its lead position after other energy drink makers exited the market.

**Monster's place in the energy drink market appears solid.** Demand for the company's numerous energy drinks remains high, especially in certain channels, including convenience stores and gas stations. Furthermore, higher pricing and ongoing product innovation ought to facilitate almost 10% sales growth this year. Lastly, the company's distribution arrangement with The Coca-Cola Company has allowed it to enter international markets. It continues to capitalize on this growth opportunity with recent launches in Ecuador and Ukraine. Healthy revenue growth, share repurchases, and a lower tax rate are expected to facilitate strong bottom-line results in 2019 and over the 3- to 5-year horizon.

**Long-term investors should consider these neutrally ranked shares.** The recent decline in the equity's valuation offers patient accounts a solid buying opportunity. This stock possesses above-average recovery potential over the 2021-2023 pull.

*Nira Maharaj* *January 18, 2019*

(A) Fully diluted earnings. Excludes non recurring gains and (losses): '15, ($0.53); '17, $0.07. May not sum due to rounding. Next earnings report due early February.
(B) In millions, adjusted for stock splits.
(C) Includes intangibles. In '17: $2365.7 million, $3.79 share.

| | |
|---|---|
| Company's Financial Strength | A+ |
| Stock's Price Stability | 50 |
| Price Growth Persistence | 90 |
| Earnings Predictability | 85 |