BLUEGRASS CAPITAL RESEARCH

Ben Murray-Cirulli | Analyst
Consumer Defensive | Beverages N-A
10/31/25

Monster Beverage Corp

Unleash the Profit

Despite health concerns and the uncertainty of tariffs, Monster's key partnership with Coca-Cola to facilitate production and distribution will continue to enhance its margins, help expand its international presence, and pair with its consistent innovation in the Ultra brand family. These points indicate a platform for long-term profit growth, which inspires our **BUY initation for $MNST at a 5-year PT of $82.**

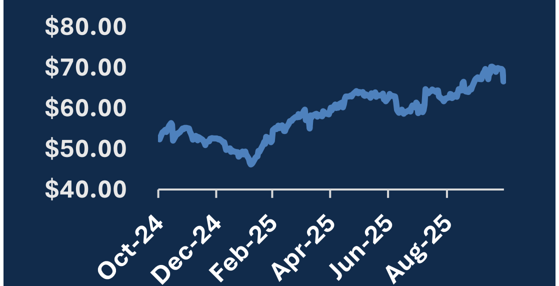
Thesis Point 1 Monster Beverage's partnership with Coca-Cola establishes a moat through its ability to outsource production, utilize an exclusive and unparalleled distribution network, and gain international exposure. Coca-Cola's bottling network allows Monster to stay asset-light, reaping the rewards of low capital intensity as seen in its 27% operating margin. Coca-Cola provides Monster with the ability to drive more profit without a necessary increase in expenditure. According to their CEO, Hilton H. Schlosberg, in the Q2 earnings call, gross profit as a percentage of net sales was up 2.1% compared to Q2 of 2024, which he attributed to their optimized supply chain and increased efficiency. Monster's production is outsourced through Coca-Cola's 900+ bottling plants in 200+ countries and territories. Coca-Cola has 225+ independent bottling partners, many of which are specialized for specific regions and, most importantly, emerging markets. For example, top competitor Red Bull's direct-store-delivery model handcuffs their distribution in emerging markets. Red Bull relies on exclusive distributors in markets where it doesn't have infrastructure. In contrast, Monster utilizes its partnership with Coca-Cola HBC and FEMSA to reach into the emerging markets of EMEA and Latin America. Celsius is also playing catch-up in markets through their partnership with PepsiCo. PepsiCo is still finding its footing in markets such as the Asia-Pacific, which has pushed Celsius to carry added distribution costs, cutting into its operating margin that sits well below Monster at 12%. Monster's partnership with Coca-Cola grants it expansion opportunities and cost-effective distribution to enhance its profits and gain an advantage over competitors, which will lead to an increase in market share down the road.

Thesis Point 2 Monster Beverage is rooted in constant innovation that continues to grow sales in North America while also contributing to its ongoing international expansion. Their brightest innovation to date was the Ultra brand, which was released in 2011. The Ultra brand accounts for ~35% of Monster's total revenue and is credited as the key driver in performance, according to Schlosberg, who added that Ultra boosted Q2 sales in North America by 8.6% compared to 2024. In the 2025 Q2 earnings call, he also expressed that the Ultra family has been catapulted by newly introduced flavors such as Monster Energy Ultra Blue Hawaiian and Monster Energy Ultra Vice Guava. Additionally, Monster will be rolling out Monster Energy Ultra Wild Passion and Monster Energy Lando Norris Zero Sugar (in select states) in the coming months. Based on past performance and the share of revenue the Ultra family has on Monster, due to recent industry trends, these new releases should be expected to continue boosting sales, which, partnered with Monster's exceptional margins, will continue to spark profit across North America. Monster is also innovating globally to continue its momentum in international growth. On a currency-neutral basis, net sales in EMEA increased by 23.7% in Q2 compared to last year. Schlosberg points to innovation as the main contributor to growth, highlighting Juice Monster Rio Punch, Monster Energy Ultra Strawberry Dreams, and Monster Energy Lando Norris Zero Sugar (in 5 select markets) as the sparks. In response to their beneficial contributions in EMEA, Monster will be releasing them to emerging markets in the upcoming quarters: Monster Energy Lando Norris Zero Sugar in 33 new markets in EMEA, Juice Monster Rio Punch in Brazil, and Monster Energy Ultra Strawberry Dreams in Mexico. Based on previous contributions, these releases are expected to strengthen Monster's global presence and see its revenue increase in these markets. Monster Beverage's outlook for innovation will continue to bolster its revenue in North America while also expanding its brand to previously untapped markets, which will lead to a larger rate of return for investors.

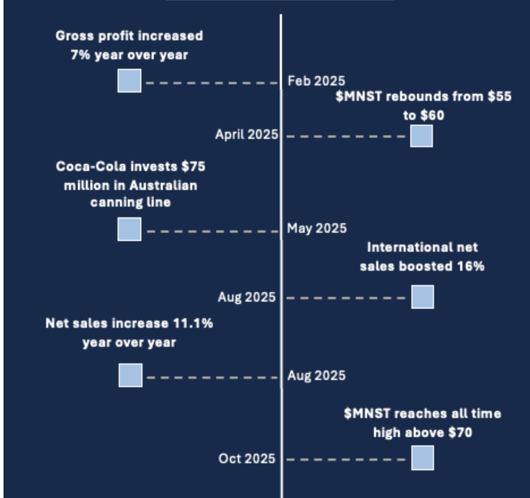
Company Overview Monster Beverage Corporation (MNST) is a global leader in the energy drink industry with a market capitalization of roughly $60 billion. The company is led by its flagship brand, Monster Energy, but supported by brands such as Java Monster, Reign, and its most recent acquisition, Bang Energy. They're currently the second largest energy drink brand behind their Austrian rivals Red Bull, but steady ahead of competitors like Celsius and Rockstar through their business efficiency. For example, in 2024, Monster's net profit margin bested Celsius by nearly 10% (20% vs 11%). Additionally, Monster's ~$7.5B in revenue provides a monstrous cushion for its fixed costs compared to Celsius's ~$1.4. Monster distributes globally in roughly 159 countries, while the US makes up 63% of sales. However, that percentage is decreasing every year through their growth in the international market: EMEA eclipsed 20% of Monster's global sales for the first time in 2024 and has increased by 12% in revenue YOY in both 2023 and 2024. Monster also touts a safe capital structure with an impressive 69x interest coverage ratio and a 1% D&A margin, allowing more revenue to hit investors' pockets without any debt-related issues. Monster's brand is strengthened through loyalty and exposure through sponsorships in extreme sports, music, and most notably the McLaren F1 team.

TICKER:	$MNST
RATING:	BUY
PRICE:	$66.83
PRICE TARGET:	$82.00
MARKET CAP:	$65.25B
52-W RANGE:	$45.70-$70.72
P/E:	41.73x
IMPLIED UPSIDE:	23%

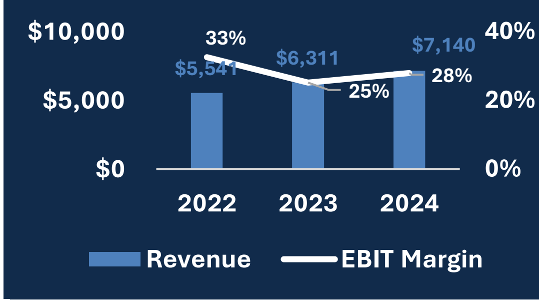
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Monster Beverage Corp | *NASDAQ: $MNST*
Consumer Defensive | *Beverages—Non-Alcoholic*
10/31/25

Risk 1 Monster Energy's business is dependent on its energy-drink brand, which, paired with increased pressure on the health of consumers, could impact its reputation or restrict its current business structure. Although Monster is enhancing its sugar-free, health-conscious brand (Ultra), there is an increased global pressure on the safety concerns of caffeine. As research increasingly attacks energy drink ingredients, this poses a risk of regulations and bad publicity hindering Monster's business. If energy drinks are in the news for their health effects, the entire industry could face the consequences of diminished demand. In sum, the increased headwinds of consumer health studies on caffeine could lead to altered business strategies, which would hurt its exceptional margins and brand sentiment.

Risk 2 Monster depends on raw materials (specifically aluminum for cans) that are subject to the ongoing price fluctuations due to increased tariffs on imports. They have hedged their aluminum costs for the time being, which has limited the tariffs' effect on margins so far. However, the price protection is set to expire in 2026. Once it expires, Monster's margins could be at risk due to the cost inflation of raw materials and the future uncertainty of tariffs. If Monster's margins are squeezed, they could be forced to face earnings decreases or raise prices to fight back.

Catalysts Consumers are becoming sugar-conscious, and Monster is following suit. Younger demographics are becoming increasingly aware of their sugar consumption, which bodes well for Monster's well-established and expanding Ultra brand. Leaning on Better-For-You (BFY) products aligns with the current consumer trends and can lead to revenue growth through both brand expansion and pricing potential. Consumers are willing to pay a premium on BFY drinks, which plays right into Monster's hand when it comes to its future growth. Additionally, Coca-Cola bought a 16.7% stake in Monster as part of its 2014 partnership. Now, Coca-Cola holds a 19.5% holding, which makes it the largest single shareholder in Monster. This tight partnership ensures that Monster will be able to utilize Coca-Cola's distribution network and boost margins for the foreseeable future.

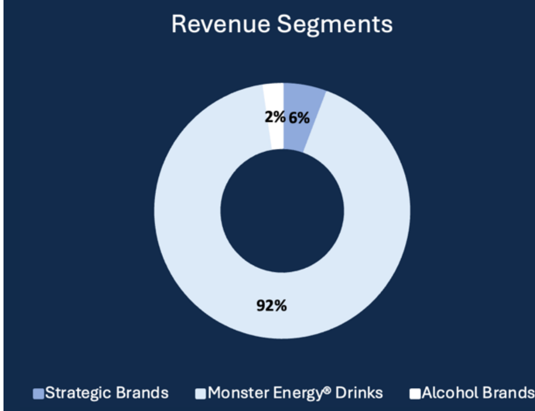
Valuation

DCF Analysis ($mm)	FY2024 12/31/24	FY2025 12/31/2025	FY2026 12/31/26	FY2027 12/31/27	FY2028 12/30/28	FY2029 12/30/29	FY2030 12/31/30
Revenue	7,493	8,075	8,783	9,508	10,246	10,990	11,733
Revenue Growth	*5%*	*8%*	*9%*	*8%*	*8%*	*7%*	*7%*
Strategic Brands	432	490	554	622	695	773	854
Monster Energy® Drink:	6,865	7,400	8,029	8,671	9,322	9,974	10,623
Alcohol Brands	172	185	200	215	229	243	256
EBIT	2,057	2,300	2,547	2,734	2,920	3,105	3,285
EBIT Margin	*27%*	*28%*	*29%*	*29%*	*29%*	*28%*	*28%*
Tax Expense	480	500	535	574	613	652	690
Effective Tax Rate	*23%*	*22%*	*21%*	*21%*	*21%*	*21%*	*21%*
NOPAT	1,576.98	1,800.00	2,012.07	2,159.52	2,306.89	2,452.67	2,595.28
D&A	80	80	154	166	179	192	205
Capex	264	285	263	214	155	84	2
Changes in NWC	(164)	50	26	(14)	(61)	(115)	(176)
UFCF	1,557	1,545	1,876	2,126	2,393	2,676	2,974
PV of FCF		1,537	1,796	1,908	2,012	2,109	2,197

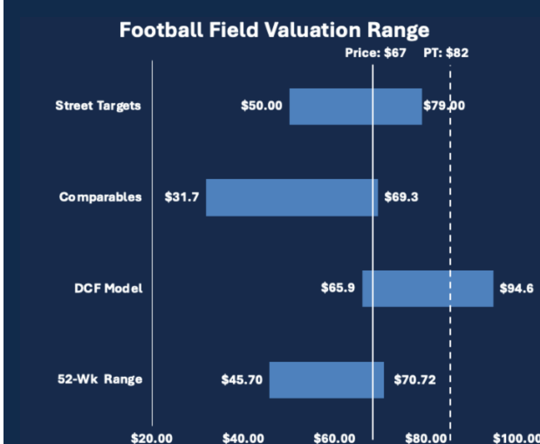
Our 5yr DCF model assumes revenue growth at a CAGR of 7.1% through FY2030 as MNST continues to innovate its premium Ultra brand and lean into the growing consumer trend of BFY products. The model expects EBITDA margins to stay steady and well-above competitors through MNST's unparalleled distribution and production partnership with Coca-Cola. These projections reflect the impact of new products and established distribution practices that will keep Monster at the top of the food chain.

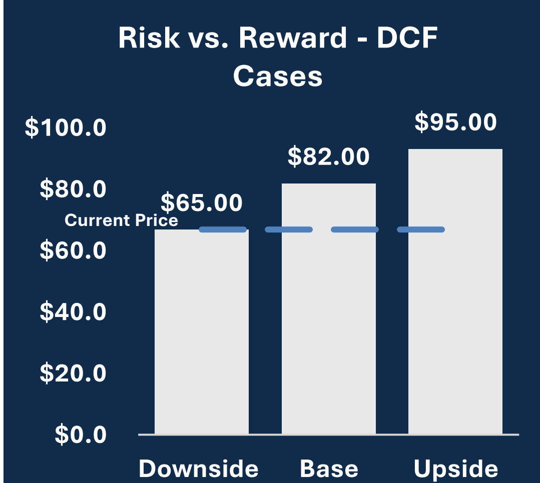
Conclusion

We rate Monster Beverage Corp a BUY with an outlook of profits driven by superior margins and consistent innovation in the BFY energy-drink industry. MNST's partnership with Coca-Cola not only offers them a production and distribution headwind but also lands them as key players in emerging markets. This international exposure, combined with strong innovation, will open new opportunities for positive cash flow in the foreseeable future. We expect Monster to shrug off caffeine health concerns and leverage the rise of BFY beverage demand amongst consumers. **We indicate a BUY rating and an $82 price target for MNST, implying a 23% return over the next 5 years.**



Terminal Value	
Exit Multiple Method	
2034 EBITDA	$3,490
EV/EBITDA Exit Multiple	30.0x
Terminal Value	$104,715
PV of Terminal Value	$77,340
PV of Projection Period	$11,559
PV of Terminal Value	$77,340
Implied TEV	$88,899
(-) Debt	$65
(+) Cash	$2,072
Implied Equity Value	$90,906
Diluted Shares Outstanding	976
Implied Share Price	$93.10
Upside/Downside	39.3%





Bluegrass Capital Research

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	7,493	8,075	8,783	9,508	10,246	8.1%
EBITDA	2,138	2,382	2,701	2,900	3,099	9.7%
EBIT	2,057	2,300	2,547	2,734	2,920	9.1%
NOPAT	1,577	1,800	2,012	2,160	2,307	10.0%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	28.5%	29.5%	30.8%	30.5%	30.3%	29.9%
EBIT Margin	27.5%	28.5%	29.0%	28.8%	28.5%	28.4%
Revenue Growth	4.9%	7.8%	8.8%	8.3%	7.8%	7.5%
EBIT Growth	3.3%	11.8%	10.7%	7.3%	6.8%	8.0%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	41.9x	42.2x	34.8x	30.7x	27.3x	35.4x
EV/Sales	8.5x	7.8x	7.2x	6.7x	6.2x	7.3x
EV/EBITDA	29.6x	26.6x	23.4x	21.8x	20.4x	24.4x
FCF Yield	2.4%	2.4%	2.9%	3.3%	3.7%	2.9%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Keurig Dr Pepper Inc. (NasdaqGS:KDP)	$39,195	$57,309	22.7x	$16,174	$4,299
Primo Brands Corporation (NYSE:PRMB)	$8,330	$13,643	55.1x	$6,046	$1,075
Celsius Holdings, Inc. (NasdaqCM:CELH)	$15,967	$17,073	13.1x	$1,667	$151
National Beverage Corp. (NasdaqGS:FIZZ)	$3,160	$2,975	18.7x	$1,202	$258
Monster Beverage Corporaton	$67,686	$65,679	35.9x	$7,659	$2,283

Ticker	LTM EV/EBITDA	Gross Margin	BITDA Margi	EBIT Margin	Yr Rev Growth Rate LF
Keurig Dr Pepper Inc. (NasdaqGS:KDP)	13.3x	54.8%	26.6%	22.0%	6.8%
Primo Brands Corporation (NYSE:PRMB)	12.7x	31.6%	17.8%	10.2%	26.3%
Celsius Holdings, Inc. (NasdaqCM:CELH)	112.8x	50.5%	9.1%	8.1%	11.9%
National Beverage Corp. (NasdaqGS:FIZZ)	11.6x	37.2%	21.4%	19.7%	0.5%
Monster Beverage Corporaton	28.8x	55.2%	29.8%	28.6%	3.7%
High	112.84x	55.2%	29.8%	28.6%	26.3%
75th Percentile	28.78x	54.8%	26.6%	22.0%	11.9%
Average	35.84x	45.9%	20.9%	17.7%	9.8%
Median	13.33x	50.5%	0.0%	19.7%	6.8%
25th Percentile	12.69x	37.2%	17.8%	10.2%	3.7%
Low	11.55x	31.6%	9.1%	8.1%	0.5%

Monster Beverage Corporaton		
Implied Enterprise Value (25th Percentile)	$	28,973
Implied Enterprise Value (Median)	**$**	**30,428**
Implied Enterprise Value (75th Percentile)	$	65,679
Implied Share Price (25th Percentile)	$	31.73
Implied Share Price (Median)	**$**	**33.22**
Implied Share Price (75th Percentile)	$	69.32

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.54
Risk Free Rate	4.39%
Cost of Equity	6.67%
Weighted Average Cost of Debt	5.30%
Tax Rate	21.00%
Cost of Debt	0.04%
Total Equity	$65,255
Total Debt	$2,007
Equity/Total Capitalization	99.10%
Debt/Total Capitalization	0.90%
WACC	6.71%

Downside Case: Our downside case assumes tariffs and insufficient growth, leading to contracting margins and leveling revenue growth. At a multiple of 27.0x, our downside case presents -3% downside with a PT of $65

Upside Case: Our upside case predicts an expanding international presence and boosted margins facilitated through their Coca-Cola partnership and continued innovation. At an exit multiple of 30.0x, our upside case predicts a 40% return at a PT of $93.