# Monster Beverage Reports 2018 First Quarter Financial Results

May 8, 2018

***-- First Quarter Net Sales Rise 14.7 percent to $850.9 million --***
***-- First Quarter Net Income Increases 21.4 percent to $216.1 million --***
***-- First Quarter Net Income per diluted share increases 23.1 percent to $0.38 per share --***
***-- First Quarter Distributor Termination Expenses were $7.0 million --***

CORONA, Calif., May 08, 2018 (GLOBE NEWSWIRE) -- Monster Beverage Corporation (NASDAQ:MNST) today reported financial results for the first quarter ended March 31, 2018.

Net sales for the 2018 first quarter increased 14.7 percent to $850.9 million from $742.1 million in the same period last year. Gross sales for the 2018 first quarter increased 17.2 percent to $990.6 million from $845.5 million in the same period last year. Net sales for the 2018 first quarter were negatively impacted by $9.9 million, due to the adoption of Accounting Standards Codification ("ASC") 606. Under ASC 606, commissions paid to The Coca-Cola Company ("TCCC"), based on sales to certain of the Company's customers which TCCC accounts for under the equity method (the "TCCC Related Parties"), or consolidates, are included as a reduction to net sales. Prior to January 1, 2018, commissions based on sales to the TCCC Related Parties were included in operating expenses. Net changes in foreign currency exchange rates had a favorable impact on net and gross sales for the 2018 first quarter of $17.7 million and $22.2 million, respectively.

Net sales for the Company's Monster Energy® Drinks segment, which includes the Company's Monster Energy® drinks, Monster Hydro® energy drinks and Mutant® Super Soda drinks, increased 16.7 percent to $780.5 million for the 2018 first quarter, from $668.6 million for the same period last year. Net sales for the Company's Monster Energy® Drinks segment for the 2018 first quarter were negatively impacted by $3.9 million, due to the adoption of ASC 606. Net sales for the Company's Strategic Brands segment, which includes the various energy drink brands acquired from The Coca-Cola Company, decreased 3.3 percent to $65.8 million for the 2018 first quarter, from $68.0 million in the comparable 2017 quarter. Net sales for the Company's Strategic Brands segment for the 2018 first quarter were negatively impacted by $6.0 million, due to the adoption of ASC 606. Net sales for the Company's Other segment, which includes certain products of American Fruits & Flavors sold to independent third parties, were $4.7 million for the 2018 first quarter, compared with $5.5 million in the 2017 first quarter.

Net sales to customers outside the United States increased 26.8 percent to $242.1 million in the 2018 first quarter, from $190.9 million in the corresponding quarter in 2017.

Gross profit, as a percentage of net sales, for the 2018 first quarter was 60.6 percent, compared with 64.8 percent in the 2017 first quarter. The decrease in gross profit as a percentage of net sales was primarily attributable to (i) an increase in promotional allowances as a percentage of gross sales; (ii) the $9.9 million of commissions accounted for as a reduction to net sales due to the adoption of ASC 606; (iii) geographical sales mix; (iv) domestic product sales mix; and (v) certain increases in other costs.

Operating expenses for the 2018 first quarter were $235.3 million, compared with $216.6 million in the 2017 first quarter. Operating expenses included distributor termination expenses of $7.0 million for the 2018 first quarter, compared with $19.9 million in the 2017 first quarter. As a result of the adoption of ASC 606, commissions included in operating expenses decreased.

The impact to net sales, gross profit and operating expenses from the adoption of ASC 606 is included in the table below.

Distribution costs as a percentage of net sales were 3.9 percent for the 2018 first quarter, compared with 3.1 percent in the first quarter last year.

Selling expenses as a percentage of net sales for the 2018 first quarter were 11.5 percent, compared with 11.7 percent in the first quarter last year.

General and administrative expenses for the 2018 first quarter were $104.8 million, or 12.3 percent of net sales, compared with $107.1 million, or 14.4 percent of net sales, for the comparable 2017 first quarter. Stock-based compensation (a non-cash item) was $13.4 million for the first quarter of 2018, compared with $13.1 million in the first quarter last year.

Operating income for the 2018 first quarter increased to $279.9 million from $264.3 million in the comparable 2017 quarter.

The effective tax rate for the 2018 first quarter was 23.3 percent, compared with 32.8 percent in the same period last year. The decrease in the effective tax rate was primarily due to the Tax Reform Act signed into law on December 22, 2017.

Net income for the 2018 first quarter increased 21.4 percent to $216.1 million from $178.0 million in the comparable quarter last year. Net income per diluted share for the 2018 first quarter increased 23.1 percent to $0.38 from $0.31 in the first quarter of 2017. The Company estimates that distributor termination expenses in the 2018 first quarter reduced reported earnings by approximately $0.01 per share, after tax.

During 2018 first quarter, the Company purchased approximately 4.3 million shares of its common stock at an average purchase price of $57.74 per share, for a total amount of $249.9 million (excluding broker commissions), which exhausted availability under the repurchase plan authorized by the Board of Directors in February 2017. In February 2018, the Company's Board of Directors authorized a new $250.0 million share repurchase program. No shares have been repurchased pursuant to the new repurchase program.

The following table illustrates the impact of the adoption of ASC 606 for the 2018 first quarter as described above (in thousands):

| | Three-Months | Percent | Three-Months | Percent |
|---|---|---|---|---|

| | Ended March 31, 2018, as Reported | Change 2018 vs 2017 | Ended March 31, 2018, Without the Adoption of ASC 606 | Change 2018 vs 2017 |
|---|---|---|---|---|
| Net Sales by Segment: | | | | |
| Monster Energy® Drinks | $ 780,505 | 16.7% | $ 784,388 | 17.3% |
| Strategic Brands | 65,759 | (3.3%) | 71,816 | 5.6% |
| Other | 4,657 | (15.9%) | 4,657 | (15.9%) |
| Total Net Sales | 850,921 | 14.7% | 860,861 | 16.0% |
| Cost of Sales | 335,664 | 28.5% | 335,664 | 28.5% |
| Gross Profit | $ 515,257 | 7.2% | $ 525,197 | 9.2% |
| Gross Profit as a percentage of net sales | 60.6% | | 61.0% | |
| Operating Expenses | $ 235,342 | 8.6% | $ 245,282 | 13.2% |

Rodney C. Sacks, Chairman and Chief Executive Officer, said: “We continue to progress our strategic alignment with the Coca-Cola system bottlers. In the first quarter of 2018, we completed our transition to the Coca-Cola bottlers in the state of Minnesota.

“In the first quarter of 2018, we successfully launched our Monster Energy® brand with the Coca-Cola bottlers in Argentina. Subsequent to the 2018 first quarter, we relaunched Monster Energy® with a Coca-Cola bottler in a lead market in India. In the ensuing quarters, we are also planning a transition in Ecuador, as well as launches of Monster Energy® in Uruguay and in a number of other countries in the Middle East and Africa with Coca-Cola bottlers.

“In the United States, we rebranded our Monster Extra Strength Nitrous Technology® line to the Monster MAXX™ line, launched Monster Rehab® White Dragon Tea and expanded our Monster Hydro® line in resealable 25.4 oz. bottles.

“Mutant® energy, an affordable energy brand, was recently launched in Pakistan and Cambodia and we are planning further launches of both Mutant® energy and Predator® as affordable energy brands in select countries,” Sacks added.

**Investor Conference Call**

The Company will host an investor conference call today, May 8, 2018, at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time). The conference call will be open to all interested investors through a live audio web broadcast via the internet at www.monsterbevcorp.com in the “Events & Presentations” section. For those who are not able to listen to the live broadcast, the call will be archived for approximately one year on the website.

**Monster Beverage Corporation**

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 develop and market energy drinks, including Monster Energy® energy drinks, Monster Energy Ultra® energy drinks, Monster MAXX™ maximum strength energy drinks, Java Monster® non-carbonated coffee + energy drinks, Espresso Monster™ espresso + energy drinks, Caffé Monster® non-carbonated energy coffee drinks, Monster Rehab® non-carbonated energy drinks with electrolytes, Muscle Monster® energy shakes, Übermonster® energy drinks, Monster Hydro® energy drinks, NOS® energy drinks, Full Throttle® energy drinks, Burn® energy drinks, Samurai® energy drinks, Relentless® energy drinks, Mother® energy drinks, Power Play® energy drinks, BU® energy drinks, Nalu® energy drinks, BPM® energy drinks, Gladiator® energy drinks, Ultra Energy® energy drinks and Mutant® energy drinks. The Company’s subsidiaries also develop and market Mutant® Super Soda drinks. For more information, visit www.monsterbevcorp.com.

**Note Regarding Use of Non-GAAP Measures**

*Gross sales is 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 overall Company performance. The use of gross sales allows evaluation of sales performance before the effect of any promotional items, which can mask certain performance issues. We therefore believe that the disclosure of gross sales provides a useful measure of our operating performance. Gross sales is not a measure that is recognized under accounting principles generally accepted in the United States of America (“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 sales may not be comparable to similarly titled measures used by other companies, as gross sales has been defined by our internal reporting practices. In addition, gross sales may not be realized in the form of cash receipts as promotional payments and allowances may be deducted from payments received from certain customers.*

**Caution Concerning Forward-Looking Statements**

*Certain statements made in this announcement may constitute “forward-looking statements” within the meaning of the U.S. federal securities laws, as amended, regarding the expectations of management with respect to our future operating results and other future events including revenues and profitability. The Company cautions that these statements are based on management’s current knowledge and expectations and are subject to certain risks and uncertainties, many of which are outside of the control of the Company, that could cause actual results and events to differ materially from the statements made herein. Such risks and uncertainties include, but are not limited to, the following: our ability to recognize benefits from The Coca-Cola Company transaction and the American Fruits & Flavors transaction; our ability to introduce and increase sales of both existing and new products; our ability to implement the share repurchase program; unanticipated litigation concerning the Company’s products; the current uncertainty and volatility in the national and global economy; changes in consumer preferences; changes in demand due to both domestic and international economic conditions; activities and strategies of competitors, including the introduction of new products and competitive pricing and/or marketing of similar products; actual performance of the parties under the new distribution agreements; potential disruptions arising out of the transition of certain territories to new distributors; changes in sales levels by existing distributors; unanticipated costs incurred in connection with the termination of existing distribution agreements or the transition to new distributors; changes in the price and/or availability of raw materials; other supply issues, including the availability of products and/or suitable production facilities including limitations on co-packing availability and retort production; product distribution and placement decisions by retailers; changes in governmental regulation; the imposition of new and/or increased excise sales and/or other taxes on our*

*products; criticism of energy drinks and/or the energy drink market generally; our ability to satisfy all criteria set forth in any U.S. model energy drink guidelines; the impact of proposals to limit or restrict the sale of energy drinks to minors and/or persons below a specified age and/or restrict the venues and/or the size of containers in which energy drinks can be sold; or political, legislative or other governmental actions or events, including the outcome of any state attorney general, government and/or quasi-government agency inquiries, in one or more regions in which we operate. For a more detailed discussion of these and other risks that could affect our operating results, see the Company's reports filed with the Securities and Exchange Commission. The Company's actual results could differ materially from those contained in the forward-looking statements. The Company assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

(tables below)

**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND OTHER INFORMATION**
**FOR THE THREE-MONTHS ENDED MARCH 31, 2018 AND 2017**
**(In Thousands, Except Per Share Amounts) (Unaudited)**

| | Three-Months Ended March 31, | |
|---|---|---|
| | **2018** | **2017** |
| Net sales[1] | $ 850,921 | $ 742,146 |
| Cost of sales | 335,664 | 261,272 |
| Gross profit[1] | 515,257 | 480,874 |
| Gross profit as a percentage of net sales | 60.6% | 64.8% |
| Operating expenses[2] | 235,342 | 216,612 |
| Operating expenses as a percentage of net sales | 27.7% | 29.2% |
| Operating income[1,2] | 279,915 | 264,262 |
| Operating income as a percentage of net sales | 32.9% | 35.6% |
| Interest and other income, net | 1,805 | 658 |
| Income before provision for income taxes[1,2] | 281,720 | 264,920 |
| Provision for income taxes | 65,670 | 86,940 |
| Income taxes as a percentage of income before taxes | 23.3% | 32.8% |
| Net income[1,2] | $ 216,050 | $ 177,980 |
| Net income as a percentage of net sales | 25.4% | 24.0% |
| Net income per common share: | | |
| Basic | $ 0.38 | $ 0.31 |
| Diluted | $ 0.38 | $ 0.31 |
| Weighted average number of shares of common stock and common stock equivalents: | | |
| Basic | 566,000 | 571,578 |
| Diluted | 574,129 | 582,032 |
| Case sales (in thousands) (in 192-ounce case equivalents) | 92,315 | 79,992 |
| Average net sales per case | $ 9.17 | $ 9.21 |

*[1]Includes $11.2 million and $10.0 million for the three-months ended March 31, 2018 and 2017, respectively, related to the recognition of deferred revenue.*

*[2]Includes $7.0 million and $19.9 million for the three-months ended March 31, 2018 and 2017, respectively, related to distributor termination costs.*

**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**AS OF MARCH 31, 2018 AND DECEMBER 31, 2017**
**(In Thousands, Except Par Value) (Unaudited)**

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 511,360 | $ 528,622 |
| Short-term investments | 585,222 | 672,933 |
| Accounts receivable, net | 525,463 | 449,476 |
| Inventories | 268,607 | 255,745 |
| Prepaid expenses and other current assets | 61,639 | 40,877 |
| Prepaid income taxes | 86,257 | 138,724 |
| Total current assets | 2,038,548 | 2,086,377 |
| INVESTMENTS | 3,497 | 2,366 |
| PROPERTY AND EQUIPMENT, net | 231,199 | 230,276 |
| DEFERRED INCOME TAXES | 85,748 | 92,333 |
| GOODWILL | 1,331,643 | 1,331,643 |
| OTHER INTANGIBLE ASSETS, net | 1,036,661 | 1,034,085 |
| OTHER ASSETS | 12,836 | 13,932 |
| **Total Assets** | $ 4,740,132 | $ 4,791,012 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 226,063 | $ 245,910 |
| Accrued liabilities | 80,893 | 87,475 |
| Accrued promotional allowances | 155,992 | 137,998 |
| Accrued distributor terminations | 162 | 91 |
| Deferred revenue | 44,325 | 43,236 |
| Accrued compensation | 16,829 | 34,996 |
| Income taxes payable | 9,758 | 10,645 |
| Total current liabilities | 534,022 | 560,351 |
| DEFERRED REVENUE | 328,300 | 334,354 |
| OTHER LIABILITIES | 2,203 | 1,095 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock - $0.005 par value; 1,250,000 shares authorized; 629,924 shares issued and 562,605 outstanding as of March 31, 2018; 629,255 shares issued and 566,298 outstanding as of December 31, 2017 | 3,150 | 3,146 |
| Additional paid-in-capital | 4,170,565 | 4,150,628 |
| Retained earnings | 3,137,691 | 2,928,226 |
| Accumulated other comprehensive loss | (13,721) | (16,659) |

| | | |
|---|---|---|
| Common stock in treasury, at cost; 67,319 and 62,957 shares as of March 31, 2018 and December 31, 2017, respectively | (3,422,078) | (3,170,129) |
| Total stockholders' equity | 3,875,607 | 3,895,212 |
| **Total Liabilities and Stockholders' Equity** | $ 4,740,132 | $ 4,791,012 |

CONTACTS:

Rodney C. Sacks
Chairman and Chief Executive Officer
(951) 739-6200

Hilton H. Schlosberg
Vice Chairman
(951) 739-6200

Roger S. Pondel / Judy Lin Sfetcu
PondelWilkinson Inc.
(310) 279-5980

Source: Monster Beverage Corporation