
**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 March 31, 2020

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 526,563,592 shares of common stock, par value \$0.005 per share, outstanding as of April 30, 2020.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
MARCH 31, 2020

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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 MARCH 31, 2020 AND DECEMBER 31, 2019
(In Thousands, Except Par Value) (Unaudited)

	March 31, 2020	December 31, 2019
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 701,836	\$ 797,957
Short-term investments	233,513	533,063
Accounts receivable, net	670,570	540,330
Inventories	352,305	360,731
Prepaid expenses and other current assets	71,865	54,868
Prepaid income taxes	18,633	29,360
Total current assets	2,048,722	2,316,309
INVESTMENTS	13,922	12,905
PROPERTY AND EQUIPMENT, net	295,570	298,640
DEFERRED INCOME TAXES, net	84,777	84,777
GOODWILL	1,331,643	1,331,643
OTHER INTANGIBLE ASSETS, net	1,053,107	1,052,105
OTHER ASSETS	53,756	53,973
Total Assets	\$ 4,881,497	\$ 5,150,352
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 305,529	\$ 274,045
Accrued liabilities	145,224	114,075
Accrued promotional allowances	171,406	166,761
Deferred revenue	44,844	44,237
Accrued compensation	21,827	47,262
Income taxes payable	12,711	14,717
Total current liabilities	701,541	661,097
DEFERRED REVENUE	278,393	287,469
OTHER LIABILITIES	30,617	30,505
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY:		
Common stock - \$0.005 par value; 1,250,000 shares authorized; 637,104 shares issued and 526,839 shares outstanding as of March 31, 2020; 636,460 shares issued and 536,698 shares outstanding as of December 31, 2019	3,186	3,182
Additional paid-in capital	4,428,580	4,397,511
Retained earnings	5,301,315	5,022,480
Accumulated other comprehensive loss	(62,682)	(32,387)
Common stock in treasury, at cost; 110,265 shares and 99,762 shares as of March 31, 2020 and December 31, 2019, respectively	(5,799,453)	(5,219,505)
Total stockholders' equity	3,870,946	4,171,281
Total Liabilities and Stockholders' Equity	\$ 4,881,497	\$ 5,150,352

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands, Except Per Share Amounts) (Unaudited)

	Three-Months Ended	
	March 31,	
	2020	2019
NET SALES	\$ 1,062,097	\$ 945,991
COST OF SALES	424,901	372,459
GROSS PROFIT	637,196	573,532
OPERATING EXPENSES	272,208	262,071
OPERATING INCOME	364,988	311,461
INTEREST and OTHER INCOME, net	872	2,742
INCOME BEFORE PROVISION FOR INCOME TAXES	365,860	314,203
PROVISION FOR INCOME TAXES	87,025	52,718
NET INCOME	\$ 278,835	\$ 261,485
NET INCOME PER COMMON SHARE:		
Basic	\$ 0.52	\$ 0.48
Diluted	\$ 0.52	\$ 0.48
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK AND COMMON STOCK EQUIVALENTS:		
Basic	536,061	542,768
Diluted	540,518	548,273

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands) (Unaudited)

	Three-Months Ended	
	March 31,	
	2020	2019
Net income, as reported	\$ 278,835	\$ 261,485
Other comprehensive loss:		
Change in foreign currency translation adjustment	(30,599)	(1,381)
Available-for-sale investments:		
Change in net unrealized gains	304	120
Reclassification adjustment for net gains included in net income	—	—
Net change in available-for-sale investments	304	120
Other comprehensive loss	(30,295)	(1,261)
Comprehensive income	<u>\$ 248,540</u>	<u>\$ 260,224</u>

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands) (Unaudited)

	Common stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2019	636,460	\$ 3,182	\$ 4,397,511	\$ 5,022,480	\$ (32,387)	(99,762)	\$ (5,219,505)	\$ 4,171,281
Stock-based compensation	—	—	17,098	—	—	—	—	17,098
Exercise of stock options	644	4	13,971	—	—	—	—	13,975
Unrealized gain, net on available-for-sale securities	—	—	—	—	304	—	—	304
Repurchase of common stock	—	—	—	—	—	(10,503)	(579,948)	(579,948)
Foreign currency translation	—	—	—	—	(30,599)	—	—	(30,599)
Net income	—	—	—	278,835	—	—	—	278,835
Balance, March 31, 2020	<u>637,104</u>	<u>\$ 3,186</u>	<u>\$ 4,428,580</u>	<u>\$ 5,301,315</u>	<u>\$ (62,682)</u>	<u>(110,265)</u>	<u>\$ (5,799,453)</u>	<u>\$ 3,870,946</u>
	Common stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance, December 31, 2018	630,970	\$ 3,155	\$ 4,238,170	\$ 3,914,645	\$ (32,864)	(87,294)	\$ (4,512,205)	\$ 3,610,901
Stock-based compensation	—	—	15,324	—	—	—	—	15,324
Exercise of stock options	3,871	19	35,144	—	—	—	—	35,163
Unrealized gain, net on available-for-sale securities	—	—	—	—	120	—	—	120
Repurchase of common stock	—	—	—	—	—	(4,000)	(222,792)	(222,792)
Foreign currency translation	—	—	—	—	(1,381)	—	—	(1,381)
Net income	—	—	—	261,485	—	—	—	261,485
Balance, March 31, 2019	<u>634,841</u>	<u>\$ 3,174</u>	<u>\$ 4,288,638</u>	<u>\$ 4,176,130</u>	<u>\$ (34,125)</u>	<u>(91,294)</u>	<u>\$ (4,734,997)</u>	<u>\$ 3,698,820</u>

See accompanying notes to condensed consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands) (Unaudited)

	Three-Months Ended	
	March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 278,835	\$ 261,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,546	14,870
Gain on disposal of property and equipment	(58)	(115)
Impairment of intangibles	3,000	—
Stock-based compensation	17,098	15,324
Deferred income taxes	—	472
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	(147,660)	(116,426)
Distributor receivables	176	2,923
Inventories	1,037	(24,004)
Prepaid expenses and other assets	(18,081)	(21,492)
Prepaid income taxes	8,078	(25,224)
Accounts payable	19,328	18,565
Accrued liabilities	34,500	(2,262)
Accrued promotional allowances	9,439	23,103
Accrued distributor terminations	(282)	10,272
Accrued compensation	(24,807)	(21,832)
Income taxes payable	(1,552)	(4,125)
Other liabilities	(192)	1,338
Deferred revenue	(4,273)	(9,476)
Net cash provided by operating activities	<u>191,132</u>	<u>123,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of available-for-sale investments	513,534	232,387
Purchases of available-for-sale investments	(214,697)	(175,314)
Purchases of property and equipment	(11,119)	(8,485)
Proceeds from sale of property and equipment	217	184
(Increase) decrease in intangibles	(6,811)	298
Increase in other assets	(1,148)	(2,291)
Net cash provided by investing activities	<u>279,976</u>	<u>46,779</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(733)	(393)
Issuance of common stock	13,975	35,163
Purchases of common stock held in treasury	(559,210)	(222,792)
Net cash used in financing activities	<u>(545,968)</u>	<u>(188,022)</u>
Effect of exchange rate changes on cash and cash equivalents	(21,261)	(1,322)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(96,121)	(19,169)
CASH AND CASH EQUIVALENTS, beginning of period	797,957	637,513
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 701,836</u>	<u>\$ 618,344</u>
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for:		
Interest	\$ 11	\$ 15
Income taxes	<u>\$ 79,993</u>	<u>\$ 82,002</u>

See accompanying notes to condensed consolidated financial statements.

**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTHS ENDED MARCH 31, 2020 AND 2019
(In Thousands) (Unaudited) (Continued)**

SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS

Included in accrued liabilities as of March 31, 2020 and 2019 were \$12.9 million and \$12.3 million, respectively, related to additions to other intangible assets.

Included in accounts payable as of March 31, 2020 were \$20.7 million of treasury stock repurchases.

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, 2019 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-months ended March 31, 2020 and 2019, 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.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently issued accounting pronouncements not yet adopted

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2019-12, “Simplifying the Accounting for Income Taxes”, as part of its simplification initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of ASU No. 2019-12 on its financial position, results of operations and liquidity.

Recently adopted accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles–Goodwill and Other–Internal–Use Software (Topic 350): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.” ASU No. 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract, with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU No. 2018-15 was effective for the Company on a prospective or retrospective basis beginning on January 1, 2020. The adoption of ASU No. 2018-15 did not have a material impact on the Company’s financial position, results of operations and liquidity.

In August 2018, the FASB issued ASU No. 2018-14, “Compensation–Retirement Benefits–Defined Benefit Plans–General (Topic 715): Disclosure Framework–Changes to the Disclosure Requirements for Defined Benefit Plans.” ASU No. 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and requires certain additional disclosures. ASU No. 2018-14 is effective for the Company on a retrospective basis beginning in the year ending December 31, 2020. The adoption of ASU No. 2018-14 did not have a material impact on the Company’s financial position, results of operations and liquidity.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” ASU No. 2018-13 removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure

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

requirements. ASU No. 2018-13 disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU No. 2018-13 was effective for the Company beginning on January 1, 2020. Certain disclosures in the new guidance will need to be applied on a retrospective basis and others on a prospective basis. The adoption of ASU No. 2018-13 did not have a material impact on the Company's financial position, results of operations and liquidity.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which eliminates the requirement to calculate the implied fair value of goodwill, but rather requires an entity to record an impairment charge based on the excess of a reporting unit's carrying value over its fair value. This amendment is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The adoption of ASU No. 2017-04 did not have a material impact on the Company's financial position, results of operations and liquidity.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The accounting standard changes the methodology for measuring credit losses on financial instruments and the timing when such losses are recorded. ASU No. 2016-13 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The adoption of ASU No. 2016-13 did not have a material impact on the Company's disclosures, financial position, results of operations and liquidity.

3. REVENUE RECOGNITION

The Company has three operating and reportable segments: (i) Monster Energy® Drinks segment ("Monster Energy® Drinks"), which is primarily comprised of the Company's Monster Energy® drinks and Reign Total Body Fuel® high performance energy drinks (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, and (iii) Other segment ("Other"), which is 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 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 directly to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience 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 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 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 March 31, 2020 and December 31, 2019.

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.

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

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

Promotional and other allowances (variable consideration) recorded as a reduction to net sales, primarily include consideration given to the Company's 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 paid to TCCC based on the Company's sales to certain wholly-owned subsidiaries of TCCC (the "TCCC Subsidiaries") and/or to certain companies accounted for under the equity method by TCCC (the "TCCC Related Parties").

The Company's promotional allowance programs with its 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, typically ranging from one week to one year. The Company's promotional and other allowances 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.

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 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.

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

Disaggregation of Revenue

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

Net Sales	Three-Months Ended March 31, 2020				
	U.S. and Canada	EMEA ¹	Asia Pacific	Latin America and Caribbean	Total
Monster Energy® Drinks	\$ 690,018	\$ 164,771	\$ 85,904	\$ 51,761	\$ 992,454
Strategic Brands	37,870	20,346	5,317	1,005	64,538
Other	5,105	—	—	—	5,105
Total Net Sales	<u>\$ 732,993</u>	<u>\$ 185,117</u>	<u>\$ 91,221</u>	<u>\$ 52,766</u>	<u>\$ 1,062,097</u>

Net Sales	Three-Months Ended March 31, 2019				
	U.S. and Canada	EMEA ¹	Asia Pacific	Latin America and Caribbean	Total
Monster Energy® Drinks	\$ 642,826	\$ 124,637	\$ 62,456	\$ 40,465	\$ 870,384
Strategic Brands	41,750	21,908	6,225	403	70,286
Other	5,321	—	—	—	5,321
Total Net Sales	<u>\$ 689,897</u>	<u>\$ 146,545</u>	<u>\$ 68,681</u>	<u>\$ 40,868</u>	<u>\$ 945,991</u>

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

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 March 31, 2020, the Company had \$323.2 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, 2019, the Company had \$331.7 million of deferred revenue, which is included in current and long-term deferred revenue in the Company's condensed consolidated balance sheet. During the three-months ended March 31, 2020 and 2019, \$10.6 million and \$14.2 million, respectively, of deferred revenue was recognized in net sales. See Note 11.

4. LEASES

The Company leases identified assets comprising real estate and equipment. Real estate leases consist primarily of office and warehouse space and equipment leases consist of vehicles and warehouse equipment. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the term, and (3) whether the Company has the right to direct the use of the asset. At inception of a lease, the Company allocates the consideration in the contract to each lease and non-lease component based on the component's relative stand-alone price to determine the lease payments. Lease and non-lease components are accounted for separately.

Leases are classified as either finance leases or operating leases based on criteria in Accounting Standards Codification ("ASC") 842. The Company's operating leases are comprised of real estate and warehouse equipment, and the Company's finance leases are comprised of vehicles.

Right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the Company's leases generally do not provide an implicit rate, the Company uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the

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commencement date. ROU assets also include any lease payments made and exclude lease incentives. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Certain of the Company's real estate leases contain variable lease payments, including payments based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at the lease commencement date. Additional payments based on the change in an index or rate, or payments based on a change in the Company's portion of real estate taxes and insurance, are recorded as a period expense when incurred.

Lease expense for operating leases, consisting of lease payments, is recognized on a straight-line basis over the lease term and is included in operating expenses in the condensed consolidated statement of income. Lease expense for finance leases consists of the amortization of the ROU asset on a straight-line basis over the asset's estimated useful life and is included in operating expenses in the condensed consolidated statement of income. Interest expense on finance leases is calculated using the amortized cost basis and is included in other income, net in the condensed consolidated statement of income.

The Company's leases have remaining lease terms of less than one year to 14 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 Company has elected not to recognize ROU assets and lease liabilities for short-term operating leases that have a term of 12 months or less.

The components of lease cost were comprised of the following:

	Three-Months Ended March 31, 2020	Three-Months Ended March 31, 2019
Operating lease cost	\$ 1,445	\$ 1,115
Short-term lease cost	707	1,082
Variable lease cost	162	165
Finance leases:		
Amortization of ROU assets	148	80
Interest on lease liabilities	11	15
Finance lease cost	159	95
Total lease cost	<u>\$ 2,473</u>	<u>\$ 2,457</u>

Supplemental cash flow information for the following periods:

	Three-Months Ended March 31, 2020	Three-Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,083	\$ 889
Operating cash flows from finance leases	11	15
Financing cash flows from finance leases	733	393
ROU assets obtained in exchange for lease obligations:		
Finance leases	1,465	415
Operating leases	1,163	26,429

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ROU assets for operating and finance leases were comprised of the following at:

	March 31, 2020			Balance Sheet Location
	Real Estate	Equipment	Total	
Operating leases	\$ 30,291	\$ 384	\$ 30,675	Other Assets
Finance leases	—	3,569	3,569	Property and Equipment, net

	December 31, 2019			Balance Sheet Location
	Real Estate	Equipment	Total	
Operating leases	\$ 30,926	\$ 416	\$ 31,342	Other Assets
Finance leases	—	2,632	2,632	Property and Equipment, net

Operating and finance lease liabilities recognized in the condensed consolidated balance sheets were as follows at:

	March 31, 2020	
	Operating Leases	Finance Leases
Accrued liabilities	\$ 2,830	\$ 2,209
Other liabilities	25,284	—
Total	\$ 28,114	\$ 2,209

	December 31, 2019	
	Operating Leases	Finance Leases
Accrued liabilities	\$ 2,812	\$ 1,485
Other liabilities	25,651	—
Total	\$ 28,463	\$ 1,485

The weighted-average remaining lease terms and weighted-average discount rates for operating and finance leases at March 31, 2020 and December 31, 2019 were as follows:

	March 31, 2020	
	Operating Leases	Finance Leases
Weighted-average remaining lease term (years)	9.8	0.8
Weighted-average discount rate	3.2 %	2.7 %

	December 31, 2019	
	Operating Leases	Finance Leases
Weighted-average remaining lease term (years)	10.1	0.6
Weighted-average discount rate	3.1 %	2.9 %

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The following table reconciles the undiscounted future lease payments for operating and finance leases to the operating and finance leases recorded in the condensed consolidated balance sheet at March 31, 2020:

	Undiscounted Future Lease Payments	
	Operating Leases	Finance Leases
2020 (excluding the three-months ended March 31, 2020)	\$ 2,806	\$ 1,938
2021	3,450	296
2022	3,482	—
2023	3,068	—
2024	2,791	—
2025 and thereafter	17,692	—
Total lease payments	33,289	2,234
Less imputed interest	(5,175)	(25)
Total	\$ 28,114	\$ 2,209

As of March 31, 2020, the Company did not have any significant additional operating or finance leases that have not yet commenced.

5. INVESTMENTS

The following table summarizes the Company's investments at:

March 31, 2020	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
Available-for-sale						
Short-term:						
Commercial paper	\$ 57,107	\$ —	\$ —	\$ 57,107	\$ —	\$ —
Municipal securities	95,819	114	113	95,820	113	—
U.S. government agency securities	21,441	62	—	21,503	—	—
U.S. treasuries	46,055	399	—	46,454	—	—
Variable rate demand notes	12,628	—	—	12,628	—	—
Long-term:						
U.S. treasuries	4,083	54	—	4,137	—	—
Municipal securities	6,292	4	32	6,264	32	—
U.S. government agency securities	3,512	10	—	3,522	—	—
Total	\$ 246,937	\$ 643	\$ 145	\$ 247,435	\$ 145	\$ —

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December 31, 2019	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
Available-for-sale						
Short-term:						
Commercial paper	\$ 83,478	\$ —	\$ —	\$ 83,478	\$ —	\$ —
Certificates of deposit	28,049	—	—	28,049	—	—
Municipal securities	147,983	145	20	148,108	20	—
U.S. government agency securities	40,620	5	35	40,590	35	—
U.S. treasuries	211,055	134	31	211,158	31	—
Variable rate demand notes	21,680	—	—	21,680	—	—
Long-term:						
Municipal securities	1,562	—	1	1,561	1	—
U.S. government agency securities	5,267	—	1	5,266	1	—
U.S. treasuries	6,077	1	—	6,078	—	—
Total	<u>\$ 545,771</u>	<u>\$ 285</u>	<u>\$ 88</u>	<u>\$ 545,968</u>	<u>\$ 88</u>	<u>\$ —</u>

During the three-months ended March 31, 2020 and 2019, realized gains or losses recognized on the sale of investments were not significant.

The Company's investments at March 31, 2020 and December 31, 2019 in commercial paper, certificates of deposit, municipal securities, U.S. government agency securities, U.S. treasuries and/or variable rate demand notes ("VRDNs") carried investment grade credit ratings. VRDNs are floating rate municipal bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. While they are classified as marketable investment securities, the put option allows the VRDNs to be liquidated at par on a same day, or more generally, on a seven-day settlement basis.

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

	March 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year:				
Commercial paper	\$ 57,107	\$ 57,107	\$ 83,478	\$ 83,478
Municipal securities	95,819	95,820	147,983	148,108
U.S. government agency securities	21,441	21,503	40,620	40,590
Certificates of deposit	—	—	28,049	28,049
U.S. treasuries	46,055	46,454	211,055	211,158
Due 1 - 10 years:				
Municipal securities	6,292	6,264	1,562	1,561
U.S. treasuries	4,083	4,137	6,077	6,078
U.S. government agency securities	3,512	3,522	5,267	5,266
Variable rate demand notes	3,911	3,911	3,905	3,905
Due 11 - 20 years:				
Variable rate demand notes	3,485	3,485	8,886	8,886
Due 21 - 30 years:				
Variable rate demand notes	3,217	3,217	6,885	6,885
Due 31 - 40 years:				
Variable rate demand notes	2,015	2,015	2,004	2,004
Total	<u>\$ 246,937</u>	<u>\$ 247,435</u>	<u>\$ 545,771</u>	<u>\$ 545,968</u>

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6. FAIR VALUE OF CERTAIN FINANCIAL ASSETS AND LIABILITIES

ASC 820 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.

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:

March 31, 2020	Level 1	Level 2	Level 3	Total
Cash	\$ 497,556	\$ —	\$ —	\$ 497,556
Money market funds	194,560	—	—	194,560
Certificates of deposit	—	1,607	—	1,607
Commercial paper	—	57,107	—	57,107
Variable rate demand notes	—	12,628	—	12,628
Municipal securities	—	106,292	—	106,292
U.S. government agency securities	—	28,931	—	28,931
U.S. treasuries	—	50,590	—	50,590
Foreign currency derivatives	—	(301)	—	(301)
Total	<u>\$ 692,116</u>	<u>\$ 256,854</u>	<u>\$ —</u>	<u>\$ 948,970</u>
Amounts included in:				
Cash and cash equivalents	\$ 692,116	\$ 9,720	\$ —	\$ 701,836
Short-term investments	—	233,513	—	233,513
Accounts receivable, net	—	203	—	203
Investments	—	13,922	—	13,922
Accrued liabilities	—	(504)	—	(504)
Total	<u>\$ 692,116</u>	<u>\$ 256,854</u>	<u>\$ —</u>	<u>\$ 948,970</u>

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December 31, 2019	Level 1	Level 2	Level 3	Total
Cash	\$ 518,178	\$ —	\$ —	\$ 518,178
Money market funds	191,131	—	—	191,131
Certificates of deposit	—	28,049	—	28,049
Commercial paper	—	96,867	—	96,867
Variable rate demand notes	—	21,680	—	21,680
Municipal securities	—	167,224	—	167,224
U.S. government agency securities	—	73,634	—	73,634
U.S. treasuries	—	247,162	—	247,162
Foreign currency derivatives	—	(687)	—	(687)
Total	\$ 709,309	\$ 633,929	\$ —	\$ 1,343,238
Amounts included in:				
Cash and cash equivalents	\$ 709,309	\$ 88,648	\$ —	\$ 797,957
Short-term investments	—	533,063	—	533,063
Accounts receivable, net	—	329	—	329
Investments	—	12,905	—	12,905
Accrued liabilities	—	(1,016)	—	(1,016)
Total	\$ 709,309	\$ 633,929	\$ —	\$ 1,343,238

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, which include money market funds, is based on quoted market prices in active markets for identical securities. The Company's valuation of its Level 2 investments, which include municipal securities, commercial paper, certificates of deposit, VRDNs, U.S. treasuries and U.S. government agency securities, 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-months ended March 31, 2020 or during the year-ended December 31, 2019, and there were no changes in the Company's valuation techniques.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to foreign currency exchange rate risks related primarily to its foreign business operations. During the three-months ended March 31, 2020 and the year-ended December 31, 2019, 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 March 31, 2020 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 under ASC 815. Therefore, gains and losses on the Company's foreign currency exchange contracts are recognized in interest and other income, 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.

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The notional amount and fair value of all outstanding foreign currency derivative instruments in the condensed consolidated balance sheets consist of the following at:

March 31, 2020			
Derivatives not designated as hedging instruments under ASC 815-20	Notional Amount	Fair Value	Balance Sheet Location
Assets:			
Foreign currency exchange contracts:			
Receive USD/pay GBP	\$ 46,342	\$ 62	Accounts receivable, net
Receive USD/pay AUD	14,276	60	Accounts receivable, net
Receive USD/pay NZD	1,812	35	Accounts receivable, net
Receive USD/pay COP	4,174	14	Accounts receivable, net
Receive USD/pay SEK	2,160	12	Accounts receivable, net
Receive USD/pay ZAR	910	9	Accounts receivable, net
Receive USD/pay NOK	1,008	6	Accounts receivable, net
Receive USD/pay DKK	1,304	4	Accounts receivable, net
Receive SGD/pay USD	914	1	Accounts receivable, net
Liabilities:			
Foreign currency exchange contracts:			
Receive EUR/pay USD	\$ 34,987	\$ (272)	Accrued liabilities
Receive USD/pay RUB	11,840	(147)	Accrued liabilities
Receive RSD/pay USD	11,530	(85)	Accrued liabilities
December 31, 2019			
Derivatives not designated as hedging instruments under ASC 815-20	Notional Amount	Fair Value	Balance Sheet Location
Assets:			
Foreign currency exchange contracts:			
Receive EUR/pay USD	\$ 26,731	\$ 246	Accounts receivable, net
Receive RSD/pay USD	9,018	59	Accounts receivable, net
Receive NOK/pay USD	2,122	17	Accounts receivable, net
Receive USD/pay SGD	1,555	7	Accounts receivable, net
Liabilities:			
Foreign currency exchange contracts:			
Receive USD/pay GBP	\$ 38,406	\$ (695)	Accrued liabilities
Receive USD/pay AUD	12,819	(172)	Accrued liabilities
Receive USD/pay RUB	12,777	(55)	Accrued liabilities
Receive USD/pay NZD	3,071	(33)	Accrued liabilities
Receive USD/pay ZAR	3,349	(32)	Accrued liabilities
Receive USD/pay COP	3,793	(18)	Accrued liabilities
Receive USD/pay DKK	1,283	(11)	Accrued liabilities

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The net gains (losses) on derivative instruments in the condensed consolidated statements of income were as follows:

Derivatives not designated as hedging instruments under ASC 815-20	Location of gain (loss) recognized in income on derivatives	Amount of gain (loss) recognized in income on derivatives	
		Three-months ended	
		March 31, 2020	March 31, 2019
Foreign currency exchange contracts	Interest and other income, net	\$ 6,292	\$ (1,087)

8. INVENTORIES

Inventories consist of the following at:

	March 31, 2020	December 31, 2019
Raw materials	\$ 140,990	\$ 134,885
Finished goods	211,315	225,846
	<u>\$ 352,305</u>	<u>\$ 360,731</u>

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at:

	March 31, 2020	December 31, 2019
Land	\$ 78,275	\$ 78,275
Leasehold improvements	11,517	10,417
Furniture and fixtures	8,272	8,426
Office and computer equipment	22,578	22,766
Computer software	4,788	4,450
Equipment	216,125	214,293
Buildings	126,755	126,338
Vehicles	40,964	41,109
	<u>509,274</u>	<u>506,074</u>
Less: accumulated depreciation and amortization	<u>(213,704)</u>	<u>(207,434)</u>
	<u>\$ 295,570</u>	<u>\$ 298,640</u>

Total depreciation and amortization expense recorded was \$12.4 million and \$12.0 million for the three-months ended March 31, 2020 and 2019, respectively.

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10. GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a roll-forward of goodwill for the three-months ended March 31, 2020 and March 31, 2019 by reportable segment:

	Monster Energy® Drinks	Strategic Brands	Other	Total
Balance at December 31, 2019	\$ 693,644	\$ 637,999	\$ —	\$ 1,331,643
Acquisitions	—	—	—	—
Balance at March 31, 2020	<u>\$ 693,644</u>	<u>\$ 637,999</u>	<u>\$ —</u>	<u>\$ 1,331,643</u>

	Monster Energy® Drinks	Strategic Brands	Other	Total
Balance at December 31, 2018	\$ 693,644	\$ 637,999	\$ —	\$ 1,331,643
Acquisitions	—	—	—	—
Balance at March 31, 2019	<u>\$ 693,644</u>	<u>\$ 637,999</u>	<u>\$ —</u>	<u>\$ 1,331,643</u>

Intangible assets consist of the following at:

	March 31, 2020	December 31, 2019
Amortizing intangibles	\$ 66,954	\$ 66,949
Accumulated amortization	(52,021)	(49,128)
	14,933	17,821
Non-amortizing intangibles	1,038,174	1,034,284
	<u>\$ 1,053,107</u>	<u>\$ 1,052,105</u>

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 seven years. Total amortization expense recorded was \$2.9 million for both the three-months ended March 31, 2020 and 2019. The Company recorded an impairment charge of \$3.0 million on a Strategic Brand trademark in the three-months ended March 31, 2020.

The following is the future estimated amortization expense related to amortizing intangibles as of March 31, 2020:

2020 (excluding the three-months ended March 31, 2020)	\$ 4,783
2021	4,429
2022	4,404
2023	1,111
2024	13
2025 and thereafter	193
	<u>\$ 14,933</u>

11. DISTRIBUTION AGREEMENTS

In accordance with ASC 420, the Company expenses distributor termination costs in the period in which the written notification of termination occurs. The Company incurred termination costs of \$0.04 million and \$10.7 million for the three-months ended March 31, 2020 and 2019, respectively.

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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, are accounted for as deferred revenue and are recognized as revenue ratably over the anticipated life of the respective distribution agreement, generally 20 years. Revenue recognized was \$10.6 million and \$14.2 million for the three-months ended March 31, 2020 and 2019, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company had purchase commitments aggregating approximately \$70.5 million at March 31, 2020, 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 \$200.5 million at March 31, 2020, which related primarily to sponsorships and other marketing activities.

In February 2018, the working capital line limit for the Company's credit facility with HSBC Bank (China) Company Limited, Shanghai Branch, was increased from \$9.0 million to \$15.0 million. At March 31, 2020, the interest rate on borrowings under the line of credit was 5.5%. As of March 31, 2020, the Company had no amounts outstanding on this line of credit.

Legal Proceedings

Litigation — The Company is currently a defendant in a number of personal injury lawsuits, claiming that the death or other serious injury of the plaintiffs was caused by consumption of Monster Energy® brand energy drinks. The plaintiffs in these lawsuits allege strict product liability, negligence, fraudulent concealment, breach of implied warranties and wrongful death. The Company believes that each complaint is without merit and plans a vigorous defense. The Company also believes that any damages, if awarded, would not have a material adverse effect on the Company's financial position or results of operations.

Furthermore, from time to time in the normal course of business, the Company is named in other litigation, including consumer class actions, intellectual property litigation 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, or in the amount of any related insurance reimbursements recorded. As of March 31, 2020, the Company's consolidated balance sheet included accrued loss contingencies of approximately \$15.6 million.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss (income) by component, after tax, for the three-months ended March 31, 2020 and 2019 are as follows:

	Currency Translation Losses	Unrealized (Gains) Losses on Available-for- Sale Securities	Total
Balance at December 31, 2019	\$ 32,581	\$ (194)	\$ 32,387
Other comprehensive loss (income) before reclassifications	30,599	(304)	30,295
Amounts reclassified from accumulated other comprehensive loss (income)	—	—	—
Net current-period other comprehensive loss (income)	30,599	(304)	30,295
Balance at March 31, 2020	<u>\$ 63,180</u>	<u>\$ (498)</u>	<u>\$ 62,682</u>

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	Currency Translation Losses	Unrealized (Gains) Losses on Available-for- Sale Securities	Total
Balance at December 31, 2018	\$ 32,775	\$ 89	\$ 32,864
Other comprehensive loss (income) before reclassifications	1,381	(120)	1,261
Amounts reclassified from accumulated other comprehensive loss (income)	—	—	—
Net current-period other comprehensive loss (income)	1,381	(120)	1,261
Balance at March 31, 2019	<u>\$ 34,156</u>	<u>\$ (31)</u>	<u>\$ 34,125</u>

14. TREASURY STOCK

On February 26, 2019, 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 "February 2019 Repurchase Plan"). During the three-months ended March 31, 2020, the Company purchased 0.6 million shares of common stock at an average purchase price of \$58.16 per share, for a total amount of \$36.6 million (excluding broker commissions), which exhausted the availability under the February 2019 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020.

On November 6, 2019, the Company's Board of Directors authorized a new share repurchase program for the purchase of up to \$500.0 million of the Company's outstanding common stock (the "November 2019 Repurchase Plan"). During the three-months ended March 31, 2020, the Company purchased 9.1 million shares of common stock at an average purchase price of \$54.86 per share, for a total amount of \$499.9 million (excluding broker commissions), which exhausted the availability under the November 2019 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020.

On March 13, 2020, the Company's Board of Directors authorized a new share repurchase program for the purchase of up to \$500.0 million of the Company's outstanding common stock (the "March 2020 Repurchase Plan"). During the three-months ended March 31, 2020, the Company purchased 0.8 million shares of common stock at an average purchase price of \$57.01 per share, for a total amount of \$42.9 million (excluding broker commissions), under the March 2020 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020. As of May 8, 2020, \$441.5 million remained available for repurchase under the March 2020 Repurchase Plan.

During the three-months ended March 31, 2020, 11,007 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 \$0.6 million. While such purchases are considered common stock repurchases, they are not counted as purchases against our authorized share repurchase programs. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020.

15. STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans under which shares were available for grant at March 31, 2020: the Monster Beverage Corporation 2011 Omnibus Incentive Plan, including the Monster Beverage Corporation Deferred Compensation Plan as a sub plan thereunder, and the Monster Beverage Corporation 2017 Compensation Plan for Non-Employee Directors, including the Monster Beverage Corporation Deferred Compensation Plan for Non-Employee Directors as a sub plan thereunder.

The Company recorded \$17.1 million and \$15.3 million of compensation expense relating to outstanding options, restricted stock units and performance share units during the three-months ended March 31, 2020 and 2019, 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 March 31, 2020 and 2019 was \$1.7 million and \$22.4 million, respectively.

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Stock Options

Under the Company's stock-based compensation plans, all stock options granted as of March 31, 2020 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 March 31,	
	2020	2019
Dividend yield	0.0 %	0.0 %
Expected volatility	30.5 %	30.2 %
Risk-free interest rate	0.7 %	2.4 %
Expected term	5.8 years	6.0 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.

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, 2020	14,941	\$ 42.88	6.3	\$ 308,884
Granted 01/01/20 - 03/31/20	1,027	\$ 62.45		
Exercised	(372)	\$ 37.52		
Cancelled or forfeited	(33)	\$ 52.50		
Outstanding at March 31, 2020	15,563	\$ 44.28	6.4	\$ 204,418
Vested and expected to vest in the future at March 31, 2020	14,755	\$ 43.58	6.2	\$ 202,679
Exercisable at March 31, 2020	9,301	\$ 36.98	5.2	\$ 182,359

The weighted-average grant-date fair value of options granted during the three-months ended March 31, 2020 and 2019 was \$18.78 per share and \$20.30 per share, respectively.

The total intrinsic value of options exercised during the three-months ended March 31, 2020 and 2019 was \$10.9 million and \$178.5 million, respectively.

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Cash received from option exercises under all plans for the three-months ended March 31, 2020 and 2019 was \$14.0 million and \$35.2 million, respectively.

At March 31, 2020, there was \$86.8 million of total unrecognized compensation expense related to non-vested options granted to employees under the Company's stock-based payment plans. That cost is expected to be recognized over a weighted-average period of 2.7 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.

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, 2020	825	\$ 57.62
Granted 01/01/20 - 03/31/20 ¹	392	\$ 62.39
Vested	(271)	\$ 55.53
Forfeited/cancelled	(1)	\$ 59.67
Non-vested at March 31, 2020	<u>945</u>	<u>\$ 60.21</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 dependent on the pre-established performance goals.

The weighted-average grant-date fair value of restricted stock units and performance share units granted during the three-months ended March 31, 2020 was \$62.39 per share. The weighted-average grant-date fair value of restricted stock units granted during the three-months ended March 31, 2019 was \$59.66 per share. No performance share units were granted during the three-months ended March 31, 2019. As of March 31, 2020, 0.8 million of restricted stock units and performance share units are expected to vest over their respective terms.

At March 31, 2020, total unrecognized compensation expense relating to non-vested restricted stock units and performance share units was \$47.2 million, which is expected to be recognized over a weighted-average period of 2.9 years.

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 three-months ended March 31, 2020:

	Gross Unrecognized Tax Benefits
Balance at December 31, 2019	\$ 2,993
Additions for tax positions related to the current year	—
Additions for tax positions related to the prior years	—
Decreases related to settlement with taxing authority	—
Balance at March 31, 2020	<u>\$ 2,993</u>

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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 March 31, 2020, the Company had approximately \$0.4 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, including the United Kingdom and Ireland. The Company's 2016 through 2019 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 2015 through 2019 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 March 31,	
	2020	2019
Weighted-average shares outstanding:		
Basic	536,061	542,768
Dilutive	4,457	5,505
Diluted	<u>540,518</u>	<u>548,273</u>

For the three-months ended March 31, 2020 and 2019, options and awards outstanding totaling 4.8 million shares and 4.3 million shares, respectively, were excluded from the calculations as their effect would have been antidilutive.

18. SEGMENT INFORMATION

The Company has three operating and reportable segments: (i) Monster Energy® Drinks segment, which is primarily comprised of the Company's Monster Energy® drinks and Reign Total Body Fuel® high performance energy drinks, (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, and (iii) Other segment, which is comprised of the AFF Third-Party Products.

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 directly to retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience 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 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.

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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.

The net revenues derived from the Company’s reportable segments and other financial information related thereto for the three-months ended March 31, 2020 and 2019 are as follows:

	Three-Months Ended March 31,	
	2020	2019
Net sales:		
Monster Energy® Drinks ⁽¹⁾	\$ 992,454	\$ 870,384
Strategic Brands	64,538	70,286
Other	5,105	5,321
Corporate and unallocated	—	—
	<u>\$ 1,062,097</u>	<u>\$ 945,991</u>

	Three-Months Ended March 31,	
	2020	2019
Operating Income:		
Monster Energy® Drinks ^{(1) (2)}	\$ 411,141	\$ 342,999
Strategic Brands	36,719	45,581
Other	787	902
Corporate and unallocated	(83,659)	(78,021)
	<u>\$ 364,988</u>	<u>\$ 311,461</u>

	Three-Months Ended March 31,	
	2020	2019
Income before tax:		
Monster Energy® Drinks ^{(1) (2)}	\$ 411,178	\$ 343,016
Strategic Brands	36,719	45,577
Other	787	902
Corporate and unallocated	(82,824)	(75,292)
	<u>\$ 365,860</u>	<u>\$ 314,203</u>

(1) Includes \$10.6 million and \$14.2 million for the three-months ended March 31, 2020 and 2019, respectively, related to the recognition of deferred revenue.

(2) Includes \$0.04 million and \$10.7 million for the three-months ended March 31, 2020 and 2019, respectively, related to distributor termination costs.

	Three-Months Ended March 31,	
	2020	2019
Depreciation and amortization:		
Monster Energy® Drinks	\$ 9,651	\$ 9,798
Strategic Brands	2,030	1,963
Other	1,165	1,155
Corporate and unallocated	2,479	1,954
	<u>\$ 15,325</u>	<u>\$ 14,870</u>

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Corporate and unallocated expenses for the three-months ended March 31, 2020 include \$55.3 million of payroll costs, of which \$17.1 million was attributable to stock-based compensation expenses (see Note 15 “Stock-Based Compensation”), as well as \$16.3 million attributable to professional service expenses, including accounting and legal costs, and \$12.1 million of other operating expenses. Corporate and unallocated expenses for the three-months ended March 31, 2019 include \$50.4 million of payroll costs, of which \$15.3 million was attributable to stock-based compensation expenses (see Note 15 “Stock-Based Compensation”), as well as \$17.5 million attributable to professional service expenses, including accounting and legal costs, and \$10.1 million of other operating expenses.

Coca-Cola Consolidated, Inc. accounted for approximately 12% and 13% of the Company’s net sales for the three-months ended March 31, 2020 and 2019, respectively.

Reyes Coca-Cola Bottling, LLC accounted for approximately 11% and 12% of the Company’s net sales for the three-months ended March 31, 2020 and 2019, respectively.

Coca-Cola European Partners accounted for approximately 10% and 9% of the Company’s net sales for the three-months ended March 31, 2020 and 2019, respectively.

Net sales to customers outside the United States amounted to \$356.8 million and \$284.1 million for the three-months ended March 31, 2020 and 2019, respectively. Such sales were approximately 34% and 30% of net sales for the three-months ended March 31, 2020 and 2019, respectively.

Goodwill and other intangible assets for the Company’s reportable segments as of March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Goodwill and other intangible assets:		
Monster Energy® Drinks	\$ 1,391,507	\$ 1,384,940
Strategic Brands	979,963	984,393
Other	13,280	14,415
Corporate and unallocated	—	—
	<u>\$ 2,384,750</u>	<u>\$ 2,383,748</u>

19. RELATED PARTY TRANSACTIONS

TCCC controls approximately 19.4% 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 \$10.9 million and \$12.1 million for the three-months ended March 31, 2020 and 2019, respectively, and are included as a reduction to net sales.

TCCC commissions, based on sales to certain TCCC independent bottlers/distributors, were \$4.4 million and \$3.8 million for the three-months ended March 31, 2020 and 2019, respectively, and are included in operating expenses.

Net sales to the TCCC Subsidiaries for the three-months ended March 31, 2020 and 2019 were \$19.5 million and \$17.3 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 \$4.2 million and \$6.6 million for the three-months ended March 31, 2020 and 2019, respectively.

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Certain TCCC Subsidiaries also contract manufacture certain of the Company's energy drinks. Such contract manufacturing expenses were \$4.0 million and \$4.5 million for the three-months ended March 31, 2020 and 2019, respectively.

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

	March 31, 2020	December 31, 2019
Accounts receivable, net	\$ 49,289	\$ 21,670
Accounts payable	\$ (18,356)	\$ (18,217)
Accrued promotional allowances	\$ (6,007)	\$ (5,321)
Accrued liabilities	\$ (14,451)	\$ —

One director of the Company through certain trusts, and a family member of one director, are 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 March 31, 2020 and 2019 were \$0.7 million and \$0.3 million, respectively.

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. The Company's initial 50% contribution of \$1.9 million was accounted for as an equity investment and is included in other assets (non-current) in the accompanying condensed consolidated balance sheet at March 31, 2020. During the three-months ended March 31, 2020, the Company made no additional capital contributions and recorded an equity loss of \$0.03 million. As of March 31, 2020, the Company's equity investment is \$1.8 million and is included in other assets (non-current) in the accompanying condensed consolidated balance sheet.

20. SUBSEQUENT EVENTS

In April 2020, the Company entered into an agreement to acquire a three-story office building located in Uxbridge, United Kingdom for approximately \$10.0 million. The acquisition of the building is expected to close in mid-May 2020. The building is currently being leased by the Company.

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.

The COVID – 19 Pandemic

The current COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting our employees, communities and business operations, as well as the global economy and financial markets. The human and economic consequences of the COVID-19 pandemic as well as the measures being taken by governments, and as a result businesses (including the Company and its suppliers, full service beverage bottlers/distributors (“bottlers/distributors”), co-packers and other service providers) and the public at large to limit the COVID-19 pandemic’s spread, has directly and indirectly impacted our business and results of operations. The duration and severity of this impact will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning the COVID-19 pandemic, the actions taken to limit its spread and the economic impact on local, regional, national and international markets. See the section entitled “Risk Factors” in Item 1A of this Quarterly Report.

Over the past few months, we have been actively addressing the COVID-19 pandemic with a global task force team working to mitigate the potential impacts to our people and business.

Health and Safety of our Employees and Business Partners

From the beginning of the COVID-19 pandemic, our top priority has been the health, safety and well-being of our employees. Early in March 2020, we implemented global travel restrictions and work-from-home policies for employees who are able to work remotely. For those employees who are unable to work remotely, safety precautions have been instituted, which were developed and adopted in line with guidance from public health authorities and professional consultants. We are incredibly proud of the teamwork exhibited by our employees, co-packers and bottlers/distributors around the world who are ensuring the integrity of our supply chain.

Customer Demand

The COVID-19 pandemic did not have a material adverse impact on our net and gross sales for the three-months ended March 31, 2020. Our April sales were materially adversely impacted by the COVID-19 pandemic, however bottler/distributor sales of the Company’s products to retail in the United States were markedly less adversely impacted. Since mid-March 2020, we have seen a shift in consumer channel preferences and package configurations, including an increase in at-home consumption and a decrease in immediate consumption. To date, our sales in the second quarter of 2020 have been adversely affected as a result of a decrease in foot traffic in the convenience and gas channel (which is our largest channel) and food service on-premise, while our e-commerce, club store, mass merchandiser and grocery and related business remain stable. The duration of these trends and the magnitude of such impacts cannot be precisely estimated at this time, as they are affected by a number of factors (many of which are outside our control).

Any reduced demand for our products or change in consumer purchasing and consumption patterns, as well as continued economic uncertainty as a result of the COVID-19 pandemic, could adversely affect the financial conditions of retailers and consumers, resulting in reduced or canceled orders for our products, purchase returns and closings of retail or wholesale establishments or other locations in which our products are sold.

Our Distribution and Supply Chain

As of the date of this filing, we do not foresee a material impact on the ability of our co-packers to manufacture and our bottlers/distributors to distribute our products as a result of the COVID-19 pandemic. In addition, we are not experiencing raw material or finished product shortages in our supply chain. However, depending on the duration of any COVID-19 pandemic related issues, we may experience material disruptions in our supply chain as the pandemic continues.

Liquidity and Capital Resources

As of the date of this filing, we expect to maintain substantial liquidity as we manage through the current environment as described in the “Liquidity and Capital Resources” section below.

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 MAXX®
- Java Monster®
- Muscle Monster®
- Espresso Monster®
- Punch Monster®
- Juice Monster®
- Monster Hydro®
- Monster HydroSport Super Fuel®
- Monster Dragon Tea®
- Caffé Monster®
- Reign Total Body Fuel®
- Reign Inferno® Thermogenic Fuel
- NOS®
- Full Throttle®
- Burn®
- Mother®
- Nalu®
- Ultra Energy®
- Play® and Power Play® (stylized)
- Relentless®
- BPM®
- BU®
- Gladiator®
- Samurai®
- Live+®
- Predator®

We have three operating and reportable segments, (i) Monster Energy® Drinks segment (“Monster Energy® Drinks”), which is primarily comprised of our Monster Energy® drinks and Reign Total Body Fuel® high performance energy drinks, (ii) Strategic Brands segment (“Strategic Brands”), which is comprised primarily of the various energy drink brands acquired from The Coca-Cola Company (“TCCC”) in 2015 as well as our affordable energy brands, and (iii) Other segment (“Other”), which is comprised of certain products sold by American Fruits and Flavors LLC, a wholly-owned subsidiary, to independent third-party customers (the “AFF Third-Party Products”).

During the three-months ended March 31, 2020, we continued to expand our existing energy drink portfolio and further develop our distribution markets. During the three-months ended March 31, 2020, we introduced the following products:

- Monster Dragon Tea® Lemon Ice Tea
- Monster Energy Ultra Fiesta®
- Monster Energy Ultra Rosa®
- Monster Hydro® Super Sport Blue Streak
- Monster Hydro® Super Sport Red Dawg
- Java Monster® 300 French Vanilla
- Java Monster® 300 Mocha
- Reign Inferno® Thermogenic Fuel Jalapeno Strawberry
- Reign Inferno® Thermogenic Fuel Red Dragon
- Reign Inferno® Thermogenic Fuel True BLU
- NOS® Turbo
- Burn® Dark Energy
- Burn® Peach
- Nalu® Black Tea & Passion Fruit
- Nalu® Green Tea & Ginger

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In the normal course of business, we discontinue certain products and/or product lines. Those products or product lines discontinued in the three-months ended March 31, 2020, either individually or in aggregate, did not have a material adverse impact on our financial position, results of operations or liquidity.

Many of the above launches were negatively impacted by the COVID-19 pandemic and we did not achieve planned distribution levels, in part due to certain retailers postponing implementation of their new planned spring schematics, which included our innovation products. We are developing plans with our bottlers/distributors to reprioritize these recent innovation launches to ensure that we are able to maximize their distribution, as soon as normalcy returns, particularly in the convenience and gas channel.

Our net sales of \$1.06 billion for the three-months ended March 31, 2020 represented record sales for our first fiscal quarter. The vast majority of our net sales are derived from our Monster Energy® Drinks segment. Net sales of our Monster Energy® Drinks segment were \$992.5 million for the three-months ended March 31, 2020. Net sales of our Strategic Brands segment were \$64.5 million for the three-months ended March 31, 2020. Our Monster Energy® Drinks segment represented 93.4% and 92.0% of our net sales for the three-months ended March 31, 2020 and 2019, respectively. Our Strategic Brands segment represented 6.1% and 7.4% of our net sales for the three-months ended March 31, 2020 and 2019, respectively. Our Other segment represented 0.5% and 0.6% of our net sales for the three-months ended March 31, 2020 and 2019, respectively.

Our growth strategy includes expanding our international business. Net sales to customers outside the United States were \$356.8 million for the three-months ended March 31, 2020, an increase of approximately \$72.7 million, or 25.6% higher than net sales to customers outside of the United States of \$284.1 million for the three-months ended March 31, 2019. Such sales were approximately 34% and 30% of net sales for the three-months ended March 31, 2020 and 2019, respectively.

Our customers are primarily bottlers/distributors, retail grocery and specialty chains, wholesalers, club stores, mass merchandisers, convenience chains, drug stores, foodservice customers and the military. Percentages of our gross sales to our various customer types for the three-months ended March 31, 2020 and 2019 are reflected below. Such information includes sales made by us directly to the customer types concerned, which include our bottlers/distributors in the United States. Such 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	
	March 31,	
	2020	2019
U.S. full service bottlers/distributors	55 %	59 %
International full service bottlers/distributors	35 %	32 %
Club stores and mass merchandisers	8 %	8 %
Retail grocery, specialty chains and wholesalers	1 %	1 %
Other	1 %	0 %

Our customers include Coca-Cola Canada Bottling Limited, Coca-Cola Consolidated, Inc., Coca-Cola Bottling Company United, Inc., Reyes Coca-Cola Bottling, LLC, Great Lakes Coca-Cola Distribution, 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 European Partners, Coca-Cola Hellenic, Coca-Cola FEMSA, Coca-Cola Amatil, 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. A decision by any large customer to decrease amounts purchased from us or to cease carrying our products could have a material negative effect on our financial condition and consolidated results of operations.

Coca-Cola Consolidated, Inc. accounted for approximately 12% and 13% of our net sales for the three-months ended March 31, 2020 and 2019, respectively.

Reyes Coca-Cola Bottling, LLC accounted for approximately 11% and 12% of our net sales for the three-months ended March 31, 2020 and 2019, respectively.

Coca-Cola European Partners accounted for approximately 10% and 9% of our net sales for the three-months ended March 31, 2020 and 2019, respectively.

Results of Operations

The following table sets forth key statistics for the three-months ended March 31, 2020 and 2019.

(In thousands, except per share amounts)	Three-Months Ended		Percentage Change 20 vs. 19
	March 31,		
	2020	2019	
Net sales ¹	\$ 1,062,097	\$ 945,991	12.3 %
Cost of sales	424,901	372,459	14.1 %
Gross profit* ¹	637,196	573,532	11.1 %
Gross profit as a percentage of net sales	60.0 %	60.6 %	
Operating expenses ²	272,208	262,071	3.9 %
Operating expenses as a percentage of net sales	25.6 %	27.7 %	
Operating income ^{1,2}	364,988	311,461	17.2 %
Operating income as a percentage of net sales	34.4 %	32.9 %	
Interest and other income, net	872	2,742	(68.2)%
Income before provision for income taxes ^{1,2}	365,860	314,203	16.4 %
Provision for income taxes	87,025	52,718	65.1 %
Income taxes as a percentage of income before taxes	23.8 %	16.8 %	
Net income ^{1,2}	\$ 278,835	\$ 261,485	6.6 %
Net income as a percentage of net sales	26.3 %	27.6 %	
Net income per common share:			
Basic	\$ 0.52	\$ 0.48	8.0 %
Diluted	\$ 0.52	\$ 0.48	8.2 %
Case sales (in thousands)			
(in 192-ounce case equivalents)	115,599	101,284	14.1 %

¹Includes \$10.6 million and \$14.2 million for the three-months ended March 31, 2020 and 2019, respectively, related to the recognition of deferred revenue.

²Includes \$0.04 million and \$10.7 million for the three-months ended March 31, 2020 and 2019, respectively, of distributor termination costs.

*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.

Results of Operations for the Three-Months Ended March 31, 2020 Compared to the Three-Months Ended March 31, 2019.

Net Sales. Net sales were \$1.06 billion for the three-months ended March 31, 2020, an increase of approximately \$116.1 million, or 12.3% higher than net sales of \$946.0 million for the three-months ended March 31, 2019. Net changes in foreign currency exchange rates had an unfavorable impact on net sales of approximately \$10.4 million for the three-months ended March 31, 2020.

Net sales for the Monster Energy® Drinks segment were \$992.5 million for the three-months ended March 31, 2020, an increase of approximately \$122.1 million, or 14.0% higher than net sales of \$870.4 million for the three-months ended March 31, 2019. 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 enhanced distribution and increased consumer demand for our

Reign Total Body Fuel® high performance energy drinks. Net changes in foreign currency exchange rates had an unfavorable impact on net sales for the Monster Energy® Drinks segment of approximately \$10.0 million for the three-months ended March 31, 2020.

Net sales for the Strategic Brands segment were \$64.5 million for the three-months ended March 31, 2020, a decrease of approximately \$5.7 million, or 8.2% lower than net sales of \$70.3 million for the three-months ended March 31, 2019. Net changes in foreign currency exchange rates had an unfavorable impact on net sales for the Strategic Brands segment of approximately \$0.4 million for the three-months ended March 31, 2020.

Net sales for the Other segment were \$5.1 million for the three-months ended March 31, 2020, a decrease of approximately \$0.2 million, or 4.1% lower than net sales of \$5.3 million for the three-months ended March 31, 2019.

Case sales, in 192-ounce case equivalents, were 115.6 million cases for the three-months ended March 31, 2020, an increase of approximately 14.3 million cases or 14.1% higher than case sales of 101.3 million cases for the three-months ended March 31, 2019. The overall average net sales per case (excluding net sales of the AFF Third-Party Products of \$5.1 million and \$5.3 million for the three-months ended March 31, 2020 and 2019, respectively, as these sales do not have unit case equivalents) decreased to \$9.14 for the three-months ended March 31, 2020, which was 1.6% lower than the average net sales per case of \$9.29 for the three-months ended March 31, 2019. The decrease in the average net sales per case was primarily the result of unfavorable net changes in foreign currency exchange rates as well as increased promotional allowances as a percentage of net sales.

Gross Profit. Gross profit was \$637.2 million for the three-months ended March 31, 2020, an increase of approximately \$63.7 million, or 11.1% higher than the gross profit of \$573.5 million for the three-months ended March 31, 2019. The increase in gross profit dollars was primarily the result of the \$122.1 million increase in net sales of our Monster Energy® Drinks segment for the three-months ended March 31, 2020.

Gross profit as a percentage of net sales decreased to 60.0% for the three-months ended March 31, 2020 from 60.6% for the three-months ended March 31, 2019. The decrease for the three-months ended March 31, 2020 was primarily the result of geographical sales mix and increases in promotional allowances as a percentage of gross sales. Such decrease was partially offset by product sales mix as well as reduced input costs.

Operating Expenses. Total operating expenses were \$272.2 million for the three-months ended March 31, 2020, an increase of approximately \$10.1 million, or 3.9% higher than total operating expenses of \$262.1 million for the three-months ended March 31, 2019. The increase in operating expenses was primarily due to increased payroll expenses of \$8.2 million (of which \$1.8 million was related to an increase in stock-based compensation), increased out-bound freight and warehouse costs of \$3.1 million, a \$3.0 million Strategic Brand trademark impairment charge and increased expenditures of \$2.3 million for other marketing expenses. The increase in operating expenses was partially offset by decreased expenditures of \$10.7 million related to the costs associated with distributor terminations and decreased expenditures of \$4.3 million for sponsorships and endorsements.

Operating Income. Operating income was \$365.0 million for the three-months ended March 31, 2020, an increase of approximately \$53.5 million, or 17.2% higher than operating income of \$311.5 million for the three-months ended March 31, 2019. Operating income as a percentage of net sales increased to 34.4% for the three-months ended March 31, 2020 from 32.9% for the three-months ended March 31, 2019. Operating income was \$71.7 million and \$52.0 million for the three-months ended March 31, 2020 and 2019, respectively, in connection with our operations in Europe, Middle East and Africa (“EMEA”), Asia Pacific and South America.

Operating income for the Monster Energy® Drinks segment, exclusive of corporate and unallocated expenses, was \$411.1 million for the three-months ended March 31, 2020, an increase of approximately \$68.2 million, or 19.9% higher than operating income of \$343.0 million for the three-months ended March 31, 2019. The increase in operating income for the Monster Energy® Drinks segment was primarily the result of the \$122.1 million increase in net sales of our Monster Energy® Drinks segment for the three-months ended March 31, 2020.

Operating income for the Strategic Brands segment, exclusive of corporate and unallocated expenses, was \$36.7 million for the three-months ended March 31, 2020, a decrease of approximately \$8.9 million, or 19.4% lower than operating income of \$45.6 million for the three-months ended March 31, 2019.

Operating income for the Other segment, exclusive of corporate and unallocated expenses, was \$0.8 million for the three-months ended March 31, 2020, a decrease of approximately \$0.1 million, or 12.8% lower than operating income of \$0.9 million for the three-months ended March 31, 2019.

Interest and Other Income, net. Interest and other non-operating income, net, was \$0.9 million for the three-months ended March 31, 2020, as compared to interest and other non-operating income, net, of \$2.7 million for the three-months ended March 31, 2019. Foreign currency transaction losses were \$2.9 million and \$0.2 million for the three-months ended March 31, 2020 and 2019, respectively. Interest income was \$4.5 million and \$3.3 million for the three-months ended March 31, 2020 and 2019, respectively.

Provision for Income Taxes. Provision for income taxes was \$87.0 million for the three-months ended March 31, 2020, an increase of \$34.3 million, or 65.1% higher than the provision for income taxes of \$52.7 million for the three-months ended March 31, 2019. The effective combined federal, state and foreign tax rate increased to 23.8% from 16.8% for the three-months ended March 31, 2020 and 2019, respectively. The increase in the effective tax rate was primarily attributable to a decrease in the equity compensation deduction.

Net Income. Net income was \$278.8 million for the three-months ended March 31, 2020, an increase of \$17.4 million, or 6.6% higher than net income of \$261.5 million for the three-months ended March 31, 2019. The increase in net income was primarily due to the \$63.7 million increase in gross profit. The increase in net income was partially offset by an increase in the provision for income taxes of \$34.3 million and an increase in operating expenses of \$10.1 million.

Non-GAAP Financial Measures

*Gross Sales**.* Gross sales were \$1.24 billion for the three-months ended March 31, 2020, an increase of approximately \$145.6 million, or 13.4% higher than gross sales of \$1.09 billion for the three-months ended March 31, 2019. Net changes in foreign currency exchange rates had an unfavorable impact on gross sales of approximately \$11.2 million for the three-months ended March 31, 2020.

Gross sales for the Monster Energy® Drinks segment were \$1.16 billion for the three-months ended March 31, 2020, an increase of approximately \$151.9 million, or 15.1% higher than gross sales of \$1.01 billion for the three-months ended March 31, 2019. Gross 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 enhanced distribution and increased consumer demand for our Reign Total Body Fuel® high performance energy drinks. Net changes in foreign currency exchange rates had an unfavorable impact on gross sales for the Monster Energy® Drinks segment of approximately \$10.8 million for the three-months ended March 31, 2020.

Gross sales of our Strategic Brands segment were \$73.4 million for the three-months ended March 31, 2020, a decrease of \$6.1 million, or 7.6% lower than gross sales of \$79.5 million for the three-months ended March 31, 2019. Net changes in foreign currency exchange rates had an unfavorable impact on gross sales in the Strategic Brands segment of approximately \$0.4 million for the three-months ended March 31, 2020.

Gross sales of our Other segment were \$5.1 million for the three-months ended March 31, 2020, a decrease of \$0.2 million, or 4.1% lower than gross sales of \$5.3 million for the three-months ended March 31, 2019.

Promotional allowances, commissions and other expenses, as described in the footnote below, were \$174.0 million for the three-months ended March 31, 2020, an increase of \$29.5 million, or 20.4% higher than promotional allowances, commissions and other expenses of \$144.4 million for the three-months ended March 31, 2019. Promotional allowances, commissions and other expenses as a percentage of gross sales increased to 14.1% from 13.2% for the three-months ended March 31, 2020 and 2019, respectively.

***Gross sales 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 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 presentation of gross sales provides a useful measure of our operating performance. The use of gross sales 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 sales may not be comparable to similarly titled measures used by other companies, as gross sales has been defined*

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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.

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

(In thousands)	Three-Months Ended		Percentage
	March 31,		Change
	2020	2019	20 vs. 19
Gross sales, net of discounts and returns	\$ 1,236,060	\$ 1,090,426	13.4 %
Less: Promotional allowances, commissions and other expenses***	173,963	144,435	20.4 %
Net Sales	<u>\$ 1,062,097</u>	<u>\$ 945,991</u>	12.3 %

***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 primarily include consideration given to our 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 constitute a material portion of our marketing activities. Our promotional allowance programs 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. The primary drivers of our promotional and other allowance activities for the three-months ended March 31, 2020 and 2019 were (i) to increase sales volume and trial, (ii) to address market conditions, and (iii) to secure shelf and display space at retail.

Sales

The table below discloses selected quarterly data regarding sales for the three-months ended March 31, 2020 and 2019, respectively. Data from any one or more quarters or periods is not necessarily indicative of annual results or continuing trends.

Sales of beverages 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. It has been our experience that 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 may be less seasonal than the seasonality of 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 advertising and promotional expenses. The COVID-19 pandemic may also have an impact on consumer behavior and change the seasonal fluctuation of our business.

(In thousands, except average net sales per case)	Three-Months Ended	
	March 31,	
	2020	2019
Net sales	\$ 1,062,097	\$ 945,991
Less: AFF third-party sales	(5,105)	(5,321)
Adjusted net sales ¹	\$ 1,056,992	\$ 940,670
Case sales by segment:		
Monster Energy® Drinks	98,252	83,475
Strategic Brands	17,346	17,809
Other	—	—
Total case sales	115,598	101,284
Average net sales per case	\$ 9.14	\$ 9.29

¹Excludes Other segment net sales of \$5.1 million and \$5.3 million for the three-months ended March 31, 2020 and 2019, respectively, comprised of net sales of the AFF Third-Party Products to independent third-party customers, as these sales do not have unit case equivalents.

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

Liquidity and Capital Resources

Cash and cash equivalents, short-term and long-term investments. 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 and purchases of shares of our common stock, through at least the next 12 months. Our sources and uses of cash were not materially impacted by the COVID-19 pandemic in the three-months ended March 31, 2020 and, to date, we have not identified any material liquidity deficiencies as a result of the COVID-19 pandemic. Based on the information currently available to us, we do not expect the impact of the COVID-19 pandemic to have a material impact on our liquidity. We will continue to monitor and assess the impact the COVID-19 pandemic may have on our business, financial condition and/or operating results.

At March 31, 2020, we had \$701.8 million in cash and cash equivalents, \$233.5 million in short-term investments and \$13.9 million in long-term investments. We have historically invested these amounts in U.S. treasuries, U.S. government agency securities, municipal securities, commercial paper, certificates of deposit, variable rate demand notes and money market funds meeting certain criteria. 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.

Based on our current plans, at this time we estimate that capital expenditures (exclusive of common stock repurchases) are likely to be less than \$150.0 million through March 31, 2021. However, future business opportunities may cause a change in this estimate.

Cash flows provided by operating activities. Cash provided by operating activities was \$191.1 million for the three-months ended March 31, 2020, as compared with cash provided by operating activities of \$123.4 million for the three-months ended March 31, 2019.

For the three-months ended March 31, 2020, cash provided by operating activities was primarily attributable to net income earned of \$278.8 million and adjustments for certain non-cash expenses, consisting of \$17.1 million of stock-based compensation, \$16.5

million of depreciation and amortization and \$3.0 million of intangible asset impairment. For the three-months ended March 31, 2020, cash provided by operating activities also increased due to a \$34.5 million increase in accrued liabilities, a \$19.3 million increase in accounts payable, a \$9.4 million increase in accrued promotional allowances, an \$8.1 million decrease in prepaid income taxes and a \$1.0 million decrease in inventories. For the three-months ended March 31, 2020, cash used in operating activities was primarily attributable to a \$147.7 million increase in accounts receivable, a \$24.8 million decrease in accrued compensation, an \$18.1 million increase in prepaid expenses and other assets, a \$4.3 million decrease in deferred revenue and a \$1.6 million decrease in income tax payable.

For the three-months ended March 31, 2019, cash provided by operating activities was primarily attributable to net income earned of \$261.5 million and adjustments for certain non-cash expenses, consisting of \$15.3 million of stock-based compensation and \$14.9 million of depreciation and other amortization. For the three-months ended March 31, 2019, cash provided by operating activities also increased due to a \$23.1 million increase in accrued promotional allowances, an \$18.6 million increase in accounts payable, a \$10.3 million increase in accrued distributor terminations, a \$2.9 million decrease in distributor receivables and a \$1.3 million increase in other liabilities. For the three-months ended March 31, 2019, cash used in operating activities was primarily attributable to a \$116.4 million increase in accounts receivable, a \$25.2 million increase in prepaid income taxes, a \$24.0 million increase in inventories, a \$21.8 million decrease in accrued compensation, a \$21.5 million increase in prepaid expenses and other current assets, a \$9.5 million decrease in deferred revenue, a \$4.1 million decrease in income taxes payable and a \$2.3 million decrease in accrued liabilities.

Cash flows provided by investing activities. Cash provided by investing activities was \$280.0 million for the three-months ended March 31, 2020 as compared to cash provided by investing activities of \$46.8 million for the three-months ended March 31, 2019.

For both the three-months ended March 31, 2020 and 2019, cash provided by investing activities was primarily attributable to sales of available-for-sale investments. For both the three-months ended March 31, 2020 and 2019, cash used in investing activities was primarily attributable to purchases of available-for-sale investments. For both the three-months ended March 31, 2020 and 2019, 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 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 production equipment required to produce certain of our existing and/or new products) to develop our brand in international markets 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 flows used in financing activities. Cash used in financing activities was \$546.0 million for the three-months ended March 31, 2020 as compared to cash used in financing activities of \$188.0 million for the three-months ended March 31, 2019. The cash used in financing activities for both the three-months ended March 31, 2020 and 2019 was primarily the result of the repurchases of our common stock. The cash provided by financing activities for both the three-months ended March 31, 2020, and 2019 was primarily attributable to the issuance of our common stock under our stock-based compensation plans.

Purchases of inventories, increases in accounts receivable and other assets, acquisition of property and equipment (including real property, personal property 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.

Of our \$701.8 million of cash and cash equivalents held at March 31, 2020, \$430.0 million was held by our foreign subsidiaries. No short-term or long-term investments were held by our foreign subsidiaries at March 31, 2020.

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The following represents a summary of the Company's contractual commitments and related scheduled maturities as of March 31, 2020:

Obligations	Payments due by period (in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations ¹	\$ 200,516	\$ 141,728	\$ 56,337	\$ 2,451	\$ —
Finance Leases	2,234	2,234	—	—	—
Operating Leases	33,289	3,710	6,814	5,740	17,025
Purchase Commitments ²	70,513	70,513	—	—	—
	<u>\$ 306,552</u>	<u>\$ 218,185</u>	<u>\$ 63,151</u>	<u>\$ 8,191</u>	<u>\$ 17,025</u>

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

²Purchase 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 \$3.0 million of unrecognized tax benefits have been recorded as liabilities as of March 31, 2020. It is expected that the amount of unrecognized tax benefits will not significantly change within the next 12 months. As of March 31, 2020, we had \$0.4 million of accrued interest and penalties related to unrecognized tax benefits.

Critical Accounting Policies

There have been no material changes to our critical accounting policies from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 ("Form 10-K").

Recent Accounting Pronouncements

The information required by this Item is incorporated herein by reference to the Notes to Condensed Consolidated Financial Statements - Note 2. Recent Accounting Pronouncements, in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Inflation

We believe inflation did not have a significant impact on our results of operations for the periods presented.

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," 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:

- The human and economic consequences of the COVID-19 pandemic, as well as the measures being taken by governments, and as a result, businesses (including the Company and its suppliers, bottlers/ distributors, co-packers and other service providers) and the public at large to limit the COVID-19 pandemic;
- The slowing of growth and/or decline in sales of the domestic and international energy drink categories generally, including the convenience and gas channel (which is our largest channel), and the impact on demand for our products resulting from deteriorating economic conditions and financial uncertainties due to the COVID-19 pandemic;
- The impact of temporary plant closures, production slowdowns and disruptions in operations experienced by our suppliers, bottlers/distributors and/or co-packers as a result of the COVID-19 pandemic, including any material disruptions on the production and distribution of our products;
- 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;
- Closure of on-premise retailers and other establishments which sell our products as the result of the COVID-19 pandemic;
- The limitation or reduction by our suppliers, bottlers/distributors and/or co-packers of their activities and/or operations during the COVID-19 pandemic;
- The impact of the COVID-19 pandemic on our product sampling programs;
- The effect of TCCC being one of our significant shareholders and the potential divergence of TCCC's interests from those of our other shareholders;
- The effect of TCCC's refranchising initiative to transition from a TCCC owned system to an independent bottling system, including our ability to maintain relationships with TCCC system bottlers/distributors and manage their ongoing commitment to focus on our 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 the inventory levels of our bottlers/distributors, planned or otherwise, and the resultant impact on our revenues;
- Unfavorable regulations, including taxation requirements, 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"), 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 energy drink 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 with respect to the General Data Protection Regulation and the California Privacy Act of 2018;
- Our ability to achieve profitability 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;
- 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 absorb, reduce or pass on to our bottlers/distributors increases in freight costs;
- 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;
- Uncertainties surrounding the United Kingdom's departure from the European Union (or "Brexit");
- Changes in accounting standards may affect our reported profitability;

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- 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 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;
- Intellectual property injunctions;
- Unfavorable resolution of 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, obesity and other perceived health concerns, including concerns relating to certain ingredients in our products or packaging, product safety concerns and/or from decreased consumer discretionary spending power;
- Adverse publicity surrounding obesity and health concerns related to our products, water usage, environmental impact, human rights and labor and workplace laws;
- Changes in demand that are weather related and/or for other reasons, including changes in product category consumption and changes in cost and availability of certain key ingredients, as well as disruptions to the supply chain, as a result of climate change and 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;
- The impact on our business of competitive products and pricing pressures and our ability to gain or maintain our share of sales in the marketplace 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;
- Our ability to introduce new products and the impact of the COVID-19 pandemic on our innovation activities;
- Our ability to implement and/or maintain price increases;
- 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;
- The impact of criticism of our energy drink products and/or the energy drink market generally and/or legislation enacted (whether as a result of such criticism or otherwise) that restricts the marketing or sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limits caffeine 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 drinks;
- Our ability to comply with and/or resulting lower consumer demand for energy drinks 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, as well as changes in any other food, drug or similar laws in the United States and internationally, especially those changes that may restrict the sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limit caffeine 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 drinks, as well as laws and regulations or rules made or enforced by the Bureau of Alcohol, Tobacco, Firearms and Explosives and/or the FTC or their foreign counterparts;
- Our ability to satisfy all criteria set forth in any model energy drink guidelines, including, without limitation, those adopted by the American Beverage Association, of which the Company is a member, and/or any international beverage association and the impact on the Company of such guidelines;
- Disruptions in the timely import or export of our products and/or ingredients due to port strikes and related labor issues;

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- 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, the Midwest and other premiums, raw materials 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, aluminum cans generally, PET containers used for our Monster Hydro® energy drinks and 24-ounce aluminum cap cans;
- 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 achieve both internal domestic and international forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others; there can be no assurance that we will achieve projected levels of sales as well as forecasted product and/or geographic mixes;
- 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, convenience chains, grocery chains, mass merchandisers, specialty chain stores, 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 and/or devote less resources to the sale of our products;
- The effects of retailer consolidation on our business and our ability to successfully adapt to the rapidly changing retail landscape;
- The costs and/or effectiveness, now or in the future, of our advertising, marketing and promotional strategies;
- The success of our sports marketing, social media and other general marketing endeavors both domestically and internationally;
- Our ability to successfully adapt to the changing landscape of advertising, marketing, promotional, sponsorship and endorsement opportunities created by the COVID-19 pandemic;
- Unforeseen economic and political changes and local or international catastrophic events;
- Possible recalls of our products and/or defective production;
- 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;
- The failure of our bottlers and/or co-packers to manufacture our products on a timely basis or at all;
- The impact of any reductions in productivity and disruptions to our business routines while most office-based employees of the Company work remotely;
- 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
- 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 risk during the three-months ended March 31, 2020 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 Chief Executive Officer 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 Chief Executive Officer 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 March 31, 2020, 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: Legal Proceedings 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, as supplemented below. If any of these risks actually occur or continue to occur, our business, reputation, financial condition and/or operating results could be materially adversely affected. The risk factors summarized below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, reputation, financial condition and/or operating results.

The COVID-19 pandemic has had, and we expect will continue to have, certain negative impacts on our business and operations, and such impacts may have a material adverse effect on our business and results of operations.

The current COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting our employees, communities and business operations, as well as the global economy and financial markets. The human and economic consequences of the COVID-19 pandemic as well as the measures being taken by governments, businesses (including the Company and our suppliers, bottlers/distributors, co-packers and other service providers) and the public at large to limit the COVID-19 pandemic, have and will, directly and indirectly impact our business and results of operations, including, without limitation, the following:

- We have experienced decreases in sales of our products in markets around the world that have been affected by the COVID-19 pandemic. If the COVID-19 pandemic and related unfavorable economic conditions continue to intensify, the negative

impact on our sales could be prolonged and may become more severe. While we have experienced increased sales through e-commerce retailers and an increased demand for multi-packs, such increases will not offset the decreased sales we are experiencing in other channels, such as the convenience and gas channel (which is our largest channel) and food-service on-premise.

- Deteriorating economic conditions and financial uncertainties in many of our major markets due to the COVID-19 pandemic, such as increased and prolonged unemployment, decreases in per capita income and the level of disposable income, declines in consumer confidence, or economic slowdowns or recessions, could affect consumer purchasing power and consumers' ability to purchase our products, thereby reducing demand for our products. In addition, public concern among consumers regarding the risk of contracting COVID-19 may also reduce demand for our products.
- The closure of on-premise retailers and other establishments that sell our products as a result of the COVID-19 pandemic may also adversely impact our sales and results of operations.
- Our advertising, marketing, promotional, sponsorship and endorsement activities have been, and will continue to be, disrupted by reduced opportunities for such activities due to measures taken to limit the spread of the COVID-19 pandemic and the cancellations of sporting events, concerts and other events may result in decreased demand for our products. Our product sampling programs, which are part of our strategy to develop brand awareness, have been, and will continue to be, disrupted by the COVID-19 pandemic. If we are unable to successfully adapt to the changing landscape of advertising, marketing, promotional, sponsorship and endorsement opportunities created by the COVID-19 pandemic, our sales, volume growth and overall financial results could be negatively affected.
- Our innovation activities, including our ability to introduce new products in certain markets, have been delayed and/or adversely impacted by the COVID-19 pandemic. If such innovation activities are disrupted and we continue to delay the launch of new products and/or we are unable to secure sufficient distribution levels for such new products, our business and results of operations could be adversely affected.
- Some of our suppliers, bottlers/distributors and co-packers may experience plant closures, production slowdowns and disruptions in operations as a result of the impact of the COVID-19 pandemic. This could result in a disruption to our operations.
- We may experience delays in the sourcing of certain raw materials as a result of shipping delays due to, among other things, additional safety requirements imposed by port authorities, closures of or congestion at ports, reduced availability of commercial transportation, border restrictions and capacity constraints.
- We rely on relationships with third parties for cloud data storage and other information technology services for certain functions or for services in support of our operations. These third parties are subject to risks and uncertainties related to the COVID-19 pandemic, which may interfere with their ability to fulfill their respective commitments and responsibilities to us in a timely manner and in accordance with the agreed-upon terms.
- As a result of the COVID-19 pandemic, including related governmental measures, restrictions, directives and guidance, we have required most of our office-based employees to work remotely. We may experience reductions in productivity and disruptions to our business routines while our remote work policy remains in place. If our employees working remotely do not maintain appropriate measures to mitigate potential risks to our technology and operations from information technology-related disruptions, we may face cybersecurity threats. Employees of our third-party service providers who are working remotely, with whom we may share data, are subject to similar cybersecurity risks.
- Governmental authorities at the U.S. federal, state and/or municipal level and in certain foreign jurisdictions may increase or impose new income taxes, indirect taxes or other taxes or revise interpretations of existing tax rules and regulations as a means of financing the costs of stimulus or may take other measures to protect populations and economies from the impact of the COVID-19 pandemic. Increases in direct and indirect tax rates could affect our net income, and increases in consumer taxes could affect our products' affordability and reduce our sales.
- We may be required to record significant impairment charges with respect to goodwill or intangible assets whose fair values may be negatively affected by the effects of the COVID-19 pandemic.

- The financial impact of the COVID-19 pandemic may cause one or more of the financial institutions we do business with to fail or default in their obligations to us or to become insolvent or file for bankruptcy, which could cause us to incur significant losses and negatively impact our results of operations and financial condition.
- Actions we have taken or may take, or decisions we have made or may make, as a consequence of the COVID-19 pandemic may result in negative publicity and the Company becoming a party to litigation claims and/or legal proceedings, which could consume significant financial and managerial resources, result in decreased demand for our products and injury to our reputation.
- The resumption of normal business operations after the disruptions caused by the COVID-19 pandemic may be delayed or constrained by its lingering effects on our suppliers, bottlers/distributors, co-packers, contractors, business partners and other service providers.

Any of the negative impacts of the COVID-19 pandemic, including those described above, alone or in combination with others, may have a material adverse effect on our business, reputation, operating results and/or financial condition. Any of these negative impacts, alone or in combination with others, could exacerbate many of the risk factors discussed in “Part I, Item 1A – Risk Factors” in our Form 10-K, any of which could materially affect our business, reputation, operating results and/or financial condition. The full extent to which the COVID-19 pandemic will negatively affect our business, reputation, operating results and/or financial condition will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities and other third parties in response to the COVID-19 pandemic.

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

On February 26, 2019, 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 “February 2019 Repurchase Plan”). During the three-months ended March 31, 2020, the Company purchased 0.6 million shares of common stock at an average purchase price of \$58.16 per share, for a total amount of \$36.6 million (excluding broker commissions), which exhausted the availability under the February 2019 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020.

On November 6, 2019, the Company’s Board of Directors authorized a new share repurchase program for the purchase of up to \$500.0 million of the Company’s outstanding common stock (the “November 2019 Repurchase Plan”). During the three-months ended March 31, 2020, the Company purchased 9.1 million shares of common stock at an average purchase price of \$54.86 per share, for a total amount of \$499.9 million (excluding broker commissions), which exhausted the availability under the November 2019 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020.

On March 13, 2020, the Company’s Board of Directors authorized a new share repurchase program for the purchase of up to \$500.0 million of the Company’s outstanding common stock (the “March 2020 Repurchase Plan”). During the three-months ended March 31, 2020, the Company purchased 0.8 million shares of common stock at an average purchase price of \$57.01 per share, for a total amount of \$42.9 million (excluding broker commissions), under the March 2020 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020. As of May 8, 2020, \$441.5 million remained available for repurchase under the March 2020 Repurchase Plan.

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The following tabular summary reflects the Company's repurchase activity during the quarter ended March 31, 2020:

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
Jan 1 – Jan 31, 2020	—	\$ —	—	\$ 536,606
Feb 1 – Feb 29, 2020	—	\$ —	—	\$ 536,606
March 13, 2020 Authorization				\$ 500,000
Mar 1 – Mar 31, 2020	10,491,889	\$ 55.22	10,491,889	\$ 457,133

¹Excluding broker commissions paid.

²Net of broker commissions paid.

During the three-months ended March 31, 2020, 11,007 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 \$0.6 million. While such purchases are considered common stock repurchases, they are not counted as purchases against our authorized share repurchase programs. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 10.1+* [Form of 2020 Annual Incentive Award Agreement for grants under the Monster Beverage Corporation 2011 Omnibus Incentive Plan](#)
- 10.2+* [Form of Performance Share Unit Award Agreement for grants under the Monster Beverage Corporation 2011 Omnibus Incentive Plan](#)
- 31.1* [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of 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 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 March 31, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2020 and December 31, 2019, (ii) Condensed Consolidated Statements of Income for the three-months ended March 31, 2020 and 2019, (iii) Condensed Consolidated Statements of Comprehensive Income for the three-months ended March 31, 2020 and 2019, (iv) Condensed Consolidated Statements of Stockholders’ Equity for the three-months ended March 31, 2020 and 2019, (v) Condensed Consolidated Statements of Cash Flows for the three-months ended March 31, 2020 and 2019, 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 March 31, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language) and contained in Exhibit 101.

* Filed herewith

+ Management contract or compensatory plans or arrangements

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: May 8, 2020

/s/ RODNEY C. SACKS
Rodney C. Sacks
Chairman of the Board of Directors
and Chief Executive Officer

**MONSTER BEVERAGE CORPORATION
2020 ANNUAL INCENTIVE AWARD AGREEMENT**

This 2020 Annual Incentive Award Agreement (along with Exhibit A hereto, this “Agreement”), by and between Monster Beverage Corporation (the “Company”) and [_____] (the “Participant”) is made and entered into effect as of [____], 20[___] (the “Effective Date”).

W I T N E S S E T H

WHEREAS, the Participant is a valued employee to the Company or its Affiliates; and

WHEREAS, the Company has determined that it would be in the best interests of the Company and its stockholders to grant the Participant an annual incentive award for the Company’s 2020 fiscal year pursuant to the terms of the Monster Beverage Corporation 2011 Omnibus Incentive Plan, as amended (the “Plan”) and this Agreement.

A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Definitions. Whenever the following terms are used in this Agreement, they shall have the meanings set forth below. Capitalized terms not defined in this Agreement shall have the meaning set forth in the Plan.
 - a. Cause. The term “Cause” means (a) the Company or an Affiliate having “cause” to terminate the Participant’s employment or services, as defined in any employment or consulting agreement or similar services agreement between the Participant and the Company or an Affiliate in effect at the time of such termination, or (b) in the absence of any such employment, consulting or similar services agreement (or the absence of any definition of “Cause” contained therein), means, as determined by the Committee, the Participant’s (i) act(s) of fraud or dishonesty, (ii) knowing and material failure to comply with applicable laws or regulations or satisfactorily perform the Participant’s services with the Company or its Affiliates, (iii) insubordination or (iv) drug or alcohol abuse.
 - b. Disability. The term “Disability” means the complete and permanent inability of the Participant to perform the Participant’s essential duties consistent with the terms of the Participant’s employment or services with the Company and its Affiliates, as determined by the Committee upon the basis of such evidence the Committee deems appropriate or necessary, including independent medical reports and data.
 - c. Good Reason. The term “Good Reason” means (a) the Participant having “good reason” to terminate the Participant’s employment or services, as defined in any employment or consulting or similar services agreement between the Participant and the Company or an Affiliate in effect at the time of such termination, or (b) in the absence of any such employment, consulting or similar services agreement (or the absence of any definition of “Good Reason” contained therein), means (i) a diminution in the Participant’s duties and responsibilities from those in effect immediately prior to a change in such duties and responsibilities, including (X) any change to a different reporting structure that results from a Change in Control, and (Y) any change resulting from the Company becoming a subsidiary of another organization, in each case, regardless of the structure of the Change in Control; (ii) a decrease in the Participant’s base salary or bonus opportunity; or (iii) a relocation of the Participant’s primary work location more than thirty (30) miles from the Participant’s primary work location, without the Participant’s prior written consent; provided that, within thirty (30) days following the occurrence of any of the events set forth herein, the Participant shall have delivered written notice to the Company of the Participant’s intention to terminate the Participant’s employment or services for
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Good Reason, and the Company shall not have cured such circumstances within thirty (30) days following the Company's receipt of such notice.

2. 2020 Annual Incentive Award. Subject to the terms and conditions of this Agreement, the Participant is awarded the 2020 Annual Incentive Award pursuant to Exhibit A (the "2020 Award").
3. Payment of the 2020 Award. Subject to the terms and conditions contained in this Agreement (including Section 4 of this Agreement), the 2020 Award (if any) will be paid in cash or Shares (or a combination thereof), as determined by the Committee, no later than March 15, 2021.
4. Treatment on Termination. In the event of the Participant's termination of employment or services during the Company's 2020 fiscal year due to death, Disability, termination by the Company and its Affiliates without Cause or termination by the Participant for Good Reason, the Participant shall be entitled to a prorated payment equal to the product of (x) the 2020 Award, if any, that the Participant would have earned for the 2020 fiscal year (calculated without regard to such termination) based on achievement of the applicable performance goals (as described in Exhibit A) and (y) a fraction, the numerator of which is the number of days that the Participant was employed by or providing services to the Company or its Affiliates during the 2020 fiscal year and the denominator of which is 365 (the "Pro-Rata 2020 Award"). The Pro-Rata 2020 Award (if any) shall be paid at the same time and subject to the same terms under Section 3 of this Agreement. Notwithstanding anything in this Agreement to the contrary, the Participant shall forfeit the 2020 Award (or the Pro-Rata 2020 Award, as applicable) and have no right to payment hereunder if the Participant's employment or services are terminated for Cause or Participant voluntarily terminates the Participant's employment or services without Good Reason, at any time during the Company's 2020 fiscal year; provided that if Participant's employment is terminated for any reason following the end of the Company's 2020 fiscal year but prior to payment of the 2020 Award (or Pro-Rata 2020 Award), if any, such payment will remain payable to the Participant pursuant to Section 3 of this Agreement.
5. Transferability. The 2020 Award may be transferred pursuant to the requirements under Section 12.3 of the Plan.
6. Rights as Stockholder. The Participant shall have no rights as a stockholder with respect to any Share that may be otherwise delivered pursuant to the 2020 Award unless and until the Participant becomes the holder of record or the beneficial owner of such Share, and no adjustment shall be made for dividends or distributions or other rights in respect of such Share for which the record date is prior to the date upon which the Participant becomes the holder of record or the beneficial owner thereof.
7. Tax Withholding. All amounts payable to the Participant under this Agreement shall be subject to all applicable withholding taxes, normal payroll withholding, and any other deductions, if required by law to be withheld.
8. Notices. Any notice required or permitted to be given hereunder to the Company shall be addressed as follows:

Monster Beverage Corporation
Attn: [_____]]
1 Monster Way
Corona, CA 92879
Tel: 1-951-739-6200

With a copy (which shall not constitute notice) to:
[_____]]
c/o Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022

Any notice required or permitted to be given hereunder to the Participant shall be addressed to the Participant at the latest address the Company has for the Participant in its records. Such notice shall be delivered personally or sent by certified, registered or express mail, postage prepaid, return receipt requested, or by a reputable overnight delivery service. Any such notice shall be deemed given when received by the intended recipient. Notwithstanding the foregoing, any notice required or permitted hereunder from the Company to the Participant may be made by electronic means, including by electronic mail to the Company-maintained electronic mailbox of the Participant, and the Participant hereby consents to receive such notice by electronic delivery. To the extent permitted in an electronically delivered notice described in the previous sentence, the Participant shall be permitted to respond to such notice or communication by way of a responsive electronic communication, including by electronic mail.

9. No Right to Continue Services. This Agreement shall not confer upon the Participant any right with respect to continuance of employment or services nor shall it interfere in any way with the right of the Company and its Affiliates to terminate the Participant's employment or services at any time.

10. Data Privacy. The Participant hereby explicitly and without reservation consents to the collection, use, and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement and any other material by and among, as applicable, the Company, and its other Affiliates or Subsidiaries for the exclusive purpose of implementing, administering, and managing the Participant's participation in the 2020 Award. The Participant understands that the Company, and its other Affiliates or Subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title ("Data"), for the exclusive purpose of implementing, administering, and managing the 2020 Award. The Participant understands that Data may be transferred to the Company's third-party administrator or stock plan service provider as may be selected by the Company from time to time. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that the Participant may request a list with the names and addresses of any potential recipient of Data by contacting the Participant's local human resources representative. The Participant authorizes the Company and any other possible recipient that may assist the Company (presently or in the future) with implementing, administering, and managing the 2020 Award to receive, possess, use, retain, and transfer Data, in electronic or other form, for the sole purpose of implementing, administering, and managing the Participant's participation in the 2020 Award. The Participant understands that Data will be held only as long as is necessary to implement, administer, and manage the Participant's participation in the 2020 Award. The Participant understands that the Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendment to Data or refuse or withdraw the consents in this Section 10, in any case without cost, by contacting in writing the Participant's local human resources representative. Further, the Participant understands that the Participant is providing the consents described in this Agreement on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment or services with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company may be unable to grant other awards to the Participant or administer or maintain such awards. The Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the 2020 Award. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative. The Participant understands that the Company may rely on a different legal basis for the collection, processing, and/or transfer of Data either now or in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgment or data privacy consent (or any other acknowledgments, agreements, or consents) to the Company that the Company may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that the Participant may be unable to participate in the 2020 Award if the Participant fails to execute any such acknowledgment, agreement, or consent requested by the Company.

11. Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, successors, and, to the extent permitted, assigns or other Permitted Assignees of the parties to this Agreement.
12. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.
13. Waiver; Cumulative Rights. The failure or delay of either party to require performance by the other party of any provision hereof shall not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and every right hereunder is cumulative and may be exercised in part or in whole from time to time.
14. Counterparts. This Agreement may be signed in two (2) counterparts, each of which shall be an original, but both of which shall constitute but one and the same instrument. All signatures hereto may be transmitted by facsimile or .pdf file, and such facsimile or .pdf file will, for all purposes, be deemed to be the original signature of the party whose signature it reproduces, and will be binding upon such party.
15. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
16. Severability. If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted.
17. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any document related to participation in the 2020 Award by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the 2020 Award through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
18. Section 409A of the Code. It is intended that the 2020 Award be exempt from or compliant with Section 409A of the Code (together with any Department of Treasury regulation and other interpretive guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the date hereof, "Section 409A") and this Agreement shall be interpreted, construed, and operated to reflect such intent. However, notwithstanding any other provision of this Agreement, if at any time the Committee determines that the 2020 Award (or any portion thereof) may be subject to Section 409A, the Committee shall have the right in its sole discretion (without any obligation to do so or to indemnify the Participant or any other person for failure to do so) to adopt such amendments to this Agreement, or adopt other policies and procedures (including amendments, policies, and procedures with retroactive effect), or take any other action, as the Committee determines is necessary or appropriate either for the 2020 Award to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.
19. Entire Agreement. This Agreement (including its exhibits) constitutes the entire understanding between the Participant and the Company regarding the 2020 Award. This Agreement supersedes any prior agreements, commitments, or negotiations concerning the 2020 Award.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized officer and Participant has executed this Agreement both as of the day and year first above written.

PARTICIPANT

MONSTER BEVERAGE CORPORATION

By:

Name: [_____]

Title: [_____]

Exhibit A to 2020 Annual Incentive Award Agreement

2020 Award

The 2020 Award will be based on both Adjusted Operating Income (defined below) performance (pursuant to the table below) (75% **weighting**) and the Participant’s and/or the Company’s performance during the 2020 fiscal year, as determined by the Committee (25% **weighting**). The target bonus payable under this Agreement is [__]% of the Participant’s 2020 base salary (the “**Target**”).

Adjusted Operating Income Component (75% weighting)

Performance Level	2020 Adjusted Operating Income	Adjusted Operating Income Component Achievement (% of Target)
Below Threshold	Below \$[__]	[__]%
Threshold	\$[__]	[__]*
Target	\$[__]	[__]*
Maximum	\$[__]	[__]*

* Linear interpolation applies between threshold/target and target/maximum performance levels.

“Adjusted Operating Income” means [__].

Discretionary Component (25% weighting)

Following the conclusion of the Company’s 2020 fiscal year, the Committee will make a determination as to the Participant’s overall performance for the year, considering financial, operational, stock price, strategic initiatives and other company and individual performance considerations. The Committee will determine the achievement of this discretionary component, expressed as a percentage of the Target based on the following table:

Performance Level	Discretionary Component Achievement (% of Target)
Below Threshold	[__]%
Threshold	[__]%
Target	[__]%
Maximum	[__]%

Payout Calculation

The 2020 Award payout will be equal to the weighted sum of achievements under the Adjusted Operating Income Component and the Discretionary Component described above. Achievement levels under the Adjusted Operating Income Component and the Discretionary Component described above are independent of each other (i.e., payment can be achieved under one component even if no payout is made under the other component).

**PERFORMANCE SHARE UNIT AWARD AGREEMENT
UNDER THE
MONSTER BEVERAGE CORPORATION
2011 OMNIBUS INCENTIVE PLAN**

Pursuant to the terms of this Performance Share Unit Award Agreement (along with Exhibit A hereto, this "Agreement"), made as of [____], 20[___], and the Monster Beverage Corporation 2011 Omnibus Incentive Plan, as amended (the "Plan"), Monster Beverage Corporation (the "Company") and [_____] (the "Participant") agree as follows:

1. Definitions. Whenever the following terms are used in this Agreement, they shall have the meanings set forth below. Capitalized terms not defined in this Agreement shall have the meaning set forth in the Plan.
 - a. Cause. The term "Cause" means (a) the Company or an Affiliate having "cause" to terminate the Participant's employment or services, as defined in any employment or consulting agreement or similar services agreement between the Participant and the Company or an Affiliate in effect at the time of such termination, or (b) in the absence of any such employment, consulting or similar services agreement (or the absence of any definition of "Cause" contained therein), means, as determined by the Committee, the Participant's (i) act(s) of fraud or dishonesty, (ii) knowing and material failure to comply with applicable laws or regulations or satisfactorily perform the Participant's services with the Company or its Affiliates, (iii) insubordination or (iv) drug or alcohol abuse.
 - b. Disability. The term "Disability" means the complete and permanent inability of the Participant to perform the Participant's essential duties consistent with the terms of the Participant's employment or services with the Company and its Affiliates, as determined by the Committee upon the basis of such evidence the Committee deems appropriate or necessary, including independent medical reports and data.
 - c. Good Reason. The term "Good Reason" means (a) the Participant having "good reason" to terminate the Participant's employment or services, as defined in any employment or consulting or similar services agreement between the Participant and the Company or an Affiliate in effect at the time of such termination, or (b) in the absence of any such employment, consulting or similar services agreement (or the absence of any definition of "Good Reason" contained therein), means (i) a diminution in the Participant's duties and responsibilities from those in effect immediately prior to a change in such duties and responsibilities, including (X) any change to a different reporting structure that results from a Change in Control, and (Y) any change resulting from the Company becoming a subsidiary of another organization, in each case, regardless of the structure of the Change in Control; (ii) a decrease in the Participant's base salary or bonus opportunity; or (iii) a relocation of the Participant's primary work location more than thirty (30) miles from the Participant's primary work location, without the Participant's prior written consent; provided that, within thirty (30) days following the occurrence of any of the events set forth herein, the Participant shall have delivered written notice to the Company of the Participant's intention to terminate the Participant's employment or services for Good Reason, and the Company shall not have cured such circumstances within thirty (30) days following the Company's receipt of such notice.
 - d. Performance Period. The term "Performance Period" means each of the periods listed on Exhibit A.
 - e. Termination. The term "Termination" means a termination of the Participant's service or employment with the Company and its Affiliates.
 2. Grant of Performance Award. Subject to the terms and conditions of this Agreement and the Plan, the Participant is awarded the Performance Share Unit Award in Exhibit A (the "Performance Award").
-

3. Vesting. Subject to the terms and conditions contained in this Agreement and the Plan, the Performance Award shall vest (in whole or in part, as applicable) on the “Vesting Date” of the applicable Performance Period, as defined in Exhibit A, except as otherwise set forth in Section 6 of this Agreement.
4. Dividend Equivalents. The Company will credit the Performance Award (or a portion thereof, as applicable) with Dividend Equivalent payments following the payment by the Company of dividends on Shares. The Company will provide such Dividend Equivalents in Shares having a Fair Market Value per Share, as of the date of such dividend payment, equal to the per-Share amount of such applicable dividend, and shall be payable at the same time as (and only if) the Performance Award (or a portion thereof, as applicable) is settled in accordance with Section 5 below. In the event that any portion of the Performance Award is forfeited by its terms, the Participant shall have no right to Dividend Equivalent payments in respect of such forfeited portion of the Performance Award.
5. Settlement of Performance Award. Following the Vesting Date of the applicable Performance Period with respect to any portion of the Performance Award not previously forfeited in accordance with Exhibit A or Section 6 below (as applicable) that remains outstanding, the Company shall issue Shares to the Participant with respect to such portion of the Performance Award no later than March 15th of the year following the Vesting Date of such Performance Period unless otherwise specified in Section 6 below.
6. Treatment on Termination.
 - a. Subject to Section 6(b) below, if the Participant incurs a Termination prior to an applicable Vesting Date, any unvested portion of the Performance Award shall be forfeited for no consideration. For the avoidance of doubt, if the Participant incurs a Termination on or after a Vesting Date but such portion of the Performance Award that vested on such Vesting Date remains unpaid, the Participant shall remain eligible to receive such portion of the Performance Award pursuant to Section 5.
 - b. If a Change in Control occurs: (i) within the First Tranche Performance Period (as defined in Exhibit A), the entire Performance Award (i.e., for all three of the Performance Periods in Exhibit A) shall automatically convert into Restricted Stock Units, with the number of Shares underlying such Restricted Stock Units based on the number of Shares deliverable at “Target Performance” (as described in Exhibit A); (ii) in the Second Tranche Performance Period or Third Tranche Performance Period (each as defined in Exhibit A), the remaining unvested portion of the entire Performance Award shall automatically convert into Restricted Stock Units, with the number of Shares underlying such Restricted Stock Units based on the results of the performance measures outlined in Exhibit A for the most recently completed Performance Period that ended prior to the Change in Control (as applied to the portion of the Performance Award that remains outstanding). Any Restricted Stock Unit under this Section 6(b) will remain unvested until the applicable Vesting Date; provided that, in the event that the Participant’s employment or services is involuntarily terminated without Cause or for Good Reason following a Change in Control and prior to any Vesting Date, the Restricted Stock Units shall be one hundred percent (100%) vested as of such Termination date. Any Shares payable pursuant to a Restricted Stock Unit under this Section 6(b) shall be settled as soon as administratively practicable but not later than thirty (30) days of the Vesting Date.
7. Transferability. The Performance Award may be transferred pursuant to the requirements under Section 12.3 of the Plan.
8. Rights as Stockholder. The Participant shall have no rights as a stockholder with respect to any Share underlying a Performance Award unless and until the Participant becomes the holder of record or the beneficial owner of such Share, and, subject to Section 4 of this Agreement, no adjustment shall be made for dividends or distributions or other rights in respect of such Share for which the record date is prior to the date upon which the Participant becomes the holder of record or the beneficial owner thereof.

9. Tax Withholding. Prior to any relevant taxable or tax withholding event, as applicable, the Participant shall make adequate arrangements satisfactory to the Company, as appropriate, to satisfy all tax withholding requirements. In this regard, the Participant authorizes the Company, or their respective agents, at their discretion, to satisfy their withholding obligations by any of the means described in Section 13.1 of the Plan.

10. Notices. Any notice required or permitted to be given hereunder to the Company shall be addressed as follows:

Monster Beverage Corporation
Attn: [_____]]
1 Monster Way
Corona, CA 92879
Tel: 1-951-739-6200

With a copy (which shall not constitute notice) to:

[_____]]
c/o Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022

Any notice required or permitted to be given hereunder to the Participant shall be addressed to the Participant at the latest address the Company has for the Participant in its records. Such notice shall be delivered personally or sent by certified, registered or express mail, postage prepaid, return receipt requested, or by a reputable overnight delivery service. Any such notice shall be deemed given when received by the intended recipient. Notwithstanding the foregoing, any notice required or permitted hereunder from the Company to the Participant may be made by electronic means, including by electronic mail to the Company-maintained electronic mailbox of the Participant, and the Participant hereby consents to receive such notice by electronic delivery. To the extent permitted in an electronically delivered notice described in the previous sentence, the Participant shall be permitted to respond to such notice or communication by way of a responsive electronic communication, including by electronic mail.

11. No Right to Continue Services. This Agreement shall not confer upon the Participant any right with respect to continuance of employment or services nor shall it interfere in any way with the right of the Company and its Affiliates to terminate the Participant's employment or services at any time.

12. Compliance With Law and Regulation. This Agreement and the obligation of the Company to deliver Shares hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board shall determine that the (i) listing, registration or qualification of the Shares subject or related thereto upon any securities exchange or under any state or federal law, or (ii) consent, approval or agreement of any government regulatory body, is necessary or desirable as a condition of or in connection with the distribution of Shares pursuant to the Performance Award, such Shares will not be distributed in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board.

13. Data Privacy. The Participant hereby explicitly and without reservation consents to the collection, use, and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement and any other Performance Award material by and among, as applicable, the Company, and its other Affiliates or Subsidiaries for the exclusive purpose of implementing, administering, and managing the Participant's participation in the Plan. The Participant understands that the Company, and its other Affiliates or Subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Share or directorships held in the Company, or details of all Performance Awards or any other entitlement to Shares awarded, canceled, exercised, vested,

unvested, or outstanding in the Participant's favor ("Data"), for the exclusive purpose of implementing, administering, and managing the Plan. The Participant understands that Data will be transferred to the Company's third-party administrator or stock plan service provider as may be selected by the Company from time to time, which is assisting the Company with the implementation, administration, and management of the Plan. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that the Participant may request a list with the names and addresses of any potential recipient of Data by contacting the Participant's local human resources representative. The Participant authorizes the Company and any other possible recipient that may assist the Company (presently or in the future) with implementing, administering, and managing the Plan to receive, possess, use, retain, and transfer Data, in electronic or other form, for the sole purpose of implementing, administering, and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer, and manage the Participant's participation in the Plan. The Participant understands that the Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendment to Data or refuse or withdraw the consents in this Section 13, in any case without cost, by contacting in writing the Participant's local human resources representative. Further, the Participant understands that the Participant is providing the consents described in this Agreement on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment or services with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company may be unable to grant Performance Awards or other awards to the Participant or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative. The Participant understands that the Company may rely on a different legal basis for the collection, processing, and/or transfer of Data either now or in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgment or data privacy consent (or any other acknowledgments, agreements, or consents) to the Company that the Company may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that the Participant may be unable to participate in the Plan if the Participant fails to execute any such acknowledgment, agreement, or consent requested by the Company.

14. Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, successors, and, to the extent permitted, assigns or other Permitted Assignees of the parties to this Agreement.
15. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.
16. Waiver; Cumulative Rights. The failure or delay of either party to require performance by the other party of any provision hereof shall not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and every right hereunder is cumulative and may be exercised in part or in whole from time to time.
17. Counterparts. This Agreement may be signed in two (2) counterparts, each of which shall be an original, but both of which shall constitute but one and the same instrument. All signatures hereto may be transmitted by facsimile or .pdf file, and such facsimile or .pdf file will, for all purposes, be deemed to be the original signature of the party whose signature it reproduces, and will be binding upon such party.
18. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

19. Severability. If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted.
20. Plan. The terms and conditions of the Plan (including the clawback and forfeiture events under Section 13.4 of the Plan) are incorporated in this Agreement by reference. In the event of a conflict or inconsistency between the terms and conditions of the Plan and the terms and conditions of this Agreement, the Plan shall govern and control.
21. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any document related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
22. Section 409A of the Code. It is intended that the Performance Award be exempt from or compliant with Section 409A of the Code (together with any Department of Treasury regulation and other interpretive guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the date hereof, "Section 409A") and this Agreement shall be interpreted, construed, and operated to reflect such intent. However, notwithstanding any other provision of the Plan or this Agreement, if at any time the Committee determines that the Performance Award (or any portion thereof) may be subject to Section 409A, the Committee shall have the right in its sole discretion (without any obligation to do so or to indemnify the Participant or any other person for failure to do so) to adopt such amendments to the Plan or this Agreement, or adopt other policies and procedures (including amendments, policies, and procedures with retroactive effect), or take any other action, as the Committee determines is necessary or appropriate either for the Performance Award to be exempt from the application of Section 409A or to comply with the requirements of Section 409A. If the Participant is a "specified employee" (as defined under Section 409A) and should any portion of the Shares that would otherwise be settled under the Performance Award be determined to be payments that are not exempt from Section 409A, such Shares, to the extent otherwise payable within six (6) months after a "separation from service" (as defined under Section 409A), and to the extent necessary to avoid the imposition of taxes under Section 409A, will be settled on the earlier of the date that is six (6) months and one day after the date of such separation from service or the date of the Participant's death.
23. Entire Agreement. This Agreement (including its exhibits) and the Plan constitute the entire understanding between the Participant and the Company regarding the Performance Award. This Agreement and the Plan supersede any prior agreements, commitments, or negotiations concerning the Performance Award.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized officer and Participant has executed this Agreement both as of the day and year first above written.

PARTICIPANT

MONSTER BEVERAGE CORPORATION

By: _____

Name: [_____]

Title: [_____]

Exhibit A to Performance Award Agreement

Performance Goals for 2020-2022 Performance Periods

For purposes of this Agreement, the performance goals for the Performance Periods indicated below are as follows:

Performance Level	<u>First Tranche</u> <u>Performance Goal</u> Adjusted EPS For the Following Performance Period: 1/1/2020-12/31/2020	<u>Second Tranche</u> <u>Performance Goal</u> Cumulative EPS For the Following Performance Period: 1/1/2020-12/31/2021	<u>Third Tranche</u> <u>Performance Goal</u> Cumulative EPS For the Following Performance Period: 1/1/2020-12/31/2022	EPS Performance Percentage
Below Threshold	Below \$[]	Below \$[]	Below \$[]	[]%
Threshold	\$[]	\$[]	\$[]	[]%*
Target	\$[]	\$[]	\$[]	[]%*
Maximum	\$[]	\$[]	\$[]	[]%*

* Linear interpolation applies between threshold/target and target/maximum performance levels.

Performance Periods	Threshold Shares	Target Shares	Maximum Shares	Vesting Date
First Tranche Performance Period – 2020 (1 year)	[]	[]	[]	12/31/20
Second Tranche Performance Period – 2020-2021 (2 years)	[]	[]	[]	12/31/21
Third Tranche Performance Period – 2020-2022 (3 years)	[]	[]	[]	12/31/22

“EPS” means earnings per share.

“Adjusted EPS” means [].

“Cumulative EPS” means the sum of the Adjusted EPS during the applicable Performance Period or portion thereof.

“EPS Performance Percentage” means the percentage as set forth in the table above, representing the level of attainment of the Adjusted EPS performance goal.

CERTIFICATION 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

I, Rodney Sacks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monster Beverage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2020

/s/ Rodney C. Sacks

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

CERTIFICATION 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

I, Hilton Schlosberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monster Beverage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2020

/s/ Hilton H. Schlosberg

Hilton H. Schlosberg
Vice Chairman of the Board of Directors, President, Chief
Operating Officer, Chief Financial Officer and Secretary

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Monster Beverage Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Rodney C. Sacks, Chairman of the Board of Directors and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2020

/s/ Rodney C. Sacks

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

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Monster Beverage Corporation (the “Company”) on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission (the “Report”), the undersigned, Hilton H. Schlosberg, Vice Chairman of the Board of Directors, President, Chief Operating Officer, Chief Financial Officer and Secretary of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2020

/s/ Hilton H. Schlosberg

Hilton H. Schlosberg

Vice Chairman of the Board of Directors, President, Chief
Operating Officer, Chief Financial Officer and Secretary
