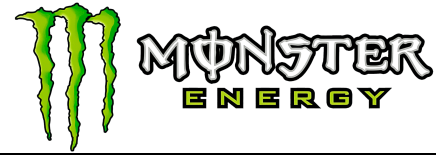


Monster Beverage (NASDAQ: \$MNST)

Analysts: Achyut Seth, Alice Yu



Business Description:

Monster Beverage develops and sells energy beverages and concentrates in over 154 countries. Its main business segments include Monster Energy (93.6%), Strategic Brands (5.8%), and Other (0.6%). The Monster Energy segment sells ready-to-drink beverages to bottlers and full service beverage distributors; the Strategic Brands segment generates revenue by selling “concentrates” and “beverages bases.” In terms of manufacturing, Monster mainly outsources the manufacturing process to third-party bottlers and contract packers. This allows Monster to operate as an asset-light business. For example, Monster entered into agreements with various bottlers and distributors for 20+ years, with a deal with Coca-Cola from 2015 providing Monster with full access to Coca Cola’s global network to serve as a primary domestic and international distributor. Monster had been facing headwinds from COVID-19 since it has been difficult to release innovative products, especially given declines in foot traffic in the convenience store sector where a lot more customers would sample new products. Another headwind is rising aluminium shortages, resulting in margin contraction.

Q3'21 Earnings (11/4/21): Monster was able to generate \$1.41bn in sales, representing an increase of 13.2%. Monster also experienced strong growth in sales and market share in international markets, particularly the roll out of low-cost portfolio Predator and Fury. Gross margins were 55.9% compared to 59.1%, primarily the result of increased aluminum can costs, logistics, and geographical sales mix. To combat aluminum headwinds while maintaining product demand, Monster is reducing promotions and looking into the possibility of a full price increase later in 2022.

Industry Dynamics

- **Co-Existing with Red Bull in Virtually a Duopoly (Figure 1):** Energy drinks are part of the soft drink category, with energy drinks being the most popular supplements for teens and young adults in the US along with multivitamins. The industry is highly fragmented with the Big 2 being Red Bull (~34% market share in US) and Monster (~23% in US).
- **More Bang for the Buck (Figure 2):** When Monster first started rolling out, consumption was more focused on functionality than refreshment and taste. Then, shifting consumer preferences resulted in a more balanced mix between the two, allowing Monster to grow its brand through its value proposition: roughly the same price as Redbull, but double the quantity (16-24 oz instead of 8-12 oz) and greater the variety in flavors. As this saturated industry continues to be transformed by the greater health trend of prioritizing natural/organic ingredients (e.g. guarna, maca) and larger focus on more exotic ingredients, Monster is able to move faster on capitalizing on consumer trends than Red Bull (deemed the first-mover), which has been slow to responding to innovation (only launched new product sizes like 12 oz & 16 oz with less variety on flavors).
- **Distribution Channels:** The two main distribution channels are on-premise (e.g. bars, taverns, restaurants) and off-premise (e.g. grocery stores, liquor stores, convenience). While Red Bull

Key Ratios and Statistics:

Recommendation	Buy/Long
Price Target	\$95.87
Implied Return	13%
Share Price (11/1/21)	\$85.46
Market Cap	\$44.96 B
52-Week Low	\$76.92
52-Week High	\$99.89
Cash	\$2.6 B
Long-Term Debt	\$20.8 M
Date	11/1/2021

Figure 1 – Market Share in US (2021)

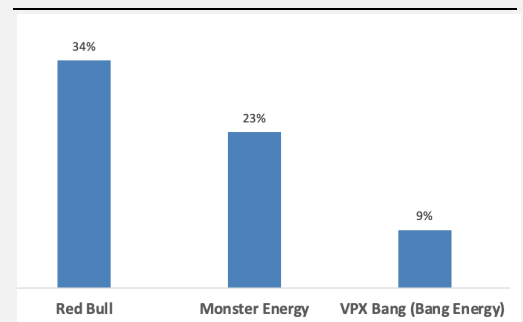


Figure 2 – Red Bull vs Monster

	Red Bull	Monster
Protein	NA	Muscle Monster Energy Shake
Coffee	NA	Java Monster; Muscle Monster Energy Shake, coffee flavor
Organic	NA	NA
Cane Sugar	NA	NA
Green Tea	NA	Monster Rehab Green Tea + Energy
Zero Calorie	Red Bull Total Zero, Red Bull Zero Editions	Monster Energy Zero Ultra
No/Low Carb	Red Bull Sugarfree	Monster Energy Lo-Carb,
Electrolytes	NA	Monster Rehab
Other	Red Bull Editions (five fruit-flavored varieties)	Monster Extra Strength with nitrous oxide

(original flavor)	Redbull (12 oz can)	Monster (16 oz can)
CVS	\$ 2.37	\$ 2.77
Target	\$ 2.59	\$ 1.89
Walgreens	\$ 3.19	\$ 2.59
Walmart	\$ 2.50	\$ 1.88

(Pack of 24)	Redbull	Monster
Amazon	\$ 33.98	\$ 33.98
Walmart	\$ 33.98	\$ 44.57

dominates the on-premise channel that is more focused on price, Monster dominates the off-premise channel due to better marketing and POS. It is worth noting that in the past, Monster tried to increase its presence in the on-premise channel, but deprioritized this initiative over time with management believing that the return isn't there. Additionally, COVID-19 greatly benefited the off-premise channel, while the on-premise channel was weakened by the decline in foot traffic due to state lockdowns and COVID protocols.

Investment Thesis:

- Monster's strong fundamentals and consistent growth will allow it to rebound from short-term downward pressure on market share from macro headwinds:** Currently, Monster is suffering from margin contraction as a result of the price of aluminum skyrocketing (reaching decade-high prices), which can be attributed to a military coup in Guinea (producer of 22% of world's supplier of bauxite, a raw ingredient needed for the production of aluminum), China's limits on production, and increased overall demand. There are also supply chain disruptions, with shortages of shipping containers and port entry congestion delaying the international supply of aluminum cans. Although Monster entered new supply agreements to source additional quantities of cans in the second half of 2021, these macro headwinds could last anywhere from 1-3 years. However, industry dynamics favor Monster to be able to weather the storm and continue to lead the industry in growth & margins. Because competitors face challenges with distribution, obtaining shell space, and product differentiation, Red Bull and Monster are able to maintain their market leading positions with their economies of scale and global distribution channels. Rising input costs affecting the entire industry will likely destroy the ability for much smaller players (Bang, Celsius, C4) to directly compete with Red Bull and Monster, who in the long-term could gain incremental market share. It is also important to note that Monster could pass the increased costs to the consumer by raising prices of its products like it did in 2018 when aluminum prices surged. However, management has stated it prioritizes protecting market share rather than profit margins, which is why Monster will wait for competitors to make a price move first (Red Bull unlikely to raise prices until 2022 due to current supply chain transformations) and will reduce promotional allowances (price reduction/discount for special promotions) to slightly offset the margin contraction. Additionally, Monster continues to achieve record sales in the past quarter and sees heightened demand across all markets, which is a positive sign for top-line growth in the near future.
- Increase in top-line growth attributed to international expansion and product innovation strategy:** Monster is able to effectively capitalize on international markets given their ability to cater to domestic tastes through product innovation. For example, net sales to customers outside of the US increased from 21% in 2015 to 33% in 2020. In Argentina, Monster grew its market share by 40% since Monster first launched two years ago. Monster has also released Reign and Predator, affordable energy brands that target international markets in EMEA. Monster's international strategy is to price their products closer to Red Bull and adjust the product mix then manage margins (e.g. by reducing

Figure 3 - Aluminum Prices (5-Yr)

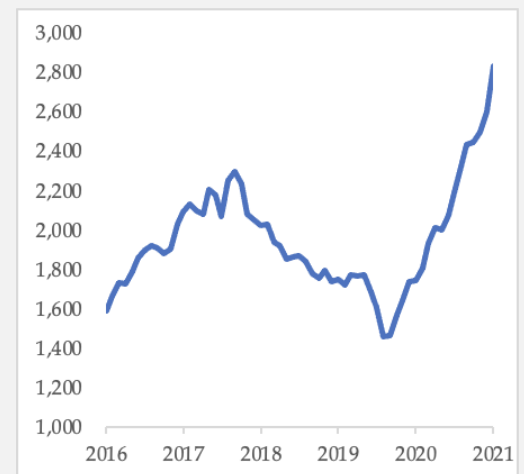


Figure 4 - Retail E-Commerce Share based on Amazon sales (as of 4-wk period ended April 17, 2021)

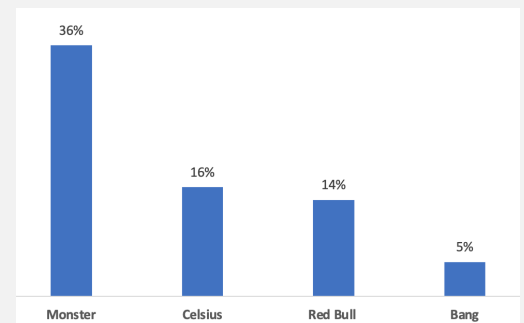


Figure 5 - YoY Volume Growth (Based on Case Sales in Thousands)

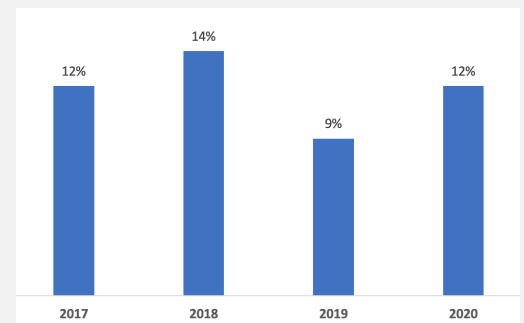


Figure 6 - Main Distribution Channels

juice mix). Furthermore, Monster’s emphasis on product innovation allows it to become a complete beverage company, not just an energy company. Monster released a line of products such as coffee (Java Monster), diet (Ultra), electrolytes (Ultra), tea (Rehab), juice (Juice Monster, with Mango Loco being highly popular), plant-based (True North to be released in 2022). For product innovation, Monster’s main strategy utilizes a copycat method. For example, if a company releases a successful flavor or beverage, Monster will try to replicate that and integrate it into its own portfolio to squeeze out competition, replacing slower movers. Constant product innovation, consistent with Monster’s brand, allowing Monster to dominate less competitive/newer markets.

- **Partnership with Coca-Cola and potential share buyback program provides a hedge against downside case:** In 2015, Coca-Cola acquired a 17% stake in Monster, with all energy drinks between the two companies to be launched by Monster under the non-compete terms of investment. Although Coca Cola pushed the limits of its deal with Monster by launching Coca Cola Energy in 2020, it has discontinued the energy drink in North America, highlighting how competitive the industry is. Having access to Coca Cola’s global distribution network is a key competitive advantage for Monster to continue scaling in local markets and establishing key supplier relationships, while the potential for Coca-Cola to either gradually increase its stake or purchase Monster outright provides a hedge against bear case. Additionally, Monster virtually has no debt (Total Debt/EBITDA at .1x), and management could continue to repurchase shares with its large cash balance as it decided to do in March 2020 (\$500mn buyback program announced).

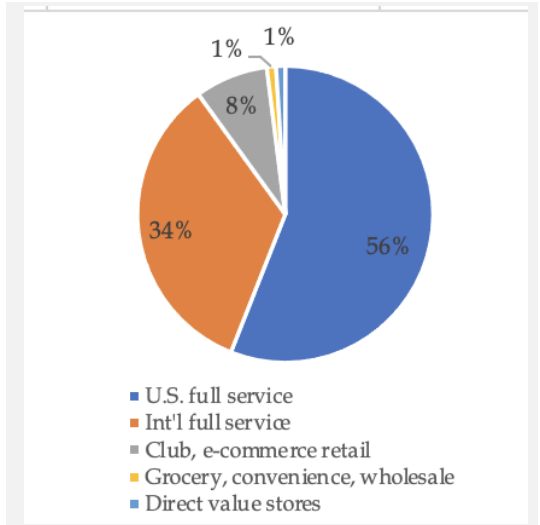


Figure 7 – U.S. Product Innovation (2021)



Relative Valuation and Historic Multiples



Given Monster's ability to maintain high growth and industry-leading margins in a tightly competitive space, we believe Monster deserves a premium multiple to the industry (21.5x which aligns with historic multiples)

<i>(as of October 23, 2021)</i>	TEV	LTM		LTM TEV/Revenue	LTM TEV/EBITDA	NTM		NTM P/E	LTM Gross Margin %	LTM EBITDA Margin %	LTM Net	LTM Total	LTM EBITDA,	LTM Net
		Revenue	LTM EBITDA			Income	Revenues, 1				1 Yr Growth	Income, 1 Yr	Growth %	
The Coca-Cola Company (NYSE:KO)	29,010.0	36,412.0	13,000.0	8.0x	20.3x	6.86x	20.28x	23.46x	60.6%	35.7%	22.19%	6.08%	15.57%	(12.08%)
Keurig Dr Pepper Inc. (NasdaqGS:KDP)	14,243.0	12,183.0	3,886.0	5.5x	16.7x	5.00x	15.32x	21.09x	56.5%	31.9%	13.49%	8.00%	17.79%	41.24%
PepsiCo, Inc. (NasdaqGS:PEP)	34,407.0	76,681.0	13,886.0	3.3x	17.5x	3.20x	16.96x	24.59x	53.9%	18.1%	10.62%	11.85%	10.80%	15.62%
National Beverage Corp. (NasdaqGS:FIZZ)	(205.0)	1,090.6	249.6	3.9x	16.3x	4.41x	19.76x	29.46x	39.4%	22.9%	16.21%	5.86%	21.62%	20.60%
Monster Beverage Corporation (NasdaqGS:MNST)	42,280.1	5,148.4	1,857.6	10.6x	28.6x	7.53x	21.50x	30.75x	57.9%	36.1%	29.88%	19.54%	19.89%	34.46%
Max	42,280.1	76,681.0	13,886.0	10.6x	28.6x	7.5x	21.5x	30.8x	60.6%	36.1%	29.9%	19.5%	21.6%	41.2%
Mean	23,947.0	26,303.0	6,575.8	6.3x	19.9x	5.4x	18.8x	25.9x	53.7%	28.9%	18.5%	10.3%	17.1%	20.0%
Low	(205.0)	1,090.6	249.6	3.3	16.3	3.2	15.3	21.1	39%	18%	11%	6%	11%	-12%
Median	29,010.0	12,183.0	3,886.0	5.5	17.5	5.0	19.8	24.6	57%	32%	16%	8%	18%	21%

<i>(as of October 23, 2021)</i>	2016	2017	2018	2019	2020	2021	Mean	Median
P/LTM EPS	44.72x	40.64x	37.86x	31.67x	34.79x	33.95x	37.27x	36.32x
P/NTM EPS	34.66x	33.69x	32.04x	28.40x	31.82x	34.19x	32.47x	32.87x
TEV/NTM Revenues	8.27x	8.22x	8.12x	7.26x	8.19x	8.69x	8.13x	8.21x
TEV/NTM EBITDA	20.07x	20.52x	22.04x	20.28x	22.76x	24.23x	21.65x	21.28x
TEV/NTM EBIT	20.65x	21.23x	22.97x	21.07x	23.80x	25.14x	22.48x	22.10x

Geographic Market Share



- Global energy drink sales reached \$57.4bn in 2020 and has a CAGR of 7% between 2020 and 2025
- Monster maintains a ~39% market share in the US
- With North America being the largest and most mature market, international expansion is critical to top-line growth. Increase in demand is attributed to rising incomes and increase in sports activities/urbanization

	2016	2017	2018	2019	2020	Diff B/w 2020 and 2016
US and Canada					Average:	11%
Canada	30%	32%	35%	37%	41%	11%
EMEA					Average:	11%
Great Britain	15%	19%	20%	22%	27%	12%
Spain	27%	29%	30%	36%	37%	10%
France	23%	24%	25%	28%	31%	8%
Belgium	11%	11%	13%	13%	15%	4%
Ireland	12%	17%	19%	23%	28%	16%
Sweden	11%	11%	14%	13%	14%	3%
Netherlands	5%	7%	7%	6%	8%	3%
Germany	15%	16%	18%	16%	16%	1%
Norway	11%	16%	17%	24%	31%	20%
Greece	29%	34%	34%	35%	38%	9%
Italy	10%	14%	19%	20%	28%	18%
South Africa	16%	16%	16%	18%	21%	5%
Czech Repub	12%	10%	14%	13%	15%	3%
Poland	0%	8%	11%	14%	21%	21%
Denmark	0%	0%	0%	23%	26%	26%
Asia Pacific					Average:	19%
Australia	6%	7%	8%	22%	24%	18%
South Korea	24%	25%	38%	52%	57%	33%
New Zealand	6%	6%	8%	24%	24%	18%
Japan	43%	44%	47%	56%	49%	6%
China	N/A	N/A	N/A	N/A	N/A	#VALUE!
Latin America and Caribbean					Average:	24%
Chile	27%	34%	35%	40%	47%	20%
Brazil	5%	15%	19%	25%	32%	27%
Mexico	27%	32%	31%	29%	28%	1%
Argentina	0%	0%	17%	34%	46%	46%

Valuation - Considerations



Revenue: First Half of 2021 already showing strong international expansion, with less dependence on North American market

Six-Months Ending June 30	2020	2021
US and Canada	\$ 1,527,739	\$ 1,769,570
<i>% of Revenue</i>	71%	65%
<i>YoY Growth</i>		16%
EMEA	\$ 327,833	\$ 535,891
<i>% of Revenue</i>	15%	20%
<i>YoY Growth</i>		63%
Asia Pacific	\$ 209,239	\$ 241,125
<i>% of Revenue</i>	10%	9%
<i>YoY Growth</i>		15%
Latin America and Caribbean	\$ 91,182	\$ 158,165
<i>% of Revenue</i>	4%	6%
<i>YoY Growth</i>		73%
Total	\$ 2,155,993	\$ 2,704,751

Valuation - Considerations



Assumptions kept consistent in bear, base, and bull case for valuation:

- D&A kept at 1.5% of revenue (historical average)
- Capex increasing slightly YoY as aluminum shortage headwind gradually becomes less significant
- NWC kept at 7% of revenue

% of Revenue	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
D&A	1.45%	1.50%	1.54%	1.33%	1.5%	1.5%	1.5%	1.5%	1.5%
CapEx (Must consider aluminum shortage)	2.48%	1.63%	2.42%	1.06%	1.2%	1.4%	1.8%	2.0%	2.0%
NWC (from CapIQ)									
Current Assets	1,432,270	2,086,377	1,804,170	2,316,309	3,140,955				
(-) Cash and ST Investment	598,136	1,201,555	958,163	1,331,020	2,061,767				
	834,134	884,822	846,007	985,289	1,079,188				
Current Assets (Excluding Cash and ST Investments)									
Current Liabilities	470,589	560,351	601,145	661,097	749,988				
NWC	363,545	324,471	244,862	324,192	329,200	380,856	422,047	462,091	498,520
as % of Revenue	12%	10%	6%	8%	7%	7%	7%	7%	7%
Change in NWC	(39,074)	(79,609)	79,330	5,008	51,656	41,191	40,044	36,430	38,919

Base Case > 13% Upside



- Strong growth in international markets (consistent with historical rapid market share growth)
- Corporate expenses increasing YoY (aligned with top-line growth) and advertising & promotional expenses slowly becoming a greater % of revenue, as international expansion requires increase in marketing investments
- Freight-out costs normalizing to 3% of revenue as supply chain disruptions gradually become less significant

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue Build	Doesn't disclose	Doesn't disclose								
US and Canada			\$ 2,829,597	\$ 2,995,534	\$ 3,214,566	\$ 3,600,314	\$ 3,924,342	\$ 4,199,046	\$ 4,450,989	\$ 4,718,048
% of Revenue			74%	71%	70%	66%	65%	64%	62%	61%
YoY Growth				6%	7%	12%	9%	7%	6%	6%
EMEA			\$ 578,667	\$ 674,509	\$ 745,827	\$ 1,044,158	\$ 1,190,340	\$ 1,356,987	\$ 1,492,686	\$ 1,641,955
% of Revenue			15%	16%	16%	19%	20%	21%	21%	21%
YoY Growth				17%	11%	40%	14%	14%	10%	10%
Asia Pacific			\$ 251,426	\$ 351,744	\$ 423,792	\$ 474,647	\$ 522,112	\$ 574,323	\$ 631,755	\$ 694,931
% of Revenue			7%	8%	9%	9%	9%	9%	9%	9%
YoY Growth				40%	20%	12%	10%	10%	10%	10%
Latin America and Caribbean			\$ 147,493	\$ 179,032	\$ 214,453	\$ 321,680	\$ 392,449	\$ 470,939	\$ 546,289	\$ 622,769
% of Revenue			4%	4%	5%	6%	7%	7%	8%	8%
YoY Growth				21%	20%	50%	22%	20%	16%	14%
Total	\$ 3,049,393	\$ 3,369,045	\$ 3,807,183	\$ 4,200,819	\$ 4,598,638	\$ 5,440,798	\$ 6,029,243	\$ 6,601,295	\$ 7,121,719	\$ 7,677,703

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating Expenses										
Corporate and Unallocated	\$ 228,505	\$ 245,833	\$ 269,325	\$ 330,741	\$ 348,170	372,542	398,620	426,523	456,380	488,326
YoY Growth		8%	10%	23%	5%	7%	7%	7%	7%	7%
Freight-Out Costs	\$ 83,600	\$ 91,900	\$ 128,500	\$ 122,500	\$ 134,100	217,632	241,170	231,045	213,652	230,331
% of Revenue	3%	3%	3%	3%	3%	4%	4%	3.5%	3%	3%
Advertising and Promotional Expenses	\$ 270,600	\$ 324,000	\$ 353,900	\$ 391,600	\$ 345,700	380,856	482,339	594,117	640,955	690,993
% of Revenue	9%	10%	9%	9%	8%	7%	8%	9%	9%	9%
Other	\$ 273,957	\$ 277,170	\$ 260,031	\$ 270,805	\$ 262,757	326,448	361,755	396,078	427,303	460,662
% of Revenue	9%	2%	7%	6%	6%	6%	6%	6%	6%	6%
Total	\$ 856,662	\$ 938,903	\$ 1,011,756	\$ 1,115,646	\$ 1,090,727	\$ 1,297,478	\$ 1,483,884	\$ 1,647,763	\$ 1,738,289	\$ 1,870,313

Base Case > 13% Upside



- Gross profit margin compression attributed to aluminum price headwind and supply chain disruptions, with EBIT margin normalizing to be roughly the same as 5-year historical average of 34.8%

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
YoY Growth										
Revenue		10.5%	13.0%	10.3%	9.5%	18.3%	10.8%	9.5%	7.9%	7.8%
Guggenheim						18.5%	10.9%	8.3%		
JP Morgan						17.6%	9.7%	10.0%		
EBIT		10.5%	7.1%	9.3%	16.4%	12.1%	13.0%	13.7%	9.9%	8.0%
Net Income		15.2%	21.0%	11.6%	27.2%	-1.6%	13.0%	13.7%	9.9%	9.8%
Margins										
Gross Profit	63.7%	63.5%	60.3%	60.0%	59.2%	57.5%	57.5%	58.5%	59.0%	59.0%
Guggenheim						57.1%	57.0%	56.9%		
JP Morgan						57.1%	57.2%	57.4%		
EBIT	35.6%	35.6%	33.7%	33.4%	35.5%	33.7%	32.9%	33.5%	34.6%	34.6%
Guggenheim						33.5%	32.1%	32.9%		
JP Morgan						33.7%	33.0%	32.8%		
Net Income	23.4%	24.4%	26.1%	26.4%	30.7%	25.5%	26.0%	27.0%	27.5%	28.0%
JP Morgan						25.7%	25.5%	25.3%		
Tax Rate		32%	23%	22%	24%	24.0%	24.0%	24.0%	24.0%	24.0%

(in thousands)	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Net Sales	\$ 3,049,393	\$ 3,369,045	\$ 3,807,183	\$ 4,200,819	\$ 4,598,638	5,440,798	6,029,243	6,601,295	7,121,719	7,677,703
COGS	1,107,393	1,231,355	1,511,808	1,682,234	1,874,758	2,312,339	2,562,428	2,739,538	2,919,905	3,147,858
Gross Profit	1,942,000	2,137,690	2,295,375	2,518,585	2,723,880	3,128,459	3,466,815	3,861,758	4,201,814	4,529,845
Operating Expenses	856,662	938,903	1,011,756	1,115,646	1,090,727	1,297,478	1,483,884	1,647,763	1,738,289	1,870,313
EBIT	1,085,338	1,198,787	1,283,619	1,402,939	1,633,153	1,830,981	1,982,931	2,213,995	2,463,525	2,659,532
Other (expense) income, n	(5,653)	2,836	9,653	13,023	(6,996)					
Pre-tax Income	1,079,685	1,201,623	1,293,272	1,415,962	1,626,157					
Taxes	367,000	380,945	300,268	308,127	216,563					
Net Income	\$ 712,685	\$ 820,678	\$ 993,004	\$ 1,107,835	\$ 1,409,594	1,387,404	1,567,603	1,782,350	1,958,473	2,149,757

Base Case > 13% Upside



	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
EBIT	1,198,787	1,283,619	1,402,939	1,633,153	1,830,981	1,982,931	2,213,995	2,463,525	2,659,532
*(1-Tax Rate)	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
NOPAT	818,772	985,563	1,097,098	1,249,362	1,391,546	1,507,028	1,682,636	1,872,279	2,021,244
(+) D&A	48,887	56,979	64,814	60,973	79,116	90,439	99,019	106,826	115,166
(-) Capex	83,435	61,941	101,661	48,722	65,290	84,409	118,823	142,434	153,554
(-) Delta in NWC	(39,074)	(79,609)	79,330	5,008	51,656	41,191	40,044	36,430	38,919
Unlevered FCF	823,298	1,060,210	980,921	1,256,605	1,353,716	1,471,866	1,622,789	1,800,241	1,943,937
Discount Factor					1.08	1.16	1.24	1.34	1.44
PV of FCF					1,259,271	1,273,653	1,306,281	1,348,021	1,354,066

WACC	
ERP	4.30%
Beta	1.11
Risk-Free Rate	1.2%
COE	5.97%
Weight	99.6%
CoD	5.50%
Weight	0.4%
Tax Rate	24%
WACC Calculated	5.97%
WACC Used	7.50%

Perpetuity Growth	
Growth Rate	4.0%
TV	57,762,695
NPV of TV	40,235,104
NPV of FCF	6,541,292
Cash	2,553,191
Debt	20,769
Equity Value	49,308,817.96
DSO	528,108
Target Price	\$ 93.37
Current Price	\$ 84.71
ROI	10%

Exit Multiple	
EBITDA Multiple	21.50x
TV	59,655,995
NPV Of TV	41,553,898
NPV of FCF	6,541,292
Cash	2,553,191
Debt	20,769
Equity Value	50,627,612.49
DSO	528,108
Target Price	\$ 95.87
Current Price	\$ 84.71
ROI	13%

WACC	Perpetuity Growth				
	3.0%	3.5%	4.0%	4.5%	5.0%
6.5%	14%	30%	53%	86%	143%
7.0%	0%	12%	28%	50%	83%
7.5%	-10%	-1%	10%	26%	47%
8.0%	-19%	-12%	-3%	8%	24%
8.5%	-26%	-20%	-13%	-5%	7%

WACC	EBITDA Multiple				
	17.5x	19.5x	21.5x	23.5x	25.5x
6.5%	0%	9%	18%	27%	36%
7.0%	-2%	7%	16%	24%	33%
7.5%	-4%	5%	13%	22%	30%
8.0%	-6%	2%	11%	19%	28%
8.5%	-8%	0%	9%	17%	25%

Bear Case > -3% Downside



- Significantly slower growth than historically in international markets
- Corporate and advertising & promotional expenses becoming a greater % of revenue, as international expansion requires increase in marketing investments
- Freight-out costs normalizing to 3% of revenue as supply chain disruptions gradually become less significant

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue Build	Doesn't disclose	Doesn't disclose								
US and Canada			\$ 2,829,597	\$ 2,995,534	\$ 3,214,566	\$ 3,471,731	\$ 3,714,752	\$ 3,937,638	\$ 4,134,519	\$ 4,341,245
% of Revenue			74%	71%	70%	67%	66%	65%	64%	63%
YoY Growth				6%	7%	8%	7%	6%	5%	5%
EMEA			\$ 578,667	\$ 674,509	\$ 745,827	\$ 969,575	\$ 1,066,533	\$ 1,173,186	\$ 1,267,041	\$ 1,368,404
% of Revenue			15%	16%	16%	19%	19%	19%	20%	20%
YoY Growth				17%	11%	30%	10%	10%	8%	8%
Asia Pacific			\$ 251,426	\$ 351,744	\$ 423,792	\$ 466,171	\$ 503,465	\$ 543,742	\$ 587,241	\$ 634,221
% of Revenue			7%	8%	9%	9%	9%	9%	9%	9%
YoY Growth				40%	20%	10%	8%	8%	8%	8%
Latin America and Caribbean			\$ 147,493	\$ 179,032	\$ 214,453	\$ 300,234	\$ 360,281	\$ 425,132	\$ 484,650	\$ 542,808
% of Revenue			4%	4%	5%	6%	6%	7%	7%	8%
YoY Growth				21%	20%	40%	20%	18%	14%	12%
Total	\$ 3,049,393	\$ 3,369,045	\$ 3,807,183	\$ 4,200,819	\$ 4,598,638	\$ 5,207,712	\$ 5,645,031	\$ 6,079,697	\$ 6,473,452	\$ 6,886,678

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating Expenses										
Corporate and Unallocated	\$ 228,505	\$ 245,833	\$ 269,325	\$ 330,741	\$ 348,170	365,579	383,857	403,050	423,203	444,363
YoY Growth		8%	10%	23%	5%	5%	5%	5%	5%	5%
Freight-Out Costs	\$ 83,600	\$ 91,900	\$ 128,500	\$ 122,500	\$ 134,100	208,308	225,801	212,789	194,204	206,600
% of Revenue	3%	3%	3%	3%	3%	4%	4%	3.5%	3%	3%
Advertising and Promotional Expenses	\$ 270,600	\$ 324,000	\$ 353,900	\$ 391,600	\$ 345,700	364,540	451,602	547,173	582,611	619,801
% of Revenue	9%	10%	9%	9%	8%	7%	8%	9%	9%	9%
Other	\$ 273,957	\$ 277,170	\$ 260,031	\$ 270,805	\$ 262,757	312,463	338,702	364,782	388,407	413,201
% of Revenue	9%	2%	7%	6%	6%	6%	6%	6%	6%	6%
Total	\$ 856,662	\$ 938,903	\$ 1,011,756	\$ 1,115,646	\$ 1,090,727	\$ 1,250,890	\$ 1,399,963	\$ 1,527,794	\$ 1,588,424	\$ 1,683,965

Bear Case > -3% Downside



- Gross profit margin compression more severe than expected, with EBIT margin normalizing to be lower than 5-year historical average of 34.8%

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
YoY Growth										
Revenue		10.5%	13.0%	10.3%	9.5%	13.2%	8.4%	7.7%	6.5%	6.4%
Guggenheim						18.5%	10.9%	8.3%		
JP Morgan						17.6%	9.7%	10.0%		
EBIT		10.5%	7.1%	9.3%	16.4%	2.0%	8.4%	12.0%	8.5%	6.7%
Net Income		15.2%	21.0%	11.6%	27.2%	-7.6%	8.4%	12.0%	8.5%	8.4%
Margins										
Gross Profit	63.7%	63.5%	60.3%	60.0%	59.2%	56.0%	56.0%	57.0%	57.0%	57.0%
Guggenheim						57.1%	57.0%	56.9%		
JP Morgan						57.1%	57.2%	57.4%		
EBIT	35.6%	35.6%	33.7%	33.4%	35.5%	32.0%	31.2%	31.9%	32.5%	32.5%
Guggenheim						33.5%	32.1%	32.9%		
JP Morgan						33.7%	33.0%	32.8%		
Net Income	23.4%	24.4%	26.1%	26.4%	30.7%	25.0%	25.0%	26.0%	26.5%	27.0%
JP Morgan						25.7%	25.5%	25.3%		
Tax Rate		32%	23%	22%	24%	24.0%	24.0%	24.0%	24.0%	24.0%

(in thousands)	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Net Sales	\$ 3,049,393	\$ 3,369,045	\$ 3,807,183	\$ 4,200,819	\$ 4,598,638	5,207,712	5,645,031	6,079,697	6,473,452	6,886,678
COGS	1,107,393	1,231,355	1,511,808	1,682,234	1,874,758	2,291,393	2,483,814	2,614,270	2,783,584	2,961,272
Gross Profit	1,942,000	2,137,690	2,295,375	2,518,585	2,723,880	2,916,319	3,161,217	3,465,427	3,689,867	3,925,407
Operating Expenses	856,662	938,903	1,011,756	1,115,646	1,090,727	1,250,890	1,399,963	1,527,794	1,588,424	1,683,965
EBIT	1,085,338	1,198,787	1,283,619	1,402,939	1,633,153	1,665,429	1,761,254	1,937,633	2,101,443	2,241,442
Other (expense) income, i	(5,653)	2,836	9,653	13,023	(6,996)					
Pre-tax Income	1,079,685	1,201,623	1,293,272	1,415,962	1,626,157					
Taxes	367,000	380,945	300,268	308,127	216,563					
Net Income	\$ 712,685	\$ 820,678	\$ 993,004	\$ 1,107,835	\$ 1,409,594	1,301,928	1,411,258	1,580,721	1,715,465	1,859,403

Bear Case > -3% Downside



	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
EBIT	1,198,787	1,283,619	1,402,939	1,633,153	1,665,429	1,761,254	1,937,633	2,101,443	2,241,442
*(1-Tax Rate)	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
NOPAT	818,772	985,563	1,097,098	1,249,362	1,265,726	1,338,553	1,472,601	1,597,097	1,703,496
(+) D&A	48,887	56,979	64,814	60,973	75,726	84,675	91,195	97,102	103,300
(-) Capex	83,435	61,941	101,661	48,722	62,493	79,030	109,435	129,469	137,734
(-) Delta in NWC	(39,074)	(79,609)	79,330	5,008	35,340	30,612	30,427	27,563	28,926
Unlevered FCF	823,298	1,060,210	980,921	1,256,605	1,243,620	1,313,586	1,423,935	1,537,167	1,640,136
Discount Factor					1.08	1.16	1.24	1.34	1.44
PV of FCF					1,156,856	1,136,689	1,146,212	1,151,031	1,142,451

WACC	
ERP	4.30%
Beta	1.11
Risk-Free Rate	1.2%
COE	5.97%
Weight	99.6%
CoD	5.50%
Weight	0.4%
Tax Rate	24%
WACC Calculated	5.97%
WACC Used	7.50%

Perpetuity Growth	
Growth Rate	4.0%
TV	48,735,480
NPV of TV	33,947,120
NPV of FCF	5,733,239
Cash	2,553,191
Debt	20,769
Equity Value	42,212,780.46
DSO	528,108
Target Price	\$ 79.93
Current Price	\$ 84.71
ROI	-6%

Exit Multiple	
EBITDA Multiple	21.50x
TV	50,411,948
NPV Of TV	35,114,877
NPV of FCF	5,733,239
Cash	2,553,191
Debt	20,769
Equity Value	43,380,538.43
DSO	528,108
Target Price	\$ 82.14
Current Price	\$ 84.71
ROI	-3%

WACC	Perpetuity Growth				
	3.0%	3.5%	4.0%	4.5%	5.0%
6.5%	-2%	11%	30%	59%	106%
7.0%	-14%	-4%	9%	28%	56%
7.5%	-23%	-15%	-6%	7%	26%
8.0%	-30%	-24%	-17%	-7%	6%
8.5%	-36%	-31%	-26%	-18%	-9%

WACC	EBITDA Multiple				
	17.5x	19.5x	21.5x	23.5x	25.5x
6.5%	-14%	-7%	1%	9%	16%
7.0%	-16%	-8%	-1%	6%	14%
7.5%	-18%	-10%	-3%	4%	12%
8.0%	-19%	-12%	-5%	2%	9%
8.5%	-21%	-14%	-7%	0%	7%

Bull Case > 23% Upside



- Significantly rapid-growth in international markets
- Corporate and advertising & promotional expenses becoming a greater % of revenue, as international expansion requires increase in marketing investments
- Freight-out costs normalizing to 3% of revenue as supply chain disruptions gradually become less significant

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue Build	Doesn't disclose									
US and Canada			\$ 2,829,597	\$ 2,995,534	\$ 3,214,566	\$ 3,664,605	\$ 4,067,712	\$ 4,393,129	\$ 4,700,648	\$ 5,029,693
% of Revenue			74%	71%	70%	65%	64%	63%	61%	60%
YoY Growth				6%	7%	14%	11%	8%	7%	7%
EMEA		\$ 578,667	\$ 674,509	\$ 745,827	\$ 1,118,741	\$ 1,297,739	\$ 1,505,377	\$ 1,686,022	\$ 1,888,345	
% of Revenue		15%	16%	16%	20%	20%	21%	22%	23%	
YoY Growth				17%	11%	50%	16%	16%	12%	12%
Asia Pacific		\$ 251,426	\$ 351,744	\$ 423,792	\$ 483,123	\$ 541,098	\$ 606,029	\$ 678,753	\$ 760,203	
% of Revenue		7%	8%	9%	9%	9%	9%	9%	9%	9%
YoY Growth				40%	20%	14%	12%	12%	12%	12%
Latin America and Caribbean		\$ 147,493	\$ 179,032	\$ 214,453	\$ 343,125	\$ 425,475	\$ 519,079	\$ 612,513	\$ 710,516	
% of Revenue		4%	4%	5%	6%	7%	7%	8%	8%	8%
YoY Growth				21%	20%	60%	24%	22%	18%	16%
Total	\$ 3,049,393	\$ 3,369,045	\$ 3,807,183	\$ 4,200,819	\$ 4,598,638	\$ 5,609,593	\$ 6,332,023	\$ 7,023,615	\$ 7,677,937	\$ 8,388,757

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating Expenses										
Corporate and Unallocate:	\$ 228,505	\$ 245,833	\$ 269,325	\$ 330,741	\$ 348,170	379,505	413,661	450,890	491,470	535,703
YoY Growth		8%	10%	23%	5%	9%	9%	9%	9%	9%
Freight-Out Costs	\$ 83,600	\$ 91,900	\$ 128,500	\$ 122,500	\$ 134,100	224,384	253,281	245,827	230,338	251,663
% of Revenue	3%	3%	3%	3%	3%	4%	4%	3.5%	3%	3%
Advertising and Promotional Expenses	\$ 270,600	\$ 324,000	\$ 353,900	\$ 391,600	\$ 345,700	392,672	506,562	632,125	691,014	754,988
% of Revenue	9%	10%	9%	9%	8%	7%	8%	9%	9%	9%
Other	\$ 273,957	\$ 277,170	\$ 260,031	\$ 270,805	\$ 262,757	336,576	379,921	421,417	460,676	503,325
% of Revenue	9%	2%	7%	6%	6%	6%	6%	6%	6%	6%
Total	\$ 856,662	\$ 938,903	\$ 1,011,756	\$ 1,115,646	\$ 1,090,727	\$ 1,333,136	\$ 1,553,425	\$ 1,750,259	\$ 1,873,499	\$ 2,045,679

Bull Case > 23% Upside



- Gross profit margin compression less severe than expected, with EBIT margin normalizing to be roughly the same as 5-year historical average of 34.8%

	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
YoY Growth										
Revenue		10.5%	13.0%	10.3%	9.5%	22.0%	12.9%	10.9%	9.3%	9.3%
Guggenheim						18.5%	10.9%	8.3%		
JP Morgan						17.6%	9.7%	10.0%		
EBIT		10.5%	7.1%	9.3%	16.4%	19.3%	17.2%	15.0%	11.3%	9.3%
Net Income		15.2%	21.0%	11.6%	27.2%	3.5%	17.2%	15.0%	11.3%	11.2%
Margins										
Gross Profit	63.7%	63.5%	60.3%	60.0%	59.2%	58.5%	58.5%	59.0%	59.2%	59.2%
Guggenheim						57.1%	57.0%	56.9%		
JP Morgan						57.1%	57.2%	57.4%		
EBIT	35.6%	35.6%	33.7%	33.4%	35.5%	34.7%	34.0%	34.1%	34.8%	34.8%
Guggenheim						33.5%	32.1%	32.9%		
JP Morgan						33.7%	33.0%	32.8%		
Net Income	23.4%	24.4%	26.1%	26.4%	30.7%	26.0%	27.0%	28.0%	28.5%	29.0%
JP Morgan						25.7%	25.5%	25.3%		
Tax Rate		32%	23%	22%	24%	24.0%	24.0%	24.0%	24.0%	24.0%

(in thousands)	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Net Sales	\$ 3,049,393	\$ 3,369,045	\$ 3,807,183	\$ 4,200,819	\$ 4,598,638	5,609,593	6,332,023	7,023,615	7,677,937	8,388,757
COGS	1,107,393	1,231,355	1,511,808	1,682,234	1,874,758	2,327,981	2,627,790	2,879,682	3,132,598	3,422,613
Gross Profit	1,942,000	2,137,690	2,295,375	2,518,585	2,723,880	3,281,612	3,704,234	4,143,933	4,545,338	4,966,144
Operating Expenses	856,662	938,903	1,011,756	1,115,646	1,090,727	1,333,136	1,553,425	1,750,259	1,873,499	2,045,679
EBIT	1,085,338	1,198,787	1,283,619	1,402,939	1,633,153	1,948,476	2,150,809	2,393,674	2,671,839	2,920,465
Other (expense) income, i	(5,653)	2,836	9,653	13,023	(6,996)					
Pre-tax Income	1,079,685	1,201,623	1,293,272	1,415,962	1,626,157					
Taxes	367,000	380,945	300,268	308,127	216,563					
Net Income	\$ 712,685	\$ 820,678	\$ 993,004	\$ 1,107,835	\$ 1,409,594	1,458,494	1,709,646	1,966,612	2,188,212	2,432,740

Bull Case > 23% Upside



	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
EBIT	1,198,787	1,283,619	1,402,939	1,633,153	1,948,476	2,150,809	2,393,674	2,671,839	2,920,465
*(1-Tax Rate)	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
NOPAT	818,772	985,563	1,097,098	1,249,362	1,480,842	1,634,615	1,819,192	2,030,598	2,219,554
(+) D&A	48,887	56,979	64,814	60,973	81,570	94,980	105,354	115,169	125,831
(-) Capex	83,435	61,941	101,661	48,722	67,315	88,648	126,425	153,559	167,775
(-) Delta in NWC	(39,074)	(79,609)	79,330	5,008	63,472	50,570	48,411	45,803	49,757
Unlevered FCF	823,298	1,060,210	980,921	1,256,605	1,431,625	1,590,376	1,749,710	1,946,406	2,127,852
Discount Factor					1.08	1.16	1.24	1.34	1.44
PV of FCF					1,331,744	1,376,205	1,408,447	1,457,470	1,482,174

WACC	
ERP	4.30%
Beta	1.11
Risk-Free Rate	1.2%
COE	5.97%
Weight	99.6%
CoD	5.50%
Weight	0.4%
Tax Rate	24%
WACC Calculated	5.97%
WACC Used	7.50%

Perpetuity Growth	
Growth Rate	4.0%
TV	63,227,613
NPV of TV	44,041,739
NPV of FCF	7,056,040
Cash	2,553,191
Debt	20,769
Equity Value	53,630,201.25
DSO	528,108
Target Price	\$ 101.55
Current Price	\$ 84.71
ROI	20%

Exit Multiple	
EBITDA Multiple	21.50x
TV	65,495,377
NPV Of TV	45,621,370
NPV of FCF	7,056,040
Cash	2,553,191
Debt	20,769
Equity Value	55,209,831.76
DSO	528,108
Target Price	\$ 104.54
Current Price	\$ 84.71
ROI	23%

		Perpetuity Growth				
		3.0%	3.5%	4.0%	4.5%	5.0%
WACC	6.5%	24%	42%	66%	103%	165%
	7.0%	9%	22%	39%	63%	100%
	7.5%	-3%	7%	20%	37%	61%
	8.0%	-12%	-4%	5%	18%	35%
	8.5%	-20%	-14%	-6%	4%	16%

		EBITDA Multiple				
		17.5x	19.5x	21.5x	23.5x	25.5x
WACC	6.5%	9%	19%	29%	39%	49%
	7.0%	7%	16%	26%	36%	45%
	7.5%	4%	14%	23%	33%	42%
	8.0%	2%	12%	21%	30%	39%
	8.5%	0%	9%	18%	27%	36%