COCA-COLA AND MONSTER BEVERAGE

M&A Strategic Analysis

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BCom 2025
February 21, 2024

*Note: All figures USD

The Coca-Cola Company
M&A Strategic Alternatives and Analysis

THE Coca-Cola COMPANY

Company Overview

Overview: The Coca-Cola Company (NYSE: KO) or "Coke" is the third largest beverage company in the world by revenue and has been in business for over 130 years. Operating globally across more than 200 countries and territories, Coke offers a diverse range of products in the soft drink, tea, and sports drink segments. Coke is characterized by stability and reliable dividend yields for investors.

Current Strategy: Coca-Cola is focused on increasing market share through global and emerging markets. Coke primarily leverages strategic partnerships that boost its global presence- the company has 200 bottling partners, for a total of 30 million customer outlets globally.

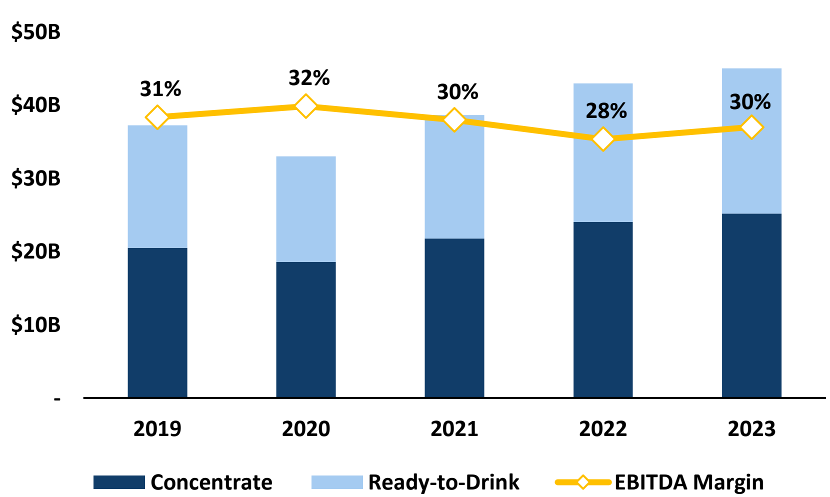
M&A Rationale: Coke has historically made strategic acquisitions to access new markets. Examples include Glacéau in 2007 for $4.1B, to target the wellness segment, and Costa Coffee in 2018 for $5.1B, to add coffee offerings. There's also strategic precedence in expanding Coke's pre-existing 16.7% stake in Monster. BODYARMOR began as a small stake investment (15%) for Coke, and recently transitioned into a full acquisition. A full acquisition of Monster would allow Coke to access a younger demographic, increasing non-alcoholic beverage market share.

Current Market Data (mm)

Market Cap	$255,852	Revenue (TTM)	$45,754
Enterprise Value	$285,792	EBITDA (TTM)	$14,332
Share Price	$59.39	EBITDA Margin	31.3%
52 week-high	$64.99	EV/EBITDA	17.8x
52 week-low	$51.55	Forward P/E	21.1x
Cash (3Q23)	$11,883	Debt (3Q23)	$35,841

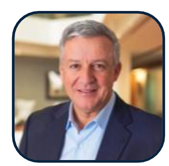
Market data as of February 21st, 2024. Currency in USD.

Revenue Breakdown



Management Overview

James Quincey, Chairman and CEO. Joined KO in 1996. Background in consulting. Led the $380M acquisition of Jugos Del Valle. Led innocent juice acquisition from an 18% stake -> 58% stake -> takeover.

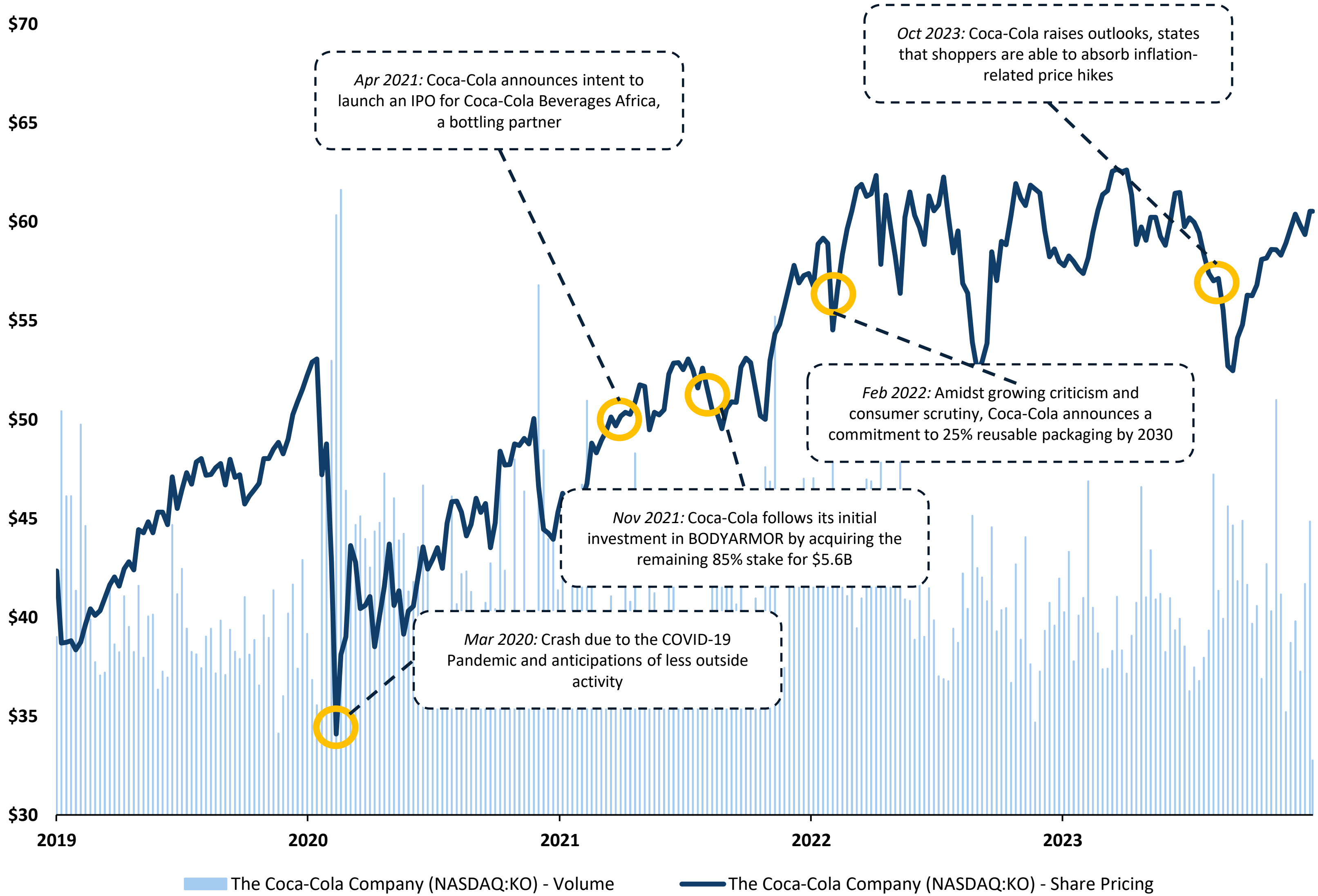


John Murphy, President and CFO. Joined KO in 1988. Background in management. Served as President of Asia-Pacific and Bottling Investments from 2016-2018. Global experience spans from Southeast Asia, Central America, and Japan.

Matrona Filippou, President: Hydration. Joined KO in 1996. Background in consulting. Focused on new category expansion as franchise director of Central and Eastern Europe. Led stills development in West Africa, including Chi Ltd. acquisition

Corporate Events Timeline – The Coca-Cola Company

M&A Strategic Alternatives and Analysis



Sources: S&P Capital IQ, Yahoo Finance

Monster Beverage

M&A Strategic Alternatives and Analysis

Company Overview

Overview: Monster Beverage Corporation (NASDAQ: MNST) or "Monster" is the second largest brand in the United States energy drinks market, trailing behind Red Bull by $1.82B in yearly revenue as of 1Q23. Monster has seen high market cap appreciation over the past year, with a 29.9% increase in its share price compared to the industry average of 12.4%.

Current Strategy: Monster focuses on appealing to youth, its target demographic, through sporting, event, and brand partnerships (e.g., Call of Duty). Additionally, in order to target as much of the youth market as possible, Monster carries over 34 distinct products and flavors.

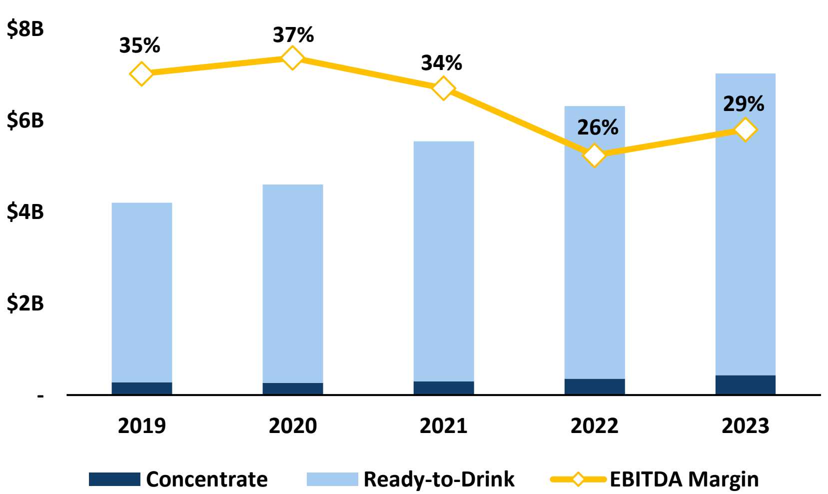
M&A Rationale: Monster is currently shopping merger opportunities, having explored a potential merger with international alcohol beverage company Constellation Brands in early 2022. This places Coke in an ideal position to capitalize on its pre-existing relationship. Additionally, Coke's relationships with bottling and distribution facilities is highly synergistic.

Current Market Data (mm)

Market Cap	$57,245	Revenue (TTM)	$6,923
Enterprise Value	$54,289	EBITDA (TTM)	$1,994
Share Price	$55.02	EBITDA Margin	28.80%
52 week-high	$60.47	EV/EBITDA	27.0x
52 week-low	$47.13	Forward P/E	31.2x
Cash (3Q23)	$1,773	Debt (3Q23)	$0

Market data as of February 21st, 2024. Currency in USD.

Revenue Breakdown



Management Overview

Rodney Sacks, Chairman and CEO. Joined MNST in 1992 Acquired Hansen Natural Corporation with Hilton. Led rebrand to Monster Beverage, divesting from sodas and fruit juices. Under Rodney, MNST is the 2nd best performing stock in the S&P 500 over the past 20 years.

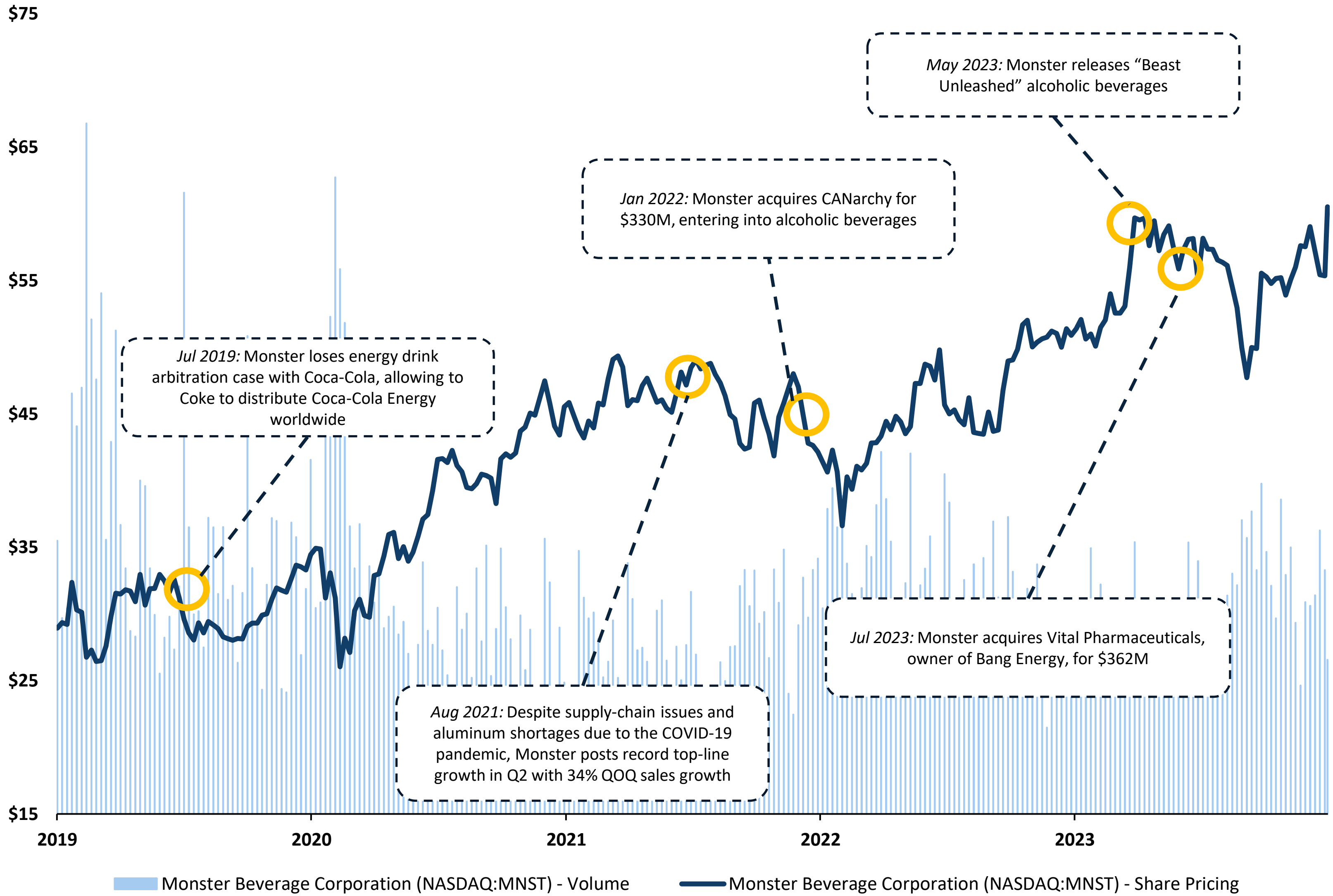
Hilton Schlosberg, President and co-CEO. Joined MNST in 1992 Previously CFO. Led Monster acquisition of CANarchy in 2018, adding alcoholic products.

Dan McHugh, Chief Marketing Officer. Joined MNST in 2018 Background in marketing for the alcoholic beverage industry including AB InBev, Pabst. Focus on event marketing and sponsorship- UFC, Motocross, NASCAR, various musical artists.

Sources: S&P Capital IQ, Bloomberg, Company Filings

Corporate Events Timeline – Monster Beverage

M&A Strategic Alternatives and Analysis

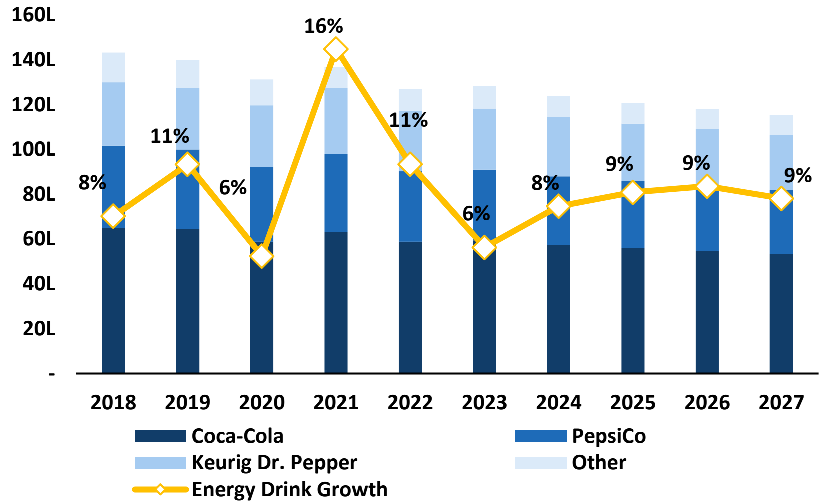


Sources: S&P Capital IQ, Yahoo Finance

Industry Overview

M&A Strategic Alternatives and Analysis

US Consumption of Soft Drinks (Per Capita)



Key Trends

Health-Consciousness: With the ongoing wrongful death litigations in regards to Panera Bread's "Charged Lemonade", the Canadian recall of Prime Hydration's energy drink product line due to concerns over caffeine levels, and the meteoric rise of CELSIUS as a weight-loss tool, increased scrutiny has been placed on caffeinated beverages. Increased awareness around addictive tendencies, youth-targeted marketing, and health drawbacks has potential to shift consumer demand away from energy drinks, and create U.S regulatory changes.

"Sober-Curious" Demand: The success of Liquid Death, and other non-alcoholic beverages intended to fulfill the same market niche, follows record-low alcohol consumption rates among Gen Z. Only 18-20% drink, compared to 31-30% of Millennials. When Gen Z does drink, they prefer wine and hard seltzer options.

Concentrates: Concentrates are the fastest growing category in US soft drinks, with more than 7% off-trade volume growth. They serve as an affordable alternative to ready-to-drink beverages, allowing greater optionality and bulk purchasing. Growth is largely driven by functional mixes- sports and energy drink concentrates that focus on electrolytes, hydration, dietary supplementation, and energy boosts through caffeine. Celsius, Bodyarmor, and Prime have all recently launched offerings.

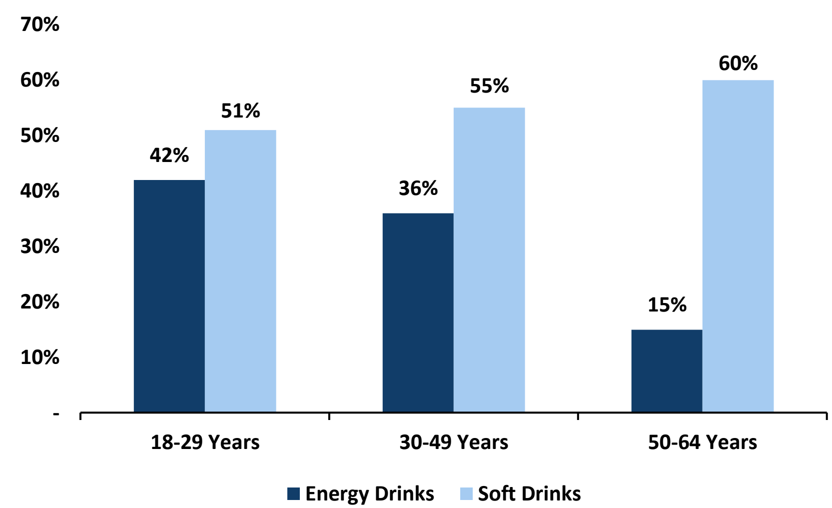
M&A Activity

Strategic Buyers: M&A activity in the food and beverage sector is mostly driven by strategic buyers, which represented 78% of total deal volume in TTM June 2023. These transactions are driven by several common characteristics: first, a desire to expand product line offerings (such as Keurig's $300M acquisition of 33% of La Colombe, a ready-to-drink coffee company), and a desire to consolidate production and distribution in pre-existing areas through horizontal integration (such as Monster's aforementioned $362M acquisition of Bang, another drink manufacturer).

Branded Packaged Goods Interest: The branded packaged goods sector has continued to experience strong deal activity, following a strong showing in Q1 and Q2 2022 where BPG comprised 39.7% of deals closed. The beverage sector has followed this at 32.8%- supporting further market interest in beverage acquisitions.

Forward-Looking Caution: 4Q23 deal volume decreased by 38% versus Q3 and was 51% lower on a year over year basis. We are seeing many companies prefer to sit on dry powder until rates settle. Deal flow is forecast to reflect this fact - with a greater focus on bolt-on transactions in the same market such as Corby Spirit and Wine's acquisition of Ace Beverage Group to refine RTD offerings, as opposed to transactions like J.M. Smucker's acquisition of Hostess Brands, done largely to enter new categories.

Share who Regularly Consume Each Beverage, By Age



M&A Rationale

M&A Strategic Alternatives and Analysis

Monster Rationale

Greater Operational Network: While Monster already has access to Coke's distribution network through its 2015 agreement, further integration with Coke's extensive network of bottling partners and manufacturing companies will allow Monster to scale production and develop margin expansion through greater operating efficiency. Additionally, widespread production will help Monster diversify into emerging markets, as the company has been historically US focused - generating >25% of sales outside of the US.

Cross-Selling Potential: With Monster's focus as a pure-play energy drink manufacturer, Coke's diverse portfolio presents opportunities: both in product line extension through new flavors, and product category extension through concentrates. Monster can access new markets to position itself as a functional, lifestyle brand with new offerings enabled by Coke (e.g., concentrate mixes, sports recovery beverages utilizing Powerade/BODYARMOR).

Preserve Market Share: With competitors such as Rockstar and Celsius recently being acquired by PepsiCo, and thus benefitting from Pepsi's own distributive network and economies of scale, the operational benefits provided by a Coke acquisition will be required to remain competitive as consolidation continues and competitors scale.

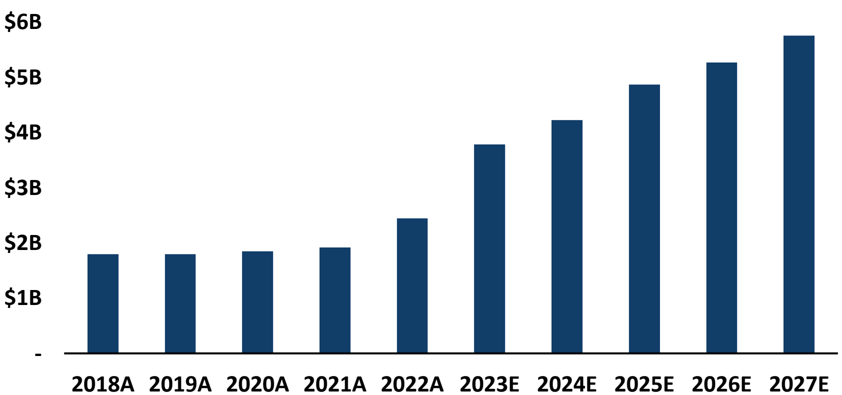
Coca-Cola Rationale

Youth Market Capture: The energy drink market has a strong adolescent and youth market share, while soft drinks are more popular amongst millennials and the older generation. An acquisition would allow Coke to increase its total addressable market and cater to a younger demographic that is increasingly moving away from soft drinks.

Access Growth: The soft drink market has entered decline, at a CAGR of 4.15% projected over the next 5 years while the energy drink market continues double-digit growth at a projected CAGR of 11.4%. Coke's own previous forays into the energy drink market have been largely unsuccessful, and Monster would allow them to fully access this growth.

Diversification: Coke has historically focused on beverages as opposed to food and other consumer packaged goods, unlike PepsiCo. Broader diversification is needed to provide more resiliency in the face of falling consumer demand and increasing health-consciousness. An acquisition of Monster, while not a solution to health consciousness, provides a method to sell a higher margin product to a different demographic.

Revenue Synergy - Concentrates Market



Cost Synergy – Gross Profit Margin Expansion

Margin Expansion Analysis

Comparable Companies	Gross Profit Margin	Revenues (TTM)	Gross Profit
The Coca-Cola Company	**59.50%**	**$45.8B**	**$27.22B**
PepsiCo Inc	54.20%	$91.5B	$49.58B
Keurig Dr Pepper Inc.	53.50%	$14.8B	$7.89B
Celsius Holdings, Inc.	47.50%	$1.1B	$0.55B
National Beverage Corp.	35.60%	$1.2B	$0.42B
Monster Beverage Corp	**52.60%**	**$6.9B**	**$3.64B**

Acquiring Monster allows Coke to mitigate the top-line impact of a declining soft drink market by tapping into a rapidly growing, youth-oriented industry, furthering Coke's "Total Beverage" strategy and creating cross-selling opportunities for an entirely new generation.

Sources: S&P Capital IQ, Company Filings, Bloomberg

Relative Valuation

M&A Strategic Alternatives and Analysis

Comparables Analysis

		Market Data					Financial Data					Valuation	
Company	**Ticker**	**Share Price**	**Market Cap**	**EV**	**Revenue (TTM)**	**EBITDA (TTM)**	**EBIT (TTM)**	**GPM**	**LTM Revenue Growth (1Y)**	**P/E (NTM)**	**EV/Revenue**	**EV/EBITDA**	**EV/EBIT**
Comparable Companies - Non-Alchoholic Beverages													
The Coca-Cola Company	NYSE: KO	59.39	$255.9B	$285.8B	$45.8B	$14.3B	$13.2B	59.50%	6.4%	21.1x	6.2x	17.8x	19.2x
PepsiCo Inc	NASDAQ: PEP	166.32	$228.6B	$265.8B	$91.5B	$16.3B	$13.5B	54.20%	5.9%	20.4x	2.9x	15.0x	19.6x
Keurig Dr Pepper Inc	NASDAQ: KDP	30.97	$43.3B	$57.7B	$14.8B	$3.9B	$3.2B	53.50%	8.1%	16.5x	3.9x	14.0x	18.0x
Celsius Holdings, Inc.*	NASDAQ: CELH	64.41	$14.9B	$15.0B	$1.1B	$0.2B	$0.2B	47.50%	98.1%	66.0x	13x	83.3x	84.6x
National Beverage Corp.	NASDAQ: FIZZ	49.73	$4.6B	$4.4B	$1.2B	$0.2B	$0.2B	35.60%	1.6%	25.9x	3.8x	18.1x	21.1x
Comparable Companies - Alchoholic Beverages													
Anheuser-Busch InBev SA/NV	ENXTBR: ABI	62.28	$123.7B	$210.7B	$59.6B	$17.9B	$14.3B	54.00%	3.9%	18.9x	3.5x	11.0x	14.1x
Constellation Brands, Inc.	LSE: DGE	36.86	$82.2B	$104.7B	$21.6B	$7.0B	$6.5B	60.50%	7.4%	19.0x	4.9x	13.9x	15.2x
Pernod Ricard SA	ENXTAM: HEIA	95.82	$54.3B	$74.3B	$32.7B	$7.1B	$4.3B	34.10%	5.7%	17.6x	2.3x	10.2x	16.5x
Heineken N.V.	NYSE: STZ	243.84	$44.6B	$56.5B	$9.8B	$3.5B	$3.1B	50.30%	2.8%	18.7x	5.8x	17.4x	22.2x
Molson Coors	ENXTPA: RI	169.31	$42.7B	$56.1B	$12.5B	$3.4B	$3.3B	59.90%	-2.1%	17.8x	4.5x	14.9x	17.1x
Diageo plc	NYSE: BF.B	57.87	$27.7B	$30.5B	$4.3B	$1.3B	$1.2B	60.40%	3.3%	27.5x	7.1x	22.3x	24.5x
Brown-Forman Corporation	NYSE: TAP	62.15	$13.3B	$18.9B	$11.7B	$2.3B	$1.6B	37.30%	9.4%	11.0x	1.6x	8.2x	11.6x
Monster Beverage Corp	**NASDAQ: MNST**	**55.02**	**$57.2B**	**$54.3B**	**$6.9B**	**$2.0B**	**$1.9B**	**52.60%**	**11.2%**	**31.2x**	**7.8x**	**27.0x**	**28.1x**
Minimum											1.6x	8.2x	11.6x
25th Percentile											3.2x	12.5x	15.9x
Mean											**4.2x**	**15.6x**	**18.8x**
Median											**4.0x**	**15.7x**	**18.5x**
75th Percentile											5.3x	17.6x	20.4x
Maximum											7.1x	22.3x	24.5x

Monster Beverage Corp - Implied Valuation	**EV/Revenue**	**EV/EBITDA**	**EV/EBIT**
Mean	**$29.2B**	**$31.0B**	**$36.3B**
Median	**$28.0B**	**$31.2B**	**$35.7B**

Monster Beverage Corp's EV/EBITDA of 27.0x indicates that it is trading at a **large premium** compared to competitors.
Applying the mean EV/EBITDA of 15.6x to Monster Beverage implies an entreprise value of $31.0B relative to it's current entreprise value of $54.3B, an overvaluation of **42.86%**. In per-share terms, this implies a value of **$30.60** as opposed to the current share price of **$55.02.**
However, note that Celsius, another energy drink producer, also demonstrates multiples that are significantly above than the mean. Reasons for the higher valuation include pricing in the **greater growth potential** present in the energy drink market. This is reflected in the top-line growth exhibited - note that Celsius has seen 98.1% LTM revenue growth, and Monster has seen 11.2%, both significantly higher than the mean of 5.15%. As such, any comparable set of soft drink producers requires additional context, and by itself does not reflect a fair valuation for Monster Beverage.

Sources: S&P Capital IQ, Bloomberg

** Note: Celsius is an outlier, and was not included*

Cash Flow Forecast

	2022A	2023E	2024E	2025E	2026E	2027E
Revenue	**$6,311**	**$7,005**	**$7,776**	**$8,553**	**$9,323**	**$10,162**
Annual Growth (%)		*11%*	*11%*	*10%*	*9%*	*9%*
EBITDA	**$1,646**	**$2,172**	**$2,411**	**$2,652**	**$2,890**	**$3,150**
Margin (%)	*26%*	*31%*	*31%*	*31%*	*31%*	*31%*
EBIT	**$1,585**	**$2,050**	**$2,291**	**$2,534**	**$2,774**	**$3,036**
Margin (%)	*25%*	*29%*	*29%*	*30%*	*30%*	*30%*
Less: Tax expense	(380)	(492)	(550)	(608)	(666)	(729)
Add: Depreciation and amortization	61	122	120	118	116	114
Less: Capital expenditures	(189)	(110)	(108)	(106)	(104)	(103)
Less: Change in net working capital	(487)	158	(108)	(109)	(108)	(118)
Unlevered Free Cash Flow	**$590**	**$1,728**	**$1,645**	**$1,828**	**$2,012**	**$2,201**
Annual Growth (%)		*193%*	*-5%*	*11%*	*10%*	*9%*

Commentary

- Strong double digit top-line revenue growth, consistent with overall energy drink market.
- Dominant position in the U.S market as second behind Red Bull. 29.7% market share in 2023 and 33.9% after acquiring Bang, the fourth largest player. Market has undergone consolidation with recent acquisitions (i.e Celsius), centralizing market share.
- FCF discounted at a 7.3% WACC: assuming a 6% pre-tax cost of debt as there is no precedence for interest rate. Beta of 0.72
- Depreciation and amortization at maintenance - the cost of maintaining acquired CANarchy & Bang assets is not reflected.

Value Per Share – Terminal Multiple Method

	Low	Base	High
Cost of Capital	**8.3%**	**7.3%**	**6.8%**
Terminal Multiple	**x14.6**	**x15.6**	**x18.6**
Terminal Value	$45,995	$49,145	$58,596
PV of Cash Flows	$7,990	$8,157	$8,244
PV of Terminal Value	$32,775	$36,428	$44,304
Enterprise Value	**$40,764**	**$44,585**	**$52,547**
Less: Net Debt & NCI	$0	$0	$0
Less: OTM Convertible Debt	--	--	--
Implied Equity Value	**$40,764**	**$44,585**	**$52,547**
F.D. Shares Outstanding	1059.809	1059.809	1059.809
Implied Value Per Share	**$38.46**	**$42.07**	**$49.58**
Implied Upside (Downside)	*-30.1%*	*-23.5%*	*-9.9%*
TV % of Total	*80.4%*	*81.7%*	*84.3%*

Sensitivity Analysis

	WACC				
Terminal Multiple	**8.30%**	**7.80%**	**7.30%**	**6.80%**	**6.30%**
13.6 x	$ 38.02	$ 38.67	$ 39.34	$ 40.02	$ 40.72
14.6 x	$ 40.14	$ 40.83	$ 41.54	$ 42.27	$ 43.01
15.6 x	$ 42.26	$ 42.99	$ 43.74	$ 44.51	$ 45.30
16.6 x	$ 44.37	$ 45.15	$ 45.95	$ 46.76	$ 47.59
17.6 x	$ 46.49	$ 47.31	$ 48.15	$ 49.01	$ 49.89

- Terminal multiple taken based on mean EV/EBITDA of comparables from weighted set: non-alcoholic beverages weighted at 0.7, alcoholic beverages weighted at 0.3
- Base case based on projected industry growth rates.
- Best case based on favorable financing environment, higher growth.
- Worst case based on energy drink market growth stagnation.

Sources: S&P Capital IQ, Company Filings

Accretion/Dilution Analysis

M&A Strategic Alternatives and Analysis

Sources and Uses

Sources of Funds			% of Total
Debt Issued to Acquire Target	$	16,552.9	24.6%
Cash used to Acquire Target	$	8,131.7	12.1%
Value of Stock Issues to Target Shareholders	$	42,520.2	63.3%
Total Sources	**$**	**67,204.7**	***100.00%***

Uses of Funds			% of Total
Stock to Target	$	42,520.2	63.3%
Cash to Target	$	7,138.5	10.6%
Deal Fees	$	662.1	1.0%
Debt	$	16,552.9	24.6%
Finance Fees	$	331.1	0.5%
Total Sources	**$**	**67,204.7**	***100%***

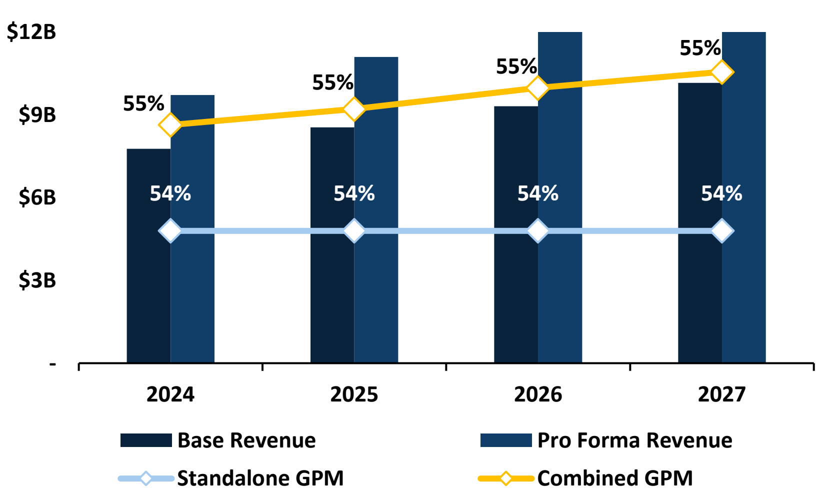
Transaction Structuring

Purchase Premium: Assumed **36.3%** purchase premium based on historical beverage and CPG M&A activity. This purchase premium also takes into account the complicated nature of Coke and Monster's existing relationship, both in Coke's historic distribution agreement with Monster as well as recent litigation.

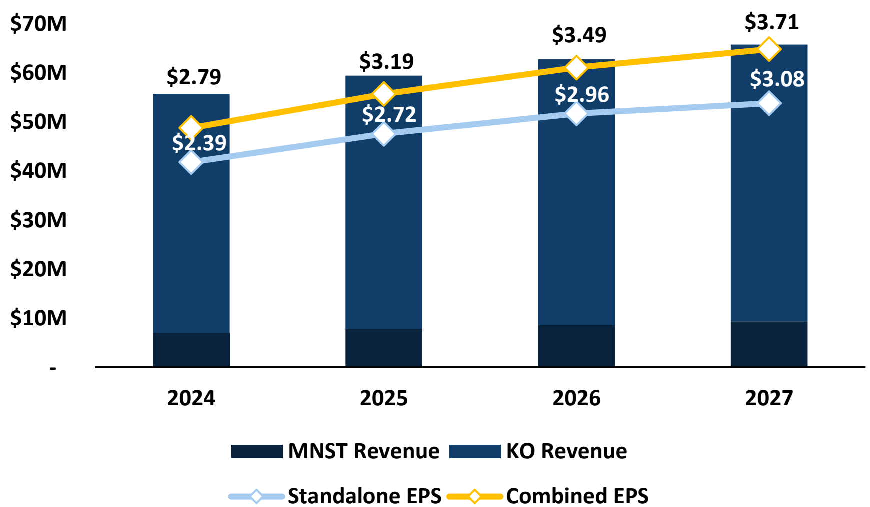
Recommended Financing: Coke has access to relatively inexpensive debt financing at 2.3% pre-tax. As such, we recommend that Coke lever up to make use of this financing option as an established business with stable and consistent cash flows. To find a suitable leverage ratio, we examine the debt-to-equity ratios of similarly sized comparables. PepsiCo has historically ran a 2.1x – 2.3x D/E, AB InBev 0.9x – 1.2x, and Constellation brands 0.9x – 1.1x. As Coke is currently at a 1.4x D/E, there is room to raise debt financing, resulting in a temporary post-acquisition D/E of 2.0x.

Financing Justification: While the current environment may not be perfect for deals of this size, Coke's history of subdivision management excellence and pre-existing familiarity with Monster's management and operation greatly boosts potential value and minimizes potential failure risk.

Revenue Synergies Analysis



Standalone vs. Combined Entity Performance



Source: S&P Capital IQ, Analyst Estimates

Focus on RTD Alcoholic Beverages and Seltzers

Alcoholic Beverage Opportunities: The seltzer and ready-to-drink (RTD) segment has grown rapidly from 3% of the total US alcohol market to 12% over the last decade, and is projected to grow at a CAGR of 16% until 2027. Coke previously began exploring alcoholic ready-to drink (RTD) offerings through partnerships: a Jack Daniel's & Coke cocktail with Brown-Forman and an Absolut & Sprite RTD mix with Pernod Ricard. As an alternative to the energy drink market, Coca-Cola can continue focusing on cross-selling potential through alcoholic and mixed drinks.

Constellation Brands (NYSE: STZ) is the largest beer import company in the US, with brands including Modelo, Corona Extra, and a portfolio of wines. Constellation previously partnered with Coke in 2022 for the launch of FRESCA cocktail mixers, providing precedence.

Diageo (LON: DGE) is a multinational beverage company which previously partnered with Coke in 2010 on the co-marketing of Schweppes soft drinks and Diageo spirits. An acquisition or further partnership would give Coke access to premium spirits including Johnnie Walker, Smirnoff, and Captain Morgan, allowing for new RTD cocktail creation.

Health-Focused Acquisition

Alternative Acquisition: Consumer health-consciousness has continued to develop post-COVID - a 2022 McKinsey survey found that 44% of Americans cut back on sugar within the past 12 months. Previous attempts to revamp Coke's image have been unsuccessful. Coke-branded alternatives (e.g., Coca-Cola Life) failed to overcome brand identity dissonance. Portfolio brands are similarly challenged. Coke divested Odwalla juices in 2020, and the Coke's Innocent smoothies acquisition has limited market share outside of the UK. Instead of in-house development, Coke can acquire a health-based alternative beverage.

Guru Organic (TSE: GURU) would be a much smaller acquisition at $36M EV, but has posted double-digit top-line growth through the last 2 quarters, and as an organic and naturally formulated energy drink, would capitalize on changing trends in multiple sectors.

Health-Ade, a private company estimated at $500M post-money, is the second-largest kombucha brand by sales and holds 19.37% of US market share. It would be a suitable, more established replacement for Mojo, Coke's kombucha brand that ceased operations in 2022 largely due to lack of growth resources for development.

Partnership with other Energy Drink Producer

Alternative Partners: Management can explore distributive and minority stake agreements with other companies in the energy drink market. While the current arrangement between Monster and Coke centers Monster as Coke's "Exclusive Energy Play", this agreement was challenged and subsequently beaten by Coke during litigation in 2019.

Red Bull GmbH: Red Bull GmbH is the largest company in the US energy drink market, at 43% market share. While a full acquisition seems unlikely due to Red Bull's managing philosophy, a potential partnership would allow Coke to capitalize on similar benefits as Monster.

Living Essentials LLC: The manufacturer of 5-Hour Energy, Living Essentials has a dominant share in the energy shots market and would enable an alternative approach to energy drinks in a similarly growing market, with much less competition and an already established position.

Re-Evaluate BODYARMOR for Future Divestiture

Consider Future Divestiture from BODYARMOR: Coke's "House of Brands" strategy has allowed for a structured approach to diversification. However, its $5.6B acquisition of BODYARMOR in 2021 is marked by continual difficulty in integration and market fit. Management detailed these struggles in earnings calls: first in 1Q23 with "we need to stabilize and reinvigorate BODYARMOR"- followed by negative outlooks for sports drinks as a whole in 2024, then with the category needing "normalization or restabilization" in 4Q23.

Besides BODYARMOR's struggles as a singular division, it competes with Coke's Powerade, glacéau vitaminwater, and smartwater brands as well, creating cannibalization risk.

Additionally, external competition remains a key issue. PepsiCo's Gatorade, the largest sports drink by market share in 2022 at 65.08%, dwarfs Coke's Powerade, at 13.08%. Even post BODYARMOR acquisition, Coke controls only 30.25%. Prime Hydration - which sold over $1.2B in 2023- has become a large player, outselling Gatorade at big box retailers like Walmart. Now is not a suitable time for divestiture, given the elevated valuation BODYARMOR was purchased at, unfavorable rates, and the recency of acquisition, but we advise Coke to measure performance and re-evaluate in the next few years to refocus on higher performing brands.

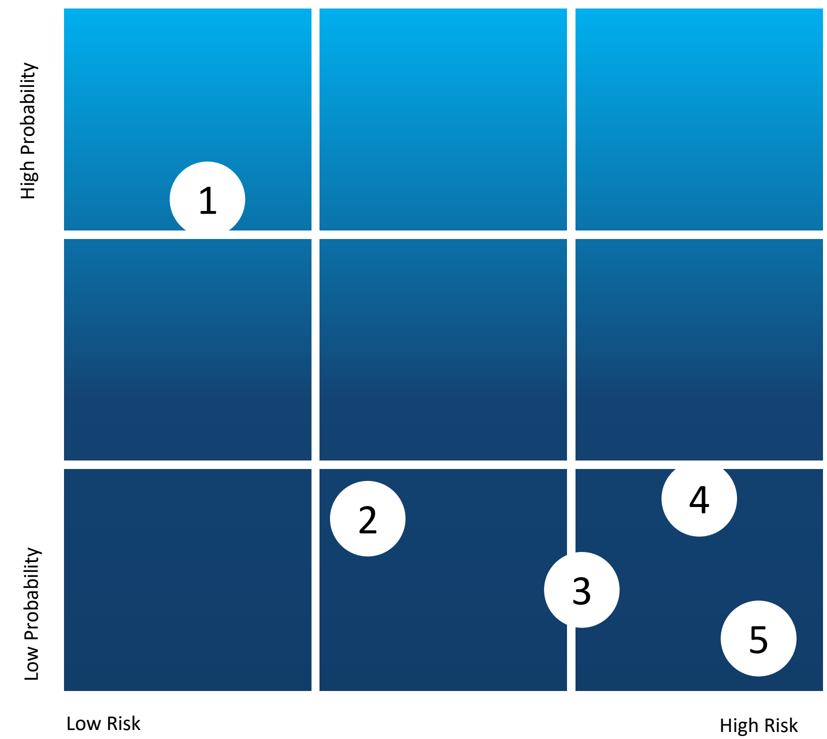
Sources: S&P Capital IQ, Statista, Company Press Releases, TheStreet, Grand View Research

Risks and Mitigants

M&A Strategic Alternatives and Analysis

#	Risks	Mitigation Strategies
1	**Threat of New Entrants**	While Monster currently holds a dominating position in terms of market share, the energy drink market is reaching maturity and attracting competing firms. Celsius, for example, has seen rapid growth- more than 98.1% YoY with a 66.0x forward looking P/E- and has signed distribution agreements with competitor PepsiCo. Active management of Monster IP is needed to preserve market share and sustain long-term competitive advantage.
2	**Over-Levered**	While Coke has the capacity to take on long-term debt, levering up does increases its exposure to rate changes and macroeconomic conditions. If markets destabilize or rates are hiked again, Coke may find itself requiring refinancing or other forms of capital.
3	**Failure to Launch**	The revenue synergies created are dependent on the cross-selling potentials enabled, and subsequent consumer demand for new SKUs. Developing a strong go-to-market strategy will be needed to successfully target the $35.2B concentrates market.
4	**Dilution Risk**	Monster comes at a large premium to comparable multiples, at an EV/EBITDA of 27.0x compared to the mean of 15.1x. While arguably justified due to strong historical growth and favorable forward growth outlooks, lower growth levels than expected have the potential to erode accretive value.
5	**Legislative Changes**	While possible, the potential for FDA regulation is severely limited and it is unlikely that we will see changes. Monster's mainline products contain 10 mg of caffeine/oz for a total of 160mg in a standard sized can. For reference, the average cup of coffee has 96 mg, with comparable offerings like a Starbucks Grande containing 250-300mg depending on roast.

Risk Matrix



To ensure that new SKUs (particularly concentrates) effectively launch, a dedicated **go-to-market** and brand management strategy is needed. If not properly integrated, cross-selling potential and revenue synergies will be limited. This risk can be managed by extensive market research and internal assessment of suitable portfolio brands to partner with. Additionally, operational benefits and **cost synergies** (like margin expansion and supplier partnerships) ensure that the transaction is accretive even accounting for potential go-to-market difficulties.

Sources: Statista, S&P Capital IQ, IBISWorld