

Date: ____ Feb. 4th ____

Analyst Name: ____ Jace Hochwalt ____

CIF Stock Recommendation Report (Spring 2013)

Company Name and Ticker: ____ Monster Beverage (MNST) ____

Section (A) Summary

Recommendation Buy: Yes No		Target Price: N/A	Stop-Loss Price: N/A
Sector: Consumer Staples	Industry: Food and beverage retailing	Market Cap (in Billions): 8.16 Billion	# of Shrs. O/S (in Millions): 171.37 Million
Current Price: 48.33	52 WK Hi: 83.96	52 WK Low: 39.99	EBO Valuation: \$22.01
Morningstar (MS) Fair Value Est.: 52.00	MS FV Uncertainty: High	MS Consider Buying: 31.20	MS Consider Selling: 80.60
EPS (TTM): 1.88	EPS (FY1): 1.89	EPS (FY2): 2.33	MS Star Rating: 3 star
Next Fiscal Yr. End "Year": "Month": Dec 2013	Last Fiscal Qtr. End: Less Than 8 WK: Y N	If Less Than 8 WK, next Earnings Ann. Date: Feb. 18th	Analyst Consensus Recommendation: Outperform
Forward P/E: 20.47	Mean LT Growth: 19.0	PEG: 1.33	Beta: .29
% Inst. Ownership: 76%	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: 2.2	Short as % of Float: 3.00%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	26.19	37.47	31.18
P/S (TTM)	4.08	1.3	3.48
P/B (MRQ)	9.17	3.13	1.57
P/CF (TTM)	22.87	12.68	19.24
Dividend Yield	0	2.13	1.67
Total Debt/Equity (MRQ)	0	40.28	18.95
Net Profit Margin (TTM)	16.84	5.37	7.25
ROA (TTM)	26.53	5.11	3.22
ROE (TTM)	36.94	11.07	17.37

<u>Investment Thesis</u>	<u>Summary</u>
<p>My overall opinion on this stock is a No buy. When I first looked at the stock I was instantly attracted to the high ROA, ROE, and most of all, the fact that the company had no debt.</p>	<p><u>Company Profile:</u> Monster Beverage Corporation develops, markets, and sells alternative beverages. The company is most known for their energy drink “Monster Energy.” They have much competition within their product lines, and compete with some major companies.</p>
<p>When I dug deeper into Monster I found some unattractive things about the company. They are currently involved in lawsuits with the FDA about the safeness of their beverages. There have been 5 deaths that have involved Monster energy drinks. Monster states that the energy drinks themselves are not the causes of the deaths. The high price multiples are also another unattractive feature. They have a much higher P/B, P/S, and P/CF ratio than all competitors. Also, if you look at their 50 day moving average compared to their 200 day moving average, you will notice that they hit the death cross about 4 months ago. Poor quarterly performance has really set the stock back though. This can be the main reason for the huge dips in the stock price in the last 8 months.</p>	<p><u>Fundamental Valuation:</u> Unfortunately, due mainly to the low beta of the stock and the lack of dividends, the stock is extremely undervalued in comparison to the current price. I got a value of \$21.53, which is severely under the current price of \$48.</p>
	<p><u>Relative Valuation:</u> The relative valuation of Monster Beverage also had the stock undervalued in most categories. The competitors I chose included Dr Pepper/Snapple, Coca Cola, Molson Coors, and PepsiCo. The best competitor in my opinion is Red Bull, but they are a privately owned company.</p>
	<p><u>Revenue and Earnings Estimates:</u> Revenue and earnings estimates for the future are promising and higher than previous quarters and years. Past revenue and earnings estimates tend to overestimate the actual revenue and earnings though which raises a red flag.</p>
<p>Although there are multiple reasons not to buy Monster’s stock, the company still has great room to grow. Although they hit the death cross about 4 months ago, it looks as though they are rebounding and will have a golden cross within 2 months. They also have incredibly high profit margins and are expected to expand into some new countries. They have expanded into a few so far and haven’t made too much money yet (but they didn’t make much money in the US the first 5 years either). It is expected to take 2 years of marketing in new countries to establish a good customer base. Then expansion will occur. It is said that if they decide to pursue a global market, they will have significantly higher revenue.</p>	<p><u>Analyst Recommendations:</u> Analysts are bullish about the MNST stock. The mean rating on Reuters.com is 2.33. This means that analysts are expecting MNST to just outperform the market. Yahoo Finance has a similar opinion. Unfortunately not many analysts have given their opinion. In better news, the mean rating has dropped from 2.6 to 2.33 in the last few months.</p>
	<p><u>Institutional Ownership:</u> The institutional ownership of Monster Beverage is very interesting. There is 477 total holders and mutual fund ownership is very low. With that said, there are 2 owners that hold a share of over 5%. Those companies are: Fidelity Management and Vanguard.</p>

<p>One remark I have about Monster Beverage Corporation's stock is about its very low beta. The beta is .2 yet this stock has fluctuated more than most stocks I've ever seen, and is extremely volatile for the sector it is in.</p>	<p><u>Short Interest:</u> One of the things I am most impressed about with this stock is the short interest. It is currently at about 2.2. It maintains a very low short interest ratio, even at one point hitting 1.00. The short interest ratio has ranged between 1 and 3 the last year.</p>
	<p><u>Stock Price Chart:</u> The stock chart for MNST is very interesting. Although the beta is very low, this stock does see a lot of movement. In the three month stock chart, the price fluctuates between \$44 and \$56. The 6 month chart ranges from about \$40 to \$70. The one year chart ranges from \$40 to \$80, and there was actually a stock split last February.</p>

Section (B) Company Profile (two pages maximum)

Company Summary

“Based in Corona, California, Monster Beverage Corporation is a leading marketer and distributor of energy drinks and alternative beverages. The Company markets and distributes Monster Energy® brand energy drinks, Monster Energy Extra Strength Nitrous Technology® brand energy drinks, Java Monster® brand non-carbonated coffee + energy drinks, X-Presso Monster® brand non carbonated espresso energy drinks, M-3™ superconcentrated energy drinks, Monster Rehab™ non-carbonated rehydration energy drinks, Worx Energy® shots, and Peace Tea® iced teas, as well as Hansen’s® natural sodas, apple juice and juice blends, multi-vitamin juices, Junior Juice® beverages, Blue Sky® beverages, Hubert’s® Lemonades, Vidration® vitamin enhanced waters, and PRE® Probiotic drinks (MonsterBevCorp.com).”

Monster Beverage Corporation is a leader within the energy drink business. In May of 2012, they held nearly 35% of the energy drink market (seekingalpha.com). They target drinks to younger audiences like adolescents and young adults. Monster does have several competitors. Coca Cola and Pepsi both compete in the energy drink market but Monster still holds a majority of the market in comparison. One of their largest competitors is Red Bull. Unfortunately, Red Bull is a private company though so I was unable to look at all their financial statistics.

Business Model, Competition, Environment and Strategy

Monster Beverage Corporation has an interesting business model. They focus a lot of their attention on advertising. They also focus strictly on teenagers. Monster sponsors several action sports athletes and has an incredibly successful advertising campaign. A big thing that Monster has to watch out for is lawsuits. There have been 5 deaths that have involved the Monster energy drink. Monster rebuttals against the fact the energy drinks are actually what caused the deaths. I believe the reason the stock has seen such ups and downs this last year is due to the lawsuits that they have been battling.

Like I mentioned before, competition within the energy drink market (92% of Monster Beverage Corporation’s revenue) is very competitive. Energy drinks were not popular until around 2000. In 2003, Monster had \$50 million in revenue, but exploded to \$1.7 billion by 2011

(Morningstar). That is when Red Bull and Monster really had a battle between who could control the most market share. Red Bull currently holds more market share in the energy drink market than does Monster. Unfortunately Red Bull is a privately held company so I could not compare the two very similar companies. Both companies really saw a huge rise in profits and revenue within the last 6 years. Both companies are typically huge sponsors for action sports athletes and both companies have catch phrases for their drinks.

Revenue and Earnings History

Revenue (In Millions USD)			
Periods	2010	2011	2012
March	263	356	455
June	366	462	593
September	319	475	542
December	356	410	
Total	1304	1703	1590

Earnings			
Periods	2010	2011	2012
March	.18	.31	.44
June	.36	.48	.62
September	.38	.47	.49
December	.28	.37	
Total	1.20	1.62	1.55

As you can see by the tables above, revenue and earnings have both increased over the last 3 years. Revenue increased by \$400 million between 2010 and 2011. There does seem to be a trend within the revenue of Monster Beverage Corporation. During the month of June, usually Monster has their highest revenue. This is probably due to the fact that kids do not have school over the summer months, so more energy drinks are bought. It seems that the March and December quarters are usually the quarters where Monster has the least revenue.

Earnings have a very similar trend to revenue as far as seasonality. In the last 3 years, the worst earning have occurred in the December and March quarters, with higher earnings in June and September. Earnings have increased significantly, in a similar fashion as revenue. The question that needs to be asked is; can Monster keep up these huge increases in revenue and earnings in the future? The short answer to this is yes. Energy drinks have gained popularity among the years and I do not see the trend stopping for awhile, unless there are big lawsuits that Monster loses.

MNST	PARAMETERS	FY1	FY2	Ltg									
	EPS Forecasts	1.89	2.33	19.00%									
	Book value/share (last f)	5.20											
	Discount Rate	9.80%											
	Dividend Payout Ratio (F	0.00%											
	Next Fsc Year end	2012											
	Current Fsc Mth (1 to 12)	2											
	Target ROE (industry avg	11.07%											
	Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Long-term EPS Growth Rate (Ltg)			0.1900	0.1900	0.1900	0.1900	0.1900					
	Forecasted EPS	1.89	2.33	2.77	3.30	3.93	4.67	5.56					
	Beg. of year BV/Shr	5.200	7.090	9.420	12.193	15.492	19.419	24.091					
	Implied ROE		0.329	0.294	0.271	0.253	0.241	0.231					
ROE	(Beg. ROE, from EPS forecast	0.363	0.329	0.294	0.271	0.253	0.241	0.231	0.207	0.183	0.159	0.135	0.111
Abnormal ROE	(ROE-k)	0.265	0.231	0.196	0.173	0.155	0.143	0.133	0.109	0.085	0.061	0.037	0.013
growth rate for B	(1-POR)*(ROEt-1)	0.000	0.363	0.329	0.294	0.271	0.253	0.241	0.231	0.207	0.183	0.159	0.135
Compounded growth		1.000	1.363	1.812	2.345	2.979	3.734	4.633	5.702	6.881	8.139	9.431	10.701
growth*AROE		0.265	0.314	0.356	0.405	0.463	0.533	0.615	0.620	0.583	0.494	0.346	0.136
required rate (k)	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098	0.098
Compound discount rate		1.098	1.206	1.324	1.453	1.596	1.752	1.924	2.113	2.320	2.547	2.797	3.071
div. payout rate (k)	0.000												
Add to P/B	PV(growth*AROE)	0.24	0.26	0.27	0.28	0.29	0.30	0.32	0.29	0.25	0.19	0.12	0.04
Cum P/B		1.24	1.50	1.77	2.05	2.34	2.64	2.96	3.26	3.51	3.70	3.83	3.87
Add Perpetuity beyond current yr	(Assume this gr's AROE forev	2.47	2.66	2.74	2.84	2.96	3.10	3.26	3.00	2.57	1.98	1.26	0.45
Total P/B	[P/B if we stop est. this period]	3.71	4.16	4.51	4.89	5.30	5.75	6.23	6.25	6.07	5.68	5.09	4.32
Implied price		19.60	22.01	23.85	25.85	28.02	30.36	32.91	33.05	32.10	30.04	26.90	22.84
Check:													
Beg. BV/Shr		5.20	7.09	9.42	12.19	15.49	19.42	24.09	29.65	35.78	42.32	49.04	55.65
Implied EPS		1.89	2.33	2.77	3.30	3.93	4.67	5.56	6.13	6.54	6.72	6.61	6.16
Implied EPS growth			0.233	0.190	0.190	0.190	0.190	0.190	0.103	0.067	0.027	-0.017	-0.068

EPS forecasts (FY1 & FY2): 1.89 and 2.33 respectively

Long-term growth rate: 19%

Book value /share (along with book value and number of shares outstanding):

Book value: 889.67 million

of shares outstanding: 171.37 million

Book value / share: 5.6

Dividend payout ratio: 0

Next fiscal year end: December 2013

Current fiscal month: 2

Target ROE: 11.07

Output

Above normal growth period chosen: _____ **3** _____

EBO valuation (Implied price from the spreadsheet): _____ **\$28.02** _____

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

_____ **\$32.91** _____ if changing above normal growth period to _____ **5** _____

_____ **\$30.94** _____ if changing growth rate from mean (consensus) to the highest estimate _____ **23%** _____

_____ **\$25.28** _____ if changing growth rate from mean (consensus) to the lowest estimate _____ **15%** _____

_____ **\$52.35** _____ if changing discount rate to _____ **6%** _____

_____ **\$28.02** _____ if changing target ROE to _____ **5%** _____

*All of the above changes apply to a 3 year growth period. So all the numbers in the last 4 questions have the implied price for the year 2016

Section (D) Relative Valuation

MNST													
					Mean FY2								
					Earnings Estimate	Forward	Mean LT	PEG	P/B	ROE	Value	P/S	P/CF
	Ticker	Name	Mkt Cap	Current Price	(next fiscal year)	P/E	Growth Rate		(MRQ)	5 yr ave	Ratio	TTM	TTM
1	PEP	Pepsico	\$ 113,150.00	\$ 73.09	\$ 4.41	16.57	4.93%	3.36	5.21	34.38%	0.15	1.71	12.97
2	DPS	Dr Pepper Snapple	\$ 9,550.00	\$ 45.42	\$ 3.19	14.24	6.90%	2.06	4.08	11.69%	0.35	1.58	10.84
3	TAP	Molsen Coors Brewing	\$ 8,080.00	\$ 44.58	\$ 3.98	11.20	5.40%	2.07	0.97	8.54%	0.11	2.09	10.15
4	KO	Coca Cola Company	\$ 171,060.00	\$ 37.99	\$ 2.17	17.51	8.20%	2.13	5.05	31.88%	0.16	3.52	15.41
	MNST	Monster Beverage	\$ 8,160.00	\$ 48.33	\$ 2.33	20.74	19.00%	1.09	9.17	33.56%	0.27	4.08	22.87
		Implied Price based on:				P/E		PEG	P/B		Value	P/S	P/CF
1	PEP	Pepsico				\$38.62		\$148.83	\$27.46		\$26.80	\$20.26	\$27.41
2	DPS	Dr Pepper Snapple				\$33.18		\$91.35	\$21.50		\$61.73	\$18.72	\$22.91
3	TAP	Molsen Coors Brewing				\$26.10		\$91.83	\$5.11		\$20.09	\$24.76	\$21.45
4	KO	Coca Cola Company				\$40.79		\$94.52	\$26.62		\$28.02	\$41.70	\$32.57
		High				\$40.79		\$148.83	\$27.46		\$61.73	\$41.70	\$32.57
		Low				\$26.10		\$91.35	\$5.11		\$20.09	\$18.72	\$21.45
		Median				\$35.90		\$93.17	\$24.06		\$27.41	\$22.51	\$25.16

similar market cap. As seen, PepsiCo and Coca-Cola have much higher of a market cap than Monster, so I did think TAP was a good way for me to compare companies based on market cap.

Monster has an earnings estimate that falls in line with the rest of the competition I have stated above. Monster does have a very low market cap in comparison with its main competitors, Coca Cola, and PepsiCo, but does have a higher market cap than Molson Coors. What jumps out the most is the long term growth rate. Monster Beverage has a growth rate that is over twice the growth rate of all other competitors at 19%. The really bad news about Monster's multiples in comparison to competitors is that Monster has the highest P/B, P/S, and P/CF ratios by a clear margin. The ROE 5 year average is good though and falls in line with both Coca-Cola and PepsiCo.

From the bottom panel

In the lower section of the chart, there is not much good news for Monster Beverage in comparison to its competition. In the P/E, P/B, P/S, value ratio, and P/CF comparisons, Monster's stock is overvalued by all. The one ratio that actually undervalues the stock is the PEG ratio, and this is due to the very high growth rate which Monster has. The one thing I question is the growth rate. Monster only had two analysts value a growth rate so I think it is tough to actually conclude that this 19% growth rate is accurate. With that said however, I do believe that the PEG ratio is the best measure of the stock price vs. competition. Monster has been growing rapidly in the last 10 years and shows little signs of slower growth.

Almost all of the valuation metrics overvalue Monster's stock price even at its 52 week low. Some reasons for Monster Beverage Corporations stock to be overvalued in almost every category is due to a low beta, and very high pricing multiples. It would be great if I could compare Red Bull in this comparison, but I will bring the company Red Bull up more in my presentation.

Section (E) Revenue and Earnings Estimates

HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Sep-12	578.47	541.94	- 36.53	- 6.32
Quarter Ending Jun-12	594.19	592.64	- 1.55	- 0.26
Quarter Ending Mar-12	447.14	454.61	7.46	1.67
Quarter Ending Dec-11	410.99	409.96	- 1.03	- 0.25
Quarter Ending Sep-11	463.73	474.71	10.98	2.37
Earnings (per share)				
Quarter Ending Sep-12	0.55	0.47	- 0.08	- 14.36
Quarter Ending Jun-12	0.61	0.59	- 0.02	- 3.09
Quarter Ending Mar-12	0.38	0.41	0.03	6.80
Quarter Ending Dec-11	0.36	0.35	- 0.01	- 3.61
Quarter Ending Sep-11	0.44	0.44	0.00	0.68

As seen from the chart above, there have been positive and negative estimates within the last 5 quarters. This most recent quarter (Sep 2012), Monster negatively missed revenue and earnings by a large margin. This could be due to the lawsuits that have been arising within the 5 months about deaths that are potentially related to Monster energy drinks. That seems to be the only major miss in revenue and earnings. In June of 2012, both earnings and revenue missed by a low margin. In March of 2012, both earnings and revenue exceeded expectations by a small margin. In December of 2011, both earnings and revenue missed by a low margin. In March of 2012, revenue exceeded expectations, while earnings hit the exact estimate. There seems to be no real pattern, just besides the fact that Monster Beverage has missed earnings and revenue in the last two quarters which could potentially be a bad sign.

After looking at Monster Beverage Corporation's stock chart over the past 18 months, I noticed some interesting things. Last quarter (September, 2012), when earnings and revenue

missed, the stock dropped by 20 percent within a week. The quarter before this (June, 2012), the stock dropped nearly 12 percent a week after earnings missed. This really scares me about purchasing this stock. The other surprises did not have nearly as much effect on the stock price, but if this is a trend that Monster Beverage will continue to have then I would steer clear of the stock during earnings.

CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	6	520.22	538.65	497.60	457.88
Quarter Ending Jun-13	6	679.95	707.16	653.21	629.11
Year Ending Dec-13	9	2,390.13	2,525.57	2,303.00	2,286.03
Earnings (per share)					
Quarter Ending Mar-13	7	0.49	0.53	0.45	0.42
Quarter Ending Jun-13	7	0.69	0.74	0.64	0.67
Year Ending Dec-13	10	2.33	2.53	2.13	2.24
LT Growth Rate (%)	2	19.00	23.00	15.00	14.50

The chart above shows analyst estimates for the upcoming quarters and year end for Monster Beverage Corporation. For sales, the difference between the high estimate and the mean is about 3.5%, and the difference between the low estimate and the mean is about 4.5% for the quarter ending March 2013. For the quarter ending in June of 2013, the difference between the

high estimate and the mean is right around 4%, and the difference between the low estimate and the mean is also 4%. For the year ending in 2013, there is a bit larger of a margin. The difference between the high estimate and the mean is about 10%, whereas the difference between the low estimate and the mean is around 4%. I think the reason for the high difference between the high estimate and the mean is due to the fact that this company has been growing and gaining more and more revenue each quarter, but it is tough to exactly estimate just how much the company will increase sales in a full year time span. The very good news is that all these estimates are up significantly from where they were at only a year ago.

Earnings per share estimates seem to range a little more than the sales estimates. For the quarter ending March 2013, the difference between the high estimate and the mean is about 8%, and the difference between the low estimate and the mean is about 9%. For the quarter ending June of 2013, the difference between the high estimate and the mean is about 7%, and the difference between the low estimate and mean is about 8%. For the year ending in 2013, the difference between the high estimate and the mean is about 8.5%, whereas the difference between the low estimate and the mean is about 9.5%. These seem to stay between the range of 9% for the high and low sides of the mean even for the year ending. The earnings per share estimates, just like sales, have gone up by a significant margin since last year, which is a good sign of growth.

Another value that this chart mentions is the long term growth percentage. The mean is 19%, but there are only 2 analysts that give there estimation for the long term growth rate. The low estimate is 15% and the high estimate is 23%. These are significantly different, but they are still very high growth rates in comparison with the industry and close competitors. It is worrisome that only 2 analysts have estimated this variable, and makes me wonder how realistic the estimate actually is.

CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	520.22	520.22	520.70	520.70	457.88
Quarter Ending Jun-13	679.95	679.95	682.05	682.05	629.11
Year Ending Dec-13	2,390.13	2,390.13	2,396.59	2,396.94	2,286.03
Earnings (per share)					
Quarter Ending Mar-13	0.49	0.49	0.49	0.49	0.42
Quarter Ending Jun-13	0.69	0.69	0.69	0.69	0.67
Quarter Ending Dec-13	2.33	2.33	2.33	2.33	2.24

The chart above shows the consensus estimate trend within the last 2 months, as well as last year at this time. If you look above, you will be able to notice that there is little to no change for sales or earnings in the last 2 months. This is by far the closest consensus I have ever seen. The only major difference, which I mentioned in the previous section, is the fact that sales and earnings per share are up significantly in comparison to where estimations were at 1 year ago. The chart sends bullish messages, yet at the same time, sends bearish messages. Sales and earnings are up from a year ago, but virtually have not changed within the last 2 months, so it is tough to infer what will happen next.

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	0	1	1
Quarter Ending Jun-13	0	0	1	1
Year Ending Dec-13	0	0	1	2
Earnings				
Quarter Ending Mar-13	0	0	0	1
Quarter Ending Jun-13	0	0	1	1
Year Ending Dec-13	0	0	0	1

The Chart above shows when and how revisions have taken place within the last week and the last 4 weeks. The last week there has been no estimate revisions, but in the last 4 weeks there have been a few. For revenue in the quarters ending in March and June of 2013, one analyst has revised up, and another has revised down. For revenue for the year ending in 2013, one analyst has revised upward, and two have revised downward.

Earnings per share revisions are somewhat similar to revenue revisions. For the quarter ending in March of 2013, one analyst has revised downward, and no analysts revised upward. For the quarter ending in June of 2013, one analyst has revised upward and one analyst has revised downward. For the year ending in 2013, one analyst has revised downward, and no analysts have revised upward.

There seems to be no trend among analysts. Some say that revenue and earnings will be up, while others say that revenue and earnings will be down, so again it is tough to infer what really will happen as far as earnings and revenue goes.

Based on other websites and other analysts, this is by far the most difficult stock to predict that I have looked at. They have increasing revenue and earnings every year, yet they are not beating estimates and their stock is taking a beating from missed estimates at a very extreme pace. Overall this stock is said to outperform the market by every website I have looked at. Some analysts say this is a stock that should be shorted, while others say that this stock will outperform the market and grow at a rapid pace. Morningstar overall claims that the stock is still undervalued, and there is room for massive growth in the United States, but mainly overseas. With that said, Morningstar seems to be on the fence about this stock though. They do go into severe detail about the competitors the Monster faces, as well as the suppliers of the raw materials that Monster uses for their beverages.

Honestly what it comes down to with the purchase of Monster Beverage Corporation's stock is risk. The risky investors are seeing Monster as an opportunity to make huge gains by looking more at the opportunities and tuning out the threats of the business. The less risky investors are shorting this stock or just completely looking past this stock just because there is too much financial risk involved. This is the idea I have gotten from all the articles I have read. Monster has great room for expansion, loads of cash, and no debt. They also have high competition and threats of lawsuit by the FDA. If I were a sole investor, I would put this stock in my portfolio and keep it for awhile because I like risk and I see high risk as high return. For someone on the other end of the spectrum, they see this stock as a high risk stock that could mean high losses. For the Cougar Investment Fund, I recommend this stock as a no buy. I don't believe that one semester is long enough to have the reward override the risks involved.

Section (F) Analysts' Recommendations

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	2	2	1	1
(2) OUTPERFORM	3	3	3	3
(3) HOLD	2	3	5	5
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.25	2.33	2.60	2.60

The chart above shows the overall recommendations of analysts and their revisions within the last three months. As you can see, the mean rating has actually dropped in the last three months which is a bullish sign among these analysts. Three months ago and two months ago, analysts said the exact same thing. One analyst recommended a buy, three said it would outperform the market, five said to hold it, and one said the stock would underperform. One month ago, analysts revised their opinions slightly. Two analysts recommended a buy, three said the stock would outperform the market, two said to hold the stock, and one said the stock would underperform. Since a month ago, it looks as though one analyst decided to no longer look at the stock and removed his/her recommendation from a hold to nothing at all.

Overall it seems that analysts have become more bullish about Monster Beverage Corporation. What does concern me is the lack of analysts that actually have an opinion on Monster's stock. There are currently only 8 analysts that have rated this stock, which seems low,

especially in comparison with the higher number of analysts rating stocks for competitors like Coca-Cola and PepsiCo. These analyst opinions do coincide with that of Morningstar. For the most part there is a slightly bullish sentiment, but there is a lot of uncertainty overall. Yahoo Finance gives Monster Beverage's stock a 2.4 rating, where 1 is a strong buy and 5 is a sell. This is also very similar to the analyst opinions of Reuters.

Below is the upgrades and downgrades that Monster did/didn't get in the last two months according to CNBC.com. Unfortunately, Monster Beverage comes out with earnings on the 18th of February, and in the last two months, CNBC does not have Monster listed at all as far as analysts upgrading or downgrading the stock. I figured I would include this chart to show that I have in fact completed the work, but just had no information

Revision Date	Upgrade or Downgrade	Current Recommendation	Previous Recommendation	Firm	Last Revision
The most recent revision date					
The earliest revision date in the last two months					

Section (G) Institutional Ownership

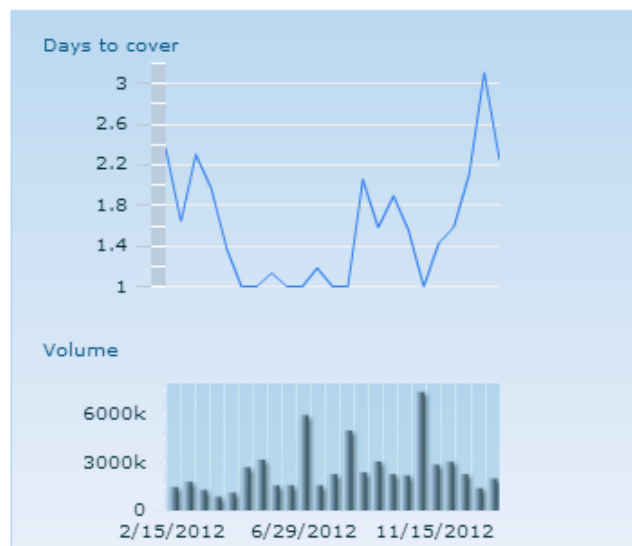
MNST				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			171,371,475	100.00%
# of Holders/Tot Shares Held	477	99.17%	132,572,973	77.36%
# New Positions	18	3.74%		
# Closed Positions	22	4.57%		
# Increased Positions	48	9.98%		
# Decreased Positions	83	17.26%		
Beg. Total Inst. Positions	481	100.00%	135,426,886	79.03%
# Net Buyers/3 Mo. Net Chg	-35	36.64%	-2,853,913	-1.67%
Ownership Information	% Outstanding			
Top 10 Institutions % Ownership	36.70%			
Mutual Fund % Ownership	0.87%			
Float %	0.00%			
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
Fidelity Management & Research Company	6.8	9/30/2012		
The Vanguard Group, Inc	5.2	12/31/2012		

The chart above explains the ownership of Monster Beverage Corporation. Overall this chart does send a bearish signal to investors. Overall there are negative 35 net buyers (35 net sellers), and a 3 month net change of -1.67% in Monster's shares. There are a total of 477 share holders and they make a total of 77.36% of Monsters stock. There have been 18 new positions, but 22 closed positions which cancel new positions. There have also been 48 increased positions, but there have been 83 decreased positions. For top 10 institutions holding, they hold about 37% of Monsters stock which is about average. The mutual fund ownership is

minimal at less than a percent. This is a somewhat negative sign in my opinion. There are two companies that hold over 5% of the stock. These companies include Fidelity Management and Research Company, and The Vanguard Group, Inc, which hold 6.8% and 5.2% respectively. There are however, no corporate insiders that hold more than 5% of shares.

Section (H) Short Interest (two pages)

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/15/2013	4,493,711	2,000,065	2.246782
12/31/2012	4,344,126	1,396,584	3.110537
12/14/2012	4,808,251	2,273,786	2.114645
11/30/2012	4,839,656	3,044,578	1.589598
11/15/2012	4,115,343	2,887,530	1.425212
10/31/2012	3,563,453	7,456,595	1.000000
10/15/2012	3,424,743	2,195,530	1.559871
9/28/2012	4,321,488	2,280,357	1.895093
9/14/2012	4,882,747	3,084,036	1.583233
8/31/2012	4,915,620	2,392,280	2.054785
8/15/2012	3,298,073	5,039,539	1.000000
7/31/2012	1,935,856	2,294,591	1.000000
7/13/2012	1,848,862	1,562,560	1.183226
6/29/2012	1,419,341	6,008,643	1.000000
6/15/2012	1,553,655	1,570,086	1.000000
5/31/2012	1,767,033	1,561,029	1.131967
5/15/2012	1,992,000	3,184,208	1.000000
4/30/2012	1,564,666	2,715,284	1.000000
4/13/2012	1,549,569	1,121,594	1.381577
3/30/2012	1,709,031	867,444	1.970192
3/15/2012	2,971,878	1,290,724	2.302489
2/29/2012	2,949,139	1,799,528	1.638840
2/15/2012	3,426,120	1,449,778	2.363203



The charts above show the short interest and days to cover for Monster Beverage Corporation. As you can see above, the days to cover has ranged between 1 and 3 in the last year. This is a good sign and is low compared to direct competitors. Both PepsiCo and Coca-Cola have their days to cover ranging between 1 and 4. Although not in my relative valuation, I wanted to compare Starbucks short interest to Monster's. Starbucks is not really a direct competitor with Monster, but they do have similar business models. Starbucks' days to cover is between 1 and two which is slightly better than Monster.

The days to cover for Monster has increased in the last 2 months which is a slight bearish sign, but they are still low, and by looking at the short interest trends, I would expect the days to cover to drop lower here shortly. Overall, the short interest and days to cover send mostly bullish signals towards investors. Below are charts Short Interest Chart for Both PepsiCo and Coca-Cola.

Coca-Cola Short Interest Table

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/15/2013	26,111,805	14,802,121	1.764058
12/31/2012	24,207,717	15,360,361	1.575986
12/14/2012	28,397,555	11,605,620	2.446880
11/30/2012	27,418,611	12,139,431	2.258641
11/15/2012	31,059,137	12,733,757	2.439118
10/31/2012	30,341,289	15,835,427	1.916039
10/15/2012	25,164,863	12,317,271	2.043055
9/28/2012	27,917,980	29,697,694	1.000000
9/14/2012	53,823,285	19,182,494	2.805854
8/31/2012	53,804,263	13,467,592	3.995092
8/15/2012	43,011,886	11,476,538	3.747810
7/31/2012	45,968,972	15,125,504	3.039170
7/13/2012	43,835,954	11,949,184	3.668531
6/29/2012	40,446,364	12,900,252	3.135316
6/15/2012	44,559,488	13,691,362	3.254569
5/31/2012	40,855,112	17,051,654	2.395962
5/15/2012	46,132,808	13,443,630	3.431574
4/30/2012	36,993,812	16,282,578	2.271987
4/13/2012	33,936,718	12,431,686	2.729856
3/30/2012	31,249,180	19,174,050	1.629764
3/15/2012	28,174,102	18,123,070	1.554599
2/29/2012	28,957,176	13,555,182	2.136244
2/15/2012	27,281,018	15,062,842	1.811147

PepsiCo Short Interest Table

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/15/2013	10,206,828	5,755,300	1.773466
12/31/2012	9,198,671	5,321,098	1.728717
12/14/2012	10,671,716	4,507,596	2.367496
11/30/2012	11,620,880	4,771,590	2.435431
11/15/2012	11,923,667	4,768,719	2.500392
10/31/2012	10,079,269	6,524,028	1.544946
10/15/2012	10,896,867	4,761,714	2.288434
9/28/2012	11,574,109	5,160,799	2.242697
9/14/2012	13,344,908	6,073,134	2.197368
8/31/2012	17,016,350	4,591,172	3.706319
8/15/2012	16,556,762	5,663,134	2.923604
7/31/2012	15,960,537	6,613,703	2.413253
7/13/2012	15,909,465	4,894,156	3.250707
6/29/2012	14,858,067	6,496,348	2.287141
6/15/2012	15,525,156	6,110,633	2.540679
5/31/2012	14,494,565	9,552,384	1.517377
5/15/2012	9,181,470	7,437,147	1.234542
4/30/2012	8,561,247	6,426,066	1.332269
4/13/2012	7,663,188	5,499,846	1.393346
3/30/2012	7,810,462	6,250,273	1.249619
3/15/2012	6,923,280	6,341,838	1.091684
2/29/2012	6,728,934	12,469,462	1.000000
2/15/2012	8,784,724	9,238,507	1.000000

From <http://finance.yahoo.com/>

Complete the following table with information from the “*share statistics*” table.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,304,300	1,568,360	171.37 million	157.69 million
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
4.49 million	2.7	3.00%	4.34 million

Like I said in the section above, the short interest seems to vary between 1 and 3, and is currently at the higher end of that spectrum. Overall the short interest is good, especially in comparison to competition, but in the last month, the short interest has slightly increased which could send some bearish signs as well.

Section (I) Stock Charts

A three months price chart



In this graph, I compare Monster Beverage Corporation between its competitors, the sector, and the S&P 500. As you can see, all of the stocks and the sector follow the S&P 500 very closely. Monster however is fluctuating a lot more in comparison to all the other stocks. Monster released their third quarter earnings just over three months ago so that is the main reason they are so low and jump back up.

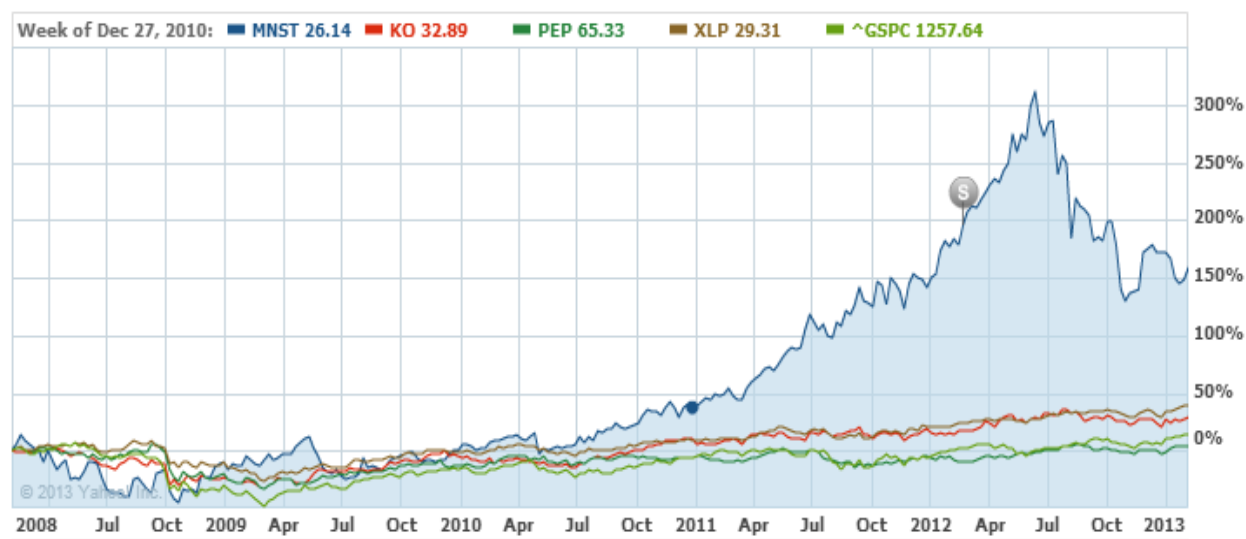
A one year price chart



This is a one year stock chart comparing Monster to the competitors, the sector, and the S&P 500. This graph is a little different than the three month graph. Monster does great for the

first 4 months (even having a stock split in mid February of 2012) and then hits a road block of bad news. They first released their earnings for the second quarter in August, which were below estimates. Then they deal with the FDA due to fatalities that involved Monster Beverage products. They then start to rebound but get held back by lack of earnings and revenue in the third quarter, which were released in November. Since then, they have seen ups and downs. DON'T BE DECIEVED BY THE EXTREMELY LOW BETA!

A five year price chart



This stock chart compares Monster to its competitors, the sector, and the S&P 500 over the last 5 years. As you can see, if you owned this stock 5 years ago or even 3 years ago, you would have made a lot. Not to mention that there was a stock split in February of 2012. The S&P and the sector, as well as Monster's competitors follow along the same line. Monster on the other hand, blows all of them out of the water due to a huge increase in revenue and sales. Although they have had a lot of ups and downs in the last 5 years, it is clear that they exploited a new market and took advantage of it. And overall it is clear that it paid off. The question that remains is; will they be able to keep up this heavy growth? That is a question that me and many other analysts have trouble with.

Additional price chart

50 day vs. 200 day moving average



This is my favorite graph to look at. The graph shows the 50 day moving average compared to the 200 day moving average of Monster Beverage Corporation. Honestly, this is what attracted me the most about this stock. As you can see, there is a death cross that takes place right around September of 2012. Now it seems that the 50 day average will soon overtake the 200 day moving average again though creating a golden cross. I am not certain that this will take place, but by looking at the graph, it looks like it will. I ultimately recommend a no buy for Monster, but I would like to come back to this stock in two weeks after earnings are released and see if the golden cross looks more plausible, or if earnings just kill the stock for a third straight quarter.

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