

Deal of the Week: Coke to Buy Stake in Monster Beverage for \$2.15B

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| Announcement Date | <ul style="list-style-type: none"> • August 14, 2014 | |
| Acquirer | <ul style="list-style-type: none"> • The Coca-Cola Company (NYSE: KO) | |
| Acquirer Description | <ul style="list-style-type: none"> • Manufactures and distributes coke, diet coke, and other soft drinks worldwide • Founded in 1886 and headquartered in Atlanta, Georgia | |
| Acquirer Financial Statistics | <ul style="list-style-type: none"> • Mkt Cap: \$179.3 billion • EV: \$197.9 billion • LTM Revenue: \$46.2 billion | <ul style="list-style-type: none"> • LTM EBITDA: \$13.1 billion • LTM EV / Revenue: 4.3x • LTM EV / EBITDA: 15.1x |
| Target Company | <ul style="list-style-type: none"> • Monster Beverage Corporation (NASDAQ: MNST) | |
| Target Description | <ul style="list-style-type: none"> • Markets, sells, and distributes alternative beverage category beverages in the United States and internationally • Founded in 1985 and headquartered in Corona, California | |
| Target Financial Statistics | <ul style="list-style-type: none"> • Mkt Cap: \$15.6 billion • EV: \$14.8 billion • LTM Revenue: \$2.4 billion | <ul style="list-style-type: none"> • LTM EBITDA: \$687.1 million • LTM EV / Revenue: 6.3x • LTM EV / EBITDA: 21.5x |
| Price / Consideration | <ul style="list-style-type: none"> • Price: \$2.15 billion (16.7%) | <ul style="list-style-type: none"> • Consideration: Cash |
| Target Advisor | <ul style="list-style-type: none"> • Barclays | |
| Rationale | <ul style="list-style-type: none"> • A major rationale for the deal was Coca-Cola's desire to find a replacement for carbonated soft drink sales. Access to the fast-growing market for the highly caffeinated beverages will help Coca-Cola offset the slowing growth of soda sales and connect with a younger generation of consumers • The deal unites the biggest soda maker in the world with the largest energy drink brand in the United States | |
| Deal Points | <ul style="list-style-type: none"> • Coca-Cola announced that it had acquired a 16.7 percent stake in Monster for \$2.15 billion • The deal stipulates that Coca-Cola can increase its stake in Monster to 25 percent through purchases on the open market, or through a negotiated transaction with the company. But Coca-Cola is prohibited from increasing its stake beyond 25 percent for four years without Monster's approval • The equity investment is accompanied by a series of business deals between the companies, including the swapping of some brands, new partnerships, and the addition of board seats at Monster • Monster will allow Coca-Cola to appoint two new members to the company's board | |
| Of Note | <ul style="list-style-type: none"> • This is the second major investment Coca-Cola has made this year. In January, it acquired a 10 percent stake in the coffee company Keurig Green Mountain for about \$1.25 billion. It later increased its stake in Keurig to 16 percent | |