S&P Global
Market Intelligence

Celsius Holdings, Inc.

NasdaqCM:CELH

Company Conference Presentation

Tuesday, June 3, 2025 9:30 AM GMT

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Presentation

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. Well, welcome back, everybody. Thanks for joining us. The next session, I'm very excited to welcome for the first time ever, the Celsius Holdings Company to our Paris conference.

I'm sure many of you in the room know, but Celsius is a global maker of premium lifestyle energy drinks, including the Celsius brand itself as well as now Alani Nu. Alani Nu is the #4 energy drink brand in the U.S. behind Celsius. So together, it's quite a powerful combination. Pro forma last year, the business generated roughly $2 billion in revenue with sizable future growth expected both in the U.S. market and overseas.

With us today, I'm very pleased to welcome John Fieldly, Chief Executive Officer of Celsius as well as Jarrod Langhans, Chief Financial Officer.

So we're going to use the bulk of our time for Q&A. And I'm going to kick it off with John. The company is new to the conference and arguably newer and maybe less familiar to a lot of European investors, although I think ACV here in France has reached 88%. So it's obviously an up-and-coming brand here in Europe. Maybe just kick us off and who is Celsius, and we'll go from there.

John Fieldly
CEO & Chairman

Thank you for having us. Excited to be here first time with you all in Paris. And we're really seeing a renaissance right now in the energy category. So Celsius was born in the U.S. in fitness. It's a sugar-free portfolio and functional vitamins, over 7 central vitamins. We just brought on -- did an acquisition with Alani Nu, a female-focused brand. But it's really a renaissance that's taking place in the energy category.

More people -- new consumers are coming into the category that are aligned with our modern energy portfolio of Celsius and Alani. You're seeing more females enter the category for the first time. There was an intel report talking about in the U.S. that the incrementality of the female shopper has been material and expected to continue to grow, also increasing consumption occasions as well. We're seeing the energy category really lines are blurring.

Historically, energy drinks have been consumed for a specific need state. And what you're seeing today with the next generation coming into the category and it's evolving, you're seeing energy drinks consumed throughout the day. You're actually seeing it consumed with meals. We're seeing that in the U.S. We just launched into Subway locations up to 20,000. We're in Jersey Mike's. We partnered with Pepsi as our distribution partner in North America, and foodservice has been a big opportunity in the convenience channel.
You're seeing a lot of pairings and opportunities as you're seeing meal deals and those type of opportunities. So really changing the way consumers are consuming energy drinks. We have some of the most refreshing energy drinks we feel on the market from Peach Vibe and Orange and Kiwi Guava. So it's a really exciting time right now, and it's a fitness lifestyle brand, health and wellness-focused portfolio we have.

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Question and Answer

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. How do you think the recent addition of Alani Nu sort of evolves the company's identity, both internally and with respect to the marketplace?

John Fieldly
CEO & Chairman

Yes. Well, internally, it's great. We built a really amazing infrastructure within the organization from our supply chains, procurement, sales, finance. Really have an amazing capable, highly credible team and adding another Alani -- another brand on to the portfolio, just able to really drive those synergies, and I'll let Jarrod talk about that later.

So -- and then also, if you look at the category, having one brand and competing at this higher level does have challenges with pricing promotional strategies and those type of strategies that you implement at retail. So now having a portfolio of multiple brands. We have our Celsius Essentials, which is a 16-ounce performance energy offering. We have our core Celsius offering.

And then we have Alani now. So it allows us to have more of a portfolio approach and really be able to drive some additional credible and competitive advantages. In addition, these 2 brands together now represent approximately 16% -- 16.5% share right now in the category. So really also another great opportunities for strategic initiatives we're able to implement and really continue to drive this category, bringing new consumers to it.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Great. How do you define the addressable market for the portfolio? We all see the energy drink data, but your brand is -- your brands at this point are both very, very different from traditional Monster, Red Bull and are arguably expanding what energy is. So how do you guys think about the addressable market? And how do you size it?

John Fieldly
CEO & Chairman

Yes. I mean, historically, energy drinks have been -- your heavy consumer is male, 25 to 34, right? And what you're seeing now today, it's gender-balanced, age-balanced. Health and wellness, sugar-free is a bigger portion of the category. For the first time last year, the category tipped where greater than 50% of the sales in the category now are sugar-free in North America.

So times are changing and evolving flavor profile. So we're really increasing the pie. You see the category continues to -- it's back to category growth rates, really good growth rates. We expect consumers to continue to come into the category. And it's -- our target is 18 to 34. But then we also age up. We're seeing some consumers age out of their traditional energy drinks and looking for healthier, better-for-you alternatives and options. And Celsius is a great alternative than your sugary energy drinks that are out there.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Yes. Jarrod, I belated bless you, you sneezed earlier. I just wanted to get that in there. Maybe you talked about this on the modeling call last week, but maybe for folks in the room, just kind of level-set us on the financial profile of the business kind of pro forma as we go forward and the synergies that John alluded to and kind of how those are going to layer into the future of the business?

Jarrod Langhans

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Chief Financial Officer

Yes. So if you look at where Celsius is today, the profile we have with pre-Alani, if you -- we believe Alani can get to the same profile. So we have a 2-year integration plan to get them there. And then we've got $50 million of synergies on top of that.

So that will drive further expansion. So right now, we're running low 50s from a gross margin perspective with Celsius, low 30s from an SG&A perspective. So kind of take that profile. We'll look to get Alani to that profile and then you have the synergies on top and then further leverage that we see with both businesses going forward in addition to global expansion.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. And those synergies seem set to ramp really in the first half of '26. What's kind of the kind of magic timing of that in terms of preparation for achievement and harvesting? And why is the synergy sort of kind of -- that period of harvesting kind of limited to a couple of quarters in the first part of '26?

Jarrod Langhans
Chief Financial Officer

Yes. So bucketed in 2 ways. You've got kind of the supply chain piece and then you've got the people piece. And we've got a 12-month TSA with Congo Brands. So that's where the employee base was. So we did carve out a separate marketing team, a separate marketing head to really keep that brand identity with Alani.

So that's already done. But then moving the supply chain into our orbit structure and into our model and then also the TSA and the transition of the head count will happen over the 12 months. So the supply chain and head count movement will be kind of 2 different work streams.

And so getting really the supply chain fully baked in, that's where you'll see kind of the margin profile from a gross margin perspective come into play. We'll try and get as much as we can as soon as we can, but that's really put into kind of a 24-month period. Some of that stuff will come sooner than later. Some of it will kind of come in the back half of next year.

The other piece is really the transition service agreement, just making sure that we dot our i's and cross our t's and make sure as we transition the head count over that we do it right. So we're being very methodical with that.

So that's kind of -- as that rolls off, you'll see a lot of things come into play, finance, IT, back shop, a lot of that stuff will come in the tail end. From a sales and commercial perspective, some of that timing will just depend on timing and sequences -- sequencing of different commercial strategies.

So some of that we might be able to capture a little earlier. Right now, it's kind of baked into this is what we believe makes the most sense and kind of the lowest risk. If there's opportunities to take on more and to capture synergies sooner, we'll go ahead and do it.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Absolutely. Great. The category is growing. Let's focus on the U.S. first. The category is growing. It's a bright spot within CPG. Celsius so far this year has lagged that growth. But I know your intention is to get it back to growth as we go forward. So maybe talk a little bit about kind of the drivers of year-to-date performance and then kind of your expectations and the enablers of growth over the balance of the year.

John Fieldly
CEO & Chairman

Yes. We've -- if you go back last year, we hit in the U.S., we peaked at about a 12.3% share in the category within energy and kind of bounced off right around 10.8% to 11% share currently where we sit. We took some -- a lot of key learnings from last year. If you go last year, we front-loaded a lot of our

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innovation in the beginning of the year, which we're cycling. And we took more of a balanced approach this year on our innovation strategy, new flavors and partnerships and collaborations with retailers. And then back half of this year, we have our first LTO within the Celsius portfolio, which we're really excited about and have a lot of feedback coming and great support.

Feedback from retailers have been really exciting. So we're really excited about that. That should add additional growth. And having more of a balanced approach would allow us to compete at that higher level. If you look at last year, both Red Bull and Monster had some of the most activity with innovation, especially within sugar-free, that we've ever seen in the category.

And we were -- due to our promotion and our innovation calendar, we weren't as -- we didn't have as much activity. So we saw the impacts of that. We're really excited where we are. We're entering summer. We've got a great portfolio. We just kicked off a new marketing program. It's Live Fit Go, bringing the meaning of Celsius Live Fit to more people and more places.

We're working with some of the top agencies and really have done a lot of data analytical research and analysis to really be able to really capitalize on this. And so we're excited. It's the first time in company history to really create a holistic campaign, really creating Live Fit and making that be more aware to more consumers and creating that trial, creating that purchase consideration and ultimately loyalty.

So we're really excited about that. And we feel we have a more balanced approach as we're going through this year. So category is driving great growth. We need to continue to bring more consumers in. We have -- we look at all the data around Celsius and you look at the our 7 Essential vitamins and the sugar-free, we have a lot to offer consumers in the category and capture more.

So we think we're really well positioned. And then the addition of Alani has one of the most active -- it's their largest innovation year that they have had. We have Witches Brew coming out for Halloween. We have a winter edition. Got some really great exciting portfolios and flavor innovation coming in, which they've done a great job on their LTO strategies.

We're taking some of their strategies and key learnings and leveraging that with the Celsius portfolio. So I think the combination of both these brands working together and the portfolio we have will really allow us to continue to drive new to category and take advantage and opportunities we see within the category that's growing. So it puts us in a good place.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

How do you think about the aspirational kind of market share objectives of Celsius versus Alani Nu in the overall portfolio? What is Celsius is kind of like right or aspirational market?

John Fieldly
CEO & Chairman

Yes. I think we're not -- where we are right now, right around 11% share, we're not pleased with that. And obviously, we want to drive a greater share in the U.S. We think there's a huge opportunity. If you look at our share on Amazon, where the playing field is equal, you look at our share in South Florida and New York City and L.A., we can compete at a higher level. And those markets are roughly around getting close or beyond a 20 share.

And -- so we know we're capable of doing that. The biggest opportunity is closing the gap within convenience. So that's where we're under-indexed, and we're fairly new. We've been in like 7-Eleven, we do very well in. And -- but there's a lot of new regional retailers that we just entered, right?

So we need to continue to activate and build upon that. But that's where we're under-indexing. And if you look at Celsius and Alani and you look at like MULO, large format in the U.S., those 2 brands represent almost 25% of the overall share in the category.

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So Alani is not even in convenience, rarely. And then Celsius has that huge opportunity to close those gaps. We know we can compete in the convenience channel. We just need to continue to build that purchase intent, the purchase consideration. And that's what we've been working on strategies on.

As an example, food pairings is great. We launched at Casey's. We did a pizza and a Celsius. Right now in New York City, we're running a deal with a Celsius and some of the food offerings and pairings, and we're doing that with more retailers to get that trial. We know we have great flavors and great taste, no crash as well.

And we just need to get the liquid to lips. And that's one thing we're really working on and that convenience shopper is very transactionally driven. And so you only have about 2 seconds for someone to make a decision. You're kind of like creatures of habit. So we need to get into their daily lifestyle, daily routine. And once we do that, we know we can drive loyalty.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Great. The other leg of growth, international, which has been off a kind of a 0 base, small base, but rapid and steady growth and expansion with the Celsius brand. Talk to us about sort of how you see that journey playing out and what level of prioritization you're putting on it relative to opportunities at home? And then how you see Alani itself layering into international aspirations going forward?

John Fieldly
CEO & Chairman

Yes. So international is a huge opportunity. If you look at, Monster does great with international. So we know the opportunity is there. The same health and wellness trends we see in North America are global, right? And the world has gotten so small. It's just a post away, a click away.

So the opportunity is there. Mainly our revenue today, you look back several years, we had about a mid-teens share in Sweden, gaining share in Finland. And just most recently, really launched in France, Australia, New Zealand and then Benelux as well and the U.K. And we partnered with Suntory as our partner in these markets.

As you mentioned, we have an 88% ACV in France. We just recently achieved that. The opportunity is there. It's timing and sequencing. We're not overinvesting in these markets. As we continue to gain trial and we start to build revenue, we're investing more. Our goal is to really breakeven right around 3 to 5 years. And we would love -- aspire to be -- get to the same share level we are in the U.S. If we can get to a 10% share in the next 3 to 5 years in international, that could be -- that's a huge win. But it's -- we're focusing on a variety of tactics, bringing Celsius to more people in more places. We got to build a loyal consumer base. So we are being very tactical on our approach and expansion initiatives.

But in France, we have a mighty team of 4, and we just started most recently. So it's going to take a little bit of time, but it's a $100 million business right now this year. So -- and it's just getting started. The success we're seeing in some of these retailers, Carrefour, 7-Eleven in Australia has been great. So we know it's there.

And we'll add more staff, we'll add more resources and continue to have our balanced approach and focused on profitability and continue to build this portfolio. And when you look at Alani, we think there's opportunities, but it's timing and sequencing, right? As we're rolling out Celsius, we don't want to roll out Alani at the same time. So we're looking at potential opportunities to bring it to Sweden where we're more established, and then we can go from there. But I think there's huge opportunities for Alani in international markets as well.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Great. So maybe a question for both of you, kind of a little piggybacking on that a bit. Just Celsius and Alani, how do you envision them working together? What are the complements and the synergies between

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the 2 brands kind of in the marketplace? And on the flip side, are there any conflicts or complexities that managing 2 brands represents?

John Fieldly
CEO & Chairman

Yes. Well, I think when you look at -- there's a lot of opportunities. So when you look at the advantages of having a portfolio, your pricing promotional strategies is number one. That's a great driver to have as you're going to market. The category is very promotionally driven.

So it's important that we're able to -- you can do high-low strategies, timing and sequencing of them just allows you to have more tools in your tool belt. We're keeping the marketing teams and the brand teams separate. So that's really important. So Jarrod talked about some of the synergies. We have a lot of synergies within a lot of the apartments. And some of our commercial marketing teams will be able to leverage some synergies, but we're really keeping the brand's identities and teams separate there because each one of these brands are a living, breathing, almost -- it's a person. So you kind of -- you got to continue to nurture these brands as we continue to grow and scale.

And then complementary, we're attracting new consumers to the category. So I think with Alani, with Celsius, we can be that key driver to bring more consumers, new consumers in, expand the usage occasion of consumption outside of that historical need state, I need an energy drink right now because I'm going to do a backflip on a half pipe or something along those lines.

You're not having it throughout your day. You're having it for your next meeting. You're having it for -- before you go out to dinner or your night out. So -- and you're having it paired with lunch to have a really great afternoon to accomplish your goals. So I think we can be a great contributor with these portfolios.

And then some other opportunities within marketing initiatives could be like cooler strategies. When you look at some of the sales and retailer support, having 2 brands, we can have more leverage and hopefully be able to get more availability for both of these brands and more share of the space. It's really important in the energy category that you're 6 feet from a register. You need to -- impulse purchasing is a huge portion of this category.

A lot of the consumers only buy 1 energy drink a week or a month. There's a huge segment of that. So how do we be part of that purchase, part of that basket. And that's really being -- getting additional cooler placements and taking advantage of those opportunities.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Yes. So in order to -- I guess, in beverages, route to market matters a lot. And as you think about managing and optimizing the 2-brand strategy, having a distribution partner that's behind you to help with that is key.

In the current setup, Celsius runs through the PepsiCo system in the U.S. and Canada and Suntory overseas. And then Alani obviously runs through ABI, which does a good, great job. So talk to me about sort of the merits of the current system versus what a lot of investors have top of mind, which I'm sure is not news to you, is the opportunity or the option of moving Alani Nu into Pepsi and consolidating that into one system. What are the puts and takes there? And how do you, in general, just approach making distribution decisions?

John Fieldly
CEO & Chairman

Well, first off, I'd just say both the systems are highly capable. The ABI system has a lot of great opportunities for brands. It's -- they have dedicated staff. They do a great job. And the same with Pepsi. Pepsi are a great partner in North America for the Celsius portfolio. We have priority periods. We've been able to tie into them and do suggested orders where we can place pallet orders. We're getting more strategic with Pepsi. That's where we've been focusing over the last 2 years now. And a lot of our data connections, and they've just been great partners, getting us to more places. The Subway collaboration

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and access wouldn't be -- wouldn't take place without Pepsi and also college campuses and universities have been a great addition as well and getting that distribution.

So there's pros and cons to all of them. Right now, we're focused on the customer, continue to service. Ramon spoke at the last -- his last earnings call that there was discussions taking place, but really, it's too early to say. There's been no decisions on the path forward.

Right now, we're focused on execution and driving share and really working on capturing these synergies that we've -- Jarrod's put together and really has worked with the team identifying up to $50 million in synergies. You're seeing growth -- great revenue growth out of Alani. It's doing really well in the ABI system. We've got great partnerships. We know the ABI network as well. That's where Celsius was. So we have great relationships with a lot of those team members, and they're looking to sell -- everyone is looking to sell more cases, and that's what we're doing each and every day.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Yes. Jarrod, the synergy is, therefore, independent of any distribution consideration?

Jarrod Langhans
Chief Financial Officer

Yes. So we're comfortable with the $50 million either way, whether it's a dual distribution system or a single distribution system within North America.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. And do you -- if it remains dual, like -- do you think you can get the ABI network and the Pepsi network to cooperate in market anywhere near the same way you could get a single system to kind of get behind your portfolio?

John Fieldly
CEO & Chairman

Yes. I think there's pros and cons to both networks. Both customers are amazing routes to market. I kind of leave it at that. I think we continue to evaluate what is best for these brands. We'll do what's the best interest for the brands and our shareholders.

And we're focused on getting more share, bringing in more people, growing this category, selling more cans and creating more loyalty. And at the end of the day, we're looking for great partners, build great brands. I say that all the time.

And these partners that we have and our suppliers have been phenomenal for us. Everyone is rooting for us. They're working closely with us. And as we're going to capture these synergies with this acquisition, the acquisition financials are all based on existing partners and the distribution and customers. So we're going to continue to push. We'll do the best -- we'll do what's best for these brands at the end of the day.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Yes. Okay. So can we talk a little bit about SKU assortment? Because I think both brands have grown through a lot of innovation, a lot of flavor innovation very effectively. At some point, that level of innovation becomes sort of complex to manage and complex for the consumer to shop and complex for the retailer and distributor to operationalize.

So when you think about either each brand independently or the total portfolio, what's kind of the right number of SKUs? How do you think about that? And how does that play into your innovation plans?

John Fieldly
CEO & Chairman

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Yes. So every year, we go through a process really reviewing the SKUs. And that is a big opportunity for us that we have is SKU consistency. If you go into a lot of retailers, you'll have different flavors on shelf. So that's something we've been working on -- always been working on SKU prioritization, progression, as we call it, trying to make sure when you go into a store, you have the same flow in every single store.

And that is with Eric Hanson coming on with his revenue management skills and also really knowing the Pepsi network and really being able to push these initiatives, consistency is really important to us as we continue to build these brands.

And that's one key area. We're going to -- you constantly kind of cut your tail, as you say, those lower -- maybe a regional flavor or we did a lot of lead launches in the past as well with certain retailers. We changed our strategy to do more national launches going forward. So some of these lead launch SKUs will cut and constantly bringing in new flavors every year because retailers do like that, consumers like the interest.

So that won't stop. But we're going to continue to optimize to make sure we have a highly efficient portfolio. We're maximizing the synergies with our offerings. And you do bring -- you always cut your tail. And Alani has a variety of flavors, new innovation. A lot of the flavors are LTOs. So you're doing in and outs.

Those are limited time offerings. We're starting that this year with Celsius in the fall. So that's kind of -- you're kind of flushing -- putting those in. And then you're also reviewing the portfolio every year. Certain flavors work in certain regions. And then if it works in a region, we really want flavors that work nationally. So constantly evolving and constantly reviewing the portfolio is something we do every day.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. But both portfolios today, you feel like are in the right level of overall SKUs and there's not...

John Fieldly
CEO & Chairman

I mean, ultimately, we want to be -- we would like to constantly -- we want to be as efficient as possible, right? So if you speak with anyone in the supply chain, they don't want any more SKUs, right? They want less. So it's just -- it's a constant review process.

Like right now, we're going through a process. We cut some 4 packs, putting in 12 packs because we're seeing that as a huge opportunity. When you go into large format, you saw like if you go back several years, about 70% of sales were in convenience. It's all impulse purchase.

But now that energy drinks are becoming part of a daily lifestyle, daily routine, and you're seeing a lot of consumers buy larger pack sizes and large format because you're being part of the pantry, right? So we've upsized some of our 12 to more 12-pack offerings, and we reduced some of our 4 packs. That eliminated some SKUs, drive more efficiencies, and we'll continue to do that as we evolve.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. On the limited time offer that you mentioned, what's the objective there? Is the objective to reengage with existing consumers and create excitement in the base customer? Or is the objective to attract new consumers?

John Fieldly
CEO & Chairman

The strategy is to attract new consumers. It's to get -- it's to disrupt that path to purchase to bring Celsius to more people, targeting new and consumers with other brands that are established with other brands. And we want to get that trial. We know we have great flavors. We have a reason to be, belong, and we want to bring them into that Celsius family.

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Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. Just a little bit of a sidestep here. But when we think about the Alani Nu growth, obviously, we're seeing explosive growth in consumption data. There's going to be lumpiness and timing differences between your reported results and what we see in that. You talked a little bit about this again last week, but kind of maybe level-set us on some of the drivers of those differences? And any kind of known gaps that we should be kind of expecting as we look over the balance of the year?

Jarrod Langhans
Chief Financial Officer

Yes. And we'll have to -- as over time, we'll be able to get more and more data out there. But because of the LTO strategy, you're kind of seeing at least on a quarterly basis where LTOs are launched through the Alani business. So you'll see a launch and then you'll see about 60 days where it picks up and kind of trails off. And back to kind of the LTOs, the idea is to raise the base at the same time.

So you're bringing in new trial, you're bringing in increased consumption, but at the same time, you're helping to elevate the base as well. So it's the idea that the LTO is lifting the whole entire portfolio. So you'll see that happen. And so there's a lot of more kind of peaks and valleys for the Alani brand.

So it's really tracking and making sure that we're transparent with when these launches are going to happen. So the consumer, you'll see -- you'll do a little bit of a pipe fill, then you'll see a couple week delay as it then goes through the system. So you'll see the spike kind of we'll record our spike and then all of a sudden, you'll see it hit the scanner in the next couple of weeks.

And so just kind of making sure those are following the right cadence. So if it's during the same quarter, you won't notice it. You'll see the scanner data because some people watch it every week. But in terms of if it's going to cross over a month, that's something where we'll just need to make sure we're staying on top of the investors.

John Fieldly
CEO & Chairman

Yes. The excitement in the energy category, I mean, it's bringing new consumers and you saw the growth rate over the last month, and we're over 10% category growth, expected to continue to grow in high single digits over the next several years. And it's a great time. It's a great category to be in.

And it's an exciting time. When you look at the top 5 brands in the category and some of the innovation and new flavor profiles, and you're seeing it to be a larger portion of LRB, and it's not just an energy drink for a specific need state. It's -- these products are going to continue to evolve.

The next generation that's coming in grew up on Starbucks Refreshers, and it's another opportunity we have at Celsius is we have a fizz-free offering as well. We're seeing a lot of new consumers coming in and something unique in the category versus a lot of the competition and going to continue to innovate and continue to drive growth in this great category within consumer products.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Okay. So when we think of Celsius and Alani, we think and talk as we have so far about canned beverages. Both businesses also have powder-based mix variants. And Alani also has a lot of snack bars and shakes and other things. I guess how do you think about those alternative businesses in conjunction with the core ready-to-drink can? And how much of a focus do you see them being over the course of time?

John Fieldly
CEO & Chairman

Yes. I'll talk about the powder. Jarrod, you want to talk about some of the other lines that we have. But within the powder offering, I mean, it's a great business. You're seeing On-The-Go. That's expanding the

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occasions as well. Great to travel. You're seeing -- if you look at the generation, everyone carries water bottles around, right?

So that's a huge -- that's going to be a growing segment and a bigger piece of overall beverage for years to come. The On-The-Go powder offerings, the way consumers are changing their consumption habits and their hydration habits and really the environmental benefits of it as well, which we're all very, very aware of. So I think that category is going to continue. It's been a growth driver for us and I think for years to come. We'll talk about some of the other portfolio items that have come in...

Jarrod Langhans
Chief Financial Officer

Yes. So you talked about the powders, the kind of preworkout, those kind of powders as well. We see great opportunity. A lot of the newer brands that have come up have really come through kind of that preworkout or from the powder side of things. So if you're thinking like the Ghost and the C4s of the world. So we see that as continuing to be an opportunity and a growth area as people continue to want more function and a healthy lifestyle.

Powders aside, if you look at the rest of their portfolio, I kind of carve it into 2 pieces. You've got your RTD protein, which is about a $50 million business. So it's kind of gotten to scale now. We see that as a good growth channel. It's hitting kind of the same kind of success that they had with the Alani brand, which is the female consumer, giving the female consumer kind of a better-for-you functional product with the protein that they may not have had or may not have been kind of targeted towards them historically.

So that's definitely a growth area we see for the product. Not quite the same margins. It gets closer as you scale it out more. So we do see opportunity with that. So that's something that we're taking a look at, and we'll continue to monitor that over the next couple of years and see if that's something we really want to put more focus behind and whether or not it makes sense to branch out beyond the Alani product.

But there's a couple of public companies out there that you can see that protein is doing a great job from an RTD. It's really got a renaissance where it's not just kind of that hardcore workout person that needs a protein. It's really become more of a product that you're missing that function in your daily habit or you're not going to get enough protein day-to-day.

You've got some of those other health type shots and pills and things like that, that people are using. So getting that extra protein during your day is also very helpful. So we see some opportunity there. The other piece is very small for them, so protein bars, some of the supplements and things like that. We'll take a look at those, but those are probably, I would say, not as interesting as we see with the powders and the RTD protein.

John Fieldly
CEO & Chairman

Yes. And I think with the GLP-1 and it's mentioned like shots and it's now coming in other forms, you're going to get even broader acceptance. And I think that's going to really impact all consumer products. And when you look at Celsius, we are better-for-you energy drink really aligned with that consumer and you need energy and you need protein.

So if you look at that protein portfolio that Alani has that came with the acquisition and then Celsius and Alani, I think that aligns us really, really well with the way consumers are consuming what products they're going to be looking for. And Celsius born in the gyms and Alani with health and wellness, we -- that's in our roots. That's our core. So it's naturally aligned for those consumers looking to live life to the fullest, live better, live healthier, and that's the movement that's taking place everywhere. I mean if you go into grocery stores, just look at the advertising. It's not -- the energy category is now part of a health and wellness regimen, a health and wellness routine to have you live better.

And that's what is in the DNA of these brands, which differentiates us versus the larger 2 players that have been around for over 30 years. And it's a totally different DNA within those brands. And I think

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that unlocks -- done rightly with the right -- with our team and our strategies, I think it unlocks a huge opportunity.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Right. And not necessarily -- so Celsius kind of conceptually floating with protein and thinking about how that that's in the -- the brand has the right to go that direction if you guys choose to do it.

John Fieldly
CEO & Chairman

Yes. And I think another area where we have a right is hydration. We just launched hydration On-The-Go powders within the U.S., just launched in Walmart and a variety of other retailers. So got a lot of interest from major retailers.

So Celsius does have a right to play in other categories and adjacencies. And the hydration product offerings taste really good. The team did a really great job on it. And there's opportunities to further expand there. People want to drink more Celsius throughout the day. We do have caffeine, so you can't drink it 24 hours a day, but we do have those offerings and now we have hydration that you can enjoy as well before workout, post workout.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Great. Okay. So Jarrod, maybe talk about just the outlook Celsius has in terms of free cash flow generation pro forma for the 2 businesses and just go-forward capital allocation priorities, including the potential to add more brands to the portfolio?

Jarrod Langhans
Chief Financial Officer

Yes. So I mean, as you can see with the last few years, we're a very cash-generative business. So we're CapEx light. We did buy Big Beverages last year. That was mostly a Celsius product in it. So it was easy to convert fully to Celsius.

We'll look to put a second line in there. So that will probably drive, call it, 20-ish percent of our production between Alani and Celsius. If you look at kind of this year's production, but it will take about 15 to 18 months to be in place. So not quite that much when you look a couple of years out as we continue to grow, but definitely an opportunity to drive some leverage through the system.

Beyond that, really, it's coolers. It's some of our fleet as we replenish the fleet with the salespeople. So very low CapEx intensity. We do have some debt we took out, so we'll look to pay some of that down. We don't need to pay it all down. It's okay to have a little bit of debt on the books.

So it's -- we want to build some credit from that perspective. So we'll look to pay it down. We'll have the opportunity to pay it all down if we want or we can just leave some on the books to continue to build that credit. When we look at other opportunities, there is definitely -- we've got about $450 million on the books even after paying about $450 million towards the acquisition.

So there is optionality there. We're continuing to invest globally. And then also, is there anything else that we would add to the portfolio over time. So right now, our focus will be integrating Alani, paying down some debt. But again, we do have -- it's nice to have that optionality on the balance sheet for a rainy day.

John Fieldly
CEO & Chairman

And even look at -- we talked about a lot of the synergies with Alani coming in and unlocking. But even within our core, we still continue to take advantage of our scale. We've been working with our suppliers and looking at larger purchasing orders and just taking further advantage of opportunities we see out there.

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So last quarter, gross profits came in at 52% margin. On the call, we said probably on an average of 50% for the year. But there's opportunities as we continue to build and leverage this business to continue to drive efficiencies that generate more cash and continue to -- and also reinvest.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

Great. So on that note, if we're back here in a year, how would you define success and maybe kind of even getting more ambitious, what do you think the 5-year vision of Celsius is?

John Fieldly
CEO & Chairman

Well, just expanding in a lot of new markets, so better established on our path towards 10% share on our goal of 3 to 5 years in international markets. And within the U.S., we said we have been flat the last several quarters -- last several months within share. We've kind of held at 11% recently and continue to get back to share growth.

Great strategies. We have a great program and campaign we're kicking off this summer. We're really excited about that. Get back to growth and continue to drive new consumption, new occasions and pay down the debt. We'll be back here fully integrated and have a lot of new stuff to talk about. So it's exciting times. It's a renaissance in the energy category. And this -- the whole category is changing and evolving, and we couldn't be better positioned to take advantage of it.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division

All right. On that note, we are right at time. I want to thank John and Jarrod, and thank you all for joining.

John Fieldly
CEO & Chairman

Yes. Thank you. There's ice cold Celsius out there. Grab a refreshing.

Stephen Robert R. Powers
Deutsche Bank AG, Research Division
Yes. Thank you to Celsius for providing drinks all week.

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