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Company Conference Presentation

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Presentation

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division
Okay. Let's restart our sessions. I'm Andrea Teixeira. I cover -- I'm the senior analyst covering beverages, household and personal care. It's our pleasure to welcome Celsius Holdings to our conference. And here representing Celsius is Toby David. He's the Chief of Staff. And also for -- appreciate the support also for those who are listening to us on the webcast.

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Question and Answer

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Toby, I think one of the things we want to probably hear from you post third quarter is like an overview of what happened. And obviously, there was a lot of volatility based on that and see how we should be thinking of the adjustments. And now in retrospect, how you felt the buy side and the sell-side expectations and then how to think about the fourth quarter?

Toby David
Chief of Staff

Sure. So that's going to be a lengthy answer. So we'll start with -- first of all, thanks for having us today. First of all, we thought we had a very strong Q3. We kicked off $200 million in EBITDA. Celsius had some really strong growth rates. Alani continued with their meteoric rise. Clearly, there were some different perspectives on the buy and sell side. I think when you take a look at what's occurred over the last 52 weeks, first of all, it was a complete anomaly when you look at what happened in Q3 last year. And as people were modeling what the quarter should look like. And over 52 weeks, things, different dynamics occur. We really leaned into the LIVE. FIT. GO. campaign, marketing campaign that we've been pushing since June. So we leaned into that from a promotional aspect quite a bit.

You also look at some of the promotional timings throughout the quarter. I'll give you a couple of examples. Amazon Prime Day, that's early July. Well, we shipped that product to Amazon in late in Q2, right? And that's when we recognize the revenue, whereas the build-outs, the promotional allowances actually come back in Q3. We also ran a couple of different club promotions at Costco throughout the quarter. So you had a number of different puts and takes throughout the quarter that eventually, I guess, that's where the delta came between the buy and the sell side. Again, this is an anomaly that we don't foresee happening in the future.

I'd like to take a step back also because I think it's really important to look at where Celsius has come from. If you go back to CAGNY earlier this year, right, when we announced the Alani Nu transaction, Celsius was sitting at negative growth rates year-over-year. And if I told you that at the end of Q3, Celsius would be growing at 13% growth rate on Circana. And that Alani Nu, this brand that a lot of people had unfamiliarity with at the time of CAGNY would be on a $1.2 billion plus run rate at the end of Q3 prior to even going into the Pepsi system. 20% plus share within the category as a portfolio. Pepsi comes in with an additional investment.

And now also the category captain within Pepsi and controlling the planograms in their energy space, we feel really good about where our business is, understand that there are some puts and takes that happened in Q3. And listen, we all felt it last week. But I couldn't be more excited about as we head into Q4 and what 2026 looks like, you also mentioned Q4 because I know that was some of the commentary we've heard from folks. I think there's been -- maybe some people misconstruing what we tried to communicate last week. So I'll try to clear that up. First of all, we are really excited about the transition into Pepsi with Alani Nu. That's already underway. We -- from a commercial standpoint, we are excited. We were -- we expect for it to be -- I'm not going to say flawless, but it's going to be a great transition. And we expect for very positive things to occur in Q4 and into Q1.

I think what management was trying to convey, it was simply that large CPG companies, i.e., our largest partner and others typically practice cash management at the end of quarter -- excuse me, at the end of the year. So with Alani Nu new transition occurring on December 1, I wanted people to try to understand that they're not going to see that normal big pipe fill that you would see filling out that vast Pepsi network and instead, it might be more of a stair-step approach.

So now we don't see that -- that's not going to impact the commercial component. You'll probably see more of a 1:1 ratio. You won't see a big inflated number coming in because of the pipe fill will probably

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more similar to what their Circana and Nielsen data is actually indicating. And then you'll probably see that stair-step earlier in Q1 from a revenue standpoint and from a pipe fill standpoint.

Also just from a Celsius consideration, because of this cash management, there's a possibility that there's a few days of inventory could be pulled back. I understand there's a lot of people that -- because of some of the history in Q3 last year, there was a lot of concern potentially that it could be something of that magnitude. That's not at all what we're trying to. We feel like there is a very -- there's an overreaction from folks thinking the worst, and that's not where we're implying at all. We are very positive about the transition, about Q4 for the total company and really excited about 2026.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And also, like you mentioned in some of the prior meetings that in the last 4 weeks, you're seeing an acceleration and also when we spoke back last week when we had the call back I mean, Jarrod is on, I mean, we're all saying that. In last -- and most recent, the exit rate was even better than the 13% for the sales-source brand, even though like just yesterday, we got like a deceleration on the track channel data. So how should we be thinking that's for the total company, right? But can you talk about Brent Celsius as you exit the quarter? -- and most recently and then talk about the total company.

Toby David
Chief of Staff

Yes, sure. I referenced the 13% growth rate. That was Q3. If you take a look at what we've seen thus far post Q3, we're actually exceeding category growth rates right now. So there has been some noise within the category as some other players have slipped a little bit. We feel really good about where brand Celsius is exceeding the category growth rate. Alani is still in a great position. They're going to have their LTO just started rolling out last week, the Winter Wonderland would think that, that's probably going to impact the data as we've always talked about the LTOs, typically create spikes in the weekly data, if that's your sort of thing to look at the weekly data, which I know a lot of folks like to.

So I feel really good about where both brands are today. And then we've got Rockstar as well, which -- that's a work in progress. But we have a lot of -- there's a lot of believers within the walls of Celsius that we can stem the bleeding first and get this thing potentially back to growth at some point.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And I've got questions this morning. Like the Winter Wonderland, we haven't really seen it like in the data and should be reflected in a couple of weeks, right?

Toby David
Chief of Staff

Yes, I believe it will either be in this coming week or the following week, but I think it's going to be in next week since it began rolling out last week. So I think probably the next -- depending on who's paying for it, if they get in a Sunday night, Monday or Tuesday of next week, they'll probably start to see the Winter Wonderland rolling out there.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Great. Perfect. And then when you think about the category, you're saying like you're now growing ahead of the category. And can you give us like a little bit of the state of the union of the category because it has been so volatile, and particularly super strong. And then in the context of what you're seeing like in the quarter and then as we look ahead into next year?

Toby David
Chief of Staff

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Yes. We believe that 2024 was transitory. That was an extreme outlier. I mean, I think you look at most of CPG and there was quite a bit of struggles. And energy certainly felt that, I would say that energy still performed better than most other categories within CPG. You've seen a major bounce back here upwards of mid-teens growth at times for the category. That's not going to -- I think it's unlikely that's going to last forever. And that's not necessarily a bad thing. We'll ride that wave while we can. But this is a category that's been healthy for a long period of time.

You've got brands like Celsius and Alani Nu and some others that are bringing a lot of new consumers into the category, whether it's -- in particular, the female consumer, but also people driven by sugar free, you got people moving out of coffee into the energy category. We feel that this is a category that is extremely healthy. We anticipate growth for the foreseeable future, maybe not this mid-teens double-digit growth, but certainly healthy growth for the foreseeable future.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Great. So then can you talk about like from that perspective, how you're seeing the consumer evolving, right? So traditionally, the category was obviously dominated by the male gender. And then now moving into like female forward, like more open. So how you see that runaway for -- in particular now that you have 3 different brands that you can kind of build upon? Like how are you seeing that transition? And how do you, in your own research, see ACVs, if you will, or even in its household penetration for female?

Toby David
Chief of Staff

Yes, absolutely. So I mean, I think if you look at gen Z and the female consumer, I think their appetite for energy drinks is quite a bit different than what we were seeing 15-plus years ago. If you look at the biggest drivers within the category right now, it's both sugar-free and female, I feel that clearly, Celsius and Alani are well positioned with that regard. So you look at other trends within the category. And one area we haven't been able to play in historically is even in full sugar. I mean we've been playing in 50% of the category. Meanwhile, it is the fastest-growing portion of the category now with Rockstar and having a full portfolio approach. We're going to be able to go compete against Red Bull and Monster there. And these are 2 brands. They've owned that because nobody else -- I can't even think of the last brand in the last 10 years that came in with a full sugar opportunity. Now that being said, Alani and Celsius are clearly where our focus is. And when you look at what the drivers are within this category, we are well positioned to win, not only to take part in the energy category growth, but also to lead it.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And then when you think about the campaign, right, the lift and go and you said -- just said that you're going to lean into even more there. And your LTO strategy, you just launched your first Spritz LTO strategy for Celsius. Can you talk about how to think that in the context of your retail partners or with even potentially your on-premise execution, which is still an opportunity for both brands, right, or potentially the 3 brands?

Toby David
Chief of Staff

Yes. Well, so one of the areas that we've seen quite a bit of success with, and I think the category has over the last 18 to 24 months is an LTO strategy.

Alani has really done a fabulous job with theirs. It's been able to lift their entire portfolio, bring new consumers in, while driving increased frequency of consumption within their consumers. You've seen both Red Bull and Monster lean into that as well over the last, call it, year plus. Celsius, we just launched the Spritz Vibe that's still out on the shelves. We're very happy and content with what we've seen thus far. That was us really sticking kind of our toe in the water to make sure that we were well situated for 2026, not only for Celsius, but that was the first time that we've done Pepsi.

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So therefore, it really gives us a lot of tangible things to look at as far as when Alani now moves into the Pepsi system, what's that going to look like? How are we going to if there's any gaps for Spritz, make sure we plug those so that in '26, we're going to be ready to go. So really excited about that. Retailers -- I mean, they've been leaning in on these LTOs. And they've been excited with Alani's growth. Alani much the same that Celsius did a couple of years ago, brings some female consumers into their stores. Now we've got Alani, which is really dedicated to that female consumer. And it's differentiated. It's incremental. It's not just trading out one energy drink consumer for another, which you've seen with traditional energy. So we've got a lot of retailers leaning in and excited about this, 20% share portfolio that we're going to be driving moving forward.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Yes. And that takes me to another question regarding like the relationship with Pepsi, right? Because Pepsi has a captaincy, I think, in 100,000 different convenience stores. And how we should be thinking of like the depth and -- the depth of your shelf and the ACVs you can -- I understand, obviously, that the ACV opportunity is lower for Alani than it was back at Celsius when Celsius transitioned. But perhaps you can comment on the ACV improvement and how to expect that to phase into next year.

Toby David
Chief of Staff

Yes, sure. The captaincy, I mean, that's going to give us another opportunity to expand both Celsius as well as Alani's footprint nationally. You referenced it. Pepsi Control is well over 100,000 independent convenience stores around the country. But not only that, just whether you're talking about the Pepsi energy coolers at a Walmart or a number of other retail locations, being the captain really puts us in control of what that planogram looks like, what the promotional timing looks like. And really what SKUs are going on the shelf, the top performers. So that's better for everybody. It's better for Celsius, Pepsi and the retailer, if you can hit the fastest performing SKUs on the shelf. So we're really excited about that.

Now as far as Alani Nu, their big opportunity is across the board, but I'd start with convenience stores. They're situated in the upper 60s as far as an ACV standpoint. And really, even within that footprint, the number of SKUs per location is rather limited. So as we transition into Pepsi, there's all those independent convenience stores we just referenced. But also as the planogram resets start to begin in January, February, March, April, May, there's going to be a really good opportunity for Alani Nu to increase their footprint within those convenience stores where -- by the way, they've got outstanding velocity. And I think that surprised a lot of folks when they hear that and then they look at the data and they see that Alani is really performing very well within convenience.

On top of that, you've got foodservice, which is negligible for them for Alani right now as it was for Celsius previously. Foodservice typically falls between 10% and 13% of our revenue with Pepsi. So that's going to be a big opportunity. College and University falls within what we quantify as foodservice. So that's an opportunity.

And then there's a number of other ones. I guess the last opportunity that I talked about is IOD and NOD inventory on display and a number of displays. This is an area where Celsius is traditionally over-indexed and really competed well with Monster and Red Bull. It's our sales organization in conjunction working closely with Pepsi, getting those incremental displays on the floor, especially within MULO. And that's going to be a big opportunity for Alani to either partner and get large build displays with Celsius or separately from Celsius. So really excited about all these different opportunities.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Great. And then from that perspective, of course, like the competitive environment for 0 sugar just got more difficult. Can you talk about like how you view -- obviously, you have like your biggest competitor launching a female forward one. Like how to think about competitive environment going forward?

Toby David

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Chief of Staff

Yes. Listen, I mean, you're referencing Monster and listen, I have a lot of respect for those folks over there and understand they're launching a female-forward beverage. I just think that it takes a lot in energy to build a community and to where it gets people excited about your brand. What you're walking around with and carrying in your hand when it comes to energy speaks to who you are. And it takes years for you to build that. It took Alani. I mean they've been around 6 or 7 years now. They just aren't -- they didn't come overnight.

Celsius, I mean, we've been around forever. So I mean, this is something that takes time. And we feel like we're clearly the leaders within the category, especially when it comes to female and sugar-free. So while we anticipate there's going to be other players that come into the fold and there always will be, we've got a head start. It's a difficult category to play in. We've got the muscle of Pepsi, and we feel really good about how we're positioned versus our peers.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Great. And then how -- like when you think about how Pepsi and you really touched on that, but then kind of digging in into how the learnings of the transition from Celsius into Pepsi and now how you apply that same because, I think that's got me, obviously, in terms of how that $100,000, $120 million that would be shifting through and becoming an easy comp. But how to think about the transition when it comes to Alani itself?

Toby David
Chief of Staff

Yes, absolutely. I'd like to think that over the years, we've taken a lot of key learnings on both sides. our communication is fantastic. We just -- they increased their investment in us recently. I have another Board member coming from Pepsi. We brought on Eric Hanson as our President about 7 months ago with 27 years' experience at Pepsi and we have numerous other Pepsi folks in our organization.

I'd also say that our organization as a whole is probably 2 to 3x larger than it was 3, 4 years ago. So just from a capability standpoint, I'd like to think that we're a lot better prepared on both sides of the equation to tackle all different components of a relationship of this magnitude when you're entering a $1 billion business into a new one into a distribution partner. So we feel really good about it. I mean we've been planning this out for a few months with the Pepsi folks, and we are really excited about what 2026 has in store.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And I think just to handicap like the opportunity, you're now running $330 per quarter. So you're talking about like $1.2 billion to $1.3 billion in Alani's retail revenues. And at the time when you switched over, Celsius was like, call it, how much like at the time, that's why it's important to -- it's way more important to Pepsi now to get it right.

Toby David
Chief of Staff

I believe we were in the -- if I remember correctly, it feels like long term, it was $600 million to $700 million. I feel like was our net revenue. And I mean if you look Alani, I mean, I think the $1.2 billion, that's their revenue run rate based on just the last quarter. So I'd -- again, I'd like to think that both sides have learned quite a bit. You've got Pepsi really leaning in. We just were at a town hall and purchased New York 2 weeks ago, both Ramon and Ram were there along with John Fieldly, our CEO.

I think we had a marching band cheerleading squad and broadcast out to about 30,000 Pepsi employees, and they're excited. They feel like they can play in the most attractive category in CPG right now, which is energy. You've got a 20%-plus share and I know you keep reiterating that, but that puts you in the

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conversation with the 2 big players in the category, and we don't feel like we're slowing down either. There's a lot of runway for further share.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And that takes us to Rockstar. Clearly, a different consumer to you, like you're learning that other half of the market which, as I said, like, it doesn't grow as much, but it's still with half of the market. So what is the -- the dream is obviously go back to that 7% share, but it's like -- it's a different market altogether. So it's a really, really difficult thing to come in for a good reason, for the right reason because you grew -- outgrew this category. How should we be thinking of the opportunity against your existing?

Toby David
Chief of Staff

Well, conservatism is always a good place to start. So what we've been saying is we need to stop the bleeding and get them back to -- from losing year-over-year dollars. And once that happens, hopefully, we can turn this thing around. Now what does that look like? We'll see. What I will say is this, we have a lot of X Rockstar folks in our organization that were there in the early days and executive level have a pretty good idea of what made that brand, what it became. I think there are some different things we can do from a marketing standpoint to kind of go back to their roots, but also be more timely for today's day and age.

So we're excited about what they bring to the table. And what's funny is we bring up that Rockstar as far as sugar. They're still -- they have some great sugar-free options as well in a 16-ounce can. They're a little bit different than what we have to offer today. So it gives us really an entire portfolio approach. You look at Celsius traditionally on a per ounce basis, we're priced somewhere in between Red Bull and Monster. You've got kind of a premium pricing. You've got a lane that's priced at a slightly higher premium than where Celsius is. And then you've got Rockstar, which I think we're calling these days premium value. So it gives us an opportunity to play across the board from a pricing architecture standpoint.

And always beyond where there's consistently going to be promos in this promotionally driven category throughout the year with one of these 3 brands while limiting the overlap between them while they're on promotion.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

So what success would mean for Rockstar?

Toby David
Chief of Staff

Well, I don't want to hamstring what the capabilities of the company are. Again, step one is let's stop the bleeding and see where we can go from there. I think a lot of people would probably be on the outside would probably be -- listen, if you can stop the bleeding, that's probably "good enough." I think internally, we're highly competitive. We've got some people that believe in that brand and then others who say, yes, well, whether you believe it or not, you're going to go out there and you're going to make sure you win. You look back John Fieldly, our CEO. He was part of the turnaround 13, 14 years ago with Celsius. We brought this brand back from the dead, even earlier this year when the kind of a mini turnaround where Celsius was at that point in time.

So we'd like to think that if there was a team that could turn around Rockstar, it would be this organization. But at the same time, we're trying to be conservative about the way we speak that brand. But we do certainly think there's some upside.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

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And then you talked -- and it's good that you mentioned how the organization has evolved because clearly, there are some growing pains, right, because you were growing at a faster pace and you probably didn't have enough infrastructure there. And you mentioned, Eric, you mentioned a couple of other people, new CMO, just joined. Can you talk to that like being able to build team and how to think going forward?

Toby David
Chief of Staff

Yes, absolutely. I mean number one, we still have the same organization that got us here, whether it's John, who's been here 14 years. I've been here 13 years. You've got Jarrod, our CFO, who's been here along the last 4 years, Tony Guilfoile, our Chief Commercial Officer, is 5 years. Paul Storey, our Chief Supply Chain Officer, is 5 years. And Kyle Watson, our former Head of Marketing, is now our Chief Brand Officer. She's been there 6, 7 years. So we still have that structure.

And then what we've done is we brought in some folks that we feel can really help take us to the next level and maybe bring some different skill sets and different strengths than this entrepreneurial group that we've had over the last, call it, 5-plus years.

So we brought on Eric Hanson as our President, brought on Rishi as our new CMO. We just announced Garrett Quigley as our President of international. That's an area of opportunity and white space for us. Just brought on Giri, who's our new Chief -- I don't want to butcher his title, he's Chief of HR, something like that. So -- and we brought on a while host of executives, but not only is it executives, you really have to build out that infrastructure. We brought on a ton of talent within the sales and marketing organization down below them as well as on the category management side and insights, revenue management. So we're really building out this organization to really take advantage of this new portfolio we have. We still have that entrepreneurial mindset that starts at the top with John but also have some different viewpoints that can really help strengthen us as we grow.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Great. And then one the things like margins, and obviously, we want to make sure that we are not ahead of our skis because you did say margins are obviously a bright spot that you hit like 51%. But then in the fourth quarter, you have some puts and takes on those promotions. And you have Rockstar is going to be headwind for your margins. But how to think as we build our models into 2026 and going forward. I understand the dream, of course, like you're going to have that projection because Alani is going to bring some synergies there. So how to think both lock short term, like all the puts and takes in the fourth quarter and then as we think long term?

Toby David
Chief of Staff

Yes. I mean -- so if you go back a couple of quarters when we did our modeling called post the line of new integration, I think we were initially modeling back half of the year in upper 40s gross profit margin. Now obviously, Q2, we came in really hot with a really strong gross profit margin that I think surprised some folks. But we also caution that due to tariffs and a number of other impacts we're going to see in Q3 and Q4. We are talking more about low 50s type of margin now.

Fast forward to Q3, we had one month of Rockstar, which is more of a lower-margin item that did have a little bit of impact on the quarter along with those tariffs. And then heading into Q4, you've got a number of different puts and takes going on. You've got the full impact of the tariffs we had talked about earlier in the year. You've got a full quarter of Rockstar. You're going to have a little bit of contra revenue transition because you have to go pick up product from all these old distributors, which we did before. So I'd like not to set the sound alarm because it is not one. We did this back in 2022 as well. There's just going to be some pressure.

So I still think maybe that 50-ish to that low 50s type number is where we aspire to be in Q4. But then as we move forward, traditionally, I'll leave that to John and Jarrod to talk to about what 2026 would -- what we're looking at. But I think we'd all be very disappointed. If you look at full year '25 versus full

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year '26 and don't see improvements for the full years in gross margin and EBITDA. So I think that's probably the most I can speak to it. But we certainly think as we move into Q1, you'll start to see all the margins improve. You'll see -- hopefully, by the end of Q1, by the latest Q2, I think Rockstar should be fully integrated into our supply chain. That's going to help aligning new further integrated into our business. supply chain. In Q1, it's going to help quite a bit. And then it's -- I mean, it's going to be really interesting as the year unfolds. We're really excited about it.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And then going back to the fourth quarter also, one thing that I think it's important to mention on the SG&A side is going to be a little bit heavier in the fourth quarter just from a timing perspective, correct? I mean you called out in the call, but just to make sure that...

Toby David
Chief of Staff

Yes, especially I think the sales and marketing line, in particular. We're going to continue to invest within the LIVE. FIT. GO. campaign. We've seen it been very effective. There's no reason to step off the gas right now. So I think the figure that was kind of talked about is maybe like a 23% to 25% of revenue within the sales and marketing line for Q4. That's going to get reevaluated for 2026.

What's exciting about the LIVE. FIT. GO. campaign is each month, we get a ton of new data that comes in. We know it's effective, but we're going to continue to refine it and be more efficient in 2016 as we which channels that we're pushing it through are the most effective and deliver the most ROI. So again, you saw where we were earlier in the year. We've really turned things around for core brand Celsius. And that's expectation moving forward.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Great. Perfect. So then like looking now at capital allocation priorities, obviously, you did announce the buybacks, which apparently ruined your weekend trying to...

Toby David
Chief of Staff

No, I like spending my time in the weekend working with the team.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

So then how to think about your M&A besides buybacks, like how to think about your priorities from a capital allocation perspective? Obviously, M&A probably you're going to keep it like for now, integrate Alani, but thinking about long term, how to think of capital allocation?

Toby David
Chief of Staff

Yes. I would just say this is that the buyback announcement was just one other element that we've decided to integrate into delivering for our shareholders. We clearly felt like there was a disconnect where our share value was and what -- where we think the structurally this company is and where we're headed. So that was the thesis behind the buyback.

What I would say is we're always looking at different opportunities, whether it's M&A, vertical integration. We're -- if you had asked me 24 months ago, I don't know if I would have said, "Okay, we're going to buy a manufacturing facility in North Carolina, acquire a line of new, acquire Rockstar." But this is having the ability to pivot quickly and understand the market dynamics. And when aligning new becomes available at a price that I think was outstanding for us to acquire that, we moved on it.

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So we're going to continue to try to be advantageous for our shareholders. And M&A, vertical integration potentially, we'll see what that looks like moving forward. We're going to -- we're in the process of putting a second line into our manufacturing facility in North Carolina to even drive more efficiencies through that plant. So we're looking to drive margins down and drive profitability.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And you also have the opportunity from the protein side, right, because Alani in the midst of the integration wasn't like your first priority. Can you talk about the opportunity for protein?

Toby David
Chief of Staff

Yes. I mean when we acquired Alani, it was solely for the Energy RTD element. Now that came along with a number of other products that they have in their portfolio. Clearly, protein is a hot category right now. And I think protein is going to be a hot category for the foreseeable future. They have -- I'd say that we have a great tasting protein at Alani. And we'll see what we can do there. We need to work on some of the costs that are associated with that product right now before we start pushing it. But if we can get the costs in line, then I certainly think that's something that could be 100% incremental to what we're doing today from a revenue generation and profitability standpoint.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

But that wouldn't be a 2026 execution?

Toby David
Chief of Staff

I'm not ready to announce any big pushes on protein today.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

But when we think about like what are the challenges besides distribution would be distributed by Pepsi or that's not a part of the agreement?

Toby David
Chief of Staff

Well, that's not part of our current agreement with Pepsi. I think that we'd have to -- that's not part of our current agreement with Pepsi, and I'm just going to leave it at that.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Okay. All right. So -- and then when we think about like long term in terms of the energy drink category for, let's say, the next 5 years, how do you think Celsius -- and you got this question earlier, like Celsius will be, let's say, in a 5-year horizon in terms of the 3 brands. How do you see that? Because it kind of like responds in the way you're thinking about the category evolution and maybe international? How -- what are the low-hanging fruits besides taking Alani to the same ACV, about on-premise, about that type of growth. Of course, they're not going to go triple digits. It will decelerate. But then how to think about the international. We're just discussing Brazil. We're just discussing a lot different areas where energy drinks are very prevalent. And of course, Europe is even bigger. What is going to be the dream and how to execute that?

Toby David
Chief of Staff

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Yes. I mean, I think, John said the dream for -- John Fieldly, our CEO, has said for a long time, the dream is to be #1, right? And I think when he first started saying that, people started looking at him like he was drinking too much Celsius 7 or 8 years ago. But as you look at it today, they have a 20% plus portfolio. If Celsius can continue to exceed the category and start to pick up share, if Alani can continue as a growth engine, and let's see how high is with them. We'll see what happens with Rockstar.

I think domestically, innovation will be interesting, especially within the energy portion of the category because there's still a lot of different things we can do from an innovation standpoint. So our goal is to compete with Red Bull and Monster in a meaningful way. It's part of the reason why we did the captaincy with Pepsi because you really need to have a partner like a Pepsi or a Coke or your own distribution the way Red Bull does in order to be able to have -- be a meaningful competitor. So I'd say domestically, that's our goal is to compete with Red Bull and Monster. And ultimately, let's see if we can overtake those guys. I'd say internationally, it's going to -- that's going to be probably that 5- to 10-year horizon, where I think most of the people in this room that are listening know me and Monster has done quite -- they've done a great job internationally. I think they're split 60-40 domestic, international. And right now, I think ours is about 5% international, if that.

So a ton of white space there, the same health and wellness trends that have really taken over the U.S. They are starting to be a global phenomenon. You see it in Scandinavia. I mean that's a very forward-looking health and wellness market. And Celsius has been really one of the top share brands there for a long period of time. I think that exemplifies that -- that's something that we can do globally. It's going to take time, though. And we're judged -- it feels like on a weekly basis sometimes, but we're judged quarterly, and we're not going to get out ahead of our skis.

As we've always said, we're going to be methodical with our. But with our partners, whether it's Pepsi or Centauri or whomever it is internationally, ultimately, we want to have a much bigger footprint. And it's one of the reasons why we brought on Garrett as our new President of International. We've really -- we stepped up and built out a pretty robust team over in Dublin to run our international operations. Rishi who came in as our CMO. It has kind of that global perspective, not just a domestic market here. So what you're seeing now is you kind of mentioned it earlier, bring in reinforcements that cannot only help us domestically, but internationally as well.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And that, as you said, you're going to be very purposeful and methodical. So that would mean more of like probably we shouldn't expect anything like really big into 2026, but more '27, '28.

Toby David
Chief of Staff

Yes. I would just say there's opportunities, but we're going to focus on the markets. For the time being, we're going to focus on the markets that we've already launched in. There could be some opportunities to go into some new markets. Next year, we'll see. But especially with this new organization that was most recently built on with Garrett coming on as the President of International, let's give him some time to take a look and evaluate the landscape and see what makes the most sense for us internationally.

But yes, we certainly view it as a growth driver. Now how quickly can it become a significant part of our revenue? We'll see. But that's why in the U.S., it's really more of a 3- to 5-year play right now, I'd say. Although I mean, we're clearly a significant player at a 20% share, but in order to overtake a Monster or a Red Bull and lead the category, that's probably more of a 3- to 5-year play, where I think international is probably a little bit beyond that. Great.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And then as we -- a few minutes we have left, when we think about like last year -- not last year was like CAGNY, right? So 9 months ago. As you're buying Alani and then thinking of how investors were thinking about the category, how the category was and then all of a sudden, we saw the category really vibrant led

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by, obviously, your competitors as well. Like how to think like how your organization thinks about where you were there at that point and how you executed and how -- what was the positive and the negative surprises would you say? What are the learnings...

Toby David
Chief of Staff

I mean, if you look at the meteoric rise of Celsius from 2020 up until May of 2024. And sometimes you don't know what you don't know, right? And you feel like you've overcome so much to even get to that point. And then I think what we've experienced from middle of last year up until early part of this year and into maybe the middle part of this year for about 12 months. That wasn't easy, but you have to look in the mirror and you have to recognize, okay, what are we going to have to do to turn this thing around or get us going in the right direction? And fortunately, we've got some really strong leadership and we identified where the weaknesses were. We launched the LIVE. FIT. GO. campaign, and that really helped us get things going in a more meaningful way for Celsius.

At the same time, you have to be opportunistic. That's why I kind of referenced it before. I don't think we were -- when we were on that meteoric rise, I mean, we're worried about Celsius, right, because we're going to take over the world. But you also have to be able to pivot. And if there's an opportunity that presents itself, which Alani was available we were very fortunate that we were able to grab them. And I think -- I remember at CAGNY, there was a lot of people like asking, couldn't even pronounce Alani. They thought you kind of mumbled something the wrong way. And now I think a lot of people are seeing this brand as more than a niche. I think that was the question for the next 4 or 5 months.

Is it just a niche brand? And is it cannibalizing Celsius? And that's another thing. A lot of -- you look at Celsius going from negative to double-digit exceeding category growth. Meanwhile, Alani has been on this meteoric rise themselves. And I think that, that exemplifies that it's not necessarily cannibalizing each other, and we can work synergistically with one another. So as we move forward, we're going to continue to grow these 2 brands. We'll see what we can do with Rockstar, and we're going to keep our eyes open for any other opportunities.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Anything you want to leave us with that we haven't discussed or how the stock price? Like how do you think like in the learnings from last week...

Toby David
Chief of Staff

Yes, absolutely. Listen, we -- again, we're -- we've spoken to a lot of folks from the investment community over the last 6 days. We're going to make sure that we can communicate as effectively as possible. Obviously, it was pretty painful for everyone involved last week. But moving forward, like this company is -- and that's why I try to say it from the outset, we're really structurally set up for success.

I mean most of the people that are listening or in the room are better at modeling and math than me. But you can kind of take a look at the growth rates of Celsius and Alani and start plugging in some of what you think the margins and EBITDA could look like. And you've got a heck of a company right here. And we're excited about Q4. We're even more excited about 2026 and seeing what the capabilities are for Celsius Holdings.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Yes. And then I think what we discussed before, like it was not about the third quarter itself is more like, well, what are the adjustments? What they're trying to tell us about the fourth quarter that is scary. And I think that's what -- why we were talking on the earnings call, like the stock took another dip. And I think that's what you explained. It's not like you're seeing a huge issue with Alani or the integration of Alani. But it's a function of having your Pepsi kind of like trying to manage their cash in a way, right, and not

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the feel that you want to make people understand that you're not going to have the piped fuel that the lifetime around.

Toby David
Chief of Staff

Yes. I think we were probably trying to be overly cautious with The Street, and we could have communicated it in a better way because clearly, we felt we said something and everybody else heard something else. So it's part of why we're out here this week, next week, the following weeks talking to folks. I mean we're not scared to tell the story about what's going on. We're very confident in the ongoing transition with Pepsi. That's going great. Just talking about a little bit of fiscal management at the end of the year. And I think there was -- some folks might have overreacted, totally understand.

And -- but at the end of the day, we feel like this is a great opportunity for Celsius and for anybody who feels like this might be a good entry point.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

And then consumption, as I said, it's going to rover between 60, 80 for total company, but consumption at some point, shipments will converge into consumption.

Toby David
Chief of Staff

Yes. Well, I think that I don't even think it's going to be too much variability, and we'll see what happens in Q4, but it should be strong for Alani. It could be a little bit for Celsius. But I think, overall, I think just using the data is probably the best starting point and then just err a little bit on the side of conservatism.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Okay. With that, thank you very much, Toby, and Celsius for representing our conference. And thank you all for coming to the room and also on the webcast.

Toby David
Chief of Staff

Thank you.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division
Thank you.

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