S&P Global
Market Intelligence

Celsius Holdings, Inc.

NasdaqCM:CELH

Company Conference Presentation

Tuesday, September 8, 2026 7:15 PM GMT

Call Participants

EXECUTIVES

Jarrod Langhans
Chief Financial Officer

John Fieldly
CEO & Chairman

ANALYSTS

Unknown Analyst

Presentation

Unknown Analyst

We're going to get started. It's a pleasure to welcome Celsius CEO, John Fieldly; and CFO, Jarrod Langhans, to the stage. Last year, we were here, we were discussing the potential of a much broader energy platform. And today, Alani and Rockstar are integrated. The portfolio has roughly a 20% share of the U.S. energy drink category and the focus has shifted from assembling the platform to now proving what it can deliver.

Question and Answer

Unknown Analyst

So I wanted to start, kind of, at the same, sort of, high level and knowing that a year ago, the investment case was largely about the strategic opportunity by having this rebrand portfolio. After running that full portfolio through PepsiCo's route to market now for a few quarters, what would you say you understand today about the business that you didn't fully appreciate when you first expanded the partnership?

John Fieldly
CEO & Chairman

Yes. It's a really exciting time right now, just really finalizing the integration of all 3 brands. The biggest opportunity we have today is the amount of consumers we can touch with this portfolio. When you look at Alani, very female-focused. It's treats in a can. It's guilt-free indulgence. You have Celsius with its fitness lifestyle position, and we have Rockstar. So we have 3 distinct brands going after 3 distinct consumers and the amount of opportunities with touch points on where we can take these brands through the Pepsi partnership and as we continue to invest in our internal teams, the white space is just massive.

Alani has done an amazing job bringing new consumers into the category. And the integration on behalf of the team, it was another flawless integration. Alani is an amazing brand. We just launched Witch's Brew. Anyone out there, please try it. We have some in the cooler. It's going to be the biggest LTO in the energy history, maybe even beverage, just really excited about the opportunities we have with the Alani portfolio.

And then one thing learning with the Celsius portfolio when integrating these -- this portfolio, we did some rationalization, and we've been talking with a lot of investors today about that. And we have a much stabler portfolio of core SKUs within the Celsius portfolio. That sets a really firm foundation. But going through that integration and some key learnings, we really went too deep on simplifying the Celsius portfolio for this year. But we're going to take those key learnings, and we're really excited on what's in store for '27.

Unknown Analyst

Okay. Great. And I guess, where would you say that, sort of, improved execution has come about with the expanded partnership with PepsiCo and the route to market? And then where is, sort of, the added complexity maybe been greater than what you expected by now managing the 3 brands on your side?

John Fieldly
CEO & Chairman

Yes. I mean any time you do an integration, especially the size of -- now we have $2 billion brands within our portfolio, massive opportunities. One thing that we were able to unlock by bringing the portfolio together is this category captain of the energy category with Pepsi. So that allows us to set our own priorities and really leverage their whole sales distribution system on prioritizing around key moments with each one of these distinct brands. So we have distinct commercial plans for each brand that we'll be executing. And now that the integration is done, now it's really time to unlock that value. We're going to be able to really maximize the full potential of the energy captaincy.

As an example, about 5 weeks ago, we were out in Vegas at the Pepsi AOP meeting, where we spoke with over 1,000 managers and executives and just getting everyone really excited about our priorities, our innovation, some of the big brand plans we have in place and they're excited to get started. So that's a big unlock now.

And the other piece is, this is the first year the organization is going to market with a portfolio approach into the selling story. So we've already kicked off a variety of discovery meetings with some of the major retailers in the U.S., and it's been really, really positive. So innovation is planned. We got great assets to leverage, activate consumers, expand usage occasions and bring that all to life on the retail floor.

Unknown Analyst

So when do you think you start to see some of the -- like that -- this going to market differently with the full 3 brand portfolio? Is it kind of early calendar '27 that you start to see expanded shelf space?

John Fieldly
CEO & Chairman

In regards to shelf space, we're in a really good place within we operate in the energy category. Not only is you're seeing pricing taken, right? So we're seeing growth on dollar, growth in pricing, you're also seeing units. So we're in a really good category. We're hearing early feedback from retailers that they'll be expanding their space again. They expanded their space last year. Energy sets are getting bigger, especially in large format, more availability in cold placements and coolers. And retailers are realizing energy drinks are being consumed in multiple occasions. So they're leaning in as the category continues to grow.

Unknown Analyst

Can you just maybe -- actually, the question about the full brand portfolio being captain, how would you say it's enabling having better or different decision-making than might have been the case historically. So now that you've got oversight of all 3 brands.

John Fieldly
CEO & Chairman

Yes. I mean when you report, you're an allied brand, and you were dealing with a distribution partner that had a vested interest in one of their own brands. So there's always prioritization challenges you would have on managing your brands. And -- so this now as a category captains, we manage the full energy category. So now having Rockstar, Alani and Celsius, we're able to not compete against these brands independently, but actually use this portfolio as leverage. Alani right now, Witch's Brew, extremely popular. Retailers want it. We're able to use that now managing the portfolio to bring the other brands along and opportunities that you might not have to get that secondary placement and third placement.

So it's really taking the value and the opportunity of the brand and really making sure you're maximizing every lever. And that's our go-to-market strategy for '27. We're going to market with a total portfolio. We have prioritizations from our own people when we're investing in merchandisers and territory managers, but then also working very closely with Pepsi so we can have -- improve the execution. We also are doing suggested orders. So our sales team can place orders on behalf of the Pepsi sales rep. So we're working much closer together, and that's only going to get improved -- continue to improve in '27.

Unknown Analyst

Okay. And then can you just remind us how to think about, sort of, the mechanics of accountability. When the strategy is yours, but the physical execution sits within the Pepsi distribution system?

John Fieldly
CEO & Chairman

Yes. I guess when you think about it, any distribution, right, there's always going to be challenges and opportunities. And I think when we really think about it internally, it's the opportunities, right? So distributors are going to drive efficiencies, they have a lot to sell. A sales rep within Pepsi has hundreds of SKUs, right? So how do you make sure your stands out? How do you make sure that you have that opportunity for that sales rep? How do you create that selling opportunity? That's where the territory managers come in, the merchandisers and then most importantly, the wiring and programming at the key account level. So getting the key account level strategy and commercial plans, validated and executed and aligned with the key accounts, getting that sold through and aligned with the distribution partner will get you to show up. And that's where it matters.

You have a 1.5 seconds for a consumer to purchase a product. You have to disrupt the path to purchase. The energy category is extremely, extremely competitive. We know this, right? We have to get secondary placements, third placements, disrupt that path to purchase. We need to bring these brands to life at retail. So the wiring is very, very important. That's why the category captaincy is important and continually focusing on improving execution, improving the placements at retail and getting the product cold.

Unknown Analyst

Okay. Coming out of the second quarter print, I think an area that investors have been focused on is the trajectory of the Celsius brand itself specifically. So you've been clear, you just mentioned already that the SKU rationalization went deeper than it should have in hindsight, but the remaining assortment is becoming more productive, but we're not yet, I think, where the total brand has returned to growth. So what more needs to happen to get there?

John Fieldly
CEO & Chairman

Yes. I mean commercial plans for '27 are fairly locked. We have an LTO strategy. Spritz Vibe is another winter Spritz that's coming out in the fourth quarter. But that LTO is not going to put enough sales on innovation to cycle last year's innovation -- that permanent innovation, which was in place. So there's weakness on the Celsius portfolio. We've seen that down anywhere between 5% to 10% on the scans on IRI data. The rationalization slowly starts to fall off towards the back half of the year and into the first quarter and first half of '27. But we're seeing really strong performance within the core SKUs that we're focusing on prioritizing.

As an example of some of the SKUs are Cherry Cola, Grape, tropical vibes. Some of these really great velocity SKUs. You're seeing the ACVs gain as the teams are focusing and prioritizing a really strong base portfolio. So Celsius will be down as we're finalizing and exiting the year, we're hoping to get it back to growth at the end, but it's going to have a really firm stable base of SKUs that we're going to build on for 2027, where we had permanent innovation on our core or Vibes lines.

And also, we'll be launching a new subline in the 16-ounce space, which we're really excited about. We're going to be announcing that at NACS coming up next week or next month, which is really the Super Bowl of the energy drink category. It is a fun time if anyone can ever -- wants to go. You'll see a lot of great new innovation within the energy category there.

Unknown Analyst

Okay. [indiscernible] sort of getting through this period, we cycle it and then the stable base to grow from in the innovation and activity.

John Fieldly
CEO & Chairman

That's correct.

Unknown Analyst

Great. And then also, I just wanted to just clarify also, is some of this recovery relying on the time of retailer shelf resets or anything with in-market execution, would you say?

John Fieldly
CEO & Chairman

We're completely focused on getting Celsius back to growth. The innovation will slowly start to roll out in the first half of the year as retailers are resetting, but we're also making strategic investments behind the Celsius portfolio. We just partnered with GameDay. We've been activating college campuses across the country. And now we're leaning in on college football more than ever before. We're getting a lot of great feedback from retailers where we're going to be able to bring this property to life. So innovation is going to be a key driver for '27, but also leveraging these tentpole programs and wiring that we're wiring in through the key accounts is going to also drive additional velocity growth and loyalty.

Unknown Analyst

And how -- I guess, should we on the outside evaluate the recovery in the brand? Like what are the data points that you think would be the best leading indicators? And like what are you watching most closely to say that this is working.

John Fieldly
CEO & Chairman

Sure, you want to talk?

Jarrod Langhans
Chief Financial Officer

Yes, you talked about -- I mean, scans obviously, is a key thing. Most of our investors are watching them on a weekly basis. But we look at them as well also not just from a percentage but gross dollars. So how have the gross dollars been trending? Are they stabilized, which we've seen stability for a number of months? We also are looking at kind of productivity. So if you look at, kind of, dollars per point of distribution, we mentioned in our Q2 earnings call that from Q1 to Q2, we're up 16%, even with 7% loss in points of distribution. So we're seeing the productivity go.

If you look at just the singles, which is about 70-plus percent of our business, of the remaining SKUs, those are in double-digit growth. So the remaining SKUs are working. They are resonating with the consumer as we get everything set and going. Those are kind of the, call it, third-party data things you can review. If you go beyond that, we look at a number of displays, inventory on display, so NOD, IOD is very important for us, like John said, it's about getting in that path to purchase.

So we need to keep that up and keep growing the different merchandising and the different setups that we're doing. ESPN GameDay will be helpful with that with getting displays across the U.S. and all the big retailers and even some of the convenience locations. And then it's the coolers, how many coolers are we able to add. We've been adding a lot of permanent fixtures this year. That's caused a little bit of delay on some of the space gains that we've had, and we've talked about that back in our Q2 call as well, where because it's more labor-intensive and we're getting, kind of, permanent space, it takes a little longer to get that set as opposed to just getting another 6 inches on the shelf. So those are the key things we're watching and monitoring and as we go through the year, and then obviously, you've got the innovation productivity as we, kind of, end the year and go into 2027.

John Fieldly
CEO & Chairman

Yes, I think it's -- when you look at -- you get all those key indicators and then you have what's happening macro within the category, right. I talk about pricing opportunities, unit growth, more consumers coming into the category than ever before. And you look at a Celsius and Alani, it's incremental, right? We're bringing new consumers into the category. And I think that's really a differentiator when you're going to these buying desks with buyers, right? They're looking for us to bring innovation. They're looking for us to bring some of our marketing initiatives and some of the unique things we do to bring these brands to life at retail.

If they're looking to sell bigger basket rings, right? We hear that a lot with the convenience channel. They want to do more food pairings. What brands to pair with food on a meal than a Celsius and Alani? Some of the really great flavor profiles to have there. We know those occasions are expanding.

Also, the other opportunity we have is revenue management. We've been investing in revenue management apartment. We are really excited about really going to market with this revenue management strategy in regards to pricing, promotional strategies, pack size, and this will really be the first time we're really maximizing the value of the portfolio.

These brands -- commercial plans were designed individually. They weren't designed as a portfolio. So this is the first time we're actually going to be putting that to work, and that's going to unlock value.

Unknown Analyst

Okay. Great. Just sticking with the innovation topic for a moment. You said you're moving back towards permanent flavor innovation for Celsius in '27, whereas like the LTOs and optimizing the lineup were more of the focus this year. How is the innovation process changing? So you don't end up again with a long tail of low ACV products?

John Fieldly
CEO & Chairman

Well, that is now corrected this year because the tail is -- there's -- the tail is cut. So what you're going to do is, kind of, continue to rationalize the lower moving SKUs and refresh. That's what you do every year. This year in '26, when you look at what the strategy was, it was to simplify the Celsius portfolio, increase the faster-moving SKUs, bring those ACVs up higher to have more consistency across the country. We cut too deep that we know, and we didn't have permanent innovation coming in. So now when you look at the tail, there isn't really not a tail. So now you're able to continue. You have a really good base. Now you're going to build upon that and definitely taking the key learnings, you have to replace our SKUs, you have to bring new innovation back. And that was a flaw in the commercial plan this year.

Unknown Analyst

Okay. Let's shift to Alani. So a different point in its development, where the question is more how to maintain momentum as the brand becomes much larger. Distribution, velocity innovation are all really strong. So as the initial PepsiCo expansion, sort of, matures, how would you describe the next phase of growth for the brand?

John Fieldly
CEO & Chairman

Well, Alani, it's really exciting what's going on. The brand is extremely hot. What we're also seeing, as it's going and expanding into convenience, you're seeing more males consume the product, some of the flavor profiles are so unique. What gives us the opportunity with Alani is the LTO strategy. You get the test.

And then once it's validated, you can bring that back in as a core SKU. So this year, we put in 3 SKUs into the core of Alani. So we have 6 core SKUs. Next year, we're going to bring in more. And we'll continue to build upon that base as well as test and continue to grow the LTO strategy, which has been really meaningful for the portfolio. But over time, those LTOs will have -- they will grow, but the base is growing on Alani because you're increasing that daily consumption. You're seeing these SKUs will start to grow at 98 ACV. You're going to go into additional foodservice. You're going to go on additional college, universities and really leverage the breadth of the PepsiCo distribution networks. And that's a lot of white space opportunity in '27 where Alani can go.

Unknown Analyst

Okay. I think Alani takeaway has been much stronger than reported net sales growth for a few reasons. Could you maybe talk about that a bit and give us an update on when you expect that gap to narrow?

John Fieldly
CEO & Chairman

Yes.

Jarrod Langhans
Chief Financial Officer

I can jump on that. We can parse it into, kind of, 3 or 4 pieces. One of them is you've got non-RTD kind of program they were running that was low or no margin. And so we discontinued that. So that was discontinued in Q1. So as we roll over Q1, you'll see that, kind of, easing and that was just different things that they had added as a part of the nutrition program that we didn't feel we needed anymore. There are a number of things that we kept, like we still kept pre-workout. We still kept On-the-Go sticks and things like that, but there was a number of other things we discontinued.

The other piece -- and we do have a bridge that we have issued each quarter. There's another piece there is the Canadian business. It's growing at a different rate than the U.S.-based business. So if you pull that out because a lot of people are trying to measure the scanner data versus the reported data, and then, kind of, the [indiscernible]. There's another piece, it's the captaincy amortization. So we -- as a part of the Rockstar purchase and also gaining the captaincy, there was an asset that we put on the books that's actually amortized into revenues.

And so that piece will be -- it's straight lined. So it will be, kind of, year-over-year. It will be the same. So you won't have that as an outlier. It will just be consistent across the board for the next 16, 17 years.

And then the last piece is really the mix in the DSD. And so they were -- the Alani brand was heavier mixed into non-DSD in the prior year, and it's mixing into more DSD as we get the captaincy and go into the Pepsi system. A big part of the growth is convenience, which is DSD based.

And then the other piece is, historically, the LTOs would just get directly sent in to retail. And in order to get more breadth and depth, we were able to use the DSD system. So you've seen what happens with the ACVs of, like, which is Brew and how much depth we can get across the U.S. with that. So that's all causing a bit of a mix impact.

As we look out to next year, it's about 60% right now. So it's, kind of, stabilized around that. As we go, kind of, through resets, you'll see it, kind of, be more of an apples-to-apples comparison. So you won't see as much of the flux. If you, kind of, remove everything besides RTD Energy, it was about 39% versus 56%. So it looked a little bigger, but once you, kind of, got rid of, like, non-RTD and some of that stuff, the gap got tighter.

The other thing that will support it is as we implement the true portfolio RGM programs, that will tighten things up a bit, too, because right now, you're seeing some promotions and some build backs and things that are running through. We'll be able to get those running through at a much more efficient rate.

Unknown Analyst

Okay. Great. And I think there's also a sizable gap between growth and net revenue at a total company level. I think it's also largely driven by Alani, but it's a similar question, if you can just, kind of, walk through the ongoing dynamics that you use over time.

Jarrod Langhans
Chief Financial Officer

Yes. From GAAP versus non-GAAP, there's timing differences that can happen across the board. So you've got the scanner data, you've got the depletions, which are coming from our DSD partner into the retail outlet or our shipping product to the direct businesses that we do business with. And so there could be some timing versus orders, right? So we get paid based on delivering product to the Pepsi warehouse or based on delivering product to the -- call it, the Costco warehouse.

And then they obviously hit the scanner. So there's -- sometimes, there's timing gaps there based on when the orders were, when the depletions took place. So you'll see some of that across the board.

As we continue to scale, that should tighten because our business is going to get bigger and bigger and you won't be able to have those, kind of, disparities in order to make sure we're getting service properly. So you'll start to see it smooth out. But as we're loading Alani in and trying to bring a $1 billion-plus business on where we already had a $1 billion-plus business, and then get Rockstar into the system. We also did some rationalization intentionally on Rockstar. Rockstar has been trending along with way back in August, what we, kind of, expected for its sales this year. So that's -- you're going to see some of those nuances. But as we continue to get some time under our belt, you'll see that start to tighten.

John Fieldly
CEO & Chairman

It really starts in Q1 of next year.

Jarrod Langhans
Chief Financial Officer

Yes. For the Alani piece, you'll see a significant, like, kind of, easing, but from an overall portfolio perspective, you'll continue to see that over the next couple of years.

Unknown Analyst

Okay. Let's stick with Rockstar. So what would you say success looks like for you on this brand?

John Fieldly
CEO & Chairman

Yes. We're excited about Rockstar. We're actually getting a lot of great feedback from retailers as well. We have a redesign and a whole refresh look, "Live Loud" is tagline we're going with, going back to music and action sports. And it's been positive, really, really positive. And a lot of retailers were saying it's, kind of, falling off. And -- but they're excited to give it -- have it come back and give it a try. I think we've got some really great tentpoles and some investments we're making within music and culture. The teams are really excited about it, 18 to 24 male and we're going to evaluate it as -- and figure out what is the right investment algorithm, most importantly, driving profitable growth.

It is about a 6 share in the Pac Northwest, so does a considerable amount of volume. And can that scale East, right? And how does that -- what is the turns, what is the velocity? So I think there's a lot of things to learn there, but retailers are leaning in and they're offering a variety of different programming. I think they're excited, just to see Rockstar back and initial feedback from consumers on the repackaging and the redesign is really good high results and feedback from consumers.

Unknown Analyst

Okay. Is -- are you taking the position to 18 to 24, is that the positioning of the brand in the Pacific Northwest would basically take what's working?

John Fieldly
CEO & Chairman

Correct.

Unknown Analyst

And then push it further everywhere else around the U.S?

John Fieldly
CEO & Chairman

Yes. Exactly. We've got some great flavors. There will be some innovation coming in, in '27 as well. But the big move is the packaging redesign and then getting back to its core, which is music and action sports.

Unknown Analyst

Okay. And then also, is the brand because it's been like fallen off for so long, frankly, is it to where it's like a brand discovery? Like is awareness very low? Do people not even know this brand exists or do you need -- when you get out of the Pac Northwest, right? Or is it a -- are you launching effectively a new brand to a lot of consumers?

John Fieldly
CEO & Chairman

It's effectively a new brand in a lot of places. Once you get outside the Pac Northwest. And I think there's -- some people heard about it, but they've never experienced it or tried it. So it's very much a new brand coming in.

Unknown Analyst

Okay. So clearly, we're in rebuild mode here. How do you think about resource allocation though across the whole portfolio, sort of, balancing the degree of reinvestment that might be needed to get Rockstar going to effectively launch a new brand in a lot of the country versus supporting the ongoing momentum you've got in the other two.

John Fieldly
CEO & Chairman

Well, I mean, when you're looking at your investment strategy and you're looking at priorities, you're looking at -- we put the same rigor on every single investment that we're spending. So everything is getting analyzed, right? How is it touching the consumer, is it increasing frequency? Are you bringing a new consumer in? How are you driving velocity at retail? We've got to drive velocity at retail. It's the most important thing. So how do we take these tentpoles that we're investing in and bring them to life at retail at the point of purchase?

That's where the decisions are made. So really working with the teams and driving that through the organization is so important. And then on the investment thesis, we've said it from the beginning, how we build this company even in international markets, which is a big opportunity. It's timing, it's sequencing. We are driving this company for profitable growth. So we'll make strategic investments, but we're not going to over-invest. We're taking it -- but we'll work closely with the retailers, where we start to see growth and opportunity, we'll lean in more. But we're not going to get ahead of it.

Unknown Analyst

Okay. Sorry, I'm coming back to Rockstar again. I find it very interesting. In effectively launching a new brand, though, how much of this is experiential in market with consumers, how much of it is online, digital, social attention, how would you say you're balancing...

John Fieldly
CEO & Chairman

Yes. Well, it's a little bit of both. So we have a music festival we partnered with. We'll be talking about that and having cans in hands and tie-ins culturally. And then we also have the Rockstar Open, which has been a property they had where action sports is a big part of it, and we're going to continue to leverage. So it is experiential, but social is so important as well, you have to own the phone. So there's a whole strategy on social media, also tying through to get that and how it shows up at retail. So you have to touch consumers where they live, work and play. We're going to run that same playbook. We're going to activate the brand locally and create trial awareness and loyalty.

Unknown Analyst

Okay. Let's talk a little bit about revenue growth management. So you've described this as being the largest opportunity for the company. Revenue growth management covers a lot as a moniker. So can you just give us some tangible examples of, kind of, where you're most excited and where you see the biggest opportunities?

John Fieldly
CEO & Chairman

Yes, I'm really excited about the opportunity pricing architecture, but leveraging this portfolio. Do you want to touch on some more on that? So much opportunity in the revenue management piece. And you're right, it is vast.

Jarrod Langhans
Chief Financial Officer

Yes. So I mean if you think about this year, we didn't really get to put a full program in because we were on a transition service agreement with Alani last year. We didn't acquire Rockstar until the end of August.

So a lot of the, kind of, commercial plans were set. So it wasn't really a portfolio approach. So we've been spending a lot of time this year in building out our RGM team and really putting a focus on how are we going to go to market in 2027. There are some things you can do with productivity across the back half of this year, but the bigger pieces are going to be more of a '27 and '28 play.

So there's simple things like, kind of, your price pack architecture like making sure that Alani is the super-premium, Celsius is a premium, Rockstar is, call it, the premium economy. So making sure you got that set up right. So you don't walk into a store and see Rockstar price higher than a Celsius, right? So making sure every store you walk into, you've got the right architecture there, same with the packs and the different packs we're going to market with. Are we going to go to market with minis for Alani? Are we going to do that with Celsius? Multi packs, 12 packs, all those, kind of, things really by channel. What is the strategy there? Also, what is kind of the pricing within the category. You're seeing pricing is expected to go up. So where do we fit within that architecture?

So those are all things that we're talking with our retailer partners with, and that will be bringing to the market next year. Then there's -- so think about that more like price pack architecture. The next piece is really the promotional effectiveness.

So an easy example there is don't have all 3 brands on promotion at the same time competing with each other, right? We want to compete against them. In the past, when we were only brand Celsius, we were constantly being attacked by some brand or 2 brands or 3 brands. So this allows us to, kind of, strategically position each of the brands so that we can win and that we're not going after each other. We're going after the competition instead. So making sure that the timing and sequencing of our promotions.

Another good example is when you run on a Witch's Brew LTO, let's not have it on discount because we know that people are going to buy the product regardless of whether it's on sale or not. So really driving execution through those kind of tactics to make sure that the promotional effectiveness is there.

And then the last piece is really just the mix assortment and how we're handling mix relative to the contra revenue, relative to the trade promotions and those kind of things to say where do we want to blend out on a margin perspective. And so putting those into place, you'll see more execution in '27, further execution in '28, but we see this as a multiyear opportunity to really strengthen our margin profile but also strengthen the effectiveness of our program.

John Fieldly
CEO & Chairman

And the breadth and depth, right, on how you're showing up on those promos, what's the frequency by channel, by brand and pack size is a big unlock.

Unknown Analyst

Okay. Great. I'm going to stick with margins. So currently at a 48% gross margin, what are kind of the key drivers to getting back into the low 50s?

Jarrod Langhans
Chief Financial Officer

Yes. I mean some of the impediments this year, as everybody knows, is the Midwest premium skyrocketing. A lot of that's tied to tariffs, but also you've seen inflation come through. You've got the LME, which is up significantly year-over-year. Conversion costs not too much for us, really, it's those other 2 pieces and then fuel cost/freight costs. Those are kind of outside of our control in a bit.

I'll talk about price locks in a minute. But if you put those to the side, we've got kind of 3 buckets that are driving it. So right now, we were sitting at a 48% in Q2. We talked about based on where the LME was, the Midwest premium and fuel was 6 weeks ago, we're, kind of, in a position to stay in that kind of high 40s for Q3 as well. I'd say in August and September, you've seen oil -- or fuel spike a little bit. But nonetheless, if you, kind of, look at what are the drivers that are going to strengthen our margin, call it, across the next 6 months to 2 years.

We've got our integration program. So yes, we integrated Alani as of the end of Q1, and we integrated Rockstar as of the end of Q2. But that means we've got them into our supply chain. There's still optimization and work to be done around cost structure. So if you look at freight per case as an example, our most efficient case from a freight perspective is Celsius, than Alani than Rockstar. So we still got work to do on Alani and Rockstar in terms of getting those freight rates more consistent with Celsius.

The way to do that is less out-of-orbit transportation, less cross-country transportation so getting more efficient with the SKUs and with the plan we have in place with Alani and Rockstar. And you have seen that improve across this year. So we see opportunity to do more there. We also see opportunity to continue to improve the freight rates with brand Celsius as well. Similar thing when you're looking at COGS, our most effective kind of, call it, finished good is brand Celsius. There is some, kind of, rollover we're seeing because of inventory. It's first in, first out. So you're seeing some of those higher cost things roll out for Alani and for Rockstar. But we see opportunity to drive more efficiency and more cost reductions through there.

Second piece is really direct and vertical integration. So direct -- going direct instead of using middlemen is an opportunity to drive cost out of the system. Yes, we're not going to be able to drive it out of the Midwest premium, but there's different ingredients and other packaging and opportunities to drive costs out and the vertical integration. We've got second line that will be up and running fully for Q4 and then we'll have that fully in place for next year. We also see opportunities for further vertical integration. That will help drive or strengthen our margin. And then the last piece is the RGM program we've been talking about, we see that as a very big opportunity for us across 2027 and 2028 in particular.

John Fieldly
CEO & Chairman

Yes. I think when you look at all the opportunities we have on leveraging this portfolio, we talked about the commercial strategy is selling a portfolio to retailers, taking advantage of that 20 share and then taking advantage of the P&L. So supplier purchasing strategies, revenue management. There's just a lot of synergies to unlock over the next year. And now that this integration is done, we got really all these brands in the system. Now it's time to really maximize that value. So not only from a sales perspective, but really to drive the bottom line.

Unknown Analyst

Okay. So fair to say that if aluminum and fuel remain at current levels, everything you've just listed kind of helps prevent margins from going backwards.

Jarrod Langhans
Chief Financial Officer

Yes. I mean commodity relief gets us there faster, right?

Unknown Analyst

But the question point was if it doesn't change?

Jarrod Langhans
Chief Financial Officer

We still have a trajectory to get there. It will just take longer because of the commodity exposure right now.

Unknown Analyst

Okay. Great. We have a few minutes left. So I did want to touch on international. I -- you have a little tease. So you've set an ambition for international to account for more than 15% of total company sales over the next 5 years. I guess, what have you learned from the Celsius brand international launches that will inform, kind of, when and how and et cetera, with Alani?

John Fieldly
CEO & Chairman

Yes. So I mean it's gone the international market expansion with Suntory is our major partner. We are in France, we're in U.K., Ireland, Australia, New Zealand, Benelux. So we're starting to lay the foundation. We're really still in that second year in a lot of these newer markets, but we're seeing a lot of opportunity like in Paris, the brand at Celsius is around a 6% share. And we're seeing some really good other opportunities in a variety of markets. The key is timing and sequencing. We are going to bring Alani to international markets for the first time next year, it's in our plans. So we'll start to roll out some expansion with the Alani portfolio.

We're getting a lot of interest in international markets as well. We have building out an international management team. So we have Garrett, who's the President of International. He's got a tremendous amount of expertise. We've been building our local teams in each market and then having 2 brands is just going to add for those synergistic opportunities and gain further leverage.

So it's going to be a win-win as we're going to market with a portfolio of brands in years to come in these international markets, which will help drive those targets and growth achievements. The same health and wellness trends that we're seeing in North America are all over the world. So this portfolio and the consumers coming into the category.

We're seeing category growth in the energy market in international markets, just like the U.S. and actually at a much higher rate in many markets. It's even growing faster. So that opportunity is real. It's there. We have a portfolio that's bringing incremental sales, incremental consumers in, fitness lifestyle, more females coming to the category. These are global iconic trends that are changing the way consumers see and perceive the energy drink category for today and tomorrow.

Unknown Analyst

Okay. Great. I'm going to leave it there. We'll go to breakout. And please join me in thanking Celsius also for having all of the drinks.

John Fieldly
CEO & Chairman
Thank you, everyone. Thank you for your interest.