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Market Intelligence

# Celsius Holdings, Inc.

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*Company Conference Presentation*

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# Call Participants

**EXECUTIVES**

**Jarrod Langhans**
*Chief Financial Officer*

**John Fieldly**
*CEO & Chairman*

**ANALYSTS**

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

# Presentation

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

All right, everybody. Thanks for joining. For our last session of the day, we decided to end with an energy drink company to keep everybody fired up. Welcome back Celsius Holdings to our conference. Welcome back Chief Executive Officer, John Fieldly; and Chief Financial Officer, Jarrod Langhans. Thanks, guys, for joining.

**John Fieldly**
*CEO & Chairman*
Thank you for being invited back.

# Question and Answer

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Of course. Of course. Okay. So we've got a lot to cover. So I'm just going to jump right in. And I'll start with you, John. We're now a year further into -- last year, we talked a lot about the beginning of Celsius becoming a portfolio-driven company and a multi-brand modern energy company. And we're a year further into that journey. The platform is further established. What do you think is maybe not fully appreciated or misunderstood about where Celsius is and the opportunity that lies ahead?

**John Fieldly**
*CEO & Chairman*

Yes. No, I mean, great question, and it's a massive opportunity here at Celsius. We are the last Q&A section here. We'll bring in the energy. And we're really excited where this portfolio is going. When we sit here today, 1 in 5 energy drinks are sold through Celsius Holdings. We have a portfolio now of not only 1 distinct brand, but 3. Celsius was one of the early -- one of the original all zero sugar fitness lifestyle brands, really built modern energy.

And then you look at Alani, a health and wellness female-focused brand that's inviting and approachable, comes with very unique flavors and is on trend. Massive opportunity within that distinct portfolio. And then we most recently acquired Rockstar, and Rockstar allows us to play in that traditional energy drink space. And we've got great plans and -- the teams have built and working on and refining for 2027, and we're excited.

And I think Q1 was a great quarter. That was the first quarter this organization managed a portfolio of brands through PepsiCo. And we sit here really looking to '27 as we're building our plans, and we're going to go through this process for the first time as the energy captain of Pepsi managing their portfolio within the energy segment. So exciting times. It's very -- so much opportunity in energy as well, one of the fastest-growing categories and sugar-free is really driving it.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Yes. Maybe we talk a little bit about -- just to ground everybody at the category level, as you say, it's been a phenomenally vibrant category for a while, but especially as we move through '26 despite all the concerns on the consumer. How do you view the category and its future opportunity? And it's gone from more of an impulse-driven occasion to, I think, one of more routine for a lot of consumers. Do you see it that way? And how durable do you think category growth is?

**John Fieldly**
*CEO & Chairman*

That's what gets us really excited. Energy has gone mainstream. I think when you look at it and you look at the consumers that are coming into the category, so many new consumers are coming in, and they're looking for health and wellness, zero sugar, products that align with their health and wellness trends. And then what we're seeing is more females are coming into the category than ever before.

And what's interesting is we hear it all the time from investors with the female consumer, their consumption occasions isn't as frequent. But what we're seeing is they're increasing in frequency. So that's really great for the Alani portfolio, which is focused on female and also our Celsius portfolio, the health and wellness, which is 50-50 male, female.

So lots of opportunity to really capitalize on the growth we see in the energy category with the portfolio. And also what you're seeing in is increased usage occasions and higher frequency throughout the day. Look at Celsius and Alani, look at the portfolio, these brands have really refreshing flavors, fruit forward flavors. And when you think about it -- we did a research study, and we found that in the energy category, over 33% of consumers are drinking energy drinks with meals. That didn't really happen 5, 10 years ago.

And look at the partnership that just happened with Red Bull and Monster with refreshers. Redbull and McDonald's with the refreshers. That's so unusual of a relationship. But today, it's mainstream. These products are being consumed in everyday lives and expanded use of occasions. The other opportunity is social gatherings. Over 30% of consumers are drinking energy drinks instead of an alcoholic product in a social gathering. So the opportunities for our portfolio in the energy category has grown, and we expect to see continued growth rates within that channel.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. I want to dive into each of Celsius and Alani. But maybe before you've mentioned the 3 brands in the portfolio. Maybe just talk -- spend a minute on what the distinctions between those brands are and what role they play in your portfolio vision.

**John Fieldly**
*CEO & Chairman*

Yes. Like I said, Celsius is a fitness, health and wellness brand for today's health minded consumer. Our mantra is LIVE FIT. It's here to help you accomplish your goal inside and outside the gym. And it's designed to be the world's most refreshing energy drink, which is fruit-forward. Then you look at Alani, it's a health and beauty offering. It's approachable, it's inviting, has great unique flavors that are fun. It hits the season, and it's reaching a totally new consumer in the energy category than ever before and growth opportunities for that portfolio are extremely strong.

And then Rockstar, going after that traditional energy drink male consumer, 16-ounce can, likely will not be that consumer holding a Celsius or Alani, just doesn't fit into the DNA. Got to remember, these brands are more than the liquid in the can. It's like the threads on your shirt. It's the sneakers you wear. It's the authenticity of that brand. These are products that say something about you, that's really unique, and that's what makes these brands so special.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. So let's talk about Celsius, which I think is front and center for most investors. You have -- the growth of that brand has slowed this year as I think in part as the PepsiCo system is focused on the expansion of Alani Nu and as you essentially rationalize the Celsius portfolio down to what will hopefully be a stronger core. You talk a little bit about what you're doing with the Celsius brand, how you're positioning it for growth. And then just we can talk -- you put out some information today around the time line to get that brand back to reaccelerating growth. But let's talk about -- start with what you're doing and then we talk about the path forward from here.

**John Fieldly**
*CEO & Chairman*

Yes. And I think before we get there, I think it's really important. We get a lot of questions about the rationalization strategy within Celsius. And I'm going to have Jarrod talk about some of the integration of Alani and Rockstar and the complications of that.

But you got to go back to where we started within Celsius. And you got to think that before we went into the PepsiCo network, we were in the ABI network, fragmented network, over 300 distributors, all independents. Celsius was considered prior as a gym rat brand. We couldn't penetrate into the energy category. We actually built this brand through health and wellness in many retailers. And today, we're still in a few health and wellness categories within certain retailers.

But I think what we did strategically to really pound through is we've made strategic partnerships with key retailers on creating unique flavors and allowing that opportunity to prove ourselves. We knew we had the consumers in their store. We knew the product would work in a variety of these retailers.

And as an example, this one retailer that's out West, about 300 stores. We had difficulty getting in. They didn't believe our product portfolio work. So we came up with a unique flavor for them. It actually was Cherry Cola and we launched it with them. We have a full shelf today in that retailer, which is a high-velocity convenience store and -- but it's only in 30 stores.

So on the ACV level, it comes into 20% ACV, 30%, not very productive when you're trying to build a brand nationally. But regionally, it worked because we had a local distributor that serviced those stores. We could sell it very effectively, and we got new distribution in a high-velocity convenience store. We had to make choices like that along the way to build this new modern energy category, which Celsius has been the leader in and fitness lifestyle.

So that is something that we structurally did to build this new category because we couldn't compete with Red Bull and Monster. The world doesn't need another energy drink, but this segment was growing of sugar-free, better for you, and we were able to penetrate and break through.

Now we're with the Pepsi distribution system. What are the benefits of that? We've talked about that. The benefits are national execution, being able to launch and innovate and leverage your marketing plans nationally to compete at the highest level within the energy category. So as we were going through this process, we had a lot of these fragmented SKUs that were in 20% ACV, 30% ACV in great retailers. But in order to really maximize and unlock the value, we want to have a consistent portfolio around the country. As we say internally, we want to keep the fast cars on the track, highest velocity, what is the opportunities?

So the example of this Cherry Cola that was only in 300 stores is now gaining national distribution because it has done really well on velocity. You're seeing that with our great brash flavors, just to name a few. So you're starting to see the rationalization as the SKUs are coming out, and you're seeing the increase in velocity or ACV with these SKUs that are remaining that we're going to have a solid portfolio as we move forward.

Now we're seeing some timing from resets where when these SKUs are falling off, that's a little -- that's been a challenge as we're not cycling the prior year innovation where we had 6 innovation items hitting particular retailers. So those are things that we're working through within the portfolio. We're super confident on where we're going with the Celsius portfolio. It's building a base. We've got great innovation planned for '27. We have some LTO strategies we've implemented this year to reduce complexity, bringing in Alani and Rockstar. And we've done extremely well, bringing in Alani. Jarrod, do you want to talk about the Alani integration?

**Jarrod Langhans**
*Chief Financial Officer*

Yes. I mean we had a pretty aggressive plan to get them integrated within 12 months, and we've got them completed substantially in March, just a few months back. Rockstar is also being integrated. That one is even a tighter window, so 9 months. So that will be completed this month. And so it's been a lot of work. And at the same time, we were doing the integrations, we were doing the optimization.

This is one of the reasons why we didn't push to do additional innovation for brand Celsius, trying to take some of the complexity out of all this work to make sure that we got Alani in properly. We've got Rockstar moved over to our platform, and we're able to kind of get the entire portfolio set, get the fast cars on the track for brand Celsius. We've kind of got a tiered approach to that. So it's -- think of progression. So you got, call it, your top 8 to 10 then your next handful of Celsius SKUs and your next handful across our core brand, our VIBE brand and then also our fizz-free.

And then the fizz-free also became a focus this year where those had a really low ACV, and we see a great opportunity for growth with that. So really getting those set across this year to make sure that we've got our fizz-free and much higher ACV than they have historically had.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. So talk us through where we where we are or where we go from here in terms of time line to this first wave of rationalization being complete to you starting to build strength on top of that newly established foundation. How long will it take to get through that phase to get back to some sequential acceleration that can ultimately lead to year-over-year growth?

**John Fieldly**
*CEO & Chairman*

Yes. I think where we are in the resets, we expect the majority of the resets to be done before the end of June, July time frame. Each retailer is different. There's capital allocation, resource constraints. We expect the majority of those to be done. We are getting some permanent fixtures, which are a little bit more difficult to place, premium locations. And those will take place throughout the rest of the year as we look to get these seeded and set, and that's basically one retailer.

But all the other retailers, we expect to be set by the end of June and July time frame based on constraints and everything seems to be on progress there. And I think when you look at kind of the cycling, talking about brand Celsius specifically, which is the focus, we expect to pick up, see some stability over the next several months and then start to get back to growth by the way we're going to finish the year.

So a lot of plans in place to drive growth, a lot of great exciting things going on for this summer around Celsius, brand Celsius. A lot of great programs in place that will be kicked off leading into '27. We have a major convenience store retailer today in our offices at Boca Raton with a variety of key buyers talking about planning together for our portfolio. We're meeting with retailers for discovery meetings earlier than ever before.

Retailers are really positive about the Celsius portfolio. So we're hearing a lot of great positivity from Celsius and Alani and Rockstar getting that back and giving that an opportunity. So I think we're in a really good space for Celsius. We are just going through a time of really getting the foundation right so we can continue to drive growth on a national level and drive additional scale.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. The natural question that follows this conversion when I talk to investors about Celsius journey and we pivot to Alani is, what's going to prevent Alani from being in a similar situation a year from now? So can you talk about the compare and contrast...

**John Fieldly**
*CEO & Chairman*

Yes.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Of those different brands and why Alani in your mind is protected from a repeat?

**John Fieldly**
*CEO & Chairman*

Yes. I think one thing, you got to go to the path on how these brands have gotten here. So like I said, I think it was important to start off really because a lot of why was the rationalization, what is the need for it. And going back to how this portfolio was built to be the leading sugar-free, better-for-you functional energy drink in the U.S., it had to go through an uncharted territory before.

And working through distributors and retailers had to create a new category is extremely difficult, and Celsius broke through that and established that category, as a category leader. Alani was able to come in behind it, very differentiated with female, but this modern energy category already started to evolve. So they didn't have to take the fragmented approach. where we acquired the brand and going into Pepsi, we were able to optimize the portfolio with a base of SKUs that have national distribution.

So it's really set up correctly from the beginning to have consistency to leverage a national distribution network like Pepsi and a national commercial plan that we're building. So the foundation is strong, has high-velocity SKUs.

Will we rationalize SKUs? Absolutely. Every brand does that every year, right? Some innovation doesn't work, you'll cycle through it. We'll have more permanent SKUs coming in for Alani next year, which will further build out the base because one thing we hear from a lot of investors is it's an LTO brand, eventually, LTOs will fade and the brand will fade away as a lot of comments we get.

But what we're doing is you look at the core SKUs, we're building a solid foundation of SKUs that have recurring revenue. Brand is now almost a 10% share in the U.S. And that doesn't come by just LTOs or just trying once. These are repeatable purchases. There is a strong consumer dynamic, a loyal consumer behind that brand, has loyal brand affinity, and it's here to stay.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. Great. So maybe, Jarrod, a question for you. As Alani -- as you've watched Alani expand, I mean, pre-Pepsi and then with -- on the Pepsi backbone, and you've seen it expand into channels like convenience into new geographies kind of go beyond its core. How have you -- what have you seen in terms of velocity momentum as that distribution scales? And are you happy with it? Are you positively surprised? How should investors think about the durability of Alani's velocity even as distribution expands?

**Jarrod Langhans**
*Chief Financial Officer*

Yes. So when we were evaluating them over a year ago, we we saw they had very strong -- sorry, very strong velocity. And something that we were impressed by even more so is their velocity within the convenience channels they were in with such a small number of SKUs. As we've seen them go kind of go up to a 90-plus ACV, we've actually seen the velocity dollars expand from January to April.

Most people would have been happy and satisfied if they were just flat over that period of time. So that's something that's been very good and really gives us the confidence that it's got that staying power. It's got -- even as it's expanding distribution, it's got that repeat purchases in. We're bringing new customers in. We're bringing more customers in, and we're bringing a lot of loyal customers that are consuming more and not just coming in for trial. So very excited about what we've seen over the first, call it, 5 months in the Pepsi system with that low 90s ACV.

**John Fieldly**
*CEO & Chairman*

Yes. And I think also on the expansion, a lot of times, when you're expanding into new markets, they were really strong in the center of the country. But as it scaled, as Jarrod mentioned, some of these pockets where it's just gained availability. I mean it's getting trial. And the good news is when we launched it and we launched it with an LTO strategy. So it had a lot of great retail theater that we call it, and that gained a lot of trial and interest, and we're seeing those recurring purchases come flow through it.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

I mean you talked about a little bit about this, but the Pepsi partnership and your category captaincy as a total portfolio is what, 10 months old, if.

**John Fieldly**
*CEO & Chairman*

Yes.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

So it's still very recent. And we're seeing a lot of adaptation and a lot of work to kind of bring the total portfolio into the system. And I guess when you think about this 10-month journey, I guess, what have you learned? And as we fast forward to '27 and beyond, how is the business -- is your partnership with Pepsi going to manage these brands, this portfolio differently to not only cement some of the benefits of what you're doing now, but to prevent reversal back into SKU proliferation or what have you. What are the disciplines, the muscles that you're building that are going to enable sustained growth in cooperation with Pepsi?

**John Fieldly**
*CEO & Chairman*

Yes. I mean, well, as a category captain, we control the strategy, the SKU prioritization, the planograms. When you look at the key learnings along the way, looking back, it's -- especially on Celsius, we should have had more innovation. That would have added more complexity with the integration of Alani and Rockstar, but we should have had more innovation, and we're cycling over 6 innovations versus last year.

The LTO strategy is an opportunity, but it's not as strong as permanent SKU placements that we were working strategically with key retailers. So those are some key learnings along the way. And we -- when you look at where we are today, we are better positioned today than we were back in January. We have a stronger team, we have retailers' interest. We have 2 amazing brands that are leaders in their category that are iconic brands.

Retailers see this. They're leaning in. Our team is extremely excited about the innovation plans we have in place. But -- and it's constantly learning every day. That's the most important thing you can do as an organization is to continue to evolve. We brought on a lot of new individuals to help us manage this portfolio that have portfolio managed capabilities.

We're working through that, building out a revenue management team so we can be better focused on timing of promotions, pack size strategies and purification of our pricing. But those are some key attributes that when you look back, I think that's an opportunity. We know innovation is driving the category. And we're a little bit light on the Celsius side.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

I mean, Jarrod, is there -- when you think about the transition, are we in the late innings of the transition into the Pepsi system as a portfolio? Or are there material aspects of the transition still to come and to look forward to as we go into '27?

**Jarrod Langhans**
*Chief Financial Officer*

I mean I think you'll see we're picking up quite a bit of space for brand Alani this year. We see a big opportunity to pick up space for Rockstar next year, and we got the 17% space, we talked about with Celsius as well as opportunity for more space for both Alani and Celsius next year. So I think from that perspective, there's still lots of opportunity.

With brand Alani in particular, we have that fully integrated into the DSD system for Pepsi with the distributors that we had terminated back in December. I think you might see some opportunity for others along the way as we kind of work through this year. And Rockstar is already kind of in the Pepsi system. So from a DSD perspective, they're fully baked in there.

So I think you'll see opportunities in working with Pepsi to get more NOD, more IOD, so a number of displays, inventory on display, continue to build more space and they'll really work together to drive incremental opportunities across this year and into the next 2, 3, 4 years coming up.

**John Fieldly**

*CEO & Chairman*

And the other area we're investing in is merchandisers and territory managers. You look at our share versus the footprint of some of the competition. Pepsi does an amazing job, but the energy category is a really high-touch category. So right now, we're going through robust recruiting. Merchandisers and territory managers to really make sure the Celsius portfolio is placed right within retail.

We're taking advantage of disrupting that path to purchase, making sure we have the progressions correctly and working alongside Pepsi on suggested orders and driving further efficiency and sales is the main initiatives we have. And that's another big opportunity we have now as an unlock and managing a portfolio. We're selling 3 brands, driving even further efficiencies and building further partnerships and collaboration with these retail partners.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

And you mentioned this a little bit, but as you -- I guess, as you're both leaning into more LTOs on the Celsius brand, but also trying to drive disciplined innovation across the portfolio. I guess what have you learned about the right cadence within each brand or across the portfolio, about innovation timing, LTO timing so that you're really driving sustained growth and building brand equity and not just driving spikes?

**John Fieldly**
*CEO & Chairman*

Yes. I think -- well, let's talk about Alani first because that's really where the LTO strategy really started. And that's one thing we did this year, bringing it into Pepsi is start to form and round out a solid base of SKUs. So we took some of the top-performing LTOs and brought them in as permanent. And we're going to continue to do that each year as we build a further consistent base.

And then the LTOs are designed to elevate and lift the overall portfolio. So that's going to add stability and greater predictability with that Alani portfolio as we build out those core SKUs and fill more presence and have more consistency on a national basis across the portfolio. On Celsius, this year was really the first year of LTOs. We've had 2 so far. We did 1 in Q4. And then we just are launching right now an ELECTRIC VIBE that's going in market right now. It won't be as large as Alani, but it's driving incremental, as Jarrod mentioned, NOD and IOD, really cases on the floor, working to elevate the overall portfolio.

But I think when you look at the Alani consumer, they're really designed for this surprise and delight and hunt for the next flavor. So that's the way that consumer is really engaging with the brand. And on the Celsius side, it's something we've introduced and tried. And when you look to '27 and beyond, we're going back to more permanent SKUs, more permanent strategic innovation with key retailers and doing what we've been doing with the brand that works best and driving the portfolio back to growth.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. All right. Let's talk a little bit about the cost backdrop and implications for margins, Jarrod. Overall, you've outlined a path back to the low 50s ultimately. I guess what are the -- on the plus side, what are the drivers to get there that are going to help you kind of ladder up to that level? And then what are the external variables that you're navigating through now that may sort of delay that progress versus what you would have hoped maybe 6 months ago before the inflationary backdrop built?

**Jarrod Langhans**
*Chief Financial Officer*

Right. So I think -- think of it as kind of 3 buckets. So the first bucket is really what we've been working on for -- what we worked on for, call it, 12 months with Alani, and it will be roughly 9 months with Rockstar, and that's getting them into our infrastructure, our raw material purchases, our supply chain, our 6-orbit model, our freight lanes and really getting all that set up.

If you go back to when we acquired each of these businesses, their, call it, margin structure was much lower than brand Celsius. And so it's really getting them into our supply chain. So Alani through the end of Q1 was fully integrated. You got a little bit of inventory rolling over into Q2, but that's kind of as we look to the back half, we talk about margin expansion opportunities into Q3 and into Q4.

Rockstar is similar, get them fully baked into our integration and our supply chain by the end of this month. And then you'll see opportunity for expansion in Q3 into Q4. And so you'll have a structure where all the brands are on a very similar margin profile from that perspective in terms of what their BOM costs are, what their freight structure looks like and those kind of things.

That's kind of step 1. Step 2 is there's always going to be further opportunity for us to improve on the COGS line. So as we continue to scale, there's opportunities around manufacture production and tolling. We do have a plant in Charlotte that has one line. It will have a second line installed or running in Q3. Then we'll have it fully running in Q4. So we'll get a full impact of that benefit in 2027.

There's opportunities to further vertically integrate the business. So we're not looking to in-source everything, but if you had a kind of a plant on the East Coast and a plant on the West Coast, there's opportunities to help with leveraging our business and optimizing some of that cost structure. There's opportunities to go direct. In some instances, we don't go direct straight to the source as a business with our scale, there's opportunities to do that.

We've also built a center of excellence in Dublin, where we're -- we've set up our supply chain and our supply chain operations. So there's opportunities in utilizing that group in terms of how we procure things and how we run things through the supply chain. So further opportunities to take miles off the road from an orbit model structure and further optimize the BOM costs within our business.

And kind of then the third piece is really the revenue growth management piece. When we were brand Celsius, it was really you have pricing, but -- and you had different pack sizes, but you didn't have where you could really utilize the whole portfolio to create a price pack architecture across the portfolio, drive certain promos, certain campaigns, work together rowing in the same direction as opposed to fighting against other brands.

So really an opportunity to further get and build ROI and efficiency. There's some -- I think John mentioned, there's some low-hanging fruit in the back half of this year, but really opportunity to further optimize our price pack architecture and our entire promotional strategy as we look at '27 and '28 and beyond. And so there's a significant opportunity there within revenue growth management to further drive margins beyond what we've been talking about.

**John Fieldly**
*CEO & Chairman*

And that's what's really exciting about managing a portfolio. As we said, from a singular brand, it offers you additional levers. You have additional tools in the tool belt to compete at the highest level within the category. So it gets us really excited about that. And then the synergy savings, we haven't talked about that on the Alani integration. We did capture and secure over $50 million in synergy savings as -- within the integration. So just lots of opportunities all the way through the P&L, cash generation, cash management, deployment. Just -- it's an exciting time within the company.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Yes. When you think about the current inflationary backdrop, you think about aluminum and you think about the energy cost backdrop, how big of a headwind is that lined up to be as you move into the back half and into '27? And what are your -- aside from revenue growth management and scale, what are you doing additionally to try to mitigate some of those impacts?

**Jarrod Langhans**
*Chief Financial Officer*

Yes. So depending upon what pieces you're looking at, we did talk about Q2 would be probably the most impacted quarter because we do have some of those levers I discussed in Q3 and Q4 and beyond. So if you look at really the LME and the Midwest premium, as I look into the back half of '27 and '28, you'll see more capacity coming online.

So even with the current pressures, if those pressures stayed in terms of the supply chain, you do have a number of new smelters coming on. You've got production coming in the U.S. So even if you look at kind of the forward rates, those are going down. So we do see opportunity for some of that pressure to alleviate. So it's almost -- there's a short-term impact that we're seeing here that we need to manage our way through. We do have opportunities with the integrations to help drive those margin expansion regardless of where we sit today.

When we went back to kind of February before kind of the March and beyond, that you've seen additional inflation within the LME and the Midwest premium. We were talking about getting to the low 50s by the end of the year. With some of that pressure, and that's likely to be here for a handful of months, even if it were to let's say, some of the activity in the Middle East were to halt, you'll still have a handful of months that will need to happen for it to work its way through the supply chain.

So even with those pressures, we see the opportunity to work our way to low 50s, but it will take a little longer than getting to the end of the year because of those additional impacts from commodities. If it were to go away tomorrow, you'd see us work our way back into it. If it were to go away in a couple of months, you could see us work our way back quicker. But with the levers I was talking about, we still have the opportunity, although it will take a little longer to still get to the low 50s and hit that target.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. What about raw price? If the category was to see pricing from your peers, are you inclined to think about following? Or are you anchored to the current pricing given the value constraints on the consumer?

**Jarrod Langhans**
*Chief Financial Officer*

I think pricing is an opportunity. We're the #3 player, strong #3 and #4 going into -- from a competitive perspective, I think we look at ourselves as premium brands at least with Alani and Celsius. We don't want to get priced out of the market. We don't want to be a value brand, but we do want to follow as opposed to kind of lead the way. So we see opportunity if our competitors are taking the pricing. We believe elasticity is there. So that could be another opportunity in terms of -- from a margin perspective.

**John Fieldly**
*CEO & Chairman*

And just add like consumer pressures, right? So look at gas, you look at the pressure on the consumer and a lot of talk on that, I'm sure, today with all the companies. And -- but what we see in the energy category, these products are really -- it is an affordable luxury.

And you start to look at the pricing between CSDs and other adjacent categories in energy and the value proposition, what you get in a Celsius and Alani, it's more than just energy. It's a multivitamin in a can, additional functionality. So there is a perceived value there. And then you look at the coffee houses, the bulk of their sales now are cold offerings and the pricing is substantially higher. So if you're looking to cut, these products are really there to offer a great alternative for you.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Yes. Okay. I want to talk about international before we wrap up. You've been -- obviously, it's a secondary priority given everything that lays before you in the U.S. But -- maybe update us on what your plans and priorities are in the Celsius brand, where there's -- we've seen good execution in this market. I was in the U.K. last week, good execution there...

**John Fieldly**
*CEO & Chairman*

Excellent...

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Just kind of where you're at in that evolution and prioritization and also where Alani is -- sits with respect to international opportunities.

**John Fieldly**
*CEO & Chairman*

Yes. So we've talked before about some of the newer markets that we're bringing the Celsius portfolio to. It's France, U.K., Germany, Australia, New Zealand, Benelux and Spain. Those are the most early phases, and many are just 24, 18 months in. We're seeing great progress and great opportunities. We sit here in Paris. Last time we sat here, we were just a 2 share. We're over a 5 share today in Paris.

And ACV has grown to about 66% in Paris, and we're gaining more distribution. We have some of our great team members here locally. And that opportunity is there. The energy category, the growth we're seeing within sugar-free is substantive. It's massive. In international markets, we're seeing growth of in the high singles, even over the teens.

But if you break it down by sugar versus sugar-free, the growth underlying is so high. And that's the real opportunity for the Celsius portfolio, where Jarrod mentioned our center of excellence built out of Dublin. We have Garrett Quigley who started as a President this year, leading those initiatives. We have our sales, marketing initiatives. We're investing in infrastructure. We see great opportunities and a long road map ahead within Celsius.

And then Alani, we're identifying and looking at additional markets for '27, and we'll likely introduce Alani into a few markets. We want to take a very methodical approach. We're very disciplined. We're focused on driving profitability. We're focused on improving the algorithm. Where we see success, we'll invest more, but it's all timing and sequencing. It's very important we get the timing and sequencing right because we just don't want to gain trial.

We want to gain consumer loyalty, which is very -- needs to be very strategically done. So those are some things that we're working on. Expect to find Alani in a few markets in '27 and expect us to lean in further into Celsius portfolio. And on our earnings call, we'll have some updates at our next earnings call.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Okay. Great. Just about time, I guess, just to leave us with if there are 1 or 2 key milestones as we think about the remainder of this year or between now and the next time we're on the stage, what are the key points of success that you're hoping to achieve over the time line?

**John Fieldly**
*CEO & Chairman*

Yes, Key points of success next year and we're standing here. We're larger than a 20% share in the United States. We've truly integrated a portfolio of energy drink brands in one of the leading categories in sugar-free. Celsius back to growth. I know everyone is focused on that, 100% committed on that, building out Alani of great commercial brands and further success in an international expansion in markets.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

10% share in Paris? All right. Thanks so much. Appreciate it. Thanks to you all for joining, and look forward to seeing you next year.

**John Fieldly**
*CEO & Chairman*

Thank you, everyone.

**Stephen Robert R. Powers**
*Deutsche Bank AG, Research Division*

Appreciate it.

**John Fieldly**
*CEO & Chairman*
Appreciate it. Thank you.