Celsius Holdings, Inc.

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Earnings Call

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Call Participants

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Investor Relations

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Chief Financial Officer

John Fieldly
President, CEO & Chairman

ANALYSTS

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Jeffrey Wallin Van Sinderen
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Jonathan Daniel Keypour
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Kevin Michael Grundy
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Mark Stiefel Astrachan
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Michael Scott Lavery
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Thomas McGovern

Presentation

Operator

Greetings. Welcome to the Celsius Holdings, Inc. First Quarter 2023 Earnings Call. [Operator Instructions] Please note, this conference is being recorded. It is now my pleasure to introduce your host, Cameron Donahue, Investor Relations for Celsius. Thank you, Cameron. You may begin.

Cameron Donahue
Investor Relations

Thank you, Operator, and good afternoon, everyone. We appreciate you joining us today for Celsius Holdings First Quarter 2023 Earnings Conference Call. Joining me on the call today are John Fieldly, President and Chief Executive Officer; and Jarrod Langhans, Chief Financial Officer. Following the prepared remarks, we'll open the call to your questions and instructions will be given at that time.

The company released the earnings press release earlier this afternoon, and all materials will be available on the company's website, celsiusholdingsinc.com. As a reminder, before I turn the call over to John, an audio replay will be available later today and can be accessed with the same live webcast link in our conference call announcement and earnings press release.

Please also be aware that this call may contain forward-looking statements, which are based on forecasts, expectations, and other information available to management as of May 9, 2023. These statements involve numerous risks and uncertainties, including many that are beyond the company's control. Except to the extent as required by law, Celsius Holdings undertakes no obligation and disclaims any duty to update any of these forward-looking statements. We encourage you to review in full our safe harbor statements contained in today's press release and our quarterly filings with the SEC for additional information. With that, I'd like to turn the call over to President and Chief Executive Officer, John Fieldly, for his prepared remarks. John?

John Fieldly
President, CEO & Chairman

Thank you, Cameron. Good afternoon, everyone, and thank you for joining us today. We achieved record sales for the first quarter of approximately $260 million, an increase of 95% from last year's first quarter of $133 million, exceeding the $200 million revenue threshold for the first time in company history. And we saw sequential increase from the fourth quarter of sales of $178 million, exceeded it by $82 million or 46% growth sequentially. Our North America revenue increased 101% for the quarter to $249 million, up from $124 million in the year ago quarter.

Celsius continues to be the top driver of growth within the energy category and was the number one dollar growth brand in total U.S. MULOC Energy for the last 52 weeks ending as of March 26, 2023, growing approximately $552 million in increased retail sales and contributed to 23% of category growth on an overall increase of 139.6% versus the year ago period.

Per IRI in the last 4 weeks ending as of March 26, 2023, in total MULOC Energy, Celsius is the number 3 energy drink brand in the United States, reaching a new market share record totaling 7.5%, doubling its 3.7% share a year ago. As Celsius and Pepsi continue to synchronize our organizations, we continue to see opportunities for future efficiencies.

In the first quarter, we experienced an inventory build quarter-over-quarter from December 31, 2022. We expect this increase was due to anticipated retailer resets and to build inventory levels. We will continue to work with Pepsi to make sure there is adequate inventory and update shareholders quarterly if there is any significant deltas that impact the warehouse center inventory levels. Jarrod will provide additional details shortly.

We continue to see growth across all channels, including those non-tracked, with the Club channel sales totaling over $47 million for the quarter ending March 31, 2023, up 77% compared to $26 million in the first quarter of 2022. We also just hit a new record on Amazon. Celsius is now the second largest energy drink brand with a 19.1% share of the energy category as of the last 4-week period ending April 22, 2023 per stack line energy drink category total U.S. data. In addition, we continue to expand growth opportunities and non-tracked food service channels and are gaining more distribution in colleges, universities, hospitals, hotels, eateries and casinos and more. Overall, food service represented approximately about 10% of our PepsiCo revenues, and we see significant opportunities to scale and grow over time.

We have been extremely happy with our PepsiCo partnership and see a long runway of growth ahead of us across a variety of channels, including expanding in retail, convenience, and foodservice. As highlighted in our earnings supplement for the 4-week period, per IRI spends, total energy data ending March 26, 2023 as stated, in MULOC, Celsius as the number 3 energy drink brand in the United States now has a 7.5% market share, doubling from its 3.7% share a year ago, reaching an all-time new high.

In addition, in MULOC, Celsius grew its ACV to a record 95.4% versus 69.5% in the year ago period, which is a tremendous achievement by both our teams and our partner, Pepsi.

And in convenience, Celsius has gained an additional 37.7 points of ACV growth versus the prior year to end the period at a 93.4% compared to 55.7% of ACV in the prior year. This provides a tremendous opportunity as we have gained greater availability across the country in the convenience channel and are now gaining more awareness with consumers.

Internationally, sales grew 15% growth rate for the quarter, totaling $11.4 million compared to $9.9 million in the first quarter of 2022. We believe there is significant opportunity for international growth going forward with PepsiCo. While we just began our distribution partnership with Pepsi and our initial focus has been on the U.S. distribution transition to their network, we have begun initial discussions, and we see significant opportunities to capitalize on global scale in the future, reflecting the changes in consumer preferences for better-for-you offerings.

While the U.S. transition has taken a majority of our focus to date, we do expect to announce additional international expansion details in the future. With that said, we look forward, probably likely to early 2024, for opportunities to roll out internationally with 2023 being a year of planning around logistics, production, distribution and marketing.

The company achieved a record non-GAAP adjusted EBITDA of $48.7 million for the first quarter, representing over 18% of sales for the period. This was driven by not only record sales, but we also saw benefits across the timing of marketing and sales programs as well as the results of gaining operational leverage across G&A. Although we saw some very good leverage across our SG&A, we would expect our investments to increase during the summer season of Q2 and Q3 of this year as we continue to drive growth awareness profitably and are entering into a number of campaigns designed to grow brand awareness.

The company sees opportunities to drive incremental efficiencies to the back half of 2023 from expected improvements in gross profit margins as we optimize and synergize our supply chain and gain more efficiencies. In addition, we see additional leverage opportunities as we scale to drive further efficiencies in our SG&A.

To close my prepared remarks, we achieved the highest quarterly dollar sales growth in company history in the first quarter. And as previously -- our previous recorded highest quarterly record revenue was in Q3 of 2022. We exceeded by over $70 million. We are gaining market share at the fastest pace in company history, while at the same time drove the highest quarterly EBITDA margin of over 18%, demonstrating the leverage in our operating model. We believe we have significant runway ahead of us and are excited about the spring resets, driving additional shelf space in both new and existing customers while optimizing our placements. Celsius is now an established leader in the energy category, driving growth in the entire category with incremental opportunities for further growth as we continue to scale and leverage our partnership. I will now turn the call over to Jarrod Langhans, our Chief Financial Officer, for his prepared remarks. Jarrod?

Jarrod Langhans
Chief Financial Officer

Thank you, John. Turning to our first quarter financial results, revenue was approximately $260 million, an increase of 95% from $133 million, driven by our North American business. Our first quarter revenues were $249 million, an increase of 101% from the same period in 2022. The primary factors behind the increase in North American sales volume were related to our integration into the Pepsi distribution system, where we saw increases across the board, including continued strong growth in traditional distribution channels including SKU increases, as well as distribution across a number of new channels within CNG and foodservice. We've also seen our velocity increase post our significant ACV growth.

During the quarter, we saw an increase in the days inventory outstanding within the mixing centers relative to the end of 2022, which equated to roughly $20 million to $25 million in incremental sales. We would anticipate that this build would be sustained through the summer selling season as we continue to see steady growth across our footprint.

Gross profit for the quarter increased 111% to $114 million, up from $54 million in the year ago quarter. Gross profit margins in the first quarter were approximately 44% of revenues compared to approximately 40% for the prior year first quarter. The improvement in gross profit margins was due to lower average can prices and leverage of our Orbit model, offset in part by increased freight and a few million dollars of inventory write-offs. Q1 was the second quarter that we were operating within our new distribution system, and we continue to drive efficiencies and optimization within the system while maintaining our number one goal of keeping the shelf stocked in order to meet the consumer demand. And looking out across the year, we continue to believe that we will operate with gross margins in the mid-40s with some pressure during the first half of the year while we fully integrate into our new distribution system and begin to better optimize our supply chain with upside in the back half of the year.

Sales and marketing expenses for the 3 months ended March 31, 2023 were approximately $48 million, an increase of approximately 51%. Although we saw increased marketing investment during the quarter in line with historical spend, this was offset by less expense within sales due to timing of our activation. As a percentage of sales, sales and marketing was 18.3% compared to 23.7% in the prior year. On a full year basis, we continue to expect our sales and marketing expenditures to remain consistent with historical run rates. As noted, this quarter benefited by timing as well as some inventory builds within our mixing centers.

General and administrative expenses for the 3 months ended March 31, 2023 were approximately $21 million, an increase of 75% relative to Q1 2022. This increase was due to increased employee costs associated with building a back shop that can scale as we grow, including stock-based compensation as well as administrative fees such as legal, audit and other consulting fees.

G&A expense as a percentage of sales was 8% for the first quarter of 2023 versus 9% in the prior year, which is in line with expectations. We would expect to see this area begin to leverage against our growth during 2023.

Moving to our back-office build-out, we have significantly expanded our back-office team over the last year, adding a number of team members across IT, FP&A, controlling, legal and HR, driving great improvements, consistency in processes, and transparency across the business. We look forward to the many successes that these team members will assist us with as we look to deliver an effective control environment for 2023 and drive further value with our operations, sales, and marketing teams.

From a legal perspective, we have closed on the settlement proceedings with our can label and are pleased to have that behind us. In regard to the SEC review, we continue to cooperate with any inquiries or requests that are received. With that said, we do not have any further updates at this point in time.

Focusing now on liquidity and capital resources, as of March 31, 2023, we had cash of approximately $634 million and net working capital of approximately $801 million. Included within the first quarter cash balance was approximately $38 million, which is primarily balances due to Pepsi representing excess funds provided by Pepsi for our distributor transition. Cash flows used by operating activities totaled $14 million for the first quarter, which compares to $9 million in net cash provided by operating activities in Q1 last year. Overall, we saw some cash usage associated with our growth as well as the timing of working capital. As we look to Q2, we would expect to return the excess funds to Pepsi while also improving on our DSO. Overall, we would expect that excluding timing impacts of cash transactions associated with the Pepsi transaction, we will continue to generate cash year-over-year.

Looking at inventory, total inventory ended at roughly $150 million, down versus the prior quarter. This was driven in large part by the significant increases that we saw in our sales volume. As we look to the busy summer months, we will see production increase significantly to accommodate the demand of the market. Going forward, we would look to carry additional inventory in order to make sure that we are able to keep up with the significant growth we are experiencing. At the same time, we do see opportunities to drive efficiencies in our DIO as we move through 2023. This concludes our prepared remarks. Operator, you may now open the call for questions. Thank you.

Question and Answer

Operator

[Operator Instructions] Our first question is coming from Mark Astrachan from Stifel.

Mark Stiefel Astrachan
Stifel, Nicolaus & Company, Incorporated, Research Division

I'm still writing down some of that stuff that you just breezed through. Whew, that is a fast transcript. Anyway, I guess to start, maybe give us a bit of an update on how the spring resets look from a shelf space standpoint and how much is in existing energy doors, how much is coming in or going into new doors and kind of overall expectations for incremental space for the year?

John Fieldly
President, CEO & Chairman

Yes, Mark, great question. I think we had a -- we're really excited about the resets that started off this year, especially started in January. We saw a good increase in the quarter. What we're looking at is we saw a lot of great expansion, as I kind of mentioned on the call, in the convenience channel, where we saw the biggest really ACV gains when you go from over a 37.7% really increasing points of distribution in convenience. That's a really big win for the company. It's really the last channel of expansion for us into tracked channels.

We're really excited about that. I think we're seeing good velocities in the convenience channel as well. We're seeing them grow. That's a big win. Also, in overall MULOC, getting to that 95.4% of ACV, most recently as of the March 26 data coming out of the IRI SPINS data. I think we have some more expansion there, but we really grew significantly on the resets. Also, the number of items carried on average per store increased as well. Right now, we're looking at about an average, at the last 4 weeks as of March 26, really at the end of the quarter, we went from an average of about 13.6 items per location in the recorded channel versus the prior year was at 8.6%. We saw a really good growth in a number of units.

We've got some more resets ahead of us. I think the biggest opportunity we have as well as in tracked channels is really gaining better placements in locations, more cold availability, more cooler placements and those type of execution. Maybe not a large increase in number of doors being at the 95% at the end of the quarter, but really the breadth in each retailer, there's massive opportunity for us.

Mark Stiefel Astrachan
Stifel, Nicolaus & Company, Incorporated, Research Division

Got it. That's helpful. And maybe just on the doors, so existing doors versus new doors, do you still want to be in the legacy energy door? And then somewhat related to that, I think many folks have been surprised that the velocity is being not only as strong as they've been, but actually accelerating with all the incremental points of distribution. How much of that is just higher velocity C-stores versus just overall brand awareness? And kind of how do you think about that number through the summer?

John Fieldly
President, CEO & Chairman

Yes. I think when you look at our, I guess as you called them, legacy doors, that's mainly in the food, when you look at the food channel. We still maintain in the HCC section in a variety of stores, including Publix and Kroger and those. But a majority of the stores outside of those are in energy. We do great business in the food channel. We do extremely well at Publix, doing extremely well at Kroger. It's really about gaining those additional off-shelf placements, those additional cold placements, cooler placements.

We're not going to change that strategy within the food in our existing business at this time. But when we look at the distribution ahead, there is opportunities for additional SKUs. We see that. We've got some great innovation planned for this summer. I think you saw some great innovation come out in the first quarter with new flavor innovation, our lemon-lime, our green apple cherry flavor at 7-Eleven was a great win for us. There's a lot of great innovation coming this summer that we'll be able to add some additional breadth within the retailers.

Mark Stiefel Astrachan
Stifel, Nicolaus & Company, Incorporated, Research Division

That's great. And just on the velocity?

John Fieldly
President, CEO & Chairman

Yes. I think we're seeing velocity increase, Mark. I think there's opportunities for sure to go further north on that. We've got some great marketing programs ahead of us, and we think summer is going to be a great summer for us. We're watching it closely. I think we don't provide any forward guidance, but something to look at, and we're monitoring it closely all around, especially as we increased such an exponential increase in ACV.

Operator

Your next question is coming from Jeff Van Sinderen from B. Riley.

Jeffrey Wallin Van Sinderen
B. Riley Securities, Inc., Research Division

Let me add my congratulations on the strong quarterly metrics. I wonder if we can kind of circle back to and delve a little bit more into how much of the Q1 reacceleration of growth was initial channel fill for new stores, new doors call it, added SKUs, etc., versus reorders derived from sell-through at retail. Just trying to get a better sense I guess of how much the initial channel fill impacted new doors, new SKUs in the quarter? And then maybe what impact that phenomenon might have in Q2? I think you alluded to a little bit of that or Jarrod did in his prepared comments, maybe just how we should think about growth acceleration from here.

John Fieldly
President, CEO & Chairman

Yes. No, thanks, Jeff. We did gain some distribution with the resets that've taken place. And I think as we're starting to see velocity increase, that is a really good sign that we're cycling through whatever pipe sales we had for the quarter. The increase in distribution didn't slow the overall velocity. The sales are moving quicker out of the register. I think that puts us in a good position. We feel really confident. It's hard to say exactly what the pipe fill was. We did talk about in the quarter how we saw Pepsi increase inventory levels, which Jarrod talked about earlier in regards to approximately $20 million to $25 million infill as the average impact for the quarter with the increase in inventory levels. But I think seeing the velocities increase, I think we're get a really strong feeling that we're seeing repeat purchases out there.

Jeffrey Wallin Van Sinderen
B. Riley Securities, Inc., Research Division

Okay. That's helpful in quantifying the inventory with Pepsi. And let me ask you this, as you're going into some of the -- I mean you've got a great ACV now, so you're going into some I guess some C-stores, for example, that might be lower volumes. Some other doors within various retailers that might be perhaps a little bit lower volume. Just wondering what you're experiencing there as far as sell-throughs? And then overall, what's your outlook for your business in the C-channel?

John Fieldly
President, CEO & Chairman

Yes, that's a great question. I mean we did gain a lot of Tier 3 and Tier 4 convenience distribution, especially with the expansion since October with the Pepsi system. We had a lot of Tier 1 and Tier 2. It's really building out a further breadth within those, within our convenience where we're seeing, starting to see velocities increase. I think when you look at the smaller Tier 3, Tier 4, the lower velocity, it's difficult to get the true reporting on that, on the velocity. I think we're looking at the overall velocity as a good number, an indication on how the overall health of the portfolio is performing. And I think we're really confident in convenience. We know this brand performs well. We're seeing usage occasions expand outside of energy. And we're just really excited on where the brand is and where the portfolio and where we're headed. It's something we're monitoring closely, but foodservice now, when you look at foodservice opportunity, which is 10% of Celsius' business, it just shows you the broad brush of the portfolio and how it's resonating with a broad brush of consumers today.

Jeffrey Wallin Van Sinderen
B. Riley Securities, Inc., Research Division

It sounds like you're gaining more -- you feel like you're gaining more traction in foodservice and some of the other channels as well that are not reported or not tracked.

John Fieldly
President, CEO & Chairman

That's correct. We see great opportunity in non-tracked channels as well.

Operator

Your next question is coming from Kevin Grundy from Jefferies.

Kevin Michael Grundy
Jefferies LLC, Research Division

Question, John, for you. Just in terms of the ambition now with items per store, so the ACV progress has been fantastic. I remember a conversation you and I had in the fall, and it was a 10% market share was kind of an ambition at that point. If we can get 92% ACV, if we can get 15 items per store, if we can maintain current velocity. You're kind of checking all the boxes at this point, around 7.5% share. This path to 10% is very, very near and present now. As you kind of take a step back, what do you think is possible now in the Pepsi system? The 10%, again, seems like it's very attainable and near term. What do you think is possible now for this brand as you look at the strength and the reach of the Pepsi system as well as what you guys have done with the brand?

John Fieldly
President, CEO & Chairman

Yes. I think, Kevin, I mean, it's a great question. I think we've just seen this ACV, we're quite amazed with how quickly the ACV has come together at a 95%. Internally, we thought we were going to at least take potentially another 12 months, 18 months to get to that 95% ACV. Totally really give hats off to our sales team, our key accounts team, and also all our partners at Pepsi has done just an amazing job. I think they see the opportunity we have here with Celsius that is bringing in new consumers to the category.

And I think when you look at it, we have a lot to learn over the next probably a quarter or 2 to see how this product, this portfolio performs in the channels that it's expanded in, especially in the convenience channel so quickly. I think we'll have a better view of that probably the end of next quarter and especially at the end of Q3. But when you look at the number of items per store, we're at 13.6%. When you look at some of the current velocity numbers we had on a per SKU item and you look at gaining 15 to 17 items per store by the end of the year, that's potential, that gets you close to that 10% opportunity, 10% share in the category. We're really excited to hit the 7.5% share most recently at the end of the first quarter, and there's lots of opportunities ahead.

Kevin Michael Grundy
Jefferies LLC, Research Division

And then just a follow-up. I feel like I'd probably be remiss if we did not touch on some of the competitive launches in the space, including Monster Zero Sugar, Reign Storm, which it's not lost on me for a moment, kind of looks remarkably from a packaging perspective like your product, Prime in sports and energy.

There's been a lot in a fairly short period of time. And I know it's still very early days with Zero Sugar and Reign Storm which are kind of just hitting. Thoughts there in terms of how worrisome those competitive launches are? Anything you're seeing very early days where there's some overlap with Celsius? Anything you can give there in terms of market share, velocity, etc., I think would be helpful to folks. I can pass it on.

John Fieldly
President, CEO & Chairman

Yes. Kevin, great question. I mean there's competition every day. And energy category is about as fierce as they come. Tons of new competition every day. And I think where the opportunity lies, what we're looking at, you talk about where Celsius can go, it's like in Miami, when you look at the Miami Fort Lauderdale market in MULOC the last 4 weeks ending as of April 23, 2023, we have about a 21.7% share in the market. There's a lot of opportunities. We're number 2 brand now on Amazon. We compete with a lot of different brands in the category. I'm not going to comment on any other brand out there. It's a big category and we wish every brand luck on operating their business. We're really excited where our portfolio is, where it's resonating with consumers, excited about our partner Pepsi, and just see a lot of opportunities at this time. We're really excited about moving forward.

Operator

Your next question is coming from Peter Grom from UBS.

Peter K. Grom
UBS Investment Bank, Research Division

Jarrod, I just had a few questions on gross margin. Maybe just first, can you just help us understand how much the inventory write-off impacted GM this quarter? And then second, I recognize you still expect gross margin for the year in this mid-40% range, and I may have misheard you, but I thought you mentioned that it's like 1/2 gross margins to be under pressure. Is that just relative to the mid-40% range? Is that year-over-year? Just any color on that comment would be helpful.

Jarrod Langhans
Chief Financial Officer

Yes. No, we were -- we've been consistent with saying we're going to be in the mid-40s. If you looked at the run rate we left Q4 on, we did see some additional write-offs on inventory as we are building out the supply chain and driving some efficiencies within that channel. As I mentioned on the call, it's a couple of million dollars, so not a huge amount, but enough to impact the margin a little bit. We also had a little bit higher freight costs within the quarter. As we get to the back half of the year, we'll be looking to clean up the freight lanes and make sure we got the supply chain operating as efficiently as possible and making sure we're fully optimized. It was really just around the inventory and the create in terms of what would have driven margins really from a Q4 to a Q1 perspective. But we're still confident in the mid-40s and we see the opportunity for upside in the back half of the year as we get fully integrated into our new distributor.

Peter K. Grom
UBS Investment Bank, Research Division

Okay. Super helpful. And I guess just -- I would love to get some more details on kind of this international discussion. And I recognize that it's likely to prove to be a '24 narrative, but can you maybe just help us understand the work you've done that informs the decision that the brand can resonate and do well in these markets? What markets are you targeting initially? Is this going to be some broad-based multimarket rollout? Is it going to be more gradual? Just any initial color you can provide would be super helpful.

Jarrod Langhans
Chief Financial Officer

Yes. I think we've talked about this on some of the conferences we've been in back in March. But from our perspective, we look to hit markets that are obviously already well-defined energy markets so we're not going into a new market that we have to train the customer on what is energy. If you look around, kind of think of APAC in Europe, the different markets that are popular energy drink markets, we'd look to roll into those first. We're not going to do a shotgun approach. We'll look to go into a handful of markets first and learn and partner in most instances with Pepsi or Pepsi partners and really use that as a tool to learn to build the model.

And then from there, we would look to roll into more markets over the coming years. But I would say for kind of a 2024 launch, we're looking at a handful of markets to really get into, understand them, learn them, but they're going to be the bigger energy markets across Europe and APAC. We do see some opportunities in some smaller markets where we can kind of roll in because they're close to co-packers and they're ready. But those wouldn't really move the needle. There's some core markets we'll learn at and most people know what those markets would be if you look in Europe and in APAC in terms of what are the big energy drink markets. That's really -- this year, it's all about planning. It's about getting aligned with the partners. It's about creating market launch plans and then looking to roll out in 2024.

Operator

Your next question is coming from Jon Keypour from Bank of America.

Jonathan Daniel Keypour
BofA Securities, Research Division

I just wanted to drill into the foodservice commentary you guys had. If I heard correctly, that was 10% of sales in the quarter. And I'm just wondering maybe what the impact as Pepsi kind of brought in that inventory to sell, what that -- what the pipe fills for foodservice might have been in 1Q?

John Fieldly
President, CEO & Chairman

Yes, Jon, great question. And just to correct myself there, that is 10% of our Pepsi sales approximately is coming from the foodservice business. We've been working on that since October when we first launched, initially partnered with Pepsi. We've been expanding distribution in a variety of outlets and college universities, hospitals, just expanded into a variety of hotels. It is not really a pipe fill in the quarter I would say, we just to continue to build upon the momentum. We are gaining more distribution, but we're seeing good reorders, strong reorders within the channel, and we think that can be a really meaningful growth opportunity for us as we go forward and gain more distribution. We just really -- as we look ahead, the distribution opportunities is at eateries and within fast casual restaurants. We feel there's a great opportunity there, and that really has been untapped. It definitely tells you the brand resonates with an extremely broad consumer just to see the sales mix at the Pepsi system of approximately 10% of sales today. It gets us really excited.

Jonathan Daniel Keypour
BofA Securities, Research Division

Just one follow-up. I guess looking at the Nielsen data, this is a boring question that I got asked a lot last quarter, but I have 1Q growth in scanned channels about 138%. If we use that and sort of apply to what 1Q was in '22, it implies something like $290 million. It's about a $45 million difference. Whereas if you do the same math in 4Q, it was about a $50 million difference. Is that the same kind of like the lag between scanned and reported that we should kind of expect? Or is it going to be -- is there any line-of-sight you guys have to some lumpiness or more or less any kind of swings in that regard?

John Fieldly
President, CEO & Chairman

Yes. I mean, what you're getting at is scans coming out of the registers, so when you look at it, I think there's probably some lumpiness in regards to the kind of the value chain as it's going through the Pepsi mixing centers and then into their sales farms and then into the customers and then cycling through. But it's something we watch. You also have the mix of our Amazon business as well as our Club business that's in there. It didn't grow at those faster rates. I think it's a mix of all those items and probably a little bit of timing.

Operator

[Operator Instructions] Your next question is coming from Gerald Pascarelli from Wedbush Securities.

Gerald John Pascarelli
Wedbush Securities Inc., Research Division

Obviously, very strong revenue growth here. It sounds like distributor inventory levels are going to remain elevated at least over the next few months. Just on your supply chain, can you speak to your ability to continue to service this type of demand maybe over the longer term in particular as it relates to your aluminum can supply? Which is now back to being sourced domestically, which has obviously had a big benefit to your margins. Just I guess any kind of high-level color you could provide on your thoughts there would be helpful.

Jarrod Langhans
Chief Financial Officer

Yes. From a raw material perspective, we're in great shape. We've got multiple partners in the U.S., like you mentioned, from a can perspective. No issues there. From a capacity perspective, we've got the ability to quickly double in terms of capacity and in terms of production. We've got our Orbit model built, but we've got a number of co-packers that we inflect to, and we have capacity at our current co-packers that we can utilize as well. We're in great shape in order to meet the demand we're seeing or even demand outsized relative to what we're seeing. From a supply chain and production perspective, we're in good shape.

Gerald John Pascarelli
Wedbush Securities Inc., Research Division

Next one for me is just on the Club channel. If you could just provide maybe a refresher of where we are kind of on the 18-pack transition? I know you were in the midst of rolling out a second variety pack to your legacy stores. And then finally, on the BJ's rollout, just where we are with that. I know that was taking place over the course of this quarter.

John Fieldly
President, CEO & Chairman

Gerald, it's John. We pretty much have moved into the 18-back within all of the Club channels. And we started to expand from our core variety pack. In addition, you'll see incremental placements at a variety of Club channels with our bi-pack that went in. And it's been doing -- both packs have been doing extremely well. And I think there's opportunities to get further flavor combinations and/or single flavors in that channel since we're seeing great success there.

Operator

Your next question is coming from Michael Lavery from Piper Sandler.

Michael Scott Lavery
Piper Sandler & Co., Research Division

Just wanted to come back to the $20 million to $25 million inventory you mentioned for the Pepsi system, the inventory build. With the ACV running ahead of your expectations and velocities as well, is there a good portion of that that's really just an adjustment to faster sell-through and kind of a reset to normalized levels that are above what they would have initially expected? Or is that really some cushion volume that's pulled forward? Can you kind of dissect out of that amount if there's a bit of both?

Jarrod Langhans
Chief Financial Officer

Yes. There's a bit of a build for the summer selling season, so to get ready for it and to meet the expected volumes. To your point, a bit of that is in anticipation of Q2 and Q3. We've also got a number of activations and a number of sales and marketing programs that we've got ahead of us over summer. I would say it's partially -- well, in large part, it's preparation of what's to come.

Michael Scott Lavery
Piper Sandler & Co., Research Division

Okay. That's helpful. And just on the SG&A run rate, it's been in roughly the same neighborhood the last 3 or so quarters. Looking ahead, I know you've talked about stepping up the marketing a little bit, but you also get some operating leverage benefits from the revenue growth. How do we think about just how that might look over the rest of the year?

Jarrod Langhans
Chief Financial Officer

Yes. Our plan is -- or at least our expectation is, if we have the opportunity to continue to drive velocity, we want to maintain our kind of historical run rate. I think on our last call, we talked about kind of 22% to 24%. I think historically, we've been more in that 23%, 24% range, so we were talking about maybe shave off a couple of percent this year. We did just over 18% in the quarter. We did benefit with some of that inventory build, but also with the speed at which our revenues are growing and the ability that our marketing team has been able to really drive that velocity and our sales team has been able to drive the ACV with Pepsi.

We have been benefiting and seeing leverage there. We are going to -- we've got 100 days of summer program. We've got activation in a number of things we'll be doing over the summer, so we do look to increase our marketing and sales spend. And so at least for the summer period, we're -- the goal is to stay consistent with history. But there is opportunities with the rate we're seeing the revenues grow to continue to leverage. And I think the goal for the year was to end the year up with kind of 22% marker. Can we do better? If we have the opportunity, we will. But at the same time, we want to make sure that we're putting the right money into the right investment and to making sure those velocities continue to grow.

Operator

Your next question is coming from Thomas McGovern from Maxim Group.

Thomas McGovern

Just to start, I just have a question on the back-office build-out. Given your summer launches, which you guys have mentioned quite a few times, and then this presumed transition into the international markets, just want to get an idea of how you guys are looking at it? Do you think it's sufficient build-out for the near term? Or do you expect to continue to build on your back office throughout 2023?

John Fieldly
President, CEO & Chairman

Well, I think -- thanks, Thomas, for the question. I think when you look at the back office, as Jarrod was talking about, we've been building it out really on our finance, IT that he's referencing as well as our GL teams as well as our legal teams. When you look at back shop office there, we've built out a great team. We probably have a few more hires here that we're working on. But we've been really investing as well, in addition to Jarrod's departments that he was referencing on specific finance, HR, legal areas, we also are investing in operations department as well. We'll have some additional hires there as we scale and gain more really and open up additional co-packers or/and have greater runs taking place to drive more efficiencies with logistics and so on.

But we have also been investing and continue to plan to invest and grow our sales teams and marketing teams as we build out. I think you're going to start -- you're going to see leverage opportunities, especially when you look at building out the human resources, and I think we're going to get better leverage on our marketing investments, especially now that we have much broader distribution coming in and have reached that 95% ACV in the U.S. Now when we build out internationally and the plans we're working on, we will be investing in these new markets. We'll have more details on that as we continue to get further and in back half of '23 and '24. But there will be initial investments that will be required to enter new markets on a go-forward basis.

Thomas McGovern

And then just my last question real quick is, if you guys are still providing these metrics, I was curious to know how many branded coolers there are at the end of the quarter? How many coolers you're in total? And then just kind of where you guys are at in terms of penetrating Pepsi's I believe it was 50,000 Pepsi and energy coolers that you guys mentioned on one of the last calls. Kind of want an update on there if you can provide it.

John Fieldly
President, CEO & Chairman

Yes. We've eliminated some of those specific details that we were -- due to competitive competition coming on in the category vigorously. We still have a big presence and a big push for coolers. And that's a big opportunity for us, gaining more cold placements. We see that opportunity. Now the number of coolers we're investing, we made a decision not to disclose that specific number on a go-forward basis. But we are investing in coolers. We're investing in additional placements, off-shelf racks and those types. And you think there's a lot of opportunities in the past, on the last call we said we were working towards and planning to have placed by the end of the year of approximately 20,000 Celsius branded coolers. But that's -- we're not going to provide any additional color on that.

Operator

Your next question is coming from Sean McGowan from ROTH.

Sean Patrick McGowan
ROTH MKM Partners, LLC, Research Division

I had a couple of questions. One on freight. Are you -- have you seen...

John Fieldly
President, CEO & Chairman

Sean, are you there? We seem to have lost the signal.

Sean Patrick McGowan
ROTH MKM Partners, LLC, Research Division

I must be having a problem with the signal. I'll just talk to you guys later.

Operator

Thank you. That concludes today's conference. We have reached the end of our question-and-answer session. I will now turn the call over to management for closing remarks. Please go ahead.

John Fieldly
President, CEO & Chairman

Thank you, Matt. And thank you, everyone, on behalf of the company. I'd like to thank everyone for their continued interest and support. Our results demonstrate our products are gaining considerable momentum. We're capitalizing on today's global health and wellness trends and the transformation taking place in today's energy drink category. Our active lifestyle position is a global position with mass appeal. We're building upon our core business, leveraging opportunities, and deploying best practices. We have a winning portfolio, strategy, and team in a rapidly growing market that consumers want. I'd like to thank all our investors for their continued support and confidence in our team. The company will be attending several upcoming investor conferences the week of May 22, including Goldman Sachs and B. Riley. And in June, we will be attending Stifel, Evercore and Jefferies investor conferences, and we look forward to meeting and seeing many of you there. Thank you, everyone, for your interest in Celsius. Stay healthy and live safe.

Operator

Thank you, everyone. This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.