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Celsius Holdings, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

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Chief Financial Officer

John Fieldly
President, CEO & Chairman

Paul Wiseman
Senior Vice President of Communications & Investor Relations

ANALYSTS

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Jon Robert Andersen
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Jonathan Daniel Keypour
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Kaumil S. Gajrawala
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Michael Scott Lavery
Piper Sandler & Co., Research Division

Peter K. Grom
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Presentation

Operator

Good day. My name is Ali, and I will be your conference operator today. At this time, I would like to welcome everyone to the Celsius Holdings, Inc. First Quarter 2024 Earnings Conference Call. [Operator Instructions]

Thank you. I'd now like to hand over the conference call to Paul Wiseman. You may now begin.

Paul Wiseman
Senior Vice President of Communications & Investor Relations

Thank you, and good morning, everyone. We appreciate you joining us today for Celsius Holdings First Quarter 2024 Earnings Conference Call. Joining me on the call today are John Fieldly, Chairman and Chief Executive Officer; Jarrod Langhans, Chief Financial Officer; and Toby David, Chief of Staff. The call will open to questions following the prepared remarks.

The company released its first quarter earnings press release earlier this morning, and all materials are available on the company's website, celsiusholdingsinc.com, as well as on the SEC's website, sec.gov. As a reminder, an audio replay of this call will be available later today and can be accessed with the same live webcast link used to join today's call.

Please be aware that this call may contain forward-looking statements, which are based on forecasts, expectations and other information available to management at this time. 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 obligations 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 in our quarterly filings with the SEC for additional information.

Additionally, management will share operating results on both a GAAP and non-GAAP basis. Descriptions of the non-GAAP financial measures that we use, such as non-GAAP adjusted EBITDA, and reconciliations of these measures to our results as reported in accordance with GAAP, are detailed in our earnings release for the first quarter of 2024.

With that, I'd like to turn the call over to Chairman and Chief Executive Officer, John Fieldly, for his prepared remarks.

John Fieldly
President, CEO & Chairman

Thank you, Paul. Good morning, everyone. Thank you for joining us today. This morning, Celsius reported a 37% year-over-year increase in revenue for the first quarter of 2024, totaling $355.7 million for the period, a new first quarter revenue record for the company.

Celsius alone was responsible for approximately 47% of the entire energy drink category growth year-over-year in the first quarter. And as we reported in this morning's press release, Celsius now holds an 11.5% share in MULOC for the 4 weeks period ending April 14, according to Circana. This is a full point higher than the Q4 2023 and 4 points higher than 1 year ago.

These results, on their own, are very strong, especially after growing at a triple digit for the past 3 consecutive years. Even so, our first quarter revenue would have been higher, except that it was adversely affected due to inventory movements by our largest customer, which is beyond our control.

The year-over-year inventory variation is attributable to elevated first quarter 2023 restocking, which we believe was meant to compensate for the fourth quarter 2022 destocking and to prepare for a robust spring reset that were planned in 2023. However, no such first quarter restocking and spring reload in was observed this year. Absent these effects, we would have seen a higher growth rate.

Ongoing inventory fluctuations may be expected in subsequent quarters because our largest distributor constitutes approximately 62% of our total North America business during the first quarter of 2024. While these inventory fluctuations caused noise in our sequential quarterly revenue figures, what's important to focus on here is that Celsius is constantly on shelves, stocked cold, stacked high with a 98.4% ACV. And our category across all tracked channels and on track channels continues to grow.

We introduced several new flavor innovations since the beginning of this year, including Galaxy Vibe, which may be our most refreshing and delicious flavor yet, as well as the CELSIUS Essentials line, which began its national distribution in January and has now achieved a 54.5% ACV and a 5.5-point share increase since we last reported in February. We estimate that retailers' spring resets were approximately 1/3 complete at the end of the quarter. And once concluded, we're expecting our best shelf space gains in the company history.

The importance of these space gain increases and placements and improvements cannot be overstated. The visual impact of multiple full shelves of cold Celsius in convenience stores and coolers and in the grocery shelf is a powerful in-store billboard and showcases our portfolio. The full effect of these shelf resets is expected to be reflected in the scanner data beginning in July.

In March, we launched a new incentive program with Pepsi that further aligns our shared interest within the energy category, including alignment around priorities and delivering a program that will contribute to our long-term goal of becoming the #1 energy drink brand in the world.

As we prepare for our 100 Days of Summer campaign, we are well positioned with the best in-store presence in company history, the most refreshing products and some great marketing initiatives, which I'll discuss later in the call, and as just noted, a strong aligned partnership with our North America distribution partner.

Celsius' share in MULOC in the most recent 4-week data as of April 14, as stated, was 11.5 share, an increase of approximately 4 points compared to the year ago period. We're pleased with our continued share growth across all tracked channels. As we shared on our last earnings call, there are 12 major U.S. markets where Celsius maintains a 15-point share or greater, and we are within just a few points of 15 share in several additional markets.

With our growth and expansion, we're adding more talented people. And already this year, we've increased our sales and key accounts team by approximately 85%. By the end of this year, we are expecting to have 3 times as many sales staff compared to this time last year, supporting our growth and the opportunities we see ahead. Our world-class operation teams continue to do efficiencies to reduce freight and raw material cost savings this quarter, contributing to our highest gross margin to date at 51.2%.

Turning to pricing. We have generally maintained flat pricing on a per volume basis across our portfolio while strategically promoting our new 16-ounce line of CELSIUS Essentials to drive trial. And reduced pricing and scanner data reflects CELSIUS Essentials' promotions and the increased mix of variety packs into our overall sales, which come with a lower per ounce cost.

We continue to consider strategic pricing and promotional opportunities that allow us to maintain our premium position in the category while maintaining velocity. With that said, we continue to review and monitor both our distribution and infrastructure and the commodity environment across the back half of 2024 and into 2025.

Celsius' new product innovation this year is the best-tasting and most refreshing beverages we've ever created. A new favorite here is CELSIUS Galaxy Vibe, which joins other excellent 2024 additions in our 12-ounce line, including Blue Raspberry Lemonade, Sparkling Raspberry Peach, Astro Vibe. We are very pleased with the strong retailers supporting our initiatives rolling out our 16-ounce line of CELSIUS Essentials, which now has reached approximately 54.5% ACV as of mid-April, with availability increasing across the country.

CELSIUS On the Go powders continues to perform well with our recent innovation, with a refreshing Strawberry Coconut and Blueberry Lemonade being our top 2 performers. We have more Celsius On the Go powder innovation plan for this year and continue to see great opportunities with this line.

Nontracked channels, including club, e-com and foodservice continue to be tailwinds to our overall growth. Club sales in the first quarter increased 36% to $63 million compared to $46.5 million in the same period in 2023. Sales on Amazon increased 30% year-over-year to $28 million in the first quarter, up from $21.8 million in the prior period. Celsius ended the first quarter with a 20.2 share compared to Monster with a 20 share and Red Bull with a 12.3 share according to Stackline 12-week data ending March 30, 2024.

Approximately 12% of Celsius' sales through Pepsi in the quarter was to the foodservice channel, with especially strong sales in restaurants, recreation, lodging and gaming locations. International sales, which do not include Canada, increased 42% in the quarter to $16.2 million. Celsius' launch in Canada, which began in January, continues to exceed expectations, and we recently achieved a 5.5 share through the first 2 periods of 2024, according to Nielsen.

In the first quarter, Celsius announced plans to expand in Australia, France, Ireland, New Zealand and United Kingdom, executing our stated strategy to pursue measured international growth, balancing investment levels in new markets. I'm excited to say that as of April, Celsius is now officially available in select gyms and retailers across the United Kingdom and Ireland. Sales in Australia and New Zealand, as well as France, are planned to gradually begin in the fourth quarter of 2024, with phased expansion across the countries in 2025.

Finally, we produced some fantastic marketing activations recently, including Celsius Cosmic Desert event in Coachella, which hosted celebrities and influencers as well as performers (sic) [performances] by leading artists. Celsius was also featured in a recent Saturday Night Live opening skit, making clear that Celsius is the top-of-mind functional energy brand in pop culture. And just last weekend, we activated our global partnership with Ferrari at the Formula One Miami Grand Prix. Congratulations to the Ferrari team for their podium finish.

I'll now turn the call over to Celsius' Chief Financial Officer, Jarrod Langhans, to discuss our first quarter financial results. Jerry?

Jarrod Langhans
Chief Financial Officer

Thank you, John. Celsius delivered another record-setting quarter, exceeding our expectations and producing strong returns while we grew the business and levered in certain areas.

Revenue for the 3 months ended March 31, 2024, was approximately $355.7 million, an increase of 37% from $259.9 million in the prior year period. To put this growth rate into historical context, when Monster Energy achieved $1.3 billion in net sales, they grew revenue 30% the following year. Adjusted for the inventory fluctuations John mentioned previously, Celsius would have grown at an even higher rate in the first quarter of 2024.

North American revenue, which includes the United States and Canada, was $339.5 million, an increase of 37% from the same period last year. International revenue grew 42% to $16.2 million as velocity continued to increase. We attribute our sales volume growth for the quarter to several key factors, including our ability to drive increased consumer demand, strong innovation and excellent in-store execution by our key account and field sales teams. Continued growth in the club, e-commerce and foodservice channels also served as a solid driver of our revenue growth in the quarter, as did strong year-over-year share gains of more than 69% or 4 points in the convenience and gas channel.

Gross profit in the first quarter increased 60% to $182.2 million, up from $113.8 million in the prior year period. Gross profit margins in the first quarter were 51.2% of revenues compared to 43.8% for the prior year period. The improvement in gross profit margins is attributed to reduced freight and raw material costs. First quarter freight costs as a percentage of net invoice sales decreased 120 basis points year-over-year, and cost of goods sold decreased 470 basis points.

As we look to the remainder of the year, we have a number of key drivers that we are monitoring, including fuel costs, which have been rising; other commodity costs, such as aluminum; and our promotional calendar. As a result, we are taking a conservative approach to the remainder of the year and continue to stick with our commentary from February, where we noted that gross margins in the high 40s was very achievable, but that we were not ready to move too far from that expectation until we got further into the year.

Sales and marketing expenses for the quarter were 21% of revenue. We have hired a significant number of new team members and are on track to fill the remaining open positions by the end of Q2. But based on timing, we did see some benefit in Q1, which was slightly below where we expected to be and 3 points higher than the same period in 2023. We will continue to invest and plan to maintain investment in this area as we expand further into our 31 [drill deep] markets and internationally. As we continue to grow, our investment in sales and marketing will remain within the 20% to 23% range.

General and administrative expenses for the first quarter of 2024 were approximately $23.2 million, an increase of 9% relative to Q1 2023. As a percentage of sales, G&A was 7% compared to 8% in the prior year period as we continue to leverage, and due to lower third-party costs, such as legal fees. As we look across the remainder of the year, we would anticipate some ebbs and flows within G&A, but we remain confident that we will be able to leverage this area in 2024.

Non-GAAP adjusted EBITDA increased 81% to approximately $88 million in the first quarter compared to $48.7 million in the prior year period, driven substantially by revenue growth and increase in margins and our continued leverage across SG&A. Net income attributed to common shareholders increased 106% to $65 million in the quarter or $0.27 per diluted share compared to $0.13 in the prior year period. We ended the quarter with approximately $879.5 million of cash on hand, which continues to accrue interest and remains available for strategic growth initiatives.

Cash flows provided by operating activities totaled $135 million in the first quarter, which compares to negative $14 million in net cash provided by operating activities in the prior year period. We will continue to invest in our working capital as well as CapEx around coolers in our fleet to drive further growth, but we do see a great opportunity to continue to drive strong cash flow growth across 2024.
This concludes our prepared remarks. Operator, you may now open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Kaumil Gajrawala from Jefferies.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

A question on inventories as we're thinking about 2Q, maybe how businesses progressed from a consumption perspective in 2Q. But also our inventory is now tight and low as we're going into another 2/3 of shelf resets to maybe some of the $20 million reverse in 2Q. Can you just give some context around that?

John Fieldly
President, CEO & Chairman

Yes. Great question. We did state that in our prepared remarks in regards to some of the inventory fluctuation with our partner. We don't control the inventory levels, but we do feel that everyone is optimizing inventory levels as we move forward, and we'll see how that evolves. If you look at our inventory levels over the last 15 months, looking at the -- especially the cash flow statement, we've optimized our inventory levels as well, about $47 million. So I think every business is going to be optimizing.

I think, really, the most important thing when we look at it is keeping the shelf stocked, most importantly keeping the shelves cold and just preparing for this -- the reset season that's underway as we continue to progress forward. And the scan data is really strong, especially last week at the register, according to Circana. So we feel like we're in a good shape. But to predict where inventory levels move is just really difficult for our partner. I don't know, Jarrod, if you have any further comments to add.

Jarrod Langhans
Chief Financial Officer

Like John said, depletions are really good. They're rock solid. But as I look at April, I'd say this is kind of a new normal for us at the moment. We'll see where our partner goes from here, but I wouldn't bake in a reversal of what we've seen.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

Okay. Got it. And then margins were quite substantially ahead of plan. Was there anything onetime in there? Or is it just sort of leverage off your growth?

John Fieldly
President, CEO & Chairman

Yes. Jarrod, why don't you talk about the margins?

Jarrod Langhans
Chief Financial Officer

Yes. I mean, you know I always point to freight as something that fluctuates from quarter-to-quarter, and that's definitely been something that, if you look back over the last 3 years, it has been. We've been able to keep it within kind of a set of guardrails, but we did see some good freight rates this quarter. We'll continue to look to optimize that, but some of that will be dependent upon fuel costs as we look out into the back half of the year.

We have seen some good activity in terms of leveraging our business and our scale around raw materials. But at the same time, we are moving into a much higher promotional time period with 100 Days of Summer. So that's why we kind of said we're not ready to put the line in the sand at the rate we were able to deliver in Q1. We're always going to try to deliver that or better, and we do have a kind of a long-term goal that we're looking to get to.

But I would say, as we look out to Q2, Q3, Q4, we're kind of sticking with what we said at the end of February, which was kind of that high end of the 40s and not quite locking in into the 50s yet.

Operator

Mark Astrachan from Stifel.

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

I wanted to go back to that last question, the one that we're getting a lot today as far as the timing of this inventory stock. So if I do some rough math, it looks like you've undershipped demand, per scanner data, recently in the last 2 quarters. 1Q, obviously, when you're lumping in the rollout into Canada. Would you state that even more pronounced? So I guess the question is, a, what do you say to that? Meaning that we saw -- kind of see where end demand is versus what your sales are, and your sales are a lot lower.

And two, as you think about how Pepsi is managing shelves, does this have an impact? Have you seen any impact from a service-level standpoint on how to stock and whatnot? And kind of how do you work with them to make sure that you prevent that, assuming that you haven't seen it yet, but may, given where trends seem to be moving?

John Fieldly
President, CEO & Chairman

Yes. Mark, I'll take the beginning of the question. When you look at the inventory levels, I think our partners are at really good inventory levels right now. We're maintaining deliveries, we're keeping products in stock. We're seeing scan data. We just broke a record on the share gain to 11.5. So product is flowing. I think we're both getting -- learning about each other, our supply chains, and looking to further optimize.

So I can't speak for our partner, but they are maintaining supply levels, servicing customers. We have greater ACV. The resets have gone well, the ones that have been reset so far. So -- and we're further working on programs with 100 Days of Summer, working on further displays and NCAP programs.

So I think we feel really good where we're at. You're going to see some optimization on both sides. Like I said to Kaumil is that we did optimize our inventory as well, about $47 million in the last 15 months, if you look at the cash flow statement.

So in regards to shelves, we're not seeing out of stocks. You're always going to have some, that's just part of the business, but always out there's ways to further optimize.And I think we're in a -- we're in a really good place. We have good inventory levels now. We feel confident in our inventory levels and confident in the Pepsi inventory levels supporting our growth.

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

Got it. Okay. And then I guess just staying on the point, was there any change in the inventory levels that Pepsi held through the March quarter that was notable? I say that in part just out of curiosity and partly with the view that distribution points continue to expand. Obviously, you talked about what you did through March 31, implying a pretty substantial increase in distribution points as you head to summer.

So it would just be odd to me that you would reduce the amount of inventory for Pepsi. And I guess just how do you think about that progression through? I know you talked about April being a little bit weaker. So I guess, sort of related to the first question, but kind of how does the timing of that worked through? Did they hold more at the beginning of the quarter and less at the end of the quarter?

John Fieldly
President, CEO & Chairman

Yes. I mean we haven't spoken about April being weaker. I think Jarrod was talking about maintaining inventory levels with our partners, maintaining as we enter the second quarter. We're going to have to see how this how this plays, how the quarter unfolds. I think with optimizing inventories, we're getting more efficient. We're able to ship product in less number of days. Prior, we're running 14 days. And now, in many cases, we're shipping within 7. So we're just finding further ways to optimize our supply chain. So that's going to impact some of the revenue recognition standards in order as we continue to progress forward.

But I think the most important thing to really look at is what's taking place within the scanner data for the end user and the end customer, which continues to maintain. It seems to be extremely strong, and we got good momentum heading in, especially the 100 Days of Summer, double the sales staff, great refreshing innovation and a bunch of great marketing assets and activities. I don't know, Jarrod, is there any more color you want to add on there?

Jarrod Langhans
Chief Financial Officer

I'm aligned with you. I think we're in good shape. We haven't seen any service issues as they optimize their system. As long as they're getting product on the shelf, that's what we're most concerned with.

Operator

Our next question comes from Jeff Van Sinderen from B. Riley.

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

I wanted to circle back to a comment you made on markets where you're getting close to a 15% market share. Maybe any more color you can add on that? I guess what specifically you've done in those markets to achieve that and plans to apply those initiatives to other markets?

John Fieldly
President, CEO & Chairman

Yes, Jeff, great question. It's really exciting that now we're in 12 markets, major metropolitan markets in the U.S. right now that are over 15 share. And then we have several additional markets that are getting close to that range. So what we're seeing is just really further collaboration with our Pepsi partners, further building out our sales team and marketing teams and really using our methodological approach to marketing and activation, which has worked well. It's activating the consumer where they live, work and play, disrupting the path to purchase, building that awareness, getting that trial, and we have such great flavors and a great product and a great brand that we build that loyal consumer.

And when we're seeing our Celsius consumers further increasing their consumption levels as we've further built out our availability, we're seeing category growth or driving category growth, about 47% of the category growth is coming from new to category, and Celsius is creating that. So really exciting. It's really about gaining that additional distribution and really closing the gap within convenience, and we've talked about that for many years. We've done well in large format and online and with gyms and health clubs. And now we're really -- next phase is really closing the gap in convenience and getting better placement. You're seeing the share numbers start to increase there.

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

Okay. Great. And then I just wanted to circle back to spring resets as well. Maybe you could just speak a little bit more about where you're seeing the most significant gains. Maybe touch on that in terms of SKUs, spacings, quality of shelf locations, that sort of thing.

John Fieldly
President, CEO & Chairman

Yes. I think when you look at the resets, we're really excited. It's going to be convenience is the biggest opportunity. So we're expecting some pretty good growth within the convenience channel as well as our existing accounts.

As an example, in Publix, we just moved over from the HPC to the energy category and the energy set. And we've gained further replacement in front checkout coolers, and we're working with several other retailers. More to come on that. We expect full resets to be done by the end of June, but really looking to gain further placements in all accounts. The key accounts team has been extremely positive this year.

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

Okay. Great. And then just as a follow-up to that. As far as the coolers scaling, what are the plans for coolers this year? And also, is there an opportunity to get into a lot more coolers that are maybe not Celsius coolers at this point?

John Fieldly
President, CEO & Chairman

Yes, I think that's a huge opportunity, and that's really partnering with PepEnergy and working really closely with our Pepsi partner, gaining more distribution and availability in cold placements. Our key accounts team is working on branded Celsius coolers, that's a big initiative. We're not going to put a number out, but they're a substantial number we're looking to place. And in regards to the first quarter, I think the team's placed almost 3,000 coolers. But lots of opportunities with coolers we expect to really continue the momentum as we go forward.

Operator

The next question comes from Jonathan Keypour from Bank of America.

Jonathan Daniel Keypour
BofA Securities, Research Division

I've got a couple on margins and then a couple on sales. I guess on margins, just looking at the chart on aluminum, I think it's up pretty meaningfully year-over-year. Can you guys give us any kind of magnitude of COGS exposure to aluminum and, I guess, a sense of timing about maybe where those higher costs will flow through?

John Fieldly
President, CEO & Chairman

Yes, Jon, and then I'll turn it over to Jarrod.

Jarrod Langhans
Chief Financial Officer

Yes. So a couple of things. Let me jump on an inventory question that was asked. Just to clarify, when I was talking about April, I was talking about days on hand is consistent from March into April. So that wasn't a knock-on what we're seeing. In April, as we continue to see our resets happen, we're doing very well and you can see the consumer data. We continue to get more SKUs. We continue to get more space, et cetera. So just a clarity there. That was more of a days on hand comment more than anything.

In terms of the aluminum, you've seen some fuel costs go up. We have locked in a lot of our aluminum pricing. So we're in pretty good shape there. So we tend to lock that in around Q4 of every year.

Jonathan Daniel Keypour
BofA Securities, Research Division

Okay. Cool. On margins, again, just in terms of the amendments to the Pepsi agreement. I guess what are the other implications to the margin from here? What -- is there a benefit? Is it likely diluted? Anything. Like just a sense of what it may or may not do to margins.

Jarrod Langhans
Chief Financial Officer

Yes. So the incentive program is for Pepsi, it's incentive-based, right? So obviously, we're going to get something for it. So the idea is to really drive what our priorities are, what their priorities are across energy. We want to be the #1 energy brand in the world. It's also really to drive alignment.

And so from that perspective, it's an incentive program. So the idea is to really push us to the next level. There is -- obviously, it's an incentive program, so there is obviously a cost to that program. So it's something that I would look to see ramping up across, call it, the first 6, 7, 8 months of the year, and to really be cruising by the time we get to the back part of the year.

Jonathan Daniel Keypour
BofA Securities, Research Division

Cool. And sorry, just a couple more on revenue. I guess, specifically in Costco, that became in a bit light, same as on foodservice. Just wondering about the sequential decline in Costco and the flat foodservice, any drivers there that you can point to or what to expect going forward, please?

Jarrod Langhans
Chief Financial Officer

Yes. So Costco, really the club channel, we probably should have called that out last quarter, but we did see a really good Thanksgiving week and Black Friday. So we had -- the team really activated phenomenally there. So we did get a bit of a bump there in Q4 versus Q1. Q1 does also tend to be a little slower in the club channel.

What was the other part? The foodservice. Foodservice remains strong. That can be a little lumpy at times. But being up at that 12-ish range is pretty good for us. And we do -- we are seeing gains in areas like convenience. So we're seeing gains in some of the areas that are, from a scale perspective, bigger. So as we see gains there, you may not see the same percentage growth from 1%, but we are seeing dollar growth.

Jonathan Daniel Keypour
BofA Securities, Research Division

Cool. And then just last one on the shelf resets coming up. So it sounds like 1/3 down already, 2/3 coming, so basically, a doubling of what's already been put in the -- or more than doubling what's been put in the trade already.

I guess, in the Nielsen, you can see that TDPs in the average number of items looks great. But if it's going to keep moving up from there, I guess, is that going to be -- does that kind of imply new flavors or innovations coming to market by the end of the year? Or is it going to be like double, triple facing, that kind of thing?

John Fieldly
President, CEO & Chairman

Yes. I think the goal is to gain double, triple facing. So a lot of the resets -- average items per store might not increase -- show up in the scanner data. But we're gaining those secondary, third placements and better placements within retailers. So as an example, like within -- I mentioned Publix, moving from HPC into the energy aisle, also gaining additional availability and placements in cold checkouts. That's an example of a transitional move. And also, we're looking at other retailers as well.

So we do have innovation coming in this year, which we're launching. We launched a CELSIUS Essentials. We got Galaxy Vibe, a variety of other great flavors. But we're really -- I think the bulk of the resets you're going to be seeing them by double, triple facing within stores and gaining a secondary placements.

Operator

Our next question comes from Michael Lavery from Piper Sandler.

Michael Scott Lavery
Piper Sandler & Co., Research Division

Just wanted to come back to the inventory for a minute. And I think you've been clear not to expect a snapback or an inventory restocking. But should we expect any more destocking? I know you said the inventory levels feel about right, but how low could it go? Is that something we should watch out for?

John Fieldly
President, CEO & Chairman

Yes. I mean I can't control that or we can't control that. I think it's -- sales are flowing, sales are strong at the register. So it seems to be like the balancing has been finalized. But who knows what next week or the week after happens? But I think, right now, it seems somewhat stable as we ended the -- ending March.

Michael Scott Lavery
Piper Sandler & Co., Research Division

Okay. And just back on the incentive plan, you've given some color on that. I know you don't want to be too specific, but can you maybe touch on what the rationale was? What prompted you -- what problem was it fixing because, obviously, there was great momentum in place. What does this change qualitatively that makes it seem kind of worth changing the terms?

John Fieldly
President, CEO & Chairman

Yes. I think when you look at the partnership, we're heading in really at a great point within the -- where Celsius is within the energy category. We just broke that 10 share. You're looking at ways to further partner and incentivize our distributor and our partners. And we do that with our employees. We do have retailers and our distributors. So this is like a standard practice we've done in the past. So I don't think it's added anything out of our standard course of business. We've done a variety of incentive programs. And it's -- this further aligns us with additional prioritization within Pep Energy. Also solidifies this -- as more incentives, we both win together. And it really achieves our long-term goals. We feel really confident in where we are and what better way to incentivize both parties to continue to drive Celsius forward. I don't know, Jarrod, do you want to add anything else.

Jarrod Langhans
Chief Financial Officer

I agree with you. It's really about making sure we're all fully aligned together to take that next step and to really go after the #2 and #1 players in the market. We need to do it together.

John Fieldly
President, CEO & Chairman

Yes.

Operator

The next question comes from Peter Grom from UBS.

John Fieldly
President, CEO & Chairman

Peter, are you here?

Operator

Our next question comes from Jon Andersen from William Blair.

Jon Robert Andersen
William Blair & Company L.L.C., Research Division

I just wanted to ask about the category growth that you're driving. I mean, you're driving half of the growth in the category, energy category. And I'm curious to know to what extent you're seeing that come through? As kind of new consumers into the category, to what extent you think you're driving buy rate through new occasions? And then how the brand is performing overall from a household penetration and the kind of repeat rates you're seeing? So just digging into some of the metrics underpinning the growth that you're seeing both for the category that the brand is driving, but also to your brands.

John Fieldly
President, CEO & Chairman

Yes. No, great question. And it's exciting because we're -- when you look at like brand shifting, we're not seeing a substantial amount of our growth coming from brand shifting. It really is incremental and it's increasing the user intensification. Our core consumers are consuming more. And then it's about 35%, the latest day we had is intensification of more consumption of our core or base. And then new to category for us was 42%, and this was as of the end of March. So really seeing the 23% brand shift.

So we're expanding the category. We're changing the way consumers think about energy as well. And we've seen that talk about Jersey Mike's and Dunkin' Donuts, and really the partnership with Pepsi allows us to take advantage of this opportunity. We have some of the most refreshed -- we feel we have the most refreshing energy drinks in the world. And it's showing.

We're bringing new consumers who are growing in the category. We got a lot of great attributes within the brand. We look at better-for-you trends. Celsius has over 7 essential vitamins. If you look at how we all want our foods and beverages to have more function, Celsius delivers on that with our thermogenic properties.

And then you also look at fitness, this health and wellness trend, and we're all about live and fit and living life to the fullest. So I think we're really well positioned. And we haven't really seen that change within the user intensification as well as the increase to new to category over the last, really over the last 6 to almost a year now.

Jon Robert Andersen
William Blair & Company L.L.C., Research Division

Great. That's helpful. And on these 33-or-so drill-down markets, can you talk about what you're doing there -- or 31 drill deep markets, what you're doing there that's different at present? And kind of what you're expecting in terms of, I guess, maybe share results as a measuring stick?

John Fieldly
President, CEO & Chairman

Yes, I think you talked about household penetration and that shows -- as we've continued to drive forward with our targeted marketing programs and as well as our distribution gains, our household penetration has reached an all-time high, most recently at a 29.7% household penetration. So really proud of the team and all the hard work they've been doing.

We take an approach of a drill-deep strategy. We're not going to get into specific strategies because a lot of competitors are listening on the call. But we have a proprietary blend of a special formula here which starts with the employee and a great product that we promote and market. And it's all about touching consumers where they live, work and play, creating awareness, creating trial and then creating loyalty.

Operator

Our next question comes from Peter Grom from UBS.

Peter K. Grom
UBS Investment Bank, Research Division

Can you hear me now?

John Fieldly

President, CEO & Chairman

Yes, we can hear you. Excellent.

Peter K. Grom
UBS Investment Bank, Research Division

All right. Cool. So I guess just a couple of follow-ups here. Just in terms of the inventory dynamic, Jarrod, can you just remind us what we're kind of comping against from a year ago perspective? Like I guess you might not have visibility on what types you might do or how will manage it sequentially.

But when we just think of how this dynamic evolved last year. I think it kind of held in 2Q, grow again in 3Q. So does this -- should we expect kind of this gap versus standard data to kind of continue as we move through the year? Or would you expect it to kind of be more aligned at this point?

Jarrod Langhans
Chief Financial Officer

Yes. I mean, remember, we were just getting started last year and so we're still learning each other. And obviously, as everybody in CPG, it's all about optimizing the supply chain to make sure we're spending our dollars wisely. So we did see some buildup in Q1 like we talked about, roughly $25 million. Across Q2 and Q3, we saw some minor buildup, and it kind of stuck steady for kind of Q2, Q3, Q4. To Mark's earlier point, there was some innovation in there, so that could have -- maybe there would have been some inventory taken down in Q4 if it weren't for that as they were optimizing. And then across Q1, clearly, there's been some optimization occurring again.

No issue with having product on the shelf. And we do have KPIs that we work together to maintain in terms of service standards, and so we have no complaints there. And we're fully -- believe they're fully committed, we're fully committed. So we're very happy with how things are going there. But if there's opportunity to optimize, like John said, we'll do it and they're welcome to do it, too. So I think what I mentioned with April is the days on hand that we saw kind of in March, kind of were maintained in April. But the consumer is there, if they can maintain inventory levels,and keep the product on the shelf, then that's -- we're comfortable with that.

Peter K. Grom
UBS Investment Bank, Research Division

Okay. Great. And then just following up on kind of the shelf resets and kind of the market share metrics you mentioned. I think you said 1/3 of the shelf resets were done by March. I mean when did those actually take place in 1Q? I'm just trying to understand whether there is a benefit, including kind of these 4-week share figures that you mentioned on the 4Q call. I think it was the same 11.5% that you mentioned in the latest release today. So shares, kind of, on a monthly basis, held steady.

And then I think as we look ahead, is there anything you can share in terms of the phasing of the benefits? I know you touched on but we won't see the full benefit until July. But kind of where are we now in the first week of May? What's really the progression look like? And is there really any way to put into context what you actually expect in terms of track growth or market share performance as these resets happen?

Jarrod Langhans
Chief Financial Officer

Yes, I think [jamming] to 11 5. I think the last poll, maybe been in the last couple of weeks is more like 11 8. So we do continue to see the number climb as we go through April and into May. So we are seeing good progress. As those resets continue to happen, we'll benefit. Once they're fully baked in, we'll really see where we are once we get to early July, once everything is baked in. So we continue to be on track.

There's been some rumblings out there that it's been a little slower in terms of resets this year versus prior years. But we're going to have the best space gains that we've had in the history of the company. We're super excited about it. We're -- our key account team and our sales guys are working diligently with all of our customers. And we're going to have a phenomenal back half of the year once we get all these resets in place.

Operator

We have reached the end of the question-and-answer session. I'd now like to hand back the call over to John Fieldly for final remarks.

John Fieldly
President, CEO & Chairman

Thank you, operator, and thanks for everyone for joining us this morning. We've heard your feedback from our investors and analysts about the earlier start time. So starting next quarter, we will begin to start this call a little bit earlier.

Thank you for all of our partners, especially to our employees who have worked so hard. Your passion and drive is what makes Celsius special. Celsius will be participating in several upcoming conferences, and I look forward to seeing everyone -- each and everyone of you there. A full schedule of the upcoming conferences will be posted shortly. Until then, stay healthy and live fit. Make it a great day, and grab a refreshing Celsius.

Operator
Thank you so much for attending today's conference call. You may now disconnect. Have a wonderful day.