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Celsius Holdings, Inc.

NasdaqCM:CELH

Earnings Call

Wednesday, November 6, 2024 1:00 PM GMT

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Presentation

Operator

Thank you for standing by. My name is Jayel, and I will be your conference operator today. At this time, I would like to welcome everyone to the Celsius Holdings Third Quarter 2024 Earnings Conference Call. [Operator Instructions]

I would now like to turn the conference over to Paul Wiseman, Senior Vice President of Investor Relations. Please go ahead, sir.

Paul Wiseman
Senior Vice President of Communications & Investor Relations

Good morning, and thank you for joining Celsius Holdings third quarter 2024 earnings webcast. With me today are John Fieldly, Chairman and CEO; Jarrod Langhans, Chief Financial Officer; and Toby David, Chief of Staff. We'll take questions following the prepared remarks.

Our Q3 earnings press release was issued this morning, with all materials available on our website, ir.celsiusholdingsinc.com and on the SEC's site, sec.gov. An audio replay of this webcast will also be accessible later today.

Today's discussion includes forward-looking statements based on current expectations and information. These statements involve risks and uncertainties, many beyond the company's control. Celsius Holdings disclaims any duty to update forward-looking statements, except as required by law.

Please review our safe harbor statements and risk factors in today's press release and in our quarterly filings with the SEC for additional information, which contain a description of risks that may result in actual results differing materially from those contemplated by our forward-looking statements.

We will present results on both a GAAP and non-GAAP basis. Non-GAAP measures, like adjusted EBITDA and adjusted EBITDA margin and their GAAP reconciliations are detailed in our Q3 earnings release, and non-GAAP financial measures should not be used a substitute for our results reported in accordance with GAAP.

With that, I'll turn it over to our CEO, John Fieldly.

John Fieldly
President, CEO & Chairman

Thank you, Paul. Good morning, everyone. Celsius reported its third quarter financial results today, revealing continued consumer demand growth and revenue which was broadly in line with expectations we set during the quarter.

Celsius retail sales in the quarter ended September 30 increased 7.1% year-over-year on unit sales increase of 7.3%. Celsius' resilient growth at retail overcame softness in the category, which grew at 2% in the same period. Once again, Celsius was a significant driver of the overall energy category, contributing more than 16% of all growth.

Total revenue for the third quarter was $265.7 million, a decrease from last year, primarily attributed to distributor inventory optimization, which Jarrod will discuss in greater detail on this call. Year-to-date, revenue through September 30 was $1.02 billion, an increase of 5% from last year.

The sell-through data we are seeing continues to be supportive of us being the largest driver of the energy category. I want to reiterate our 3 key growth drivers that we are focused on for the rest of the year and beyond: attracting new consumers into the energy category; expanding the product availability; and increasing consumption frequency. We believe that we're making progress across each of these initiatives will help us pursue our vision of becoming the leading energy drink brand.

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Let me share more details on how we're thinking about each. First, we are continuing to bring new consumers into the energy drink category through premium marketing and innovation around better-for-you, great-tasting energy. Celsius continues to deliver innovative flavors that resonate with consumers, such as our new on-the-go powders in our Vibe line, and RTDs like Sparkling Watermelon, Lemonade and Cherry Cola, which we're taking nationwide due to strong consumer demand.

Two recently announced Celsius ESSENTIALS flavors, Grape Slush and Watermelon Ice, alongside our new 2025 Vibe and core line innovation previewed at the convenience store trade show, NACS, keeping consumer excitement and category trial high.

We believe that Celsius continues to outperform on taste, function and our brand association with the Live Fit lifestyle that brings new consumers into the energy drink category through our marketing.

Second, in terms of expanding product availability, based on recent industry surveys, we expect energy will continue to gain shelf space in the beverage coolers and aisles, with Celsius being a strong beneficiary of these gains.

This validates positive customer conversations we had last month at NACS. Domestically, Celsius market share has been resilient with our share in MULO+ with Convenience in the last 4 weeks ending October 6, rising to 11.6%, an increase of 10 basis points from this time last year.

We are focused on reaccelerating our share growth. We believe that our incentive program with Pepsi featuring priority periods and aligned resources should provide additional tailwinds for us going forward.

Turning to other channels that are expanding our availability. Approximately 12.3% of Celsius' total North America sales to PepsiCo in the quarter was to the foodservice channel, with strong results in workplace, restaurant, recreational, lodging and gaming sales. Lodging and restaurant points of distribution were up 46% and 27%, respectively, compared to last year.

Celsius sales to Amazon increased 21% year-over-year to $27 million, up from $22.2 million in the prior year period. Celsius ended Q3 with a 20.4% share on Amazon according to Stackline's last 14-week read ending October 5, 2024. E-com continues to be a great opportunity for us building brand awareness and making our product accessible to consumers whenever and wherever they want it.

Sales at Costco in the third quarter of 2024 increased 15%. However, sales to Sam's Club, BJ's were negatively affected due to timing of promotions and innovation loading in the year ago period. The total club channel sales decreased 4% to $60.5 million in the third quarter 2024 from $63.2 million for the prior year period. Our expansion is broader than just North America. In October, we launched in Australia, New Zealand.

Our third growth driver is increasing consumption frequency. Celsius expanded energy drink consumption occasions with refreshing flavors in our aspirational Live Fit lifestyle. Celsius continues to grow our presence in incremental consumption occasions like meal time through our partnerships with leading convenience stores and quickserve restaurants like Jersey Mikes.

We're supporting our growth drivers by investing behind the brand, but also in our organizational excellence, scaling operations, advancing technology and developing our people.

Last week, we acquired Big Beverages, a long-term Celsius co-packer, which is intended to give us new innovation capabilities, greater control of our supply chain, in addition to financial benefits that we believe will be achieved in the near and long term. We believe that vertical integration like this co-packer acquisition is a capital-efficient growth driver and another way we are investing in our long-term vision to become the leading energy drink brand in the United States.

We've also recently established a new center of excellence in Ireland, intended to drive our innovation, global procurement, supply chain and global marketing forward as we expand further across the U.S. and into new global markets.

Our field sales key accounts team have begun using AI-assisted selling tools as well as a new mobile technology that optimizes vehicle routes for further efficient selling and relationship management. We are

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also investing in new technologies to improve efficiencies in our orbit model and reduce our freight laying costs.

Importantly, we welcomed 2 new additions to our already strong Board of Directors, Hans Melotte and Israel Kontorovsky. These professionals bring extended global experience in consumer goods, then a prior and present leadership roles at Starbucks, Johnson & Johnson and PepsiCo. Israel replaces Jim Lee, who departed our Board in conjunction with his move from Pepsi to Target. We thank Jim for his service, and we wish him best of luck in his new CFO role.

Our customers continue to believe, as we do, that Celsius is a winning brand with a long growth pathway ahead of us. We are investing for long-term sustainable growth with strategies to energize our customers in more places more often. These 3 growth drivers are underpinned by our focus on organizational excellence across people, technology and scale.

With that, I'll turn the call over to our Chief Financial Officer, Jarrod Langhans, to discuss our third quarter results. Jarrod?

Jarrod Langhans
Chief Financial Officer

Thank you, John. While the third quarter was anything but normal, Celsius generated positive net income, despite a significant revenue headwind, demonstrating the strength of our financial position and operations. Moreover, we continue to invest in our brand as we stay focused on driving our sales and marketing efforts, and we put a portion of our cash on hand toward vertical integration with the acquisition of Big Beverages, all of this to invest in our long-term growth.

This quarter, revenue was approximately $266 million, down 31% from $385 million in Q3 last year, primarily due to inventory optimization by our largest distributor, impacting revenue by around $124 million. Promotional allowances from increased retail sales created revenue headwinds due to the imbalance that existed between the decreased selling to our distributor and increased sell-through at retail.

Additionally, the previously announced incentive program with our largest distributor and its network of franchisees fully ramped up in the third quarter. This program further aligns our financial incentives through priority periods and other measures, but does impact our margin. Revenue was further impacted by reduced unit velocity and softer macroeconomic conditions.

North American revenue for the 3 months ended September 30, 2024, was approximately $247 million, a decrease of 33% from $371 million in the prior year period, primarily driven by the previously mentioned inventory optimization.

International revenue grew 37% to $18.6 million in Q3 2024 compared to the same period last year. Year-to-date, total revenue through September 30, 2024, was approximately $1.02 billion, an increase of 5% from the prior year period.

Gross profit in the third quarter decreased 37% to $122 million, down from $194 million in the prior year period. Gross profit margins in the third quarter were 46% of revenues compared to 50.4% for the prior year period.

These effects are due to the aforementioned inventory optimization and full implementation of our incentive program in the quarter with our largest distributor. However, margin pressures from these 2 factors were partially offset by reduced outbound freight costs and savings on the purchase of materials.

Year-to-date gross profit through September 30, 2024, was more indicative of our full year operations and was $513.5 million or 50.2% of revenue, an increase of 10%, compared to $466.9 million or 48.1% in the prior year period.

Sales and marketing expenses as a percentage of revenue for the third quarter were 37.6% and 26.1% year-to-date. While the sales and marketing expenditures were in line with our forecasted expectations,

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they were much higher as a percentage of revenue due to the optimization that took place by our largest distributor, which resulted in approximately $124 million less in sales.

With that said, we continue to invest and support our brand in a thoughtful manner without creating disruption to our ongoing campaign and investments.

Q3 2024 general and administrative expenses rose 11% to $25.5 million, representing 10% of sales, up from 6% last year. Year-to-date through Q3, G&A expenses were 7% of total revenue, in line with expectations.

Non-GAAP adjusted EBITDA for Q3 decreased 96% to approximately $4.4 million from $103.6 million last year, with the year-to-date adjusted EBITDA margin of 18.8%, totaling $192.8 million.

Q3 net income decreased 92% to approximately $6.4 million, down from $83.9 million last year with year-to-date net income of $164 million. Despite the quarter's pressures, we maintained a cash balance above $900 million, and we are generating positive full year operating cash flow.
This concludes our prepared remarks. Operator, you may now open the lines for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Jim Salera of Stephens.

James Ronald Salera
Stephens Inc., Research Division

I wanted to maybe drill down on the cadence as we close out 2024 and move into 2025. Just with the combination of some of the increased promotional you guys have in the channel, the new flavor launches, is it correct for us to assume that we should see the trends in the scan data have improved sequentially month-on-month as we move through 4Q and then go into 2025?

John Fieldly
President, CEO & Chairman

Yes. Thanks, Jim, for the question. We do have a variety of promotional activities planned for Q4 as well. The category is highly promotional as we know. There is a lot of new innovation that's coming out from a variety of other brands within the category.

We're watching velocity on a weekly, monthly, quarterly basis. We have a lot of great plans in place for the back half and heading into 2025, where we're really focusing on our growth drivers of increasing new to category, expanding occasions, with the usage occasions expanding as well as increasing availability.

So those are things we're monitoring. We have a lot of plans in place. Just coming up in the next few weeks, we have a big program with Jake Paul, Mike Tyson. We're a title sponsor, so we'll be able to get some further national reach across the country and impressions. And the teams are focused on driving to retail.

James Ronald Salera
Stephens Inc., Research Division

Okay. Great. And then maybe if I can sneak in a quick follow-up. If we think about the pressure that the category has seen, obviously, still one of the better categories across retail.

Just any thoughts on what you would want to see out of the consumer that would kind of really accelerate category growth and drive energy drink category growth as we go into next year.

John Fieldly
President, CEO & Chairman

Yes. I think when you look at the third quarter that we're reporting on today, it was troubled with traffic. We saw a lot of our major retailers talk about reduced traffic in convenience.

We need traffic to come back. We need occasions to come back. But the good news is when you look at the Celsius portfolio, our better-for-you and this performance energy and fitness lifestyle is a broad position that has a lot of tailwind behind it.

The better-for-you is not slowing down. And I think what's really exciting for us as we sit here today is in the quarter, we saw for the first time about 50% of the category is greater -- greater than 50% of the category is now sugar-free. So the sugar-free movement, it continues to build steam.

We have an amazing sugar-free portfolio. We need macroeconomic trends to improve. We expect that to improve. We saw some additional growth in the category over the last several weeks from the lows and actually the negative growth we saw in the third quarter.

So we feel with our function, our refreshing taste profile and our fitness position, we're well positioned when the category gets back, which we're confident it will. As you said, the category has been in a great growth driver in LRB. And we're going to increase availability as well, which we're really excited about.

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Operator

Your next question comes from the line of Kaumil Gajrawala of Jefferies.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

I guess, a couple of things. The first is you're specific to mention in your prepared remarks that the new incentive structure with Pepsi and that you're positive about it. Can you give us maybe some more details on what's behind that and why that should drive category acceleration from where we are now?

John Fieldly
President, CEO & Chairman

Yes. When you look at it, the program -- the further alignment and incentive program we implemented in 2004 is really further getting implemented into 2025 with additional focus on priority periods. We just finished NACS last month and coming off their annual operating plan meeting that was in Las Vegas that our group -- our leadership team as well as a variety of other team members attended.

Just -- we're getting great cross-functional collaboration, further alignment on our 2025 plans. And it's -- we feel like we're going to have more of a cohesive approach as we're further aligned to truly drive this category, getting additional availability, expanding placements and getting Celsius in the hands of more consumers and disrupting that path to purchase, which is so critical on building a brand and getting more trial.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

And I guess, the second question is, are they done? Is inventories in the right place? Do we just move on with consumption from here? Presumably, you've chatted with them and hope for no more surprises. But I think we'd all like to know if they're at the place they want to be.

John Fieldly
President, CEO & Chairman

Yes. We're watching the correlation between sell-in and sell-out. I'll turn it over to Jarrod to provide some further color on that.

Jarrod Langhans
Chief Financial Officer

Yes. So we've got a handful of weeks of visibility into the fourth quarter. We're definitely seeing a tighter correlation on a weekly basis between the inventory sell-in and depletions from our largest distributors' warehouses into retail when comparing to Q3.

It's not fully matched yet. So there is a slight disconnect from the sell through versus the sell-in with retailers, but it's very slight at this point in time. At the current rate, we should see alignment of the sell-in and sell-through before Q4 ends based on the trends we're seeing and the discussions we're having.

So our teams are definitely working together diligently to minimize any potential impacts in Q4. With that said, we could see some pressure in the quarter. November and December will be key drivers in this process. So as things stand today, depending upon how we end the year, we could see an impact where we see some positive benefit or potentially all the way up to maybe $15 million of pressure. That's kind of our visibility into today. So that's kind of the range we can offer and what we're seeing from that perspective.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

Okay. Did I hear that right, another $15 million for 4Q? Is that what you just...

Jarrod Langhans

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Chief Financial Officer

I said we could see -- actually see anywhere from a bit of positive benefit from it all the way up to around $15 million of pressure, depending upon how we kind of finish off the year.

John Fieldly
President, CEO & Chairman

Yes. We need to see how November and December turn out.

Operator

Your next question comes from the line of Mark Astrachan of Stifel.

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

Just quickly following on that last comment. I guess, the question -- obviously, that's the question everybody keeps asking over and over again. But your range of potentially $15 million of headwind to slightly positive, I assume if we're all sitting here trying to look at this from our desks, the best way to think about this would be whatever end demand for the scanner data would look like, right?

So if your sales trends are growing somewhere around where they are now, low to mid-single digits, how does that look from an inventory destocking or restocking perspective? I guess, maybe something to benchmark it relative to current performance would be helpful. And then I've got a couple of other questions.

Jarrod Langhans
Chief Financial Officer

Yes. It's a good perspective, Mark. So I'd say if you see -- if we start to see things pick up, then we have a better opportunity to benefit from that perspective. If we see things kind of turn the other way, then I would expect a little bit more pressure.

So kind of if we stay where we are, we're probably tracking to not have anything substantial. But you kind of -- a little better is a little better for us. A little worse is a little worse for us.

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

Yes. That's helpful. And then on market share. So I think, John, you said resilience, I think that was the word used in the prepared remarks. It is hanging in there. But I suppose, if you think about the share, it's still down, I don't know, 1, 1.5 points from peak in May. I guess the question is, where do you think that consumer has gone? And what do you think Celsius can do to regain that consumer?

John Fieldly
President, CEO & Chairman

Yes. I think when you look at it through that, going through since that peak of May, there's been a lot of challenges. We've expanded into the convenience channel. That was the biggest opportunity for us within shelf space gains.

And we did see some challenges there with foot traffic. We are -- we know from some of the data that we're getting in from Circana, our shopper is potentially taking maybe that one less trip, that one less occasion. So we think there's a big opportunity to really target increased consumption in occasions and bring those consumers back as confidence returns and the category gets back to growth rate on bringing new consumers in and expanding that.

We think we have a great portfolio. The better-for-you movement is there. Sugar-free is there. We've gotten a lot of -- there's been a lot of innovation that's come in from some of the largest players that are

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expanded trial. Maybe that shopper purchased another product of one of the new flavors that came in on one of the other brands.

But we feel confident in our portfolio. We feel confident in some of the new innovation that's coming out for 2025. Coming out of NACS, we talked to many of our customers. And there's a lot of excitement around the energy category, expanding additional shelf space. And we heard positive feedback from many retailers on resets for 2025.

So we'll see how that ends up. But we feel confident we're going to further expand space and availability. And we've got some great retailer marketing programs planned into '25.

And further alignment that I was talking about, answering the prior question, with Pepsi, we're getting further alignment each and every week, every month. We're collaborating better each and every day. And this is getting into the third year of the relationship, and we're really looking to leverage that.

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

Got it. And just to follow up on that. So your share, it sounds like you're saying, is weaker in C-stores than it would be in mass, Amazon, Costco. Is that the way to think about it?

John Fieldly
President, CEO & Chairman

Yes. And that's historically as -- if you go back even historically as it's been, our share as a percentage has been better in food, drug, mass and on Amazon. So that's -- the big opportunity is to close the gap.

We got good share in a variety of international retailer as well as regional players. We just need to close the gap. We need to get better placements. We need to disrupt that path to purchase. We need to continue to drive household penetration.

And we feel that the consumer is there. We know the sugar-free consumer is there, the better-for-you consumer, the fitness lifestyle consumer. And we're well positioned to capture that when this category gets back to growth.

Operator

Your next question comes from the line of Peter Grom of UBS.

Peter K. Grom
UBS Investment Bank, Research Division

So I guess, I wanted to ask about the inventory, but maybe just the assumption for a slight benefit versus the $15 million dollar headwind. Is this something you plan to update us on as we move through the quarter, maybe similar to what we saw in 3Q?

And then of that $15 million headwind, what's kind of underpinning that assumption? I guess, I'm just trying to make sure we don't have a similar negative update, if you will, versus -- similar to what we had in September where things came in far worse.

And I guess, just building on that, you mentioned better alignment several times throughout this call. But how would you compare your visibility today on the inventory dynamic versus maybe what we saw in the spring and the summer?

Jarrod Langhans
Chief Financial Officer

Yes. I think we have good visibility, and we've been working closer and -- closer together. I think some of the -- what got caught up in Q3 was some very good optimization that took place and some very efficient optimization. And I think our largest distributor actually commented on that on their call a couple of weeks ago. So they did a great job with that.

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We kind of got caught up in that in Q3. In Q4, we're kind of just looking at trends, and we're trying to build an analysis kind of -- if things got a little better, if things got a little worse, that's kind of the range we provided based on the trends and the data we're following. And so that's our best estimate for you guys from that perspective.

In terms of Q4 versus Q3, Q3 was really where the optimization took place. Q4 is more a product of where does the category go more so than, I would say, any kind of significant optimization.

Peter K. Grom
UBS Investment Bank, Research Division

Okay. So that's helpful, Jarrod. I guess, if you were -- as we stand here today, is the best way to think about 4Q North America sales growth is the kind of take what we see in underlying scanner data, call it, this low to mid-single digits and back out some sort of assumptions, if we're being conservative, $15 million? Is that fair?

Jarrod Langhans
Chief Financial Officer

Yes.

Peter K. Grom
UBS Investment Bank, Research Division

Okay. And then one quick follow-up, just maybe building on the question on market share. You unpacked some plans here, promotions, innovations. But I guess, a lot of your peers are kind of doing similar things.

So I'd be curious what you think is actually different today versus maybe what you were doing over the course of the summer. And then within that, we're kind of at a point where if you kind of look at the sequential market shares, if you hold here, you're going to start to see year-over-year decline.

Is that something you think we should be braced for as we think about the tracked performance looking out over the next several weeks here?

John Fieldly
President, CEO & Chairman

Yes. Peter, I think there's a lot of variables there within this year. There's a variety of things happening from consumers, from shopping pattern changes to innovation, to consumer sentiment. We have a variety of different tactics and strategies in place to continue to drive new category consumption, further activating our Gen Z college university program, leveraging our better-for-you, the sugar-free movement.

Increasing availability is something we're really working on. Further, that's that alignment and collaboration with Pepsi to really further expand that, cooler placements, path to purchase. You look at some increased consumptions, that occasions, that foodservice, we talked about in the prepared remarks, there's a lot of great opportunities ahead.

Talk about some national reach. Like I just mentioned, the Jake Paul-Tyson to Netflix supposedly is the largest consumer sporting event -- live sporting boxing event in history, actually. So that will be coming up in the next 2 weeks. It will get a lot of reach a lot of eyeballs, further drive household penetration.

And then we've got some great flavor innovation coming in, further aligning that refreshing. We want to be the most refreshing energy drink out there. So we have a lot of great strategy as we continue to evolve, continue to maximize efforts, target new consumers and build upon that.

So as the share goes, we're working hard to continue to drive increased share and increased velocity. And that's what these teams are focused on, and we continue to evolve each day learning, getting better and executing and evolving.

Operator

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Your next question comes from the line of Kevin Grundy of BNP Paribas.

Kevin Michael Grundy
BNP Paribas Exane, Research Division

A couple of questions for me. Just kind of zooming out a bit, but kind of picking up on a lot of the line of questions around the quarter. Has there been consideration around introducing formal guidance, both near term and long term?

And I ask that in the context, number one, historically, you pointed to Monster. We can agree they're kind of an outlier, whereas pretty much everyone else in staples issued some sort of guidance, number one.

Number two, I would say the range of outcomes in the U.S. now is a heck of a lot more narrow than it was, my goodness, even probably like just 5, 6 months ago. Because I think -- and then lastly, I think you guys would know, it's not lost on you for a moment. I think there is a strong desire in the marketplace for greater visibility, more sort of credibility around the results and kind of where we're going, both near term,and long term.

So your feedback there, your thoughts there would be appreciated. And then I have a follow-up.

John Fieldly
President, CEO & Chairman

Yes. Kevin, it's -- there's a lot of variables in our models and our -- the outcome, especially over last several years. So there's a lot of dynamics at play. At this time, the company is not providing forward guidance, but it's not something that we can -- we can reevaluate in the future. But at this time, the company is not providing forward guidance. It's something we haven't done.

Kevin Michael Grundy
BNP Paribas Exane, Research Division

Okay. Follow-up, unrelatedly, international expansion. So I think in the past, there's been somewhat of a more measured -- or even today, for that matter, a more measured sort of approach. And I think the thinking was understandably that there's this massive opportunity in the U.S., and share was just strictly sort of up into the right, and that's not when the company finds itself today.

So is there a sound school of thought, if you will, to expand international much more aggressively than the company is today? You're well aware of where your international business is as a percent of mix relative to Monster. So it seems like that's a potential value trigger where the company can really lean in to offset what has been a pretty marked deceleration in the U.S. business. So it'd be great to get your thoughts there.

And then relatedly, do you think you have the right team in place -- the right leadership internationally in place to drive that sort of expansion?

John Fieldly
President, CEO & Chairman

Yes. Kevin, we just launched -- we've announced several further expansions this year, partnering with Suntory for the U.K., Ireland. We also have Australia, New Zealand and France. So we have a lot of new markets coming on board, which the teams are working on.

We agree with you. I think there's a lot of opportunities within international expansion. We are being very cognizant of timing and sequencing on the rollout of that on tempered expectations. As we continue to grow and scale, we can -- things can turn out really well.

So the same health and wellness trends we see in the U.S. are global trends. We feel confident in our international expansion. We're going after higher energy drink volume markets. We have great partners. We're getting great feedback from distributors and retailers and alignment with 7-Eleven in Australia, New Zealand and Tesco in U.K.

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And so there's a lot of great things in the works, and we're going to continue to move as fast as the brand gains acceptance -- consumer acceptance, a loyal consumer and roll forward. But we're not setting expectations at this point in time.

Jarrod Langhans
Chief Financial Officer

And just to jump in on that, Kevin, in terms of people or headcount, we are looking to stand up operations that will allow us from a global perspective to expand better or quicker at scale.

So we did mention that on our prepared remarks where we are standing up kind of a center of excellence from a supply chain perspective, innovation, marketing, et cetera. So that will allow us the optionality around moving quicker from that perspective.

Operator

Your next question comes from the line of Michael Lavery of Piper Sandler.

Michael Scott Lavery
Piper Sandler & Co., Research Division

Just wanted to come back to shelf space and the resets and maybe get a sense of how much that's already set for 2025 and kind of what updates you can give us on it. And also curious just maybe how you see the positioning competitively.

Compare and contrast maybe how you see yourself against Ghost and if it's joining forces with KDP. Does that change anything about the competition for shelf space, if not maybe for this round of resets, maybe beyond? Just love to understand a little bit better how that is all set up.

John Fieldly
President, CEO & Chairman

Yes. No, Michael, great questions. I think in regards to the resets, like I said, coming out of NACS, there was a lot of great positive feedback around the brand. So we're confident we'll be able to gain additional shelf space, better placements and hopefully -- and gain secondary placements as well, increase that cold availability to take advantage of those impulse purchases.

So the brand is very well received by buyers. We're bringing in incremental consumers, which is very valuable for our retailers as well as our alignment. We just won Supplier of the Year awards over the last 12 months at a variety of major retailers around the country, including 7-Eleven and Circle K and Casey's as well. So we're being recognized by our retail partners.

In regards to the acquisition of the most recent transaction with KDP and Ghost, great brands, great opportunities for KDP. Just further reinforces the opportunities that everyone is seeing within performance energy, better for you, fitness lifestyle, which is the lifestyle of the future and today.

So as I always say, where there's disruption, there's opportunity. So I think that's on us on behalf of the teams. We're keeping a close eye. There might be some transitions between distribution networks. But whenever there's disruption in any business, there's opportunities.

So our teams will be on the lookout. We're working hard each and every day. And where there's opportunities to take advantage, we will, and we'll go after it. But I think the Ghost and C4 are great brands out there.

Michael Scott Lavery
Piper Sandler & Co., Research Division

That's helpful. And just a followup on the balance sheet. You've put a little bit of the cash to work for the Big Beverages acquisition, but there's still a big pile there.

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Maybe any thoughts on how to deploy that and/or, I guess, just -- you touched on some of the strategic thinking on being vertically integrated. Should we expect more of that to come?

John Fieldly
President, CEO & Chairman

Yes. I think when you look at our balance sheet, we have an extremely healthy balance sheet. Vertical -- most recent vertical integration with Big Beverages really allows us for additional flexibility, take advantage of opportunities. We can do LTOs, innovation and really helps us further optimize our orbit model. We're very focused on driving and gaining leverage with scale.

So this is a major step forward. As we look into '25, we'll be able to gain further leverage, and we're excited about that partnership. So it's a good ROI investment. The cash on our balance sheet allows us to be opportunistic and have availability. So we feel we're in a good position as we currently stand.

Michael Scott Lavery
Piper Sandler & Co., Research Division

So opportunistic, but not necessarily committed to further vertical integration. Just depends.

Jarrod Langhans
Chief Financial Officer

Yes. It was -- this was a plant that was predominantly Celsius, so it was easy to pick it up and really bring it into our system and give us that flexibility around LTOs, innovation and those kind of things.

But we don't have the desire to become a co-packer. So it's not something we look at from a long-term perspective. It was a great opportunity to pick the plant up. We still believe in the orbit model and the partnerships we've created with co-packers across the U.S.

This was a co-packer that we were already using as well, so it wasn't something that we suddenly are going to move to them. It's definitely something -- we like our orbit model. We like to be a little asset-light. But we think in this instance, vertical integration, the opportunity to leverage the business a little bit and to have the optionality around LTOs and innovation and R&D was well worth it.

Operator

And your last question comes from the line of Eric Serotta of Morgan Stanley.

Eric Adam Serotta
Morgan Stanley, Research Division

Great. Two quick questions. First, how are you thinking about kind of evolving the execution playbook for next year? It seems like, clearly, Red Bull is on the offensive going after the sugar-free flavor space. They have been since the summer. Winter seasonal, realizing it's early, but seems to be off to a strong start. And Monster having a big push this fall and upcoming winter and sugar-free. So how are you looking to evolve the playbook next year, whether it's drill deep strategy or any other execution things?

And second, on pricing, surprised it didn't come up already. But I believe that Monster's price increase was -- a list price increase was set for November 1. Have you guys communicated anything to the trade yet? And if so, what's the time line and magnitude?

John Fieldly
President, CEO & Chairman

All right, Eric. Excellent, Eric. That's the first question in regards around the execution and really as you further identified the sugar-free movement that's taking place in the energy category with Red Bull now further leaning in as well as Monster leaning in with some innovation in sugar-free.

This just reinforces the opportunity that we have at Celsius as a strong, solid #3 player in the energy category. This shows the opportunities we have to further work with our retailers and bring more

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consumers in as this category not only grow, it gets back in a growth mode, but further seize the sugar-free energy movement and percentage of business continue to grow at an increasing rate.

So we think we're well positioned. The more we can talk about sugar-free, great, and the opportunities that exist for better-for-you products, Celsius is well positioned with our Live Fit mantra and bringing that essential energy for life.

So we think the increased competition in the space further allows us to further expand over the next coming years and beyond. When you look at some of the strategies that we have for 2025, really going back to those 3 growth drivers we talked about in prepared remarks and then some of the other conversations, new to category is going to come back.

We know strongly, more consumers need more energy than ever before. And the consumers coming into the category for the first time today, they're well aware of energy drinks. They're well aware it's part of a daily lifestyle. We're seeing coffee being replaced, that coffee occasion. There's so many other occasions where energy drink play with the new to category consumer that has evolved. So we're going to continue to drive that.

Increased availability, we talked about that with some of the Pepsi partnership and alignment, that increasing that path to purchase and then increasing consumption, C&U, foodservice, talk about Jersey Mike, so many different opportunities to increase awareness, have additional availability in points of disruption as we're moving through. This is the third year in the relationship with Pepsi, and it's going to be a great year as we're heading forward.

In regards to pricing, we have talked about that on prior calls. We did roll out a price increase. But we have said we're being cognizant of that, that we don't expect a significant benefit into 2025.

So we expect as promotional activities and opportunities exist where we can gain leverage, we will. But we're not -- we have not provided the amount nor have we provided any additional guidance that we will have additional leverage or pricing flow through our financial statements in '25. We're being conservative on that.

Operator

That concludes our Q&A session. I will now turn the conference back over to Chairman and CEO, John Fieldly, for closing remarks.

John Fieldly
President, CEO & Chairman

Thank you, operator. Thank you to everyone who joined us on our webcast this morning. Celsius continues to grow the energy category with our great tasting, refreshing beverages that are on trend for today's fitness-minded consumer.

Our 3 growth drivers, more consumers in more places more often, will guide us now and into the future as we continue to grow the Celsius brand here in the U.S. and around the world. We will share a full schedule of upcoming conferences that we'll be attending in the next quarter soon.

Thank you to all of our employees, including our newest members of the Celsius family joining us from Big Beverages. Thank you to all our customers, investors, partners who are so supportive of Celsius on our mission to change the energy drink category.

Make it a great day. Grab a refreshing Celsius and live fit.

Operator
This concludes today's conference call. You may now disconnect.

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