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Earnings Call

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Presentation

Operator

Thank you for standing by. My name is Jeanie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Celsius Holdings, Inc. Fourth Quarter and Full Year 2024 Earnings Conference Call.

[Operator Instructions] I would now like to turn the conference over to Paul Wiseman, Investor Relations. You may begin.

Paul Wiseman

Senior Vice President of Communications & Investor Relations

Good evening, and thank you for joining Celsius Holdings' Fourth Quarter and Full Year 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 fourth quarter and full year 2024 earnings press release was issued this afternoon as well as a press release announcing our agreement to acquire Alani Nu. All materials are available on our website, ir.celsiusholdingsinc.com, and on the site, sec.gov. An audio replay of this webcast will also be accessible later tonight.

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 annual and 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'll present results on both a GAAP and non-GAAP basis. Non-GAAP measures like adjusted EBITDA and their GAAP reconciliations are detailed in our fourth quarter earnings release and the press release announcing our acquisition of Alani Nu. And non-GAAP financial measures should not be used as a substitute for our results reported in accordance with GAAP.

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

John Fieldly

President, CEO & Chairman

Thank you, Paul. Good evening, everyone. Earlier today, Celsius reported its fourth quarter and full year 2024 financial results and announced that it has entered into a definitive agreement to acquire Alani Nu, a leading brand in the U.S. energy drink category and one we greatly admire for its outstanding portfolio of functional products and a strong brand affinity among key growing consumer segments.

Before providing more detail on this exciting announcement, Jarrod and I would like to discuss our recent results.

Celsius reported record 2024 revenue of \$1.36 billion, which reflects the strong and growing consumer demand for premium functional beverage alternatives. This figure represents a 3% year-over-year increase in revenue and a 22% increase in retail sales compared to 2023. 2024 was challenging for many CPG sectors. The energy drink category was not immune to the effects. Yet Celsius delivered strong 22% volume growth year-over-year compared to the total energy category, which grew 5%.

We believe our resilience represents a bellwether for our portfolio of brands and the consumer movement towards choosing zero sugar, functional beverage options for their energy needs.

Celsius has disrupted the category by innovating products that today's consumers want. We expected our competitors to respond eventually, and it came with a flurry of new sugar-free products last year, which supports our long-held belief that the future of functional beverages is sugar-free.

Fortunately, for Celsius, our portfolio is composed of the most refreshing, best-tasting, zero-sugar functional beverage products available today. In 2024, Celsius introduced CELSIUS ESSENTIALS, a new line of 16-ounce performance energy drinks, which expanded our presence and brought in new consumers, who seek high performance and the refreshing great taste that Celsius delivers.

We increased our total points of distribution in 2024 by 37% year-over-year, ensuring that Celsius is available in more places, to meet the immediate consumption demand. And our ACV reached new heights at 98.7% today. Consumers can purchase cold, refreshing Celsius for more than 241,000 outlets in the United States.

Last month, we launched a CELSIUS HYDRATION, what opens up an entirely new category for our portfolio, increasing the variety of occasions when consumers can include Celsius in their daily routines. This is another layer in our foundation towards being a leading better-for-you functional lifestyle platform. Importantly, for our retail customers, for the health of the category at large, Celsius contributed 30% of all category growth in 2024, continuing to bring in new consumers and increasing consumption.

And I'm pleased to note that earlier this month, Celsius was the recipient of the 2024 7-Eleven Immediate Consumption Execution Award. This award recognizes outstanding suppliers for excelling, driving immediate consumption sales through strong merchandising, innovation and promotional execution that enhancing purchasing behavior.

As we begin 2025, we believe we have the right strategy to drive sustained long-term growth, innovating zero-sugar, functional lifestyle products, building a broad portfolio of premium growing brands and expanding our global presence alongside strong partners. With a best-in-class team and a rapidly growing community of consumers seeking better-for-you functional product alternatives, we are well positioned to continue to drive the evolution of the modern category.

We continue to collaborate with Pepsi and to harness the greatest value from our strength of our North America distribution partner. Both we and Pepsi seek to continually optimize our operations. We believe Pepsi rightsizing across inventories and the pursuit of efficient operations is positive for our long-term health of our supply chain. We believe our communications with another remains strong, and we look forward to a highly productive 2025 and beyond.

The last time we spoke, I discussed our three growth drivers. We pursue growth by reaching people in more places, more often. In the past few months, we have launched 6 brand-new flavors, expanded distribution of 2 previously lead launch flavors and introduce new multipack varieties and sizes that cater to consumers for a variety and value.

I also mentioned CELSIUS HYDRATION, which is a brand-new category for us. We believe this new line will excite our consumers and grow the value of our functional products in their daily lives. You can now find our CELSIUS HYDRATION on Amazon and on a growing number of retailers. E-com and food service continue to be a strong channel for us, and Celsius is regularly among the top brands on Amazon.

Starting in March, Celsius will begin to be sold in certain [Subway] restaurants, representing a total opportunity of 18,000 locations nationwide. Celsius also gained distribution in Home Depot, which is another strong nontraditional customer. Our portfolio is strengthening even more with today's exciting news that Celsius has agreed to acquire a leading female-focused functional wellness brand Alani Nu.

Before talking more about this great opportunity, I'll hand it off to Jarrod to provide some details on our fourth quarter and full-year financial results. Jarrod?

Jarrod Langhans
Chief Financial Officer

Thanks, John. Our fourth quarter, in several ways, returned us to more traditional results after a very uncharacteristic third quarter of 2024, such as our solid gross margin. However, there were onetime costs related to our big beverage acquisition, expenses related to the creation of our new global Center of Excellence as well as several onetime costs, including legal settlement and penalties paid to our co-packers that impacted results.

In addition, our top line was impacted by some promotional allowances as well as the impact of a fully implemented incentive program with our largest distributor, as well as some timing of orders. This resulted in revenue and adjusted EBITDA, each declining 4% in the fourth quarter compared to a year ago.

With that said, our quarterly gross margin improved 240 basis points to 50.2% as a result of lower freight costs and savings on the purchase of raw materials. And our adjusted EBITDA margin was flat at 18.9%, each on a year-over-year basis.

SG&A in the fourth quarter increased 73% to \$185 million, primarily due to accrued legal expenses related to a case we have on appeal as well as onetime restructuring and co-packer charges. We recognized a net loss of approximately \$18.9 million in the fourth quarter, down from a net gain of \$50.1 million last year, due to the aforementioned costs. Adjusted diluted EPS for the fourth quarter was \$0.14.

For the full year, revenue was approximately \$1.36 billion, an increase of 3% from a year ago, seeing growth from both the North American business as well as our international business, which was supported by our expansion into Canada, the U.K., Ireland, France, Australia and New Zealand.

Gross profit increased 7% to \$680 million, and our gross profit margin increased 220 basis points to 50.2% for the full year compared to a year ago. As a percentage of sales, sales and marketing was 25.9% in 2024 compared to 20% in the prior year same period due to additional advertising activity.

G&A expense as a percentage of sales was 12.8% for the full year 2024 versus 7.8% in the prior year same period due to expenses related to an ongoing litigation and other onetime costs.

Net income for the year was approximately \$145 million, a 36% decline compared to a year ago as a result of the timing of distributor orders and the previously mentioned costs.

Adjusted diluted EPS for the full year was \$0.70. Despite the pressure experienced in the second half of 2024, we maintained a cash balance of approximately \$890 million, even after acquiring big beverages, and we generated positive full year operating cash flow.

We will continue to pursue growth with further investment in brand support and innovation. We're also focusing our efforts on further cost management and supply chain efficiencies, which are expected to support margin improvement.

As mentioned last quarter, with the acquisition of co-packer Big Beverages, we gained new innovation capabilities and greater control of our supply chain as well as financial benefits that we will continue to realize over the near and long term. And we now look to further expand in the better-for-you functional lifestyle category with our planned acquisition of Alani Nu.

And with that, I'll turn it back to you, John.

John Fieldly
President, CEO & Chairman

Thanks, Jarrod. I'm excited to talk to you today about the acquisition we believe will create significant value for our company and our shareholders. We entered into a definitive agreement to acquire Alani Nu for \$1.8 billion, comprising the mix of cash and stock.

The acquisition represents a unique opportunity to enhance the Celsius platform with a complementary profitable, better-for-you lifestyle energy brand focused on a differentiated consumer segment within the category. Alani Nu is a growing female-focused brand that delivers functional, great-tasting wellness products for a growing community of millennials and Gen Z consumers.

Alani Nu stands out for its authentic brand voice, bright and playful flavors, and unique connections with its community of consumers. They combine functional benefits with a fun, approachable personality, making wellness aspirational, yet accessible.

The transaction delivers several compelling strategic benefits. First, together, we create a leading better-for-you functional lifestyle platform at the intersections of consumer megatrends.

With the addition of Alani Nu, the combined Celsius platform delivers pro forma \$2 billion in sales in 2024 across a differentiated energy portfolio that is firmly aligned with the ongoing consumer shifts towards premium functional beverage options that cater to health and wellness and active lifestyles.

Second, this deal combines two growing scaled energy brands with clear category tailwinds. The transaction is expected to enhance Celsius position as an innovative leader in the large, growing energy category, which is projected to grow at a 10% CAGR from 2024 to 2029.

Third, the deal provides complementary brand positioning and gives us expanded access to a fast-growing wellness-focused audience that is driving incremental category growth.

Fourth, our combination leverages our strengths and capabilities to drive our next phase of growth. The added breadth of the combined platform is expected to further strengthen the company's position with ample resources for ongoing growing investment.

Both brands will be well positioned under the Celsius platform to drive continued distribution gains, access consumers in growing adjacencies, drive innovation and brand awareness and achieve incremental category growth and propel further global expansion.

Finally, the combination enhances Celsius top line growth algorithm and is expected to be cash EPS accretive in year 1 with a meaningful synergy of opportunities. Additionally, we expect \$50 million of run rate of cost synergies to be achieved over 2 years post close, contributing to a strong pro forma profitability and significant cash flow generation.

We see significant growth potential by applying Celsius strong channel and digital marketing, product development and expansion strategies to help Alani Nu grow. We see opportunities to continue to grow Alani Nu's national distribution, included in key coastal metro markets, drive continued flavor and format innovation and expand globally.

We also expect to drive continued innovation and product development to draw more consumers into the wellness lifestyle that Alani Nu offers. Additionally, we believe that we will each benefit from our combined strength at retail and significant resources to continue to invest in the growth opportunities.

Upon closing, Alani Nu will operate within Celsius. And key leaders from Congo Brands, which operate Alani Nu, have agreed to continue as advisers to Celsius to help ensure continued business momentum.

The agreement has been approved by the Celsius Board of Directors. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the second quarter of 2025.

In short, this combination advances our strategies, strengthens our position and paves the way for long-term value creation.

Celsius was a pioneer of the better-for-you energy category over 20 years ago, and we are thrilled to expand our portfolio with the acquisition of Alani Nu. Importantly, following the transaction, we will have ample balance sheet capability for additional growth investment.

We believe we have the right strategy to drive sustained long-term growth. And the acquisition of Alani Nu is expected to strengthen Celsius position as an innovative leader in the large growing global energy category.

And now I'll turn it over to Jarrod to talk more about the financial terms of the transaction. Jarrod?

Jarrod Langhans

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Chief Financial Officer

Thank you. As John mentioned, we are excited to partner with Alani Nu to create a leading better-for-you functional lifestyle platform. Under the terms of the agreement, Celsius will acquire Alani Nu from Co-Founders, Katy and Haydn and Congo Brands Co-Founders, Max and Trey for \$1.8 billion, comprising a mix of cash and stock, including a potential \$25 million earn-out based on 2025 performance.

This includes approximately \$150 million net present value of tax benefits for a net purchase price of \$1.65 billion and represents an attractive valuation of less than 3x 2024 revenue of \$595 million and approximately 12x fully synergized Alani Nu 2024 adjusted EBITDA of \$137 million, which includes approximately \$50 million in synergies across our supply chain, utilization of our sales force and back-shop infrastructure.

The purchase price consideration is comprised of approximately \$1.275 billion of cash and a \$25 million earn-out and \$500 million of newly issued restricted shares of Celsius Holdings' common stock, representing approximately 8.6% pro forma ownership. We intend to fund the cash consideration using a combination of \$900 million of fully committed debt financing and approximately \$375 million of cash on hand.

We expect that our liquidity position will remain strong following the transaction with a pro forma net leverage of approximately 1x, with ample cash on the balance sheet. This allows us to continue to opportunistically pursue growth investments that drive shareholder value. Stock consideration will be subject to a lockup agreement, which will be released over a 2-year period, allowing long-term interest to drive future growth and value creation.

At closing, we will enter into a transition services agreement and certain consulting agreements to help retain key brand leadership and support the integration process. We look forward to keeping you updated on the progress of the deal in the coming months. With that, we'll open up the line for your questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Kaumil Gajrawala of Jefferies.

Kaumil S. Gajrawala

Jefferies LLC, Research Division

Can you maybe talk about the positioning of the two brands and how you plan to [solve] maybe any overlaps or how differently they [are positioned]?

John Fieldly

President, CEO & Chairman

Great question. We're excited about the addition of Alani Nu into our portfolio at Celsius Holdings. The Alani Nu brand has a very unique consumer base, which is incremental to our overall portfolio and complementary to Celsius. It's targeting a younger female consumer that really is aspirational. It's also accessible, and it revolves around health and wellness and fitness.

The social media, as an example, has about a 92% female following. And when we look at the really any cannibalization potential, it's fairly low. We actually see a much higher [trade in] between brands, looking at some of the top-tier brands in the category as well.

So this is truly incremental. And Alani Nu has been also contributing to the category growth rate. So this positions us with two great portfolios to go after the modern energy category.

Kaumil S. Gajrawala

Jefferies LLC, Research Division

Okay. Got it. And how are you guys thinking about distribution? Is your preference to people owning [recently ABI] network that has sort of 2 major customers and maybe [have some] inventory issues as you have before? Is the preference to consolidate it in along with Pepsi? And then maybe is there any involvement of Pepsi financially or how those [go forward]?

John Fieldly

President, CEO & Chairman

We're just announcing today the transaction. It's got to go through customary closing procedures and regulatory approval. We're expecting it to close sometime in the second quarter. The ABI network they're in is a great network. It's been an amazing partner for Alani Nu. And we're really focused on the consumer and the customer right now and growing the respective businesses together.

Operator

Your next question comes from the line of Jim Salera with Stephens.

James Ronald Salera

Stephens Inc., Research Division

I wanted to maybe drill down on how you think Alani Nu is going to add incrementality and maybe offering a little bit more focus on the Celsius piece of the portfolio. And what I mean by that is if we look at the overall energy drink category growth, obviously, the Celsius consumption growth and the scanner data has come down.

Should we kind of expect the legacy Celsius brand to grow in line with the category and then Alani Nu to be kind of the incremental lift there? Or do you expect the Celsius brand to get back to above-trend growth and then have the Alani Nu brand come over the top and kind of complement that as well?

John Fieldly

President, CEO & Chairman

Yes. No, absolutely, Jim. I mean if you look at the scanner data, we got off to a slow start in Q1 with timing of promotions versus what we were cycling last year and innovation. We have a robust innovation strategy with the Celsius portfolio in 2025. I'm really excited about it.

We feel really bullish, especially the way the portfolio is positioned with better-for-you, fitness lifestyle, a 50-50 mix, approximately male and female. We are well positioned to capitalize on the trends in health and the energy category. And the category in 2024, tipping to greater than 50% of the category now is sugar free with our Celsius portfolio. We see great tailwinds to continue to drive that business forward in that portfolio.

When we look at Alani, and you look at where it is in its growth cycle and distribution, it's really about almost where Celsius was 2 years ago. There's a lot of additional ACV to unlock, especially untapped in food service and also in convenience. So there's a lot of opportunities with both brands, and both brands are going to be incremental to additional revenue growth and profitability.

James Ronald Salera

Stephens Inc., Research Division

Great. Great. And then maybe if I could just sneak in one quick follow-up. There will be a lot of questions on the energy piece of Alani. But I know they also have kind of a powder and an RTD shake and a snacks portion of the portfolio. Just any thoughts on how you plan to kind of fit that in with the broader portfolio that's energy centric?

John Fieldly

President, CEO & Chairman

Well, it really gives us -- both these brands together offer a better-for-you platform. There's a lot of opportunities especially with Alani, expanding into adjacent categories. And I think that opens up scale. Health and wellness continues to grow and become part of the daily lifestyle of all of our consumers. So it's incremental on a go-forward basis.

Operator

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

Peter K. Grom

UBS Investment Bank, Research Division

So I wanted to ask on just maybe what to expect as we look out through the spring here, just in terms of shelf resets. I'd be curious, can you just talk about what you're expecting for kind of the core Celsius brand, particularly as velocity trends have been a bit more challenged? And then specifically, do you have any visibility at this point in time around what you are expecting for shelf space gains for Alani Nu?

John Fieldly

President, CEO & Chairman

Yes. With our Celsius portfolio coming up, we expect roughly around 15% to 20% expansion in distribution within our given retail sets coming out of [NACS] and expansion we're seeing in large format as well. You're seeing a lot of grocery and large format lean in even heavier in energy. So we're really excited about that where this category is evolving.

The energy category, keep in mind, is getting to be a much larger portion of total LRB and the beverage categories. And you're seeing the retailers, in large format, move into that space, trying to take advantage of the consumers, which are stocking up on 12 packs and variety packs you're seeing that now.

More and more, the energy category has evolved from an -- is evolving from a [media] impulse purchase to part of a daily lifestyle and daily routine and large formats taking advantage of that opportunity. So about 15% to 20% we expect.

Also, improved placement within retailers is really key. We're working on -- we got to get more cold placements. We've got to continue to disrupt the path to purchase with Celsius portfolio. And then Alani is expecting pretty sizable distribution gains as we are entering through the reset season, especially in the convenience channel.

Operator

Your next question comes from the line of Eric Serotta with Morgan Stanley.

Eric Adam Serotta

Morgan Stanley, Research Division

Congratulations on the deal. A quick follow-up on the distribution side. Does Pepsi have any right of first refusal for distributing other brands that you buy? And if hypothetically, Alani were to change distribution networks, who would be responsible for the distributor buyouts? And then turning to the business, what was the change in Pepsi inventories in the quarter? And I guess, what are your expectations as you look to the first quarter?

John Fieldly

President, CEO & Chairman

Yes. Just a comment in regards to the distribution, kind of answered that before. Right now, we're focused on closing this transaction, we're focused on servicing customers and retailers and suppliers. And that's our main focus right now. The companies are running separate until closing. But I'll let Jarrod comment on the inventory levels in the Q4.

Jarrold Langhans

Chief Financial Officer

Yes. So it was between 8 million and 10 million in terms of the impact.

Operator

Your next question comes from the line of Gerald Pascarelli with Needham & Company.

Gerald John Pascarelli

Needham & Company, LLC, Research Division

Great. Congratulations on the deal. John, maybe a question just on the basis for the transaction. Essentially, like how do you put the transaction in the context of the near-term slowdown that you've seen in your core portfolio?

I guess said another way, like did the near-term slowdown expedite the process for you to get more aggressive with M&A and buying scale? Or is this something that you've always viewed as an attractive asset, have been contemplating for a while and decided now is the right time? I guess just some color on how the deal materialized would be helpful.

John Fieldly

President, CEO & Chairman

Yes. No, great question. And we are extremely confident in the Celsius portfolio and leveraging the tailwinds we see in the energy category. We recognize we're off to a slow start. The innovation that we have planned for 2025, we're extremely excited about it. And the portfolio continues to resonate with a broader consumer. And it's a great flavor, it's great innovation. The fitness lifestyle is strong, and the Celsius portfolio is strong.

The opportunity came up with Alani Nu, it really is incremental to our consumer base. When you look at it, we really admire what they built. And when you're building scale, we are right now a solid #3 player in energy. And a combination of these 2 great brands together puts us at about approximately a 16% share in the energy category.

We built an amazing company here. I mentioned in Q4, Jarrod talked about it in his prepared remarks about vertically integrating with our co-packers. We have synergies and opportunities. We're focused and disciplined to drive shareholder value, gain leverage through the systems and processes and infrastructure we've built, and it's a natural fit for us.

Operator

Your next question comes from the line of Andrea Teixeira with JPMorgan.

Andrea Faria Teixeira

JPMorgan Chase & Co, Research Division

I just wanted to follow up on the most recent consumption trends for Celsius in particular. And if you can comment also on Alani. How have you tended so far in the quarter, intra-quarter? And when should we see improvement in terms of like velocity? I understand that, obviously, there is an offset from gaining distribution.

And related to that, also how has been the reception? I know you're lapping a very strong innovation, as you mentioned. But you also have a strong pipeline coming up. I understand that mainly the convenience stores were quite receptive from the fact that you're getting a good reflection for the new -- for the innovation.

But just wondering, all these dynamics of distribution with Pepsi, how we should be seeing this improvement, if any? Or should we expect that should be more evident in the second quarter for both brands now? Also a comment on Alani.

John Fieldly

President, CEO & Chairman

Okay. Excellent. A lot of unpack there. In regards to the Celsius portfolio, like I said, we're confident in the Celsius portfolio. We have some weakness in Q1. We are cycling some pretty high hurdles from prior year with the launch of the Essentials line and had some really strong innovation in Q1.

We have an innovation-packed back half and into the summer selling -- into the summer beverage season. We're excited about our innovation. We have some great properties we'll be leveraging and tentpole programs. I mentioned in the prepared remarks, our recent award we won at 7-Eleven. We're partnering with retailers. It's really a timing.

And then the incrementality with Alani, it's going to be incremental. And they're gaining distribution, they're resonating with the unique consumer segment in the energy category, which continues to get broader. Energy has gone mainstream, it's not as niche as it used to be. Health and wellness trends are here.

We're actually presenting at CAGNY tomorrow. And everyone's talking, all these consumer brands are talking about health, wellness, the growth of sugar-free. We have two of the greatest portfolios in beverage that are sugar-free and aligned with the health-minded consumer. So we're excited about where we're headed with this portfolio. It's a great combination.

Operator

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

Michael Scott Lavery

Piper Sandler & Co., Research Division

I had top of my list, what you're going to do with your cash, but I think I'll skip that one now. And just maybe see if you could unpack the share trends from '24 a little bit. You obviously had sequential -- some pressure sequentially over the course of the year.

Not meant as an Alani question, but it certainly could be related. Any just diagnosis of where share was going or how to think about what really made some of those changes and how to best address it? And

then maybe if you could also just -- if I could ask a quick follow-up on the [Subway] news, you said that it will go to some of those outlets. Is it each franchisee's option or decision? How do we think about how that might unfold?

John Fieldly

President, CEO & Chairman

No, great questions. When you look at -- we really hit -- we started to see some challenges, and the whole category was under challenge in Q3. We were impacted when the category went negative for the really first time in many years within growth. We also saw really steep competition come in, in the sugar-free category from some of the top players that are getting trial.

But with our refreshing Celsius portfolio and a strength of great ingredients and our positioning, the better-for-you healthy halo, we feel we are well positioned for this category to evolve, getting trial on new flavors, consumers are getting -- are trying new flavors that are out there, and you saw that with 2 of the top major players leaning heavily in sugar-free.

But we have a sustained long-term loyal consumer. We have strategies to build upon that. And it's going to come to fruition in 2025 with a great innovation portfolio that we have planned and some of our targeted marketing initiatives and also broadening our reach. We're broadening some of the consumer segments that we're going after and targeting with our strategy of more people, more places and more often.

Operator

Your next question comes from the line of Sean McGowan with ROTH Capital Partners.

Sean Patrick McGowan

ROTH Capital Partners, LLC, Research Division

I was wondering if you could tell us how much the promotional allowances that you talked about in the past impacted both revenue and gross margin in the quarter? And then more generally, do you think this is a level of gross margin that could be sustained, particularly with the momentum in the background?

John Fieldly

President, CEO & Chairman

Yes. I mean great question around promotional activity. The category is high promotional. I'll turn it over to Jarrod to talk about some of the promotional activities.

Jarrod Langhans

Chief Financial Officer

Yes. In terms of the leverage of the promotional activity with some of the noise around timing from distributor orders, we did see a little bit elevated, call it, contra revenue across 2024 versus 2023 and even 2022. We look to get that back on track next year.

We will have the incentive plan fully in place in Q1, Q2. Q3, Q4 was already baked in, but you'll see a little bit of extra incentive in Q1 and Q2 because it was a phased-in approach. But we will also be benefiting from the full implementation of the program around things like inventory on display, priority periods, those kind of things like that. So we look to that to get back kind of to the more normalized basis.

As it relates to gross profit, we are evaluating all the various things, the tariffs are in the tariffs are out, those kind of things. We think we're somewhat -- we're in good shape as it relates to a lot of the pieces. We don't think the aluminum from up north coming in would significantly impact us, although that could have some impact.

And could that pull the margin back a little bit? Definitely. I think we've shown this year that we're pretty resilient in order to get that 50% on a full-year basis. So although I prefer to be conservative and say could be high 40s with the tariffs, I think 50% is a solid number from that perspective.

And then as it relates to Alani Nu, we'll look to talk more about kind of their margin profile when we get -- after we close. I think right now, it's too early to really bake that in. There is some data on the investor deck that you can see kind of their profile, at least from an EBITDA margin perspective and a revenue perspective. And when we're fully synergized, we'll look to be leveraging the business and look forward to be incremental from a margin perspective.

Operator

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

Kevin Michael Grundy

BNP Paribas Exane, Research Division

Congrats on the deal. Jarrod, I wanted to pick up on that line of question around margins, two-part question. So just on the \$50 million cost synergies, maybe just identify key areas, how much visibility you have? Is there any potential upside there?

And then, understanding you may want to be a little bit hesitant, is there any reason, at least in principal, why the combined business, your EBITDA margins should not look something like Monster's EBITDA margins in the U.S.? So your thoughts there would be helpful. And then I have a quick follow-up for John.

Jarrold Langhans

Chief Financial Officer

Yes. Like John said, they're kind of 18 to 24 months behind us in terms of what our profile was, where we are in our life cycle and where they are in their life cycle. So we definitely see opportunity to further leverage that business.

The synergies are hard cost in terms of not just kind of picking a percentage of revenue or anything. So we're looking at COGS, we're looking at different -- using our scale and some of our competitive purchasing power and then also specific to looking at our sales force, which we were 500 strong and really leveraging that; our global supply chain where we have our global HQ, where we have kind of a supply chain and procurement program, et cetera, that will really be able to drive savings. So between those areas and then some back shop, of course, as well.

And then what was the second part, Kevin?

Kevin Michael Grundy

BNP Paribas Exane, Research Division

That was helpful. I know there's a lot of folks on the call. The quick one for John is just obviously, a lot of deals fail. So my question is really around -- you don't need to be redundant on the distribution piece. There's a little bit of wait and see, and maybe this comes out of the AB system and into Pepsi, we'll see.

But how do you limit integration risk as it pertains to this deal? What are you most concerned about? What would you share with investors in terms of managing that to ensure that this goes smoothly and there's no bumps in the road?

John Fieldly

President, CEO & Chairman

No. I mean we're extremely focused on that, Kevin. If you recall, the way the company integrated into the Pepsi distribution system, we were really praised on how focused and strategic we were on that. We didn't really -- we didn't have any hiccups within retail. And I think the same rigor and discipline is going to be used on this integration.

In addition, the founders are working with us on the integration. And we'll be -- as Jarrod mentioned, we'll be working on a transition agreement for 2 years, making sure the brands are fully integrated. We're driving the synergies and getting the success and maintaining these brands. So we feel very confident in the integration.

And they also -- keep in mind, they have stock in the company. So we're all aligned to make sure the integration is 100% successful. And we all have the same vision, disrupt the beverage category, drive the energy share and make this an extremely successful company.

Operator

Your next question comes from Mark Astrachan with Stifel.

Mark Stiefel Astrachan

Stifel, Nicolaus & Company, Incorporated, Research Division

I guess the one question that I've been getting that I'm trying to figure out is, how do you maintain the momentum that Alani has had? If you take a look at their market share gains, they've kind of doubled where they were up at the start of the year. Maybe talk a bit about what has driven those share gains from a consumer perspective.

It seems from the outside in, maybe a little bit of those share gains will come at Celsius' expense. And so maybe talk about how you think about sustaining that consumer. And what gives you confidence that spending what you are on this deal that you can keep those consumers kind of over the next several to many years?

John Fieldly

President, CEO & Chairman

Well, as we -- as I mentioned in the prepared remarks and in the prior questions, we are confident that the 2 portfolios combined will add strength in the category and that the Alani consumer is incremental to our total portfolio.

As we know, the consumers in the energy category are loyal. The brand in Alani has a true identity, and it's connecting at an emotional level with consumers. And its consumer segment of Gen Z, female millennials is real. And it's demonstrated that over the years. There's a massive growth opportunity as the energy drink consumer continues to broaden.

The category has gone mainstream. And it's not just a male dominant category. It is going after all consumers, all ages, and it's the modern day for the energy category, and we've built a modern portfolio to take advantage of the opportunities and the tailwinds we see.

Operator

Your next question comes from the line of Jeff Van Sinderen with B. Riley Securities.

Jeffrey Wallin Van Sinderen

B. Riley Securities, Inc., Research Division

Let me add my congratulations. John, I wonder if you can tell us what the ACV of Alani is today? And also, do they have any international penetration? And then if we can just switch to marketing for a minute this year, thinking about the Celsius brand, how you plan to broaden your reach with marketing? And then how might that change with Alani?

John Fieldly

President, CEO & Chairman

Yes. In regards to -- Jeff, with regards to the international opportunity, that's massive. They have a small amount of international distribution. And when you're looking at the opportunities even with Celsius, we just expanded internationally into U.K., Ireland, Australia, New Zealand and France.

And we're just getting started in the first innings. So both brands have tremendous opportunities to capitalize on the growing health and wellness trends in the energy category, which in 2024 was approximately \$90 billion and growing at an expected CAGR from 2024 to 2029 at 10%.

So it's a really great category to be in. And both these brands positioned to attract new consumers coming in and broaden the energy category overall. As I mentioned, it's gone mainstream.

Operator

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

John Fieldly

President, CEO & Chairman

Thank you, operator. Thank you to everyone who joined us today on the webcast this afternoon. Celsius continues to grow the energy category with our great tasting, refreshing beverage that is on trend for today's consumers shifting towards premium functional beverage and options in health and wellness and active lifestyles.

Over a few growth drivers driving more people and more places more often, we will guide us to the future. And we now see further expansion with the opportunities of Alani Nu to double down in the category that we see leveraging the tailwinds, Make it a great way. Make it a great day, go grab a refreshing Celsius and Alani Nu and let's live fit.

Operator

This concludes today's call. Thank you for joining. You may now disconnect.

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