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Earnings Call

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Call Participants

EXECUTIVES

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John Fieldly
CEO & Chairman

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ANALYSTS

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Celsius Holdings Second Quarter 2026 Earnings Conference Call. [Operator Instructions]

I will now hand the call over to Paul Wiseman, Investor Relations at Celsius. Please go ahead.

Paul Wiseman
Senior Vice President of Communications & Investor Relations

Good morning, and thank you for joining Celsius Holdings' Second Quarter 2026 Earnings Webcast. With me today are John Fieldly, Chairman and CEO; Eric Hanson, President and Chief Operating Officer; Jarrod Langhans, Chief Financial Officer; and Toby David, Chief of Staff. We'll take questions following the prepared remarks.

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

Today's discussion includes forward-looking statements based on our 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 most recent filings with the SEC, which contain additional information and 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, adjusted EBITDA margin, adjusted diluted earnings per share, adjusted SG&A and adjusted SG&A as a percentage of revenue and their GAAP reconciliations are detailed in our second quarter press release. 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
CEO & Chairman

Thank you, Paul. Good morning, everyone, and thank you for joining us today to discuss our second quarter 2026 results.

We delivered second quarter revenue of $818 million, reflecting the execution of the plan we laid out coming into the year. We completed the Rockstar integration. We moved through the most active phase of our SKU optimization on brand CELSIUS. Gross margins remained consistent with the first quarter despite a challenging commodity environment. And we continue to scale Alani Nu. All while our combined portfolio maintained a strong position at approximately 1 in 5 energy drinks purchased in the United States or roughly 20% dollar share in tracked channels.

Energy remains one of the strongest-performing categories in beverage, and our portfolio is key to driving that growth. New consumers are entering the category through our brands, and we are winning new occasions with them. We are a key growth driver for the energy category, and we are just beginning to unlock the full potential of our expanding portfolio.

Today we have 2 billion-dollar brands and a third brand with a clear role in the portfolio, and each one reaching a differentiated consumer segment. CELSIUS is the performance brand. It holds up across a full range of active, health-conscious consumers, not one sport, not one age group, but a mindset of active living. That is the gyms, run clubs, trainers, daily movement.

Alani Nu wins on flavor and self-expression, recruiting younger, more female consumers. And for many of them, it is the first energy brand they ever try, which makes it an entry point into the category. And Rockstar reaches the male consumer with a real affinity for gaming, action sports and music, occasions the other brands do not naturally reach. Their 25 years of history and heritage give the brand permission the others do not have.

Together, they give us more ways to grow across more channels, more occasions and more price points. That is the power of managing a portfolio, and it's showing up in how we plan, how we innovate and how we show up at retail.

I want to first discuss brand CELSIUS. That is important to share what we set out to do this year and where we are in that work. When we came into 2026, we made a deliberate choice. Over the years, we've built the CELSIUS brand by taking decisive actions to break through, lead launches, exclusive flavors for individual retailers, actions that got us on the shelf in a category that did not have a place for modern energy yet. That is how you build a challenger brand. But today, CELSIUS is a powerful national brand inside one of the largest distribution systems in the country.

And at the forefront of better-for-you energy, we yet again took decisive action to cut items sitting at low ACVs and worked to get consistency across the country and put our weight behind the items that perform. We also used this as an opportunity to achieve better retail space, not just more of it, but the right kind: cold space, end caps, permanent coolers in the highest traffic parts of the stores. And we purposely delayed innovation while we brought on Alani and Rockstar into the system to minimize complexity in the distribution at a time of significant change.

However, those things moved at different speeds. The rationalization happened right away. The retail allocation took longer, because the space we wanted required investment from the retailer partners, coolers and fixtures, not just a shelf tag. And in some instances, these activities were pushed to later in the reset periods. And innovation, which is one of the biggest growth drivers in the category, was not there to bridge the gap.

But when you look at what is happening underneath, we feel good about where CELSIUS brand is going. Dollars per point of distribution are up 16% from the first quarter to the second. Fizz-Free is growing with dollar sales in tracked channels up over 20% in the second quarter versus the first. We are growing at Amazon, and retailers are leaning in on 2027 planning earlier than they ever had before.

We're also investing behind execution, moving more of our volume closer to the retailer to improve service, and adding hundreds of merchandisers and sales representatives to get more product on the floor and keep it in stock. Where we still have work is our 16-ounce line, and we have innovation coming against it in early 2027. Given that sequencing, we would expect brand CELSIUS in the third quarter to look a lot like the second quarter, before we exit the year back into growth.

In the first half of the year, Alani Nu surpassed $1 billion in retail sales in tracked channels, an important milestone for a brand we acquired just over a year ago. And it happened in a category with more competition than ever before, with more entrants and established players alike. Tracked channel dollar growth was approximately 56% in the quarter. We launched Purple Cotton Candy as well during the quarter and it quickly became our top-selling new flavor in tracked channels, following Cherry Bomb and Lime Slush before it, and reinforcing that the brand's innovation model is durable and not dependent on any one flavor.

These limited time offers have become seasonal moments that Alani consumers generally look forward to. But what is important is what sits underneath the growth. We are bringing new consumers into the brand and many are repeat purchasers. We are building out the permanent core, graduating top-performing flavors into everyday placements, which adds stability and predictability as the brand scales.

Alani is also expanding our reach. The brand brings a differentiated, largely female consumer into the category, with flavors that are inviting, approachable and on trend. And there is meaningful runway ahead. The brand remains underpenetrated in certain channels where our portfolio is strong, which gives us a clear road map for continued growth.

With Rockstar, we completed the integration in June, on the 9-month time line we set, an important milestone for the organization. The brand is now fully on our platform and on the finished goods model. For Rockstar, it's about building stability. Bringing out the rock star in everyone, focusing on the core brand and its identity across motor sports, music and lifestyle, as well as a clear product differentiation and increased velocity.

We are already seeing green shoots across a number of markets, and velocity gains across the board have been significant after the rationalization program we implemented. We are tracking in line with our sales expectations, which we set upon acquiring the brand, and are well positioned for 2027.

We're also keeping Rockstar connected to its core consumer. Our motorsports program includes the partnership with 23XI Racing and the Formula DRIFT series, which continues to build authenticity with the traditional energy drink consumer, while we strengthen the brand's foundation. And we are in the early stages of refreshing the brand's look with updated packaging, revamped logo beginning to roll out. We have more to share as our plans progress.

Innovations remain central to how we grow. During the quarter, we activated Electric Vibe, timed to the global soccer tournament here in North America, as well as Purple Cotton Candy. And we just launched our summer limited time offer, Spritz Vibe's Sparkling Limoncello Twist, a refreshing flavor built for peak summer occasions. Our summer programming is fully activated, including our global partnership, with Aston Martin Aramco Formula One team and our 100 Days of Summer programming, and our partnerships across music, fitness and culture.

And looking ahead in the back half, we have a strong slate of fall programming, new marketing campaigns and an expanded lineup of athlete partnerships. These programs are designed to connect awareness to trial and trial to the register. We're excited about our innovation calendar with 2027 shaping up to be a busy year.

Turning to international, where I want to share the long-term road map we have been building. International is one of the largest white space opportunities because both CELSIUS and Alani remain significantly underpenetrated outside the U.S. Over the next 5 years, we expect international markets outside of the U.S. to represent more than 15% of our revenue. We are building toward that with focused market entries, strong local partnership and disciplined launch plans.

Sweden is a great example of what success looks like at maturity. It is one of our longest-standing international markets. And this quarter, the team delivered the highest 4-week sell-through in market history, nearly 3.5 million units purchased by consumers. That is what strong local execution and consumer loyalty built over time can deliver, and it is the playbook we're running in every market we enter.

Our newer European markets continue to progress alongside our partnership with Suntory. We are also identifying select international markets in which to introduce Alani Nu in 2027. And with our international center of excellence in Dublin, we have a strong operating infrastructure in place to help execute this road map for years to come.

With that, I'll turn it over to Jarrod to walk through the financials. Jarrod?

Jarrod Langhans
Chief Financial Officer

Thanks, John, and good morning, everyone. I will walk through the quarter by brand, then cover profitability, operating discipline and capital allocation.

We delivered second quarter revenue of $818 million, up approximately 11% year-over-year as a portfolio. Starting with brand CELSIUS, net sales were down approximately 12% year-over-year, while retail sales in tracked channels were down 2% in the second quarter. I'm going to discuss those 2 numbers separately because they are telling you 2 different things.

The scanner number, down 2%, is the consumer. That reflects the optimization and moderation and innovation John just walked through. As he described, the rationalization landed immediately, the space came later, and we purposely limited innovation in order to prioritize the existing portfolio and integrations. The gap to reported net sales came from 3 things: shipment timing related to inventory rebalancing, increased trade and promotional investment, and softness in the club channel.

On shipment timing, this is the same optimization work we have discussed, but showing up in a different way. As we remove SKUs from the DSD system, distributor inventory rebalanced down across the first half of the year. That was most pronounced this quarter and at quarter-end in particular when depletions versus orders accounted for roughly half of the gap between scanner and reported results.

Trade and promotional investment was largely tied to our variable spend, promotions and price pack activity. During the first half of the year, we saw some negative mix and channel impact as well as some inefficiencies in our programming. This was further complicated by fixed costs that are less efficient when volumes are down. This is the core of the revenue growth management program we are building, with the team in place now that we did not have a year ago. We have begun implementing parts of the improved programming in the back half and we see a significantly larger opportunity to drive better returns on trade spend in 2027 and beyond.

What is most important to stress, the productivity story is intact. Dollars per point of distribution are up approximately 16% in the second quarter versus the first, on approximately 7% fewer points of distribution.

Turning to Alani Nu. Net sales were approximately $364 million in the second quarter, up approximately 21% year-over-year, while retail sales grew 56%. As in the first quarter, tracked growth and reported growth are 2 different numbers. So let me walk through how to get from one to the other, and we have again included a bridge in our earnings deck posted online.

The difference reflects discontinuation of certain non-ready-to-drink products, a higher mix of DSD versus direct sales, which carries higher trade investment and billbacks that reduced reported net revenue, product mix and the timing of inventory builds as well as a noncash entry as a part of the distribution and captaincy agreements.

So excluding Canada and our non-RTD business, all-in gross revenue growth was approximately 39%. And from gross to net, we got to approximately 21%, with the difference reflecting promotional allowances and channel and pack mix in the DSD system, the same dynamics we walked through last quarter.

The integration into the Pepsi DSD system is complete and it is working. Our limited time offer program continues to elevate the brand, build the core and drive trial, and we have strong plans for 2027: new launches, new activations and new programming along with the market expansion John described.

For Rockstar, net sales were approximately $66 million in the second quarter. With the integration complete and the reconfigured assortment in place, our focus is on stability. And as John said, we are encouraged by what we are seeing in the early data and by how the brand is positioned for 2027.

Turning to profitability. Second quarter gross margin was approximately 48%, in line with our expectations and consistent with the first quarter at approximately 48% as well. Improvements in outbound freight and the continued integration of our acquisitions into our supply chain offset ongoing commodity inflation, primarily aluminum.

As we look towards margin expansion, I think about it in 3 buckets. The first is integration. With Alani and Rockstar both now fully in our infrastructure, our raw material purchasing, our freight lanes and our orbit model, those benefits build to our back half. Even with the integrations complete, we still saw some carryover of higher costs this quarter because we have to work through existing inventory before the improved case costs flow through. That improvement started with Alani in the second quarter and builds into the third, with Rockstar flowing in during the third quarter.

The second is structural cost opportunities. Our second manufacturing line in North Carolina begins producing in the back half with the full benefit in 2027, and we are advancing vertical integration and direct sourcing beyond that. Our supply chain center of excellence in Dublin is playing an increasing role in how we procure and how we move products across the network.

The third is revenue growth management. The price pack architecture work we have referenced delivers initial impact in the back half with a much larger opportunity as we look at 2027 and 2028. And this work, as well as other programs we are launching, will help offset some of the mix impacts of more cases through DSD while supporting margin expansion.

On gross margin, the initiatives we just walked through are delivering continued improvement. At current diesel and aluminum levels, margin expansion is largely offset. So based on what we see today, we would expect the third quarter to be consistent with the second and remain in the high 40s. If fuel or aluminum moderates, you would expect to see improvement.

Selling, general and administrative expenses were $238 million, essentially flat with the prior year in dollars, and 29% of revenue compared to 32% a year ago. Adjusted SG&A was 28.6% of revenue. We held costs flat while revenue grew 11%, and we did that while investing behind the summer selling season as planned.

We will continue to invest behind our brands. We would expect sales and marketing in the third quarter to be broadly consistent with the second quarter, and we continue to work to keep general and administrative costs down, with third quarter also consistent with the second.

Adjusted EBITDA was $184 million or approximately 22.5% of revenue, compared to $210 million for the same quarter last year. For the first half, adjusted EBITDA was $380 million, up 36% year-over-year, at approximately 23.7% of revenue. The year-over-year comparison in the quarter reflects the gross margin pressure from commodities and the investments we are making behind the brands.

On capital deployment, our balance sheet remains a source of strength and flexibility. During the second quarter, we repurchased approximately $100 million of stock, bringing first half repurchases to approximately $124 million. We intend to continue utilizing the $300 million authorization this year. We also reduced our interest rate by 25 basis points in July, with the opportunity to reduce it another 25 basis points.

The reason why we are leaning into repurchases is straightforward. Our cash flow return on investment is among the strongest in the beverage category, and at current levels, we view repurchasing our own stock as an attractive use of capital. Our approach continues to be grounded in the same 3 priorities: investing to support brand growth and execution, maintaining the strength of our balance sheet, and returning capital to shareholders.

Let me close with how we are thinking about the third quarter. As it relates to brand CELSIUS, we had some rebalancing continue in July, and we are moving certain SKUs into the distribution centers to be closer to the consumers and out of the mixing centers. This movement will have some onetime timing impacts as the distribution centers hold less inventory as it turns quicker. So reiterating what John said, given the sequencing, we would expect the third quarter to look a lot like the second for brand CELSIUS. And then we exit the year back into growth.

Our focus in the third quarter is execution, improving service quality and driving efficiency through the network, moving more volume closer to the retailer through our distribution centers from the mixing centers, and continuing the retailer conversations and partnership work that appropriately set us up for 2027.

For Alani Nu, we expect our momentum will continue. Service levels continue to grow, and we have a robust limited time offer calendar in the back half of this year that we believe will drive not only the brand but also the category. For Rockstar, our focus remains on stabilizing the brand, getting Rockstar back to its roots, strengthening its core identity and setting it up for 2027. Across the portfolio, we are adding merchandisers and sales reps to improve in-stock levels and get more product on the floor.
With that, I will turn the call back to the operator to open the lines for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Peter Grom with UBS.

Peter K. Grom
UBS Investment Bank, Research Division

I wanted to just ask on the path forward for brand CELSIUS, and I understand there's a lot of work going on for the brand. But just given kind of the weakness we're seeing in tracked data, what we saw this morning, what gives you confidence that we will see improved performance exiting '26 and into '27? It sounds like 3Q is going to be under similar pressure, but a return to growth exiting the year into '27 is feasible. So just curious, if you were to look out in the next 6 to 9 months, what does success look like?

John Fieldly
CEO & Chairman

Yes, Peter. With the CELSIUS brand, as we said in the prepared remarks and discussed the rationalization, is really producing a core portfolio of core SKUs on a national basis. We did make strategic decisions to not lean in as much on the brand CELSIUS as we were integrating Alani and Rockstar, which is now behind us.

The base business within CELSIUS is strong. It has an extremely healthy consumer base. And we have robust innovation plans in the works for '27. We've already been meeting key retailers. We have a variety of initiatives, strategic investments in marketing. Brand health metrics are strong. And one area of weakness, as we mentioned, is the 16-ounce. And we have a new offering, which we'll be launching in a meaningful way in '27.

So I think when you look at where brand CELSIUS is, the rationalization is behind us. It will flow through through the third quarter. As we exit the year, we expect to continue to get CELSIUS back to growth, and category growth in '27 and beyond. The brand has a reason to believe, retailers are -- see the opportunity, it's driving incrementality in the category.

And then when you look at CELSIUS and you look at the portfolio that we've established, and you look at Alani driving 50% growth in Q2, great momentum heading into '27. We're building a base business of SKUs there on a national basis. Rockstar has stabilized. We'll have a portfolio of brands entering 2027 that we'll truly be able to capitalize on, and which is driving incrementality retailers want. There's a lot of me-too competition out there. But when you look at CELSIUS and Alani, these are truly iconic brands. We have a reason to be there. Consumers love that's out there.

And then I think when you look at the overall investments as well within our -- we've made through operational investments, Jarrod talked about revenue management, stable -- further vertical integration investments, and you start to walk down the P&L and the opportunities we have to continue to drive shareholder value, we're on track for that. We continue to improve in '27 and beyond.

The retailer meetings have gone very successful with Celsius, with the total portfolio. We just got done with the PepsiCo annual operating meeting, where we spoke with over 1,000 key Pepsi employees, working on our plans for '27 and aligning on plans and priorities.

So I think we're in really great shape for the portfolio. And your specific question on CELSIUS, we're excited about CELSIUS and where it's positioned and are confident in our strategy as we're exiting 2026, into '27, working on the strategies, optimizing, investing in retail, making sure CELSIUS and Alani and our portfolio are disrupting that path to purchase, our brands show up at the right point, at the right time, and we continue to drive incrementality and category growth.

Operator

Your line is open, Bonnie.

Bonnie Lee Herzog
Goldman Sachs Group, Inc., Research Division

I didn't hear you guys call my name. Can you hear me?

John Fieldly
CEO & Chairman

Yes, Bonnie.

Bonnie Lee Herzog
Goldman Sachs Group, Inc., Research Division

Sorry, I didn't hear my name being called. I actually did have a follow-up on that, just in terms of the SKU rationalization, John. As you sit here today, I'm just trying to understand, do you believe ultimately this was the right decision? And maybe is there anything you would have done differently as you kind of look back?

And then could you give us a little more color on the disruption you called out that's going to continue to pressure the brand in Q3? And how much risk there is that sales for the brand won't be even more pressured? I guess I'm just trying to understand how much visibility you have.

John Fieldly
CEO & Chairman

Yes. No. Great question, Bonnie. I think one thing -- I think we did. We went too deep on the CELSIUS rationalization. I think when you look at we're entering the year, we could have done a much lighter job on that. But then there's also puts and takes. The integration on Alani could have been further challenged, and Rockstar.

Looking back, I definitely would have not cut as many SKUs within the organization through these commercial plans. But I think taking the key learnings we have today, we've added stability within the portfolio. We see opportunity with Fizz-Free. That is now a core subline. We have the Vibe line, and we have our core flavors, and we're leaning in with innovation for '27.

So I think that's definitely something we would have done -- I would have done different and the organization would have done differently. But taking those challenges, reacting, I mean that's the most important thing. Each and every day, you got to continue to analyze the moves, what's going on within the organization, and adapt. And that's what we're doing now. We have robust innovation plans for '27. We're going to further leverage the opportunities we have with Alani. And we're going to bring Rockstar along. There's opportunities there.

So I think when you look at the organization for where we are today, from where we started the year, the foundation of the organization is extremely strong. And we're in an extremely great place to capitalize on the growth trends in this category. More health and wellness consumers are coming into the category, more female consumers. The category is going broader with our PepsiCo distribution. We're touching more consumers in more places, from food service, hospitals, college, universities and programs. So many great things are going on where we're bringing our portfolio of brand CELSIUS and Alani to more people and more places and more often.

And when we're talking about Q3, I think when you look at the weekly run rates, we expect those to be somewhat similar within the CELSIUS portfolio. We are cycling prior year innovation. So when we talk about kind of a look of similar from Q2 to Q3, we do expect slight increases, but we don't have that robust innovation we had in the prior year. So we're cycling those higher comps. So that will still continue, as it did in Q2, to Q3. So hopefully that further explains kind of the question around the sidestep from Q2 to Q3.

But the brand is healthy. We're seeing strong, continual repeat purchases, and there's just a massive opportunity with the CELSIUS portfolio.

Operator

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

Kaumil S. Gajrawala
Jefferies LLC, Research Division

First, just a very quick one on CELSIUS. 3Q for the CELSIUS brand being the same as 2Q. Is that dollars or is that percentage?

John Fieldly
CEO & Chairman

Yes. I think we're talking about the dollars, looking at scan data. You'll have some fluctuations, when you look at the dollar level, but also on a percent level.

Kaumil S. Gajrawala
Jefferies LLC, Research Division

Okay. Got it. And then you just mentioned a little bit about cycling and innovation, that sort of thing. You've got some of that that you just laid out in 3Q and then a very big one in 4Q with the LTO on Alani. So as we think about all of these moving parts, there's so many things going on, which leads to a weaker net all-in number than we would have expected, I think than you guys would have expected as well. But it also feels like you're going into an area of more difficult comparisons for more than 1 quarter as it relates to top line.

So how do you plan for that? How do you sort of continue pace when sort of simultaneously a very big comp on Alani, which has been driving the overall top line, and then trying to reverse the trends of CELSIUS?

John Fieldly
CEO & Chairman

Yes. No, great question. And so you have the trends, we've talked about CELSIUS. From Q2 to Q3, we're looking at somewhat of a sidestep as we still have the cycling of the optimization. That's going to continue to improve in the fourth quarter, and we expect to get back to growth in 2027 as we continue to have robust innovation plans in place.

As it relates to Alani, you're referencing Witch's Brew, which we'll be launching. It's going to be the biggest LTO in history. We have a comp there. We know what that comp is. We're going to continue to -- Witch's Brew will be bigger than it ever has ever before. We're really excited about some of the plans and marketing initiatives we have around that.

Now how do we continue to grow those comps on the Alani portfolio? That's building out that base portfolio. So over time, the LTOs become less relevant to the total top line revenue because you're building out that base business, that base SKU count, building that loyal consumer and that repeat purchase. And we're seeing that unfold as we started to do that in 2026. We'll continue to do that in 2027. So we have the base business growth as well as leveraging the LTO opportunities, which are seasonal, which are connecting with consumers, which are bringing new consumers into the category more than ever before.

So when you take that into consideration and how we're building out strategically Alani and the opportunities and the strategy behind CELSIUS going forward, we feel we're set up for great success in '27 to cycle those comps and drive growth, not only within our top line, but the overall category, which is expected to grow as well.

Operator

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

James Ronald Salera
Stephens Inc., Research Division

I wanted to see if you could give us some more detail on the recovery in 4Q and maybe if you could just help contextualize the magnitude of that. I think the decline in core brand CELSIUS in 2Q/3Q is probably greater than expectations. And so should we think about that helping amplify the magnitude of the recovery in 4Q? And maybe if you can offer some thoughts about kind of the run rate as we think about modeling FY '27.

John Fieldly
CEO & Chairman

Yes. No, I think when you look at 4Q, you're starting to cycle some of the rationalization that has come out. So that will be a positive on the year-over-year comps, as you're looking at that on the weekly data. You do have some seasonality that needs to be taken into consideration that we do see within the category every year.

And then we'll be when you're looking at also the expanded distribution, we've talked about that, with retailers with permanent fixtures, investment in cold placements. So those will be continually coming through through the rest of the year as well. So that should give us expanded distribution, better placement for the CELSIUS portfolio. And then also, you have the comps from the prior year when the rationalization really started to progress through. So those are some things that will benefit the CELSIUS portfolio.

James Ronald Salera
Stephens Inc., Research Division

So can we think about that as kind of being up into the mid-single-digit range? Or just, again, trying to contextualize that step-up, and then maybe any detail on the pacing of international given some of the opportunity that you highlighted there. Just trying to think about, like I said, kind of the pace of recovery, if we should expect a quick snapback or if this is more of a gradual build 4Q and then through 2027?

John Fieldly
CEO & Chairman

Yes. I think I'll let Jarrod comment further on some of the scans versus the revenue that we're recognizing. But it should be more of a build as we're going through in Q4, because some of those SKUs slowly come out, right? So it will be more of a slow build on the CELSIUS portfolio. Do you want to touch base on that, Jarrod?

Jarrod Langhans
Chief Financial Officer

Yes. We'll also have more information on our next quarterly call as we kind of set timing and sequencing of when we're going to do load-ins and different things for the 2027 innovation. If you look at, just in general, brand CELSIUS, as John talked about, you'd see the build come through the scan data. Wouldn't necessarily look for a direct snapback, but that's from a scanner.

From a reported perspective, we do have a softer comp year-over-year that would be seen in Q4. So the anticipation would be, with that, you have an opportunity to actually be in the opposite direction versus scans for brand CELSIUS. Now for Alani, we did have an inventory build in Q4 last year, which was partly why we had some soft comps for brand CELSIUS.

So as we kind of get to building out the timing and sequencing of the 2027 innovation, because some of that will get loaded in Q4, we'll be able to better kind of map out for everyone what we're expecting on Q4 versus Q1, because we do have a nice, robust plan of innovation coming forward for 2027.

John Fieldly
CEO & Chairman

And then just to touch on your question in regards to international, that's an amazing opportunity. We've been building out the teams this year. We have a really strong foundation, building up the sales and marketing teams. We're seeing green shoots in a variety of markets, from Australia, Paris. And we expect to further launch Alani for the first time in a variety of international markets that we're working on.

So I think we're in really good shape, although it's a smaller piece of our overall top line revenue. International can be a meaningful piece over the years. And as in prepared remarks, we anticipate a 15% over time, that we're looking at, and it could be even higher. So we'll see how the brands resonate. But health and wellness trends and what we're seeing in the category in the U.S. and North America are the same trends globally. And the awareness is a lot higher than we anticipated as we further conduct an analysis and research within these markets.

Operator

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

Eric Adam Serotta
Morgan Stanley, Research Division

First, in terms of the shelf space gains that you talked about back at CAGNY and earlier in the year. Clearly, some of these gains have been a lot slower than expected in coming. Where are you today versus that original target? I believe over the past quarter or so, you talked about some imminent space -- permanent space increases in the mass channel. Has that happened? And how is it performing if it has? And if it hasn't happened, why not? And then a quick follow-up after that.

Jarrod Langhans
Chief Financial Officer

Eric, this is Jarrod. In terms of space gains, one of the things that happened is, I would say, the timing was a bit off from our initial expectations as we were going into the year. With some of it being fixtures and cold, it did take a little longer, more labor intensive. So I know Toby had referred to a large retailer that was in place. We put a time line out back in June in terms of when we thought the cadence would occur.

So that's come to plan. So that kind of as we go through July, we were able to pick up that space. We do have an opportunity to swap out some end caps with some cold space. That wouldn't really change the space equation. It's just better space as we look at September and into Q4 with another retailer. And then the same kind of new channel retailer that we talked about coming onboard in Q4 is coming onboard.

So those are kind of the nuances of the ones that got pushed a little bit. The rest of them have been reset with the rest of the resets as those were just your typical shelf gains. And then Alani is in place as well.

Eric Adam Serotta
Morgan Stanley, Research Division

Great. And then just in terms of the innovation strategy, this year you pulled back on sort of permanent extensions for brand CELSIUS. It sounds like you're planning on bringing that back next year. Could you just talk about some guardrails that you might have in place in terms of SKU proliferation just to kind of make sure that we're not in the same situation in another year or 2 in terms of over-proliferation and sort of undoing the work that you're doing of trimming the tail?

John Fieldly
CEO & Chairman

Yes. I think as you're managing a portfolio and you're managing brands, you're always going to continue to optimize the tail. But I think when we look at your base SKUs, you're always evaluating do you have the fastest cars on the track and making sure you're optimizing that, to maximize the shelf space, to maximize the distribution. So those are something that you continually do through your commercial planning process, that continues to be evaluated, and replacing the tail. I think that's the most important thing.

We need to continue to drive incrementality with the portfolio, make sure we continue to leverage the maximum billboard so we can disrupt that path to purchase, and versus cutting tail, replacing it with new innovation that's permanent throughout the year. So I think that is something that will be a strategic change going forward.

Operator

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

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

I was just hoping to see if you can elaborate a little bit more on Alani. We clearly have seen, as you mentioned, like about half of the gap, the 10% gap, was about like basically the shipment depletes. And that is set, right? I mean you can't -- it seems like you're not going to have an improvement. And that's more brand CELSIUS, I understand that.

But then as we think about the deceleration and disruption and the changes in distributor, you still have $8 million charge, and that's a cash charge, I'm assuming. How to think about the cadence with Alani itself? I understand all the fuel dynamics and you're going to put Witch's Brew even stronger this year. But as we think about like all the dynamics that you highlighted in terms of the shipments in the fourth quarter that were strong last year as well, how we should be thinking of the improvement that you called out in the fourth quarter?

I know it's a loaded question, but as we see CELSIUS in the same situation for the third quarter, unfortunately, then you have an improvement in the fourth, but then Alani has this kind of tough comp, so how we should be thinking about the fourth quarter for Alani? And then when do we see this noise of distributor charges coming out?

Jarrod Langhans
Chief Financial Officer

I'll take this one, John. In terms of the fourth quarter, I think like I was referring to back with Jim, we need to take a look at the timing and sequencing of when we're going to bring our innovation in because that will impact the comps that we're going to be seeing. We've got a lot of good innovation we're going to be coming out with in Q1. And so we're going to have some of that coming in November, December. Some of that will come in throughout Q1.

And so we're mapping that out right now. It's not fully baked in. And so we're working with our DSD partner on that. That will impact the timing and sequencing of what we're seeing from an Alani perspective where we're going to have Alani growth, but we're also going to have the comp that we're rolling over from the pipe fill last year.

But also we have a lighter comp on brand CELSIUS and we've got new innovations coming in at the same time. So we've got an easier comp with brand CELSIUS plus new innovation. We've got a tougher comp with Alani with new innovation. And we're going through that right now with our DSD partner to see how that shakes out, and we'll be able to provide more data on that once we get to our next call after the Q3 earnings.

John Fieldly
CEO & Chairman

And I'm just -- great question because there is some nuances from quarter-to-quarter, especially on the -- the load-ins on Alani going into the PepsiCo system. So that is a comp. And as Jarrod mentioned, when you look at our revenue, we do have innovation going in. So there are some offsets there.

But I think the most important thing for the long term and the long-term health of these brands is truly happening at the registers. That's something that we continue to focus on. We have to focus on that. We'll have nuances from month-to-month, quarter-to-quarter on inventories and warehouses. But at the end of the day, it's how are those scans performing? How are consumers reacting with these brands? That are going to continue to drive this portfolio forward and to continue to create opportunities in this fast-growing energy category, which is going beyond energy, is going to more day parts and occasions. That's really the value behind these brands.

Operator

And we've now reached the end of the Q&A session. I'd like to turn the call back to Mr. John Fieldly for closing remarks. Please go ahead.

John Fieldly
CEO & Chairman

Thank you for joining us today. The second quarter was a meaningful progress in advancing our scaled portfolio of leading brands. We're entering the back half of the year with a clear set of priorities. We have a strong slate of fall programming and new campaigns ahead. Alani Nu has what we believe to be the biggest launch in all history for that brand. And we are on track for planning our 2027 priorities with key retailers and we're doing it earlier than we have ever before.

I want to take this opportunity to thank our employees, our partners and all of our customers for their focus, their teamwork and what makes this all possible. To everyone listening today, we appreciate the support. We look forward to updating you next quarter. Until then, grab a CELSIUS and live fit.

Operator
This concludes today's call. Thank you all for attending. You may now disconnect.