



Celsius Holdings, Inc.

The Celsius Caffeine Crash

Celsius faces increasing pressure to maintain its market share and growth, amid heavy reliance on the supply chain partners, the uncertainty surrounding expansion and acquisitions, and the intensifying competition landscape. **We initiate with a SELL rating for \$CELH and a one-year PT of \$39.30.**

Thesis Point 1: Execution, Concentration, and Integration Risk

Celsius is structurally dependent on a highly concentrated supply chain, including PepsiCo as its main distributor and equity partner. Any disagreement or strategic realignment with PepsiCo or another partner could deteriorate Celsius's business quickly. Pepsi's \$550 million investment in 2022 has only increased, creating influence for PepsiCo and limiting Celsius's leverage.

Celsius's asset-light model further amplifies risk, and heavy reliance on third-party manufacturers and distributors exposes the company to capacity constraints or material cost inflation, which directly pressure margins. Gross margins of 50.2% in 2024 compared to Monster's 54% show that there's already limited room to play with. This level of supply chain concentration is an important, often overlooked risk. International expansion and acquisitions add further uncertainty. While international revenue grew 37% in 2024, it still represents less than 6% of total revenue, and expansion brings various challenges and costs, including penetrating international markets with varying preferences and minimal brand image outside of PepsiCo. Acquisition risks are also important, specifically with Alani Nu, where there could be overpayment or integration or operational challenges, and the slow transition to PepsiCo's distribution system will not only cost resources but potentially delay expected synergies. Similar risks may apply to future acquisitions, which are likely to be because of slowing growth and increasingly harder competition.

Thesis Point 2: Growing Competition and Market Share Struggle

The landscape in the energy drink space is growing more competitive by the day. Celsius's revenue growth rate has decelerated sharply to 2.9% from 2023 to 2024, compared to the prior three years' growth of 101.7%, 108%, and 140.4%. Competitors are also frequently launching new products, retailers' shelf space is becoming more competitive, and new private-label versions, like 7-Eleven's 7-Select Fusion energy drinks, are pressuring margins further. To maintain or grow its current market share, Celsius must increase sales and marketing spending while operating at even lower margins, making long-term profitability increasingly difficult.

Company Overview

Celsius Holdings is a functional energy drink company focused on fitness-oriented products positioned as healthier alternatives to competitors. Revenue grew around 3% from 2023 to \$1.36 billion in 2024. The company sells energy drink cans, powders, hydration products, and more, primarily in North America. Celsius operates an asset-light model, outsourcing the majority of its manufacturing to third-party co-packers and relying on a network of distributors and retail partner, primarily PepsiCo in the US. While US demand remains strong, international presence is limited, and successful execution internationally will be a key factor in long-term growth. Competition is thickening, forcing Celsius to fight for shelf space and protect its market share. Q4 revenue declined 4.4% year-over-year, signaling potential problems with demand and expansion.

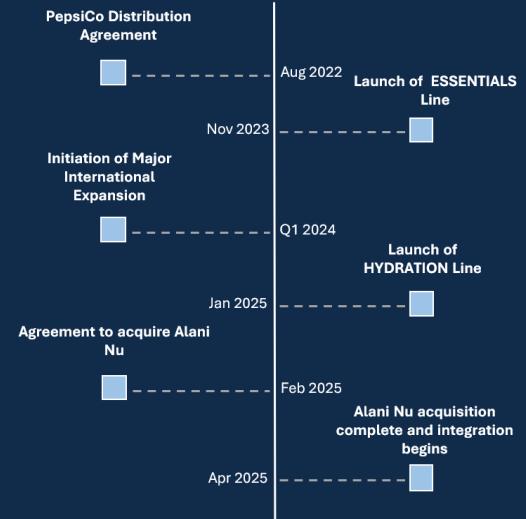


TICKER:	\$CELH
RATING:	SELL
PRICE:	\$43.84
PRICE TARGET:	\$39.30
MARKET CAP:	\$11.3 b
52-W RANGE:	\$21.10- \$66.74
P/E:	338.1x
IMPLIED UPSIDE:	-10.28%

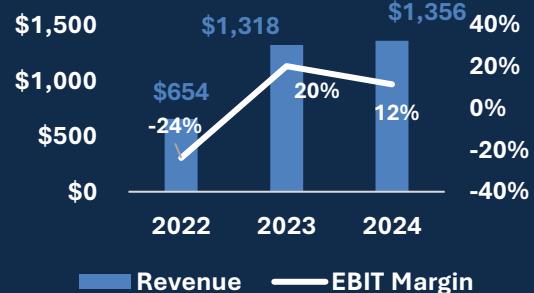
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Revenue — EBIT Margin

Upside Risk 1: Faster International Expansion

The market could be underestimating Celsius's ability to leverage PepsiCo and its resources for expansion, especially internationally. If successfully utilized, Celsius could penetrate the international markets much faster than expected, especially if leveraging PepsiCo's brand image. If the expansion leads to sales growth that is significantly higher than the 41.2% in Europe and 19.1% in other countries in 2024, the premium valuation could be justified and ease the fears of risky and slow expansion.

Upside Risk 2: Perfect Acquisition Synergy and Market Success

A fully successful integration of Alani Nu could create much greater benefits than originally projected. It could potentially surpass the \$50 million estimated run-rate cost synergies suggested in the footnotes from a February press release filed with the SEC, which would lead to rapid and sustainable improvements in margins and income. A stronger, diversified product base could be another factor supporting the premium valuation, pushing against the decelerating growth rate.

Catalysts

One catalyst that could support the theses would be any failure in any part of the supply chain, which would expose how vulnerable Celsius's asset-light model and outsourced supply chain can be and cause immediate crisis throughout the company. For example, a major product recall under Celsius or Alani because of product quality, such as contamination or mislabeling from a third-party co-packer, would expose how fragile the supply chain can be, and how little control Celsius has over it. This would not only lead to lost revenue but also breach consumer trust and brand image. This is particularly true for a brand like Celsius that's advertised as a healthier alternative, because a product safety issue would largely be in opposition to the marketed message. A critical event would also be catastrophic for the long-term growth expectations of the company, likely to crush it and cause losses.

Valuation

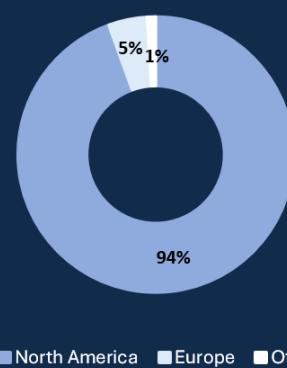
DCF Analysis (\$mm)												
	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/31/2028	FY2029 12/31/2029	FY2030 12/31/2030	FY2031 12/31/2031	FY2032 12/31/2032	FY2033 12/31/2033	FY2034 12/31/2034	FY2035 12/31/2035
Revenue	1,356	1,790	2,251	2,800	3,443	4,185	5,028	5,969	7,000	8,106	9,267	10,457
Revenue Growth	3%	32%	26%	24%	23%	22%	20%	19%	17%	16%	14%	13%
North America	1,281	1,675	2,094	2,588	3,163	3,822	4,565	5,390	6,288	7,249	8,256	9,287
Europe	62	95	128	170	222	285	360	446	542	648	759	873
Other	13	20	29	41	57	78	103	134	169	209	252	297
EBIT	156	175	270	324	383	446	514	584	653	721	783	837
EBIT Margin	12%	10%	12%	12%	11%	11%	10%	10%	9%	9%	8%	8%
Tax Expenses	50	65	81	95	111	126	143	159	174	188	200	209
Effective Tax Rate	32%	37%	30%	29%	29%	28%	28%	27%	27%	26%	26%	25%
NOPAT	106.00	110.00	189.08	228.25	272.02	319.94	371.23	424.78	479.10	532.39	582.59	627.45
D&A	7	9	17	28	43	63	88	119	157	203	255	314
Capex	23	28	45	64	88	119	156	202	257	320	391	471
Changes in NWC	(101)	40	(45)	(64)	(88)	(119)	(156)	(202)	(257)	(320)	(391)	(471)
UFCF	191	51	206	256	315	383	459	544	637	735	837	941
PV of FCF		51	197	228	259	292	324	356	385	412	435	453

Our base case DCF valuation for Celsius assumes a moderate CAGR of about 6% from 2025 to 2030, reflecting slower international expansion and increasing competitive pressure. We assume EBIT margins stabilize long-term around 8%, as higher marketing spend and supply chain pressures minimize leverage. Our valuation applies a 17x EBIT multiple, on the lower-end of mature competitors, reflecting how we believe the premium valuation is no longer justified given decelerating growth, higher execution risk, and high dependence on the supply chain.

Conclusion

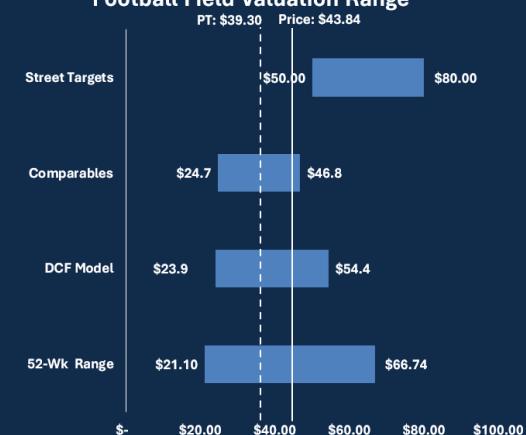
Celsius has built a decent brand within the functional energy drink market, but the company is entering a challenging phase of its growth cycle. Due to heavy reliance on partners, uncertainty in expansion and acquisitions, and intensifying competition, on top of the growth already rapidly decelerating, we believe the current valuation largely overrates Celsius's long-term growth. We initiate \$CELH with a SELL rating with a one-year price target of \$39.30, implying 10.28% downside.

Revenue Segments



Terminal Value	
Exit Multiple Method	
2034 EBIT	\$837
EV/EBIT Exit Multiple	17.0x
Terminal Value	\$14,222
PV of Terminal Value	\$6,838
PV of Projection Period	\$3,391
PV of Terminal Value	\$6,838
Implied TEV	\$10,229
(-) Debt	\$895
(+) Cash	\$806
Implied Equity Value	\$10,140
Diluted Shares Outstanding	258
Implied Share Price	\$39.34
Upside/Downside	-10.3%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	1,356	1,790	2,251	2,800	3,443	36.4%
EBITDA	163	184	287	352	426	37.6%
EBIT	156	175	270	324	383	34.8%
NOPAT	106	110	189	228	272	36.9%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	12.0%	10.3%	12.8%	12.6%	12.4%	12.0%
EBIT Margin	11.5%	9.8%	12.0%	11.6%	11.1%	11.2%
Revenue Growth	2.9%	32.0%	25.8%	24.4%	23.0%	21.6%
EBIT Growth	-41.4%	12.2%	54.4%	19.8%	18.2%	12.6%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	59.2x	221.6x	54.9x	44.1x	35.9x	83.1x
EV/Sales	8.4x	6.4x	5.1x	4.1x	3.3x	5.4x
EV/EBITDA	69.8x	62.1x	39.7x	32.4x	26.8x	46.1x
FCF Yield	1.7%	0.5%	1.8%	2.3%	2.8%	1.8%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Monster Beverage Corporation (NasdaqGS:M)	\$70,824	\$68,305	41.2x	\$7,975	\$2,488
The Coca-Cola Company (NYSE:KO)	\$297,284	\$331,684	22.9x	\$47,663	\$16,307
Keurig Dr Pepper Inc. (NasdaqGS:KDP)	\$40,037	\$58,151	25.4x	\$16,174	\$4,299
PepsiCo, Inc. (NasdaqGS:PEP)	\$206,148	\$248,491	28.3x	\$92,366	\$17,016
Celsius Holdings Inc.	\$11,330	\$13,179	338.1x	\$2,126	\$442

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Monster Beverage Corporation (NasdaqGS:M)	27.5x	55.8%	31.2%	29.9%		7.6%
The Coca-Cola Company (NYSE:KO)	20.3x	61.6%	34.2%	31.9%		2.8%
Keurig Dr Pepper Inc. (NasdaqGS:KDP)	13.5x	54.8%	26.6%	22.0%		6.8%
PepsiCo, Inc. (NasdaqGS:PEP)	14.6x	54.3%	18.4%	15.0%		0.5%
Celsius Holdings Inc.	29.8x	52.4%	20.8%	19.7%		55.1%

High	29.80x	61.6%	34.2%	31.9%	55.1%
75th Percentile	27.46x	55.8%	31.2%	29.9%	7.6%
Average	21.14x	55.8%	26.2%	23.7%	14.6%
Median	20.34x	54.8%	26.6%	22.0%	6.8%
25th Percentile	14.60x	54.3%	20.8%	19.7%	2.8%
Low	13.53x	52.4%	18.4%	15.0%	0.5%

General Dynamics Valuation

Implied Enterprise Value (25th Percentile)	\$ 6,459
Implied Enterprise Value (Median)	\$ 8,996
Implied Enterprise Value (75th Percentile)	\$ 12,144

Implied Share Price (25th Percentile)	\$ 24.71
Implied Share Price (Median)	\$ 34.55
Implied Share Price (75th Percentile)	\$ 46.77

Weighted Average Cost of Capital (\$mm)

Market Risk Premium	4.33%
Beta	0.88
Risk Free Rate	4.50%
Cost of Equity	7.71%
Weighted Average Cost of Debt	5.00%
Tax Rate	30.00%
Cost of Debt	0.26%
Total Equity	\$11,301
Total Debt	\$89
Equity/Total Capitalization	92.66%
Debt/Total Capitalization	7.34%
WACC	7.97%

Downside Case: Our \$23.90 downside case is based on a 15x EBIT multiple, with less sales growth in each segment and operating margins eventually levelling out around 7%.

Upside Case: Our \$54.40 upside case is based on a 20x EBIT multiple, and an operating margin that levels out around 9% long-term. We assume a lot more growth in every segment and total revenue is projected to surpass \$11 million in 2035.