

Initiated 2026-09-25 · Price \$28.43 (as of 2026-09-24, stockanalysis.com) · Mkt cap \$7.19bn on 253.0mm common shares; ~\$7.88bn as-converted incl. Series A · Consumer staples / energy drinks · Model: verified

Rating: Hold — Conviction: Low

Celsius is now a three-brand energy portfolio that depends on PepsiCo for 60% of revenue. Its namesake brand is shrinking (−11.7% in Q2 2026) while Alani Nu carries the growth. After a 44% fall in a year, the base case sits on the price, and the wide tails turn on one question the next two quarters answer: does brand CELSIUS stop shrinking? Hold, with Low conviction because the bear case is a brand fade, not a cyclical dip.

MODEL VALUE RANGE VS PRICE



Business overview

Celsius sells ready-to-drink energy drinks. Q2 2026 revenue was \$817.9mm (+10.6%): CELSIUS \$387.0mm (47%), Alani Nu \$364.4mm (45%, acquired 2025-04-01) and Rockstar \$66.5mm (8%, US/Canada rights bought from PepsiCo on 2025-08-28 for Series B preferred). North America is 97% of sales. PepsiCo distributes all three brands and took 60.2% of Q2 revenue, up from 33.3% a year earlier. Production is co-packed, so capex is ~1.5% of revenue. Earnings turn on three variables: whether CELSIUS returns to growth, whether Alani Nu keeps compounding inside PepsiCo, and gross margin (48.1% in Q2 against a "low 50s" guide).

Competition

Monster and Red Bull dominate the US category. An undated aggregator figure, likely from before the Alani Nu deal, puts them at ~35% and ~32% dollar share and Celsius near 10%. The company's own figure is a 20.9% share for the three-brand portfolio in the 13 weeks to 2026-06-28. The category is still growing: US convenience-store energy dollars rose ~10% in 2025 (Circana, via C-Store Dive). Pressure shows up first in price. Management blames CELSIUS's Q2 decline partly on "increased trade and promotional investment": a brand paying to hold shelf against Monster, Red Bull, zero-sugar entrants and its own sister brand. Monster, the closest listed pure-play, trades at 27.4x EV/EBITDA and 34.6x forward earnings, about double Celsius.

Bull case

1. **Alani Nu is a second growth engine, not a fad.** It passed \$1bn of tracked retail sales in H1 2026, with tracked dollars up ~56% in Q2. Plays out if it keeps growing after the PepsiCo transition orders roll off. *Model: rev_growth*

2. **Brand CELSIUS returns to growth by year-end.** Management expects Q3 to look like Q2 and the brand to exit 2026 growing again, citing retailer resets. Plays out if Q4 2026 shows positive brand growth on clean inventory. *Model: rev_growth*
3. **Margin recovers as integration ends.** Gross margin fell from 51.5% to 48.1% on integration and promotion, while SG&A fell to 29.0% of revenue from 32.2%. The guided low 50s on current SG&A would lift EBITDA margin well above ~22–23%, and transition working capital should normalise. Plays out if gross margin prints ≥50% by Q4 2026. *Model: ebitda_margin, nwc_pct_rev*

Bear case

1. **The namesake brand is declining despite promotion.** CELSIUS fell 11.7% in Q2 on higher trade spend. Energy brands that lose momentum tend to lose it for years. Plays out if Q3 and Q4 stay negative. *Model: rev_growth, ebitda_margin, nwc_pct_rev*
2. **Growth was pulled forward by the distribution switch.** Q4 2025 and Q2 2026 both carried extra PepsiCo orders as Alani Nu entered its system: pipeline fill that won't repeat. Plays out if shipped growth falls well below scanner growth. *Model: rev_growth*
3. **One customer, three brands.** PepsiCo is 60% of revenue and 46% of year-end receivables, holds both preferred series and board seats, and sells competing drinks. Plays out if PepsiCo reprioritises its energy shelf. *Model: rev_growth*
4. **Promotion becomes permanent.** If defending CELSIUS needs Q2-level trade spend indefinitely, gross margin stays in the 40s. *Model: ebitda_margin*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus NTM EPS, basic shares)	21.1x	n/a (unverified)	Monster 34.6x · Coca-Cola 25.9x · Keurig Dr Pepper 12.7x	stockanalysis.com, 2026-09-24
EV/EBITDA, aggregator (TTM; EV excludes preferred)	10.8x	n/a (unverified)	Monster 27.4x · Coca-Cola 23.9x · Keurig Dr Pepper 15.4x	stockanalysis.com, 2026-09-24
EV/EBITDA, model basis (as-converted Series A + Series B claim; FY2025 adj. EBITDA less SBC \$591.5mm)	14.4x FY2025 · ~12.0x FY2026E	n/a	as above (aggregator basis)	model-summary.json ; 10-Q 2026-06-30
FCF yield (TTM FCF \$462.8mm / common market cap)	6.4%	n/a (unverified)	Monster 2.5% · Coca-Cola 3.8% · Keurig Dr Pepper 4.7%	stockanalysis.com, 2026-09-24

Aggregator multiples omit both preferred series. The model counts in-the-money Series A (\$550mm stated, convertible at \$25.00 into ~22.0mm shares) as shares and out-of-the-money Series B (\$585mm, \$45.00 conversion) as a claim. Together they add ~\$1.3bn of EV, which is why the model-basis multiple exceeds the headline 10.8x. Keurig Dr Pepper, a diversified coffee-and-soda company, is a weak comparable.

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$13.26 · Base \$29.97 · Bull \$47.54 per share, i.e. implied returns of –53.3% / +5.4% / +67.2% vs \$28.43. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The market is pricing the base case: consensus FY2026 revenue, a slow margin recovery, growth fading to mid-single digits. Both methods embed a de-rating. The exit method's 12.0x is 17% below today's 14.4x on FY2025 EBITDA, roughly today's multiple on FY2026E, since FY2025 has only nine months of Alani Nu. The Gordon method (\$27.52 vs \$32.43, an 18% gap) implies ~10.6x Year-5 EBITDA, about a quarter below today.

Tail, quantified (PepsiCo is 60% of revenue and the bear is a plateau; sensitivities outside the committed model):

- **Brand failure: \$8.24 (–71%).** Revenue +20% in FY2026, then –8%, –8%, –3%, 0; margin 20% falling to 16%; NWC 33%; 7.0x exit; 11.5% WACC.
- **Stall: \$11.73 (–59%).** Revenue +22%, –3%, –3%, 0, 0; 18% margin; NWC 31%; 8.0x exit; 11% WACC.

Below \$25 the Series A would stay a \$550mm claim rather than convert, lowering these figures by roughly another \$1. The skew is about symmetric (+67% / –53%) and worse in the tail.

Balance sheet: net debt ~\$37mm (\$667.9mm term loan at carrying value against \$631.2mm cash at 2026-06-30), 0.06x FY2025 EBITDA. The model's coverage is 13.6x. Liquidity is the cash plus a \$100mm undrawn revolver. The term loan was refinanced on 2025-10-02 and 2026-07-15; its maturity was not verified (the model assumes after 2030). Ratings: n/a (unverified). Ahead of common equity sit \$1.135bn of preferred at stated value, with ~\$56mm a year of 5% dividends.

Model note: tier **full**, status **built**, verification **verified** (3,207 formula cells matched in LibreOffice). No unverified inputs, no assumptions without basis; scenario consistency **OK** on all 14 rows. EBITDA is company adjusted EBITDA less SBC (FY2023: GAAP operating income + D&A, no adjustment table retrieved). FY2025 is a partial year for both acquisitions, so Y1 growth (+25.5%) is mostly annualisation. The 6.5% term-loan rate is judgment and moves EPS only. Model Y1 EPS of \$1.87 sits well above consensus FY2026 of \$1.43: the model line is before ~\$56mm of preferred dividends, on as-converted shares, and excludes deferred distributor-cost amortisation (\$24.6mm in H1 2026). The gap is not fully reconciled; track against reported figures.

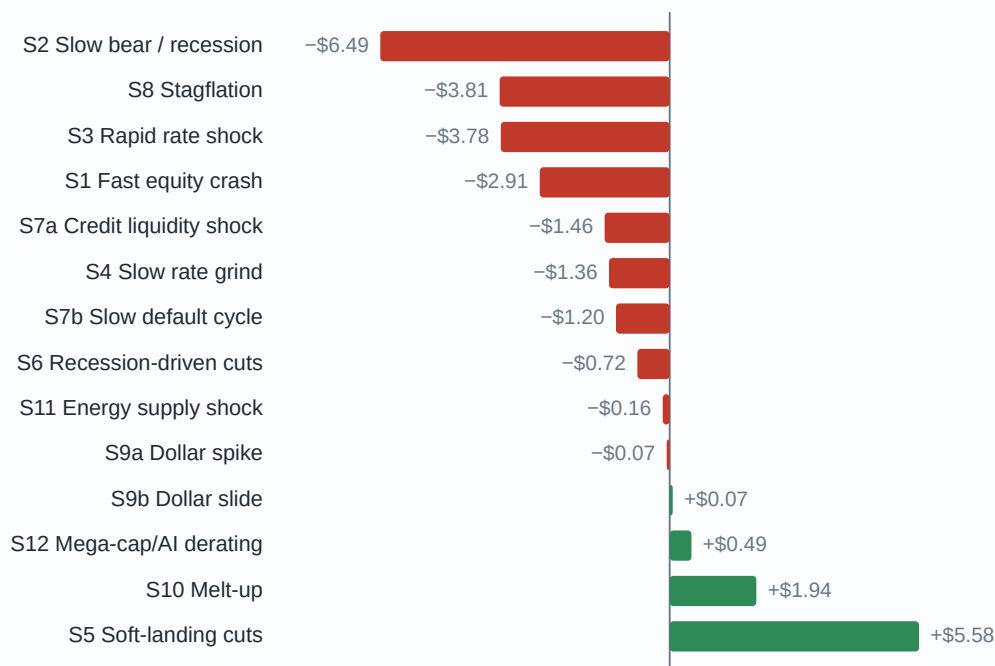
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Risk-premium spike on a stock already down 44% in a year; no operating channel over weeks	Med	–\$2.91
S2 Slow bear / recession	–	A premium can can be traded down to multipacks and private label; club channel already soft. Milder than Base – Bear on purpose: a recession is a transitory volume dip, while the bear case is a permanent brand plateau	High	–\$6.49
S3 Rapid rate shock	–	Discount rate and multiple; floating-rate term loan costs more but cash earns more	Med	–\$3.78
S4 Slow rate grind	–	Same channel, grinding	Low	–\$1.36
S5 Soft-landing cuts	+	Lower discount rate on a de-rated growth name with the consumer intact	High	+\$5.58
S6 Recession-driven cuts	–	Volume and promotion hit outweigh the lower discount rate	Low	–\$0.72
S7a Credit liquidity shock	–	Term loan roughly matched by cash, so mainly a risk-premium event	Low	–\$1.46
S7b Slow default cycle	–	PepsiCo is the counterparty that matters; small convenience-channel effect	Low	–\$1.20
S8 Stagflation	–	Aluminium, sweetener and freight inflation against a consumer resisting another price rise on a premium can	Med	–\$3.81
S9a Dollar spike	–	International is 3.3% of revenue; negligible translation	Low	–\$0.07
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.07
S10 Melt-up	+	Risk appetite returns to beaten-down consumer growth names	Med	+\$1.94
S11 Energy supply shock	–	Freight and can costs; gasoline squeezes the convenience-store shopper	Low	–\$0.16
S12 Mega-cap/AI derating	±	No operating linkage; a rotation toward de-rated consumer names is a flows argument, so the shock is small	Low	+\$0.49

No macro row approaches the brand-specific bear case; funding rows are small because net debt is near zero. **Currently active/on watch per the playbook:** S3 partially active (price leg met, pace legs short); S8, S10 and S11 on watch, S11 escalated after the 2026-09-19/20 Saudi/Houthi events.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: brand CELSIUS posts positive year-on-year revenue in Q4 2026 without a further step-up in trade spend; or gross margin returns to $\geq 50\%$ while Alani Nu's shipped growth tracks its scanner growth; or the price falls toward the bear case while CELSIUS stabilises.

Downgrades if: CELSIUS declines again in Q4 2026 or FY2027 guidance implies continued brand decline; or gross margin stays below 48%; or PepsiCo changes distribution terms or its share of revenue rises further while the brands slow.

Watch items

- **W1:** CELSIUS brand revenue growth year on year: Q3 guided "like Q2" (-11.7%), Q4 expected positive. Source: Q3 2026 release (early November 2026) and Q4 release (late February 2027). *Model: rev_growth*
- **W2:** Gross margin against the guided "low 50s", from 48.1% in Q2 2026. Source: Q3/Q4 2026 releases. *Model: ebitda_margin*
- **W3:** Alani Nu shipped revenue growth against tracked-channel growth ($\sim 56\%$ in Q2), to size any pipeline fill. Source: Q3 2026 release and call. *Model: rev_growth*
- **W4:** Operating NWC (receivables + inventory – payables) against $\sim 30\%$ of TTM revenue at 2026-06-30. Source: Q3 2026 10-Q. *Model: nwc_pct_rev*

Sources

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- C-Store Dive, 5 charts showing the changing energy drink landscape (Circana) — <https://www.cstoredive.com/news/5-charts-energy-drink-landscape/816620/> — accessed 2026-09-25
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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.