UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: **001-34611**



CELSIUS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**20-2745790**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2424 N Federal Highway, Suite 208, Boca Raton, Florida	**33431**
(Address of principal executive offices)	(Zip Code)

(561) 276-2239
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.001 par value	CELH	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 30, 2024, the registrant had 235,031,452 shares of its common stock, $0.001 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Celsius Holdings, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts) (Unaudited)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 903,748	$ 755,981
Accounts receivable-net[1]	208,774	183,703
Note receivable-current-net	1,025	2,318
Inventories-net	197,572	229,275
Deferred other costs-current[2]	14,124	14,124
Prepaid expenses and other current assets	38,227	19,503
Total current assets	1,363,470	1,204,904
Property and equipment-net	38,370	24,868
Deferred tax assets	24,186	29,518
Right of use assets-operating leases	5,506	1,957
Right of use assets-finance leases	214	208
Deferred other costs-non-current[2]	237,746	248,338
Intangibles-net	11,877	12,139
Goodwill	14,360	14,173
Other long-term assets	8,594	291
Total Assets	**$ 1,704,323**	**$ 1,536,396**
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable[3]	$ 30,938	$ 42,840
Accrued expenses[4]	73,024	62,120
Income taxes payable	739	50,424
Accrued promotional allowance[5]	158,810	99,787
Lease liability operating-current	1,358	980
Lease liability finance-current	99	59
Deferred revenue-current[2]	9,513	9,513
Other current liabilities	14,979	10,890
Total current liabilities	289,460	276,613
Lease liability operating-non-current	4,193	955
Lease liability finance-non-current	189	193
Deferred tax liabilities	2,275	2,880
Deferred revenue-non-current[2]	160,092	167,227
Total Liabilities	**456,209**	**447,868**
Commitments and contingencies (Note 16)		
Mezzanine Equity[2]:		
Series A convertible preferred stock, $0.001 par value per share, 5% cumulative dividends; 1,466,666 shares issued and outstanding at each of September 30, 2024 and December 31, 2023, aggregate liquidation preference of $550,000 as of both September 30, 2024 and December 31, 2023.	824,488	824,488
Stockholders' Equity:		
Common stock, $0.001 par value per share; 300,000,000 shares authorized, 234,982,044 and 231,787,482 shares issued and outstanding at each of September 30, 2024 and December 31, 2023, respectively	79	77
Additional paid-in capital	292,576	276,717
Accumulated other comprehensive loss	(338)	(701)
Retained earnings (accumulated deficit)	131,309	(12,053)
Total Stockholders' Equity	423,626	264,040
Total Liabilities, Mezzanine Equity and Stockholders' Equity	**$ 1,704,323**	**$ 1,536,396**

[1] Includes $118.1 million and $130.0 million from a related party as of September 30, 2024 and December 31, 2023, respectively.
[2] Amounts in this line item are associated with a related party for all periods presented.
[3] Includes $0.8 million and $0.1 million due to a related party as of September 30, 2024 and December 31, 2023, respectively.
[4] Includes no balance due to a related party as of September 30, 2024 and $1.0 million as of December 31, 2023.
[5] Includes $101.3 million and $51.8 million due to a related party as of September 30, 2024 and December 31, 2023, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements

Celsius Holdings, Inc.
Consolidated Statements of Operations and Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue[1]	$ 265,748	$ 384,757	$ 1,023,433	$ 970,579
Cost of revenue	143,519	190,675	509,899	503,685
Gross profit	122,229	194,082	513,534	466,894
Selling, general and administrative expenses[2]	125,443	96,385	339,310	259,471
(Loss) income from operations	**(3,214)**	**97,697**	**174,224**	**207,423**
Other income (expense):				
Interest income on note receivable	—	28	28	101
Interest income-net	11,112	7,197	31,371	17,666
Foreign exchange gain (loss)	277	(177)	(356)	(1,226)
Total other income	**11,389**	**7,048**	**31,043**	**16,541**
Net income before provision for income taxes	**8,175**	**104,745**	**205,267**	**223,964**
Provision for income taxes	(1,819)	(20,796)	(41,317)	(47,279)
Net income	**$ 6,356**	**$ 83,949**	**$ 163,950**	**$ 176,685**
Dividends on Series A convertible preferred stock[3]	(6,913)	(6,875)	(20,588)	(20,512)
Income allocated to participating preferred stock[3]	—	(6,702)	(12,357)	(13,605)
Net (loss) income attributable to common stockholders	**$ (557)**	**$ 70,372**	**$ 131,005**	**$ 142,568**
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of income tax	2,025	(664)	363	(660)
Comprehensive income	**$ 1,468**	**$ 69,708**	**$ 131,368**	**$ 141,908**
(Loss) earnings per share[4]:				
Basic	$ (0.00)	$ 0.30	$ 0.56	$ 0.62
Diluted	$ (0.00)	$ 0.30	$ 0.55	$ 0.60
Weighted average shares outstanding[4]:				
Basic	233,696	231,006	233,219	230,523
Diluted	233,696	237,273	237,480	236,886

[1] Includes $124.7 million and $547.8 million for the three and nine months ended September 30, 2024, respectively, and $248.6 million and $590.0 million for the three and nine months ended September 30, 2023, respectively, from a related party.
[2] Includes $0.5 million and $1.6 million for the three and nine months ended September 30, 2024, respectively, and $0.5 million and $1.1 million for the three and nine months ended September 30, 2023, respectively, from a related party.
[3] Amounts in this line item are associated with a related party for all periods presented.
[4] Forward Stock Split - The accompanying consolidated financial statements and notes thereto have been retrospectively adjusted to reflect the three-for-one stock split that became effective on November 13, 2023. See *Note 2. Basis of Presentation and Summary of Significant Accounting Policies* for more information.

The accompanying notes are an integral part of these unaudited consolidated financial statements

Celsius Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity and Mezzanine Equity
(In thousands except per share amounts)
(Unaudited)

	Stockholders' Equity						Mezzanine Equity	
	Common Stock							
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity	Preferred Stock	Amount
Balance at December 31, 2023	**231,787**	**$ 77**	**$ 276,717**	**$ (701)**	**$ (12,053)**	**$ 264,040**	**1,467**	**$ 824,488**
Stock-based compensation	—	—	3,563	—	—	3,563	—	—
Stock option exercises, RSUs and PSUs converted to common stock	1,283	1	967	—	—	968	—	—
Dividends paid on Series A convertible preferred stock ($4.66)	—	—	—	—	(6,837)	(6,837)	—	—
Foreign currency translation	—	—	—	(1,354)	—	(1,354)	—	—
Net income	—	—	—	—	77,811	77,811	—	—
Balance at March 31, 2024	**233,070**	**$ 78**	**$ 281,247**	**$ (2,055)**	**$ 58,921**	**$ 338,191**	**1,467**	**$ 824,488**
Stock-based compensation	—	—	4,746	—	—	4,746	—	—
Stock option exercises, RSUs and PSUs converted to common stock	274	—	180	—	—	180	—	—
Dividends paid on Series A convertible preferred stock ($4.66 per share)	—	—	—	—	(6,838)	(6,838)	—	—
Foreign currency translation	—	—	—	(308)	—	(308)	—	—
Net income	—	—	—	—	79,783	79,783	—	—
Balance at June 30, 2024	**233,344**	**$ 78**	**$ 286,173**	**$ (2,363)**	**$ 131,866**	**$ 415,754**	**1,467**	**$ 824,488**
Stock-based compensation	—	—	5,376	—	—	5,376	—	—
Stock option exercises, RSUs and PSUs converted to common stock	1,679	1	2,685	—	—	2,686	—	—
Dividends paid on Series A convertible preferred stock ($4.71 per share)	—	—	—	—	(6,913)	(6,913)	—	—
Repurchase of common stock related to tax withholdings	(41)	—	(1,658)	—	—	(1,658)	—	—
Foreign currency translation	—	—	—	2,025	—	2,025	—	—
Net income	—	—	—	—	6,356	6,356	—	—
Balance at September 30, 2024	**234,982**	**$ 79**	**$ 292,576**	**$ (338)**	**$ 131,309**	**$ 423,626**	**1,467**	**$ 824,488**

The accompanying notes are an integral part of these unaudited consolidated financial statements

Celsius Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity and Mezzanine Equity
(In thousands except per share amounts)
(Unaudited)

	Stockholders' Equity						Mezzanine Equity	
	Common Stock							
	Shares[1]	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity	Preferred Stock	Amount
Balance at December 31, 2022	**229,147**	**$ 76**	**$ 280,668**	**$ (1,881)**	**$ (238,772)**	**$ 40,091**	**1,467**	**$ 824,488**
Adoption of accounting standard	—	—	—	—	(82)	(82)	—	—
Stock-based compensation	—	—	5,507	—	—	5,507	—	—
Stock option exercises, RSUs and PSUs converted to common stock	1,200	1	478	—	—	479	—	—
Dividends paid on Series A convertible preferred stock ($4.62 per share)	—	—	(6,781)	—	—	(6,781)	—	—
Foreign currency translation	—	—	—	594	—	594	—	—
Net income	—	—	—	—	41,227	41,227	—	—
Balance at March 31, 2023	**230,347**	**$ 77**	**$ 279,872**	**$ (1,287)**	**$ (197,627)**	**$ 81,035**	**1,467**	**$ 824,488**
Stock-based compensation	—	—	5,735	—	—	5,735	—	—
Stock option exercises, RSUs and PSUs converted to common stock	306	—	229	—	—	229	—	—
Dividends paid on Series A convertible preferred stock($4.67 per share)	—	—	(6,856)	—	—	(6,856)	—	—
Foreign currency translation	—	—	—	(590)	—	(590)	—	—
Net income	—	—	—	—	51,509	51,509	—	—
Balance at June 30, 2023	**230,653**	**$ 77**	**$ 278,980**	**$ (1,877)**	**$ (146,118)**	**$ 131,062**	**1,467**	**$ 824,488**
Stock-based compensation	—	—	4,979	—	—	4,979	—	—
Stock option exercises, RSUs and PSUs converted to common stock	1,023	—	896	—	—	896	—	—
Dividends paid on Series A convertible preferred stock ($4.69 per share)	—	—	(6,875)	—	—	(6,875)	—	—
Foreign currency translation	—	—	—	(664)	—	(664)	—	—
Net income	—	—	—	—	83,949	83,949	—	—
Balance at September 30, 2023	**231,676**	**$ 77**	**$ 277,980**	**$ (2,541)**	**$ (62,169)**	**$ 213,347**	**1,467**	**$ 824,488**

[1] Forward Stock Split - The accompanying consolidated financial statements and notes thereto have been retrospectively adjusted to reflect the three-for-one stock split that became effective on November 13, 2023. See Note 2. Basis of Presentation and Summary of Significant Accounting Policies for more information.

The accompanying notes are an integral part of these unaudited consolidated financial statements

Celsius Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	For The Nine Months Ended September 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 163,950	$ 176,685
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,888	2,121
Allowance for expected credit losses[1]	4,279	1,880
Amortization of deferred other costs[2]	10,593	10,593
Inventory excess and obsolescence	17,118	2,677
Loss on disposal of property and equipment	126	195
Stock-based compensation expense	13,685	16,221
Deferred income taxes-net	4,727	(44,303)
Foreign exchange loss	356	258
Changes in operating assets and liabilities:		
Accounts receivable-net[3]	(26,529)	(153,271)
Inventories-net	14,585	(28,092)
Prepaid expenses and other current assets	(20,261)	(12,406)
Accounts payable[4]	(12,259)	16,934
Accrued expenses[5]	11,151	(2,282)
Income taxes payable	(49,631)	57,662
Accrued promotional allowance[6]	59,023	100,580
Accrued distributor termination fees	(248)	(3,986)
Other current liabilities	4,094	5,239
Change in right of use and lease obligation-net	17	(64)
Deferred revenue[2]	(7,135)	(10,593)
Other long-term assets	(5,303)	(2)
Net cash provided by operating activities	**187,226**	**136,046**
Cash flows from investing activities:		
Collections from note receivable	—	3,233
Purchase of property and equipment[7]	(17,983)	(12,687)
Purchase of non-marketable equity securities	(3,000)	—
Net cash used in investing activities	**(20,983)**	**(9,454)**
Cash flows from financing activities:		
Principal payments on finance lease obligations	(46)	(33)
Proceeds from exercise of stock options	3,832	1,603
Cash dividends paid on Series A convertible preferred stock[2]	(20,588)	(20,512)
Repurchase of common stock related to tax withholdings	(1,658)	—
Net cash used in financing activities	**(18,460)**	**(18,942)**
Effect of exchange rate changes on cash and cash equivalents	(16)	(555)
Net increase in cash and cash equivalents	**147,767**	**107,095**
Cash and cash equivalents at beginning of the period	755,981	652,927
Cash and cash equivalents at end of the period	**$ 903,748**	**$ 760,022**
Supplemental disclosures:		
Cash paid for:		
Taxes	$ 99,032	$ 33,049

[1] Includes $0.5 million and $0.4 million associated with a related party for the nine months ended September 30, 2024 and 2023, respectively.
[2] Amounts in this line item are associated with a related party for all periods presented.
[3] Includes $11.9 million and $(129.3) million associated with a related party for the nine months ended September 30, 2024 and 2023, respectively.
[4] Includes $0.7 million associated with a related party for the nine months ended September 30, 2024 with no balance for 2023.
[5] Includes $(1.0) million and $(0.9) million associated with a related party for the nine months ended September 30, 2024 and 2023, respectively.
[6] Includes $49.5 million and $68.6 million associated with a related party for the nine months ended September 30, 2024 and 2023, respectively.
[7] Includes $(8.8) million and $(6.2) million associated with a related party for the nine months ended September 30, 2024 and 2023, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Business Overview

Celsius Holdings, Inc. (the "Company," "Celsius Holdings" or "Celsius") was incorporated under the laws of the State of Nevada on April 26, 2005.

Celsius is a growing company in the functional energy drink category in the United States ("U.S.") and internationally. The Company engages in the development, processing, marketing, sale, and distribution of functional energy drinks to a broad range of consumers. Celsius provides differentiated products that offer clinically proven and innovative formulas meant to positively impact the lives of its consumers. The Company's brand has also proven to be attractive to a broad range of customers, including fitness enthusiasts.

The Company's flagship asset, CELSIUS®, is marketed as a premium lifestyle and energy drink formulated to power active lifestyles. This product line comes in two versions, a 12-ounce ready-to-drink form and an on-the-go powder form. The Company also offers a CELSIUS® Essentials line, available in 16-ounce cans. Celsius products are currently offered in major retail channels across the U.S., including conventional grocery, natural, convenience, fitness, mass market, vitamin specialty and e-commerce. Additionally, the Company's products are available in select markets across Canada, Europe, the Middle East, and the Asia-Pacific region.

Agreements with PepsiCo Inc.

On August 1, 2022, the Company entered into multiple agreements with PepsiCo Inc. ("Pepsi"), including a long-term agreement that resulted in Pepsi becoming the primary distribution supplier for Celsius products in the U.S. (the "Distribution Agreement"). Under this agreement, the Company granted Pepsi a right of first offer in the event the Company intends to manufacture, distribute or sell products in certain additional countries or channels during the term of the agreement.

In connection with entering into these agreements, the Company issued and sold to Pepsi approximately 1.5 million shares of the Company's Series A Convertible Preferred Stock ("Series A" or "Series A Preferred Stock") in exchange for cash proceeds of $550 million, before transaction costs. For additional information regarding the Company's agreements with Pepsi, see Note 4. *Revenue*, Note 12. *Related Party Transactions*, and Note 13. *Mezzanine Equity*.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation — The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and notes required by U.S. GAAP for annual audited consolidated financial statements. In management's opinion, all adjustments considered necessary for a fair presentation have been included. The results for the three and nine months ended September 30, 2024, are not necessarily indicative of the results expected for any future period or the full year. These unaudited consolidated financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed by the Company with the Securities and Exchange Commission (the "2023 Annual Report"). These consolidated financial statements and the accompanying notes should be read in conjunction with the 2023 Annual Report. The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in accordance with U.S. GAAP.

Certain prior period amounts have been reclassified to conform to the current period's presentation in the consolidated financial statements and accompanying notes. Specifically, Accounts payable and Accrued expenses were previously combined but are now presented as separate line items on the consolidated statements of cash flows.

In accordance with Rule 4-08(k)(1), Rule 5-02, and Rule 5-03 of Regulation S-X, certain related party transactions previously disclosed in Note 12. *Related Party Transactions*, are now presented on the face of the consolidated balance sheets, consolidated statements of operations and comprehensive income, and consolidated statements of cash flow for all periods presented.

Common Stock Split — On November 13, 2023, the Company effected a three-for-one stock split to stockholders of record on such date (the "Forward Stock Split"). For clarity and consistency in financial reporting, all shares, restricted stock units, performance stock units, stock options, and per share amounts presented in the accompanying consolidated financial statements and related notes have been retrospectively adjusted to account for the effects of the stock split for all periods presented.

Significant Estimates — The preparation of consolidated financial statements and accompanying disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates. Significant estimates include promotional allowances, the allowance for current expected credit losses, allowance for inventory obsolescence and sales returns, the useful lives of property and equipment, impairment of goodwill and intangibles, deferred taxes and related valuation allowance, and the valuation of stock-based compensation.

Segment Reporting — Operating segments are defined as components of an enterprise that engage in business activities, maintain discrete financial information, and undergo regular review by the chief operating decision maker (the "CODM"), who is the Chief Executive Officer, to assess performance and allocate resources.

Despite the Company's presence in several geographical regions, it operates as a single operating segment. The Company's operations and strategies are centrally designed and executed due to the substantial similarities among the geographical components. The CODM evaluates operating results and allocates resources primarily on a consolidated basis due to the significant economic interdependencies between the Company's geographical operations. As a result, the Company is managed as a single operating segment and has a single reportable segment.

Concentrations of Risk — Substantially all of the Company's revenue is derived from the sale of Celsius® functional energy drinks and liquid supplements.

Revenue from customers accounting for more than 10% of total revenue for the three and nine months ended September 30, 2024 and 2023 was as follows:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Pepsi	47.0 %	64.6 %	53.5 %	60.8 %
Costco	14.9 %	8.9 %	12.2 %	11.4 %
Amazon	10.2 %	5.8 %	9.3 %	7.4 %
All others	27.9 %	20.7 %	25.0 %	20.4 %
Total	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

Accounts receivable from customers accounting for more than 10% of total accounts receivable at September 30, 2024, and December 31, 2023 were as follows:

	September 30, 2024	**December 31, 2023**
Pepsi	55.3 %	69.0 %
Amazon	11.3 %	5.9 %
All others	33.4 %	25.1 %
Total	**100.0 %**	**100.0 %**

Cash Equivalents — The Company considers all highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents. As of September 30, 2024 and December 31, 2023, the Company did not hold any instruments with original maturities exceeding three months.

Financial instruments that potentially subject the Company to concentrations of credit risk primarily include cash and cash equivalents, and accounts receivable. As of September 30, 2024 and December 31, 2023, the Company had approximately $903.2 million and $755.5 million, respectively, of cash and cash equivalents in excess of the Federal Deposit Insurance Corporation limit.

Accounts Receivable and Current Expected Credit Losses — The Company is exposed to potential credit risks associated with its product sales and related accounts receivable, as it generally does not require collateral from its customers. The Company's expected loss allowance methodology for accounts receivable is determined using historical collection experience, current and expected future economic and market conditions, an assessment of the current status of customers' trade accounts receivables, and where available, an evaluation of the financial condition and credit ratings of larger customers, including credit reports. Customers are pooled based on common risk factors, and the Company reassesses these customer pools on a periodic basis. The allowance for credit losses is based on aging of the accounts receivable balances and estimated credit loss percentages. The Company estimates expected credit losses for its note receivable related to Qifeng Food Technology (Beijing) Co. Ltd ("Qifeng") by assessing credit risk using the probability of default and incorporating forward-looking information. The repayment, which was formalized via a note receivable from Qifeng (the "Note"), must be serviced even if the licensing agreement is canceled or terminated. The Note is denominated in Chinese-Yuan. Additionally, the Company reserves an allowance for the entire portion of this note that is not covered by the value of certain shares of Celsius Holdings, Inc. held in a brokerage account. See Note 7. *Note Receivable* for more information.

	Allowance for Expected Credit Losses
Balance as of December 31, 2023	$ 3,137
Current period change for expected credit losses	4,244
Balance as of September 30, 2024	**$ 7,381**

Inventories — Inventories are valued at the lower of cost or net realizable value with costs approximating those determined under the first-in, first-out method. Changes in the inventory reserve are included in cost of revenue. See Note 5. *Inventories* for more information.

Deferred Costs — The Company deferred the excess of the Series A Shares' fair value over the proceeds received from Pepsi as part of the Distribution Agreement. These deferred costs are amortized over the twenty-year term of the agreement, aligning the recognition of the costs with the benefits derived from the agreement.

Property and Equipment — Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the asset, generally ranging from three to seven years. See Note 8. *Property and Equipment* for more information.

Leases — The Company follows the provisions of ASC Topic 842, *Leases* ("ASC 842"). The Company leases office space, a warehouse and vehicles, both in the U.S. and internationally under operating and finance leases that expire at various dates through 2034. For new or modified agreements, the Company assesses whether an arrangement contains a lease by evaluating whether the Company obtains (1) the right to substantially all the economic benefits from the use of the asset and (2) the right to direct how and for what purpose the asset is used. If the arrangement contains a lease, the Company records a right-of-use asset and a lease liability, initially recognized based on the discounted future lease payments over the term of the lease. If the rate implicit in the lease is not readily determinable, the applicable incremental borrowing rate is used in calculating the present value of the lease payments. The Company has no residual value guarantees associated with its leases. The office space leases include both lease and non-lease components, such as shared operating costs that typically cover property expenses, including insurance, utilities, and maintenance. The Company elected the practical expedient to account for lease and non-lease components as a single lease component in the calculation of lease liabilities and right-of-use assets. Leases with terms of 12 months or less are not recorded on the consolidated balance sheets.

Long-Lived Assets — In accordance with ASC Topic 360, *Property, Plant, and Equipment* the Company reviews the carrying value of long-lived assets, which includes property and equipment-net, right-of-use assets, and definite-lived intangibles-net, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized for a long-lived asset if its carrying amount is not recoverable and exceeds its fair value. The carrying amount is not considered recoverable when it exceeds the sum of the undiscounted cash flows expected to result from use of the asset over its remaining useful life and final disposition. The Company did not record any impairment charges related to long-lived assets during the nine months ended September 30, 2024 and 2023.

Long-Lived Asset Geographic Data — The following table sets forth long-lived asset information, which includes property and equipment-net, right-of-use assets, and definite-lived intangibles-net and excludes goodwill and indefinite-lived intangibles, for individual countries that represent a significant portion of the total:

	September 30, 2024	December 31, 2023
North America	$ 37,023	$ 24,316
Finland	11,930	12,153
Ireland	3,854	—
Sweden	2,663	2,212
Other	30	29
Long-lived assets related to foreign operations	18,477	14,394
Total long-lived assets-net	**$ 55,500**	**$ 38,710**

Other Current Liabilities — Other current liabilities primarily consist of various state beverage container deposits and VAT/GST payables. As of September 30, 2024 and December 31, 2023, state beverage container deposits payables were $12.5 million and $10.1 million, respectively. As of September 30, 2024 and December 31, 2023, VAT/GST payables were $2.0 million and $0.8 million, respectively. Other current liabilities, excluding these amounts totaled $0.5 million as of September 30, 2024, with no balance as of December 31, 2023.

Deferred Revenue — The Company receives payments from certain distributors in new territories as reimbursement for contract termination costs paid to the prior distributors in those territories. Amounts received pursuant to these new or amended distribution agreements entered into with certain distributors relating to the costs associated with terminating the Company's prior distributors are accounted for as deferred revenue and recognized ratably over the anticipated life of the respective new or amended distribution agreements.

Revenue Recognition — The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue is recognized when performance obligations under the terms of a contract with the customer are satisfied. Product sales occur once control is transferred based on the commercial terms of the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. See Note 4. *Revenue* for more information.

Cost of Revenue — Cost of revenue consists of the costs of raw materials, co-packing fees, repacking fees, inbound and outbound freight charges, certain internal transfer costs, warehouse expenses incurred prior to the manufacturing of the Company's finished products, inventory allowance for excess and obsolete products, and certain quality control costs. Raw materials account for the largest portion of the cost of revenue. Raw materials include concentrates and liquid bases, cans, other containers, flavors, ingredients and packaging materials.

Shipping and Handling Costs — Shipping and handling costs for freight charges on goods shipped are included in cost of revenue. Freight expense on goods shipped for the three months ended September 30, 2024 and 2023 was approximately $9.8 million and $16.1 million, respectively. For the nine months ended September 30, 2024 and 2023, the Company incurred freight expenses on goods shipped of approximately $38.2 million and $45.2 million, respectively.

Advertising Costs — Advertising costs are expensed as incurred and charged to selling, general and administrative expenses. The Company mainly uses targeted marketing initiatives, such as sporting events, print, radio, and television advertising, alongside direct sponsorships and endorsements. The Company incurred advertising costs of approximately $64.4 million and $46.7 million for the three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, the Company incurred advertising costs of approximately $170.3 million and $114.2 million, respectively.

Research and Development — Research and development costs are charged to selling, general and administrative expenses as incurred and consist primarily of consulting fees, raw material usage and test production of beverages. The Company incurred expenses of approximately $0.3 million and $0.5 million for the three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, the Company incurred research and development expenses of approximately $0.8 million and $1.0 million, respectively.

Foreign Currency Gain/Loss — The Company's foreign subsidiaries' functional currencies are either the local currencies of the countries where operations are located or the U.S. dollar. The Company's foreign subsidiaries remeasure their assets and liabilities denominated in non-functional currencies on a periodic basis, and the gain or loss from these adjustments related to fluctuations in foreign exchange rates is included in the consolidated statements of operations and comprehensive income as foreign exchange gain (loss). For the three months ended September 30, 2024 foreign exchange gain was $0.3 million compared to a foreign exchange loss of $0.2 million for the three months ended September 30, 2023. For the nine months ended September 30, 2024, the Company recognized net foreign exchange loss of $0.4 million compared to a an exchange loss of $1.2 million for the nine months ended September 30, 2023.

Foreign Currency Translation — The assets and liabilities of foreign operations are translated into U.S. dollars, which is the Company's reporting currency, using current exchange rates. Translation gains and losses, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in other comprehensive income (loss) as foreign currency translation adjustments, net of income tax. The Company experienced a foreign currency translation net gain for the three months ended September 30, 2024 of $2.0 million and a net loss of $0.7 million for the three months ended September 30, 2023. The Company incurred a foreign currency translation net gain of $0.4 million for the nine months ended September 30, 2024 and a net loss $0.7 million for the nine months ended September 30, 2023.

The Company's operations in different countries required that it primarily transacted in the following currencies:

Australian Dollar,
Canadian Dollar,
Chinese Yuan,
Euro,
Hong Kong Dollar,
New Zealand Dollar,
Pound Sterling, and
Swedish Krona

Fair Value of Financial Instruments — ASC 820, *Fair Value Measurement* ("ASC 820") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs, which rely on the reporting entity's assumptions when there is little or no market data.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, other current liabilities, note receivable, and accrued expenses approximate fair value due to their short-term maturities and market interest rates.

Income Taxes — The Company accounts for income taxes pursuant to the provisions of ASC Topic 740, *Accounting for Income Taxes*. This approach requires, among other things, an asset and liability approach to calculating deferred income taxes, and recognizing deferred tax assets and liabilities for expected future tax consequences stemming from temporary differences between asset and liability carrying amounts and their tax bases.

A valuation allowance is established to offset any net deferred tax assets for which management believes it is more-likely-than-not that the net deferred asset will not be realized.

Earnings per Share — The Company computes earnings per share ("EPS") in accordance with ASC Topic 260, *Earnings per Share* ("ASC 260"), which requires that basic earnings per share of common stock are computed by dividing income or loss available to common stockholders by the weighted average number of shares of common stock outstanding. It also requires companies with different classes of stock (e.g., common stock and participating preferred stock) to calculate EPS using the two-class method. The two-class method is an allocation of earnings (distributed and undistributed) between the holders of common stock and a company's participating preferred stockholders. Under the two-class method, earnings for the reporting period are allocated between common stockholders and other security holders based on their respective participation rights in undistributed earnings.

The Company also computes diluted EPS, which accounts for the impact of potentially dilutive securities on EPS. Dilutive EPS includes the effect of all potentially dilutive shares of common stock that were outstanding during the period. Such dilutive securities may include restricted stock units ("RSUs"), performance stock units ("PSUs"), stock options, and convertible preferred stock. For the computation of diluted EPS, the numerator is adjusted for the reallocation of earnings to participating securities, reflecting the impact of potentially dilutive securities. The denominator is adjusted to include the weighted average number of additional shares of common stock that would have been outstanding if potentially dilutive shares of common stock had been issued. See Note 3. *Earnings per Share* for more information.

Stock-Based Compensation — The Company follows the provisions of ASC Topic 718, *Compensation — Stock Compensation* ("ASC 718") and related interpretations. Stock-based compensation cost is measured on the date of grant based on the fair value of the stock awards. The costs are recognized, over the respective vesting periods of the grants. See Note 15. *Stock-Based Compensation* for more information.

Selling, General and Administrative Expenses — Selling, general and administrative expenses include various operating expenses such as warehousing costs after manufacturing, expenses for advertising, samplings and in-store demonstrations, costs for merchandise displays, point-of-sale materials and premium items, sponsorship expenses, other marketing expenses and design expenses. Selling, general and administrative expenses also include costs such as payroll costs, travel costs, professional service fees (including legal fees), depreciation and other selling, general and administrative costs.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (the "FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This standard enhances segment reporting requirements, necessitating detailed disclosures on key segment expenses and other items, including segment profit or loss measures. It also mandates that companies with a single reportable segment provide comprehensive disclosures. The effective date is for fiscal years beginning after December 15, 2023, and interim periods in fiscal years after December 15, 2024, with retrospective application to all periods presented. The Company expects ASU 2023-07 to impact only disclosures with no effect on the Company's financial condition, results of operations or cash flows.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* , introducing changes to income tax disclosures, primarily relating to effective tax rates and cash paid for taxes. This ASU requires companies to provide an annual rate reconciliation in both dollar figures and percentages, and changes the way annual income taxes paid are disclosed by all entities, necessitating a breakdown by federal, state, and foreign jurisdictions. The standard becomes effective for public business entities for fiscal years beginning after December 15, 2024. Prospective application is permitted. The Company expects ASU 2023-09 to impact only disclosures with no effect on the Company's financial condition, results of operations or cash flows.

3. EARNINGS PER SHARE

The Company’s Series A Preferred Stock is classified as a participating security in accordance with ASC 260. Net income allocated to the holders of Series A Preferred Stock is based on the Series A stockholders’ proportionate share of weighted average shares of common stock outstanding on an if-converted basis. The Series A Preferred Stock is not contractually obligated to share in losses.

For purposes of determining diluted earnings per common share, basic earnings per common share was adjusted to include the effect of potentially dilutive common shares outstanding. These potentially dilutive shares include unvested restricted stock and performance-based stock units. The more dilutive of the two-class method or the treasury stock method is used for this adjustment. Additionally, Series A Preferred Stock is included using the if-converted method.

Under the two-class method, net income is reallocated to common stock, the Series A Preferred Stock, and all potentially dilutive securities based on the contractual participating rights of the respective securities to share in the current earnings as if all of the earnings for the period had been distributed.

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income	$ 6,356	$ 83,949	$ 163,950	$ 176,685
Dividends on Series A convertible preferred stock	(6,913)	(6,875)	(20,588)	(20,512)
Income allocated to participating preferred stock	—	(6,702)	(12,357)	(13,605)
Net (loss) income attributable to common stockholders	**$ (557)**	**$ 70,372**	**$ 131,005**	**$ 142,568**
Effect of dilutive securities:				
Allocation of earnings to participating securities	$ —	$ 6,702	$ 12,357	$ 13,605
Reallocation of earnings to participating securities	—	(6,540)	(12,154)	(13,263)
Net (loss) income available to common stockholders after assumed conversions	**$ (557)**	**$ 70,534**	**$ 131,208**	**$ 142,910**
Denominator:				
Weighted average basic common shares outstanding	233,696	231,006	233,219	230,523
Dilutive effect of common shares	—	6,267	4,261	6,363
Weighted average diluted common shares outstanding	**233,696**	**237,273**	**237,480**	**236,886**
(Loss) earnings per share:				
Basic	$ (0.00)	$ 0.30	$ 0.56	$ 0.62
Dilutive	$ (0.00)	$ 0.30	$ 0.55	$ 0.60

(1) *Forward Stock Split - The share numbers have been retrospectively adjusted to reflect the three-for-one stock split that became effective on November 13, 2023. See Note 2. Basis of Presentation and Summary of Significant Accounting Policies for more information.*

For the three months ended September 30, 2024 and September 30, 2023, 27.1 million and 21.9 million potentially dilutive securities, respectively, were excluded from the computation of diluted earnings per share related to common stockholders, as their effect was antidilutive.

For the nine months ended September 30, 2024 and September 30, 2023, 22.0 million and 21.9 million potentially dilutive securities, respectively, were excluded from the computation of diluted earnings per share related to common stockholders, as their effect was antidilutive.

4. REVENUE

The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied. The primary performance obligation is the promise to sell finished products to customers, including distributors, wholesalers, and retailers. Performance obligations are typically satisfied once control or title is transferred based on the commercial terms of the applicable agreements with customers, and traditionally such agreements do not allow for a right of return. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. Revenue is recorded net of variable consideration, such as provisions for returns, discounts and allowances. Such provisions are calculated using historical averages and adjusted for any expected changes due to current business conditions. Consideration given to customers for cooperative advertising is recognized as a reduction of revenue except to the extent that there is a distinct good or service, in which case the expense is classified as selling, general and administrative expenses, in the Company's consolidated statements of operations and comprehensive income. The amount of consideration the Company receives and revenue the Company recognizes varies with changes in incentives the Company offers to its customers and their customers.

Net revenue by geographical location consisted of the following:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2024	2023	2024	2023
North America	$ 247,125	$ 371,178	$ 968,988	$ 930,545
Europe	16,243	11,038	47,069	31,599
Asia-Pacific	594	1,247	2,129	4,111
Other	1,786	1,294	5,247	4,324
Revenue	**$ 265,748**	**$ 384,757**	**$ 1,023,433**	**$ 970,579**

All of the Company's North America revenue is derived from the United States and Canada.

Sweden represented the largest foreign portion of total consolidated revenue, accounting for approximately $9.5 million and $7.4 million for the three months ended September 30, 2024 and 2023, respectively, and approximately $30.7 million and $20.8 million for the nine months ended September 30, 2024 and 2023, respectively.

Promotional (Billback) Allowances

The Company's promotional allowance programs with its distributors or retailers are executed through separate agreements in the ordinary course of business (variable consideration). These agreements provide for one or more of the arrangements described below and are of varying duration. The Company's billbacks are calculated based on various programs with distributors and retail customers, and accruals are established for the Company's anticipated liabilities. These accruals are based on agreed upon terms as well as the Company's historical experience with similar programs and require management's judgment with respect to estimating consumer participation and distributor and retail customer performance levels. Differences between estimated and actual promotional and other allowances are recognized in the period such differences are determined.

Promotional allowances are recorded as reductions to revenue and primarily include consideration given to the Company's distributors or retail customers including, but not limited to the following:

- discounts from list prices to support price promotions to end-consumers by retailers;
- reimbursements given to distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products;
- the Company's agreed share of fees given to distributors and/or directly to retailers for certain advertising, in-store marketing and promotional activities;
- the Company's agreed share of slotting, shelf space allowances and other fees given directly to retailers, club stores and/or wholesalers;
- incentives provided to distributors and/or retailers for achieving or exceeding certain predetermined volume goals or other incentive targets;
- discounted products;
- contractual fees paid to distributors related to sales made directly by the Company to certain customers that fall within the distributors' sales territories; and
- contractual fees given to distributors for items sold below defined pricing targets.

For the three months ended September 30, 2024 and 2023, promotional allowance included as a reduction of revenue was $110.3 million and $88.6 million, respectively. For the nine months ended September 30, 2024 and 2023, promotional allowance included as a reduction of revenue was $326.7 million and $240.6 million, respectively.

Agreements with Pepsi

The Company executed multiple agreements with Pepsi on August 1, 2022, including the Distribution Agreement relating to the sale and distribution of certain of the Company's beverage products in existing channels and distribution methods in the U.S., excluding certain existing customer accounts and sales channels, and the U.S. Virgin Islands (collectively, the "Territory"). Under the Distribution Agreement, the Company granted Pepsi the right to sell and distribute its existing beverage products in existing channels and distribution methods and future beverage products that are added from time to time as licensed products under the Distribution Agreement in the Territory. The Distribution Agreement represents a master service agreement and can be canceled by either party without cause in the nineteenth year of the term (i.e., 2041), the twenty-ninth year of the term (i.e., 2051) and in each 10th year thereafter (i.e., 2061, 2071, etc.) by providing 12 months' written notice to the other party on August 1st of the year preceding the year of termination. Except for a termination by the Company "with cause" or a termination by Pepsi "without cause," (each as defined in the Distribution Agreement), the Company is required to pay Pepsi certain compensation upon a termination as specified in the Distribution Agreement.

The Company agreed to provide Pepsi a right of first offer in the event the Company intends to (i) manufacture, distribute or sell products in certain additional countries as specified in the Distribution Agreement or (ii) distribute or sell products in any future channels and distribution methods during the term of the Distribution Agreement. Pepsi agreed to meet and confer in good faith with the Company regarding the terms and conditions upon which Pepsi may be willing to sell or distribute the Company's products, either directly or through local sub-distributors in certain other additional countries. The Distribution Agreement includes other customary provisions, including non-competition covenants in favor of the Company, representations and warranties, indemnification provisions, insurance provisions, and confidentiality provisions. In the fourth quarter of 2023, under the terms of the Distribution Agreement, the Company and Pepsi agreed to extend distribution to the Canadian market, which commenced in January of 2024 with Pepsi serving as the exclusive distributor.

On August 1, 2022, the Company and Pepsi executed a transition agreement providing for the Company's transition of certain existing distribution rights in the Territory to Pepsi (the "Transition Agreement"). Under the terms of the Transition Agreement, Pepsi agreed to pay the Company up to $250 million in multiple tranches to facilitate the Company's transition of certain distribution rights to Pepsi. The Company received $227.8 million from Pepsi that were contractually restricted to be used only to pay termination fees due to other distributors; any excess cash received over amounts due to other distributors was required to be refunded to Pepsi. During 2023, $38.3 million of such funds were refunded to Pepsi. As of and after December 31, 2023, there was no refund liability owed to Pepsi.

On March 23, 2024, the Company entered into Amendment No. 1 to the Distribution Agreement with Pepsi, pursuant to which the Company will provide Pepsi with an incentive program designed to incentivize and compensate Pepsi for its continued focus on and actions to support the Company. These incentives are accounted for as promotional allowances and recorded as a reduction to revenue.

License Agreement

In January 2019, the Company entered into a license and repayment of investment agreement with Qifeng. Under the agreement, Qifeng was granted the exclusive license rights to manufacture, market and commercialize Celsius branded products in China. The term of the agreement is 50 years, with annual royalty fees due from Qifeng after the end of each calendar year. The royalty fees are based on a percentage of Qifeng's sales of Celsius branded products; however, the fees are fixed for the first five years of the agreement, totaling approximately $6.9 million combined, and then are subject to annual guaranteed minimums over the remaining term of the agreement.

Under the agreement, the Company granted Qifeng exclusive license rights and provides ongoing support in product development, brand promotion and technical expertise. The ongoing support is integral to the exclusive licensing rights; therefore, the license and the support represent a combined, single performance obligation. The transaction price consists of the guaranteed minimums and the variable royalty fees, all of which are allocated to the single performance obligation.

The Company uses the passage of time to measure progress towards satisfying its performance obligation because of its ongoing efforts in providing the exclusive license rights, including providing continuous access, updates and support, to product development, brand promotion and technical expertise.

5. INVENTORIES

Inventories-net consists of the following:

	September 30, 2024	December 31, 2023
Finished goods	$ 174,255	$ 184,434
Raw materials	28,332	49,022
Less: inventory reserve	(5,015)	(4,181)
Inventories-net	**$ 197,572**	**$ 229,275**

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets totaled approximately $38.2 million and $19.5 million as of September 30, 2024 and December 31, 2023, respectively, consisting mainly of tax receivables, prepaid insurance, prepaid advertising, prepaid advances to co-packers related to inventory production, prepaid general expenses, prepaid slotting fees, and deposits on purchases.

7. NOTE RECEIVABLE

The note receivable from Qifeng consists of the following:

	September 30, 2024	December 31, 2023
Note receivable-current	$ 3,517	$ 3,471
Allowance for expected credit losses	(2,492)	(1,153)
Note receivable-current-net	**$ 1,025**	**$ 2,318**

Effective January 1, 2019, the Company entered into two separate economic agreements relating to the commercialization of Celsius products in China (i.e., the Qifeng exclusive license rights agreement and the Qifeng repayment of investment agreement). See Note 4. *Revenue* for information regarding the license agreement with Qifeng.

In addition to the license agreement, Qifeng agreed to repay, over a five-year period, the marketing investments made by Celsius into the China market through 2018. The Note required annual principal and interest payments on March 31 of each year, with the final payment scheduled for 2024. In February 2024, the Company amended the Note and extended the final maturity date to December 31, 2024. The Note is recorded at amortized cost less an allowance for expected credit losses. Interest income generated from the Note is included in the financial statement line item Interest income on note receivable in the consolidated statements of operations and comprehensive income.

The Company assesses the Note by considering the probability that the Company will be unable to collect the scheduled principal and interest payments based on historical experience of Qifeng's ability to pay, the current economic environment, forward-looking information and other factors. As evidence of solvency for the Note, a stock certificate in Celsius Holdings, Inc. representing 60,000 shares owned by an affiliate under common control of Qifeng is held at a brokerage account. A letter of guarantee was executed with several restrictions regarding their shares. In particular, it was agreed that the stock would not be sold or transferred without the prior written consent from Celsius. Additional restrictions and agreements include that a statement of account will be provided to Celsius on a quarterly basis to confirm and validate the existence of the remaining shares.

8. PROPERTY AND EQUIPMENT

Property and equipment-net consists of the following:

	Estimated Useful Life in Years	September 30, 2024	December 31, 2023
Merchandising equipment - coolers	3-7	$ 36,573	$ 21,908
Office equipment	3-7	1,632	1,467
Vehicles	5	9,070	6,143
Less: accumulated depreciation		(8,905)	(4,650)
Property and equipment-net		**$ 38,370**	**$ 24,868**

Depreciation expense amounted to approximately $2.2 million and $0.7 million for the three months ended September 30, 2024 and 2023, respectively, and is reflected in selling, general and administrative expenses. Depreciation expense amounted to approximately $4.5 million and $1.7 million for the nine months ended September 30, 2024 and 2023, respectively.

9. LEASES

The Company leases office space, a warehouse, and vehicles, both in the U.S. and internationally under operating and finance leases. The components of lease costs were as follows:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
(in Thousands)	**2024**	**2023**	**2024**	**2023**
Operating lease costs	$ 328	$ 200	$ 887	$ 569
Amortization of right of use assets- finance lease	32	21	94	65
Total lease costs	**$ 360**	**$ 221**	**$ 981**	**$ 634**

Supplemental cash flow information and non-cash activity were as follows:

	For The Nine Months Ended September 30,	
(in Thousands)	**2024**	**2023**
Cash paid for amounts related to lease liabilities		
Operating cash flows from finance leases (interest)	$ 8	$ 5
Operating cash flows from operating leases	869	583
Financing cash flows from finance leases (principal)	46	33
Right-of-use assets obtained in exchange for lease obligations	**$ 4,248**	**$ 777**

Weighted-average remaining lease terms and discount rates:

	For The Nine Months Ended September 30,	
	2024	**2023**
Weighted-average remaining lease terms in years		
Operating leases	7.92	2.26
Finance leases	1.75	2.16
Weighted-average discount rate		
Operating leases	6.19 %	6.55 %
Finance leases	3.68 %	3.00 %

The aggregate annual lease obligations at September 30, 2024, were as follows:

	Operating Leases	**Finance Leases**
2024	$ 438	$ 19
2025	1,129	103
2026	884	181
2027	676	—
2028	660	—
Thereafter	2,963	—
Total future minimum lease payments	**$ 6,750**	**$ 303**
Less: amounts representing interest	1,199	15
Present value of lease liabilities	5,551	288
Less: current portion	1,358	99
Long-term portion	**$ 4,193**	**$ 189**

During September 2024, the Company entered into a non-cancelable sublease agreement for office space from a sublessor, which commenced in October 2024 and expires in 2029. The sublease terminates in the event the related master lease is terminated.

Upon commencement, the Company began recognizing a right-of-use asset and lease liability related to the agreement in accordance with ASC 842. The lease results in future lease payments totaling approximately $9.8 million over the duration of the lease term, with certain rent abatement and customary rent increases. Lease payments under this lease begin in August 2025. Lease expense will be recognized starting from the lease commencement date in October 2024 and will continue on a straight-line basis over the lease term. Lease expense will be included in selling, general and administrative expenses in subsequent periods.

10. GOODWILL AND INTANGIBLES

At September 30, 2024 and December 31, 2023, goodwill was approximately $14.4 million and $14.2 million, respectively. The goodwill balance is subject to fluctuations as a result of changes in foreign exchange rates.

The carrying amount and accumulated amortization of intangible assets, net of the impact of foreign exchange rates, as of September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024	December 31, 2023
Definite-lived intangible assets		
Customer relationships	$ 14,085	$ 13,911
Less: accumulated amortization	(2,676)	(2,233)
Definite-lived intangible assets-net	$ 11,409	$ 11,678
Indefinite-lived intangible assets		
Brands	$ 468	$ 461
Intangibles-net	**$ 11,877**	**$ 12,139**

As of September 30, 2024 and December 31, 2023, there were no indicators of goodwill or intangible asset impairment. Customer relationships are amortized over an estimated useful life of 25 years, while brands have an indefinite life. Amortization expense for each of the three months ended September 30, 2024 and 2023 was approximately $0.1 million. Amortization expense for each of the nine months ended September 30, 2024 and 2023 was approximately $0.4 million. Amortization expense is included in selling, general and administrative expenses.

The following is the future estimated annualized amortization expense related to customer relationships:

2024	$ 141
2025	563
2026	563
2027	563
2028	563
Thereafter	9,016
Total	**$ 11,409**

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of September 30, 2024 and December 31, 2023 accounts payable was approximately $30.9 million and $42.8 million, respectively.

Accrued expenses consisted of the following:

	September 30, 2024	December 31, 2023
Accrued marketing	$ 23,549	$ 18,252
Unbilled purchases	14,811	11,851
Accrued legal	5,572	7,633
Accrued freight	2,883	2,267
Other accrued expenses	26,209	22,117
Accrued expenses	**$ 73,024**	**$ 62,120**

12. RELATED PARTY TRANSACTIONS

Transactions with Pepsi

As further described in Note 13. *Mezzanine Equity*, on August 1, 2022, the Company issued approximately 1.5 million shares of non-voting Series A Preferred Stock to Pepsi. The shares accounted for approximately 8.5% of the Company's outstanding common stock on the date of issuance, on an if-converted method. The purchase agreement (the "Purchase Agreement"), pursuant to which Pepsi acquired the Series A Preferred Stock, grants Pepsi the right to designate a nominee for election to the Company's Board of Directors (the "Board"), provided that Pepsi meets certain ownership requirements.

Pepsi provided the Company $227.8 million in cash under the Transition Agreement in 2022. This amount was used to settle termination fees with former distributors, and any excess cash was contractually restricted and due back to Pepsi. During 2023, $38.3 million of such funds were refunded to Pepsi. Amounts received pursuant to the Transition Agreement relating to the costs associated with terminating the Company's prior distributors were accounted for as deferred revenue and are being recognized ratably over the 20 year term of the Distribution Agreement. Unamortized deferred revenues (current and non-current) are included as separate line items on the consolidated balance sheets.

On August 1, 2022, the Company issued Series A Preferred Stock with a fair value of $832.5 million for an issuance price of $550.0 million and recorded the $282.5 million excess as deferred costs on the consolidated balance sheets (see Note 13. *Mezzanine Equity*). Costs are being amortized over the 20 year term of the Distribution Agreement and are recorded as an offset to revenue. Unamortized deferred other costs (current and non-current) are included as separate line items on the consolidated balance sheets.

See Note 1. *Organization and Description of Business,* Note 2. *Basis of Presentation and Summary of Significant Accounting Policies,* Note 4. *Revenue,* and Note 13. *Mezzanine Equity* for more information.

Related Party Leases

The Company's office space is leased from a company affiliated with CDR Federal, LLC, which is owned by certain of the Company's principal stockholders. The leases extend until March 2025 and have a combined monthly rent of $55 thousand. The associated lease liability was $0.5 million as of both September 30, 2024 and December 31, 2023.

13. MEZZANINE EQUITY

Series A Convertible Preferred Stock

As of September 30, 2024 and December 31, 2023, the Company has designated and authorized 1,466,666 shares of Series A Preferred Stock with a par value of $0.001 per share and a stated value of $375.00 per share. The stated value per share may be increased from time to time in the event dividends on the Series A are paid-in-kind ("PIK dividends") pursuant to the Series A Certification of Designation (the "Series A Certificate"). On August 1, 2022, pursuant to the Purchase Agreement, the Company issued all of the authorized Series A Preferred Stock to Pepsi for stated cash consideration aggregating $550 million, excluding

issuance costs. The Series A Preferred Stock was issued concurrently with the execution of the Distribution Agreement and the Transition Agreement. The Company determined that the aggregate fair value of the Series A Preferred Stock on the issuance date was $832.5 million, or $567.61 per share. Accordingly, the Series A Preferred Stock was recorded at that amount, net of issuance costs of $8.0 million, in the Company's consolidated balance sheets, and consolidated statements of changes in stockholders' equity and mezzanine equity.

The Company engaged a third-party valuation firm to assist in determining the fair value of the approximately 1.5 million shares of Series A Preferred Stock issued on August 1, 2022. The valuation of the Series A Preferred Stock represents a non-recurring fair value measurement. The Company used a Monte Carlo simulation model to determine the fair value of the Series A Preferred Stock on August 1, 2022. The Monte Carlo simulation utilized multiple level 2 input variables to determine the value of the Series A Preferred Stock including a volatility rate of 45%, risk free interest rate of 2.69%, 5.0% dividend rate, the closing price of the Company's common stock on the issuance date of $98.87 (pre-split), a debt discount rate of 12.5% and a discount for lack of marketability attributed to the registration period of the underlying stock. The selected historical volatility was based on Celsius and a certain peer group. The risk-free interest rate was based on the U.S. STRIPS Rate with a corresponding term as of issuance date. The 5.0% dividend rate is consistent with the provisions of the Series A Preferred Stock and with the Company's past payments of dividends made in cash. The debt discount rate was based on estimated credit analysis and corresponding market yields as of the issuance date. The Company applied a nominal discount for lack of marketability with respect to the assumed registration period of the underlying shares.

Mezzanine Classification

The Series A Preferred Stock is redeemable in the event of a change in control as defined in the Series A Certificate. ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480"), specifically ASC 480-10-S99-3A, requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity if they are redeemable (i) at a fixed or determinable price on a fixed or determinable date, (ii) at the option of the holder, or (iii) upon the occurrence of an event that is not solely within the control of the issuer. Preferred securities that are mandatorily redeemable are required to be classified by the issuer as liabilities whereas under ASC 480 an issuer should classify a preferred security whose redemption is contingent on an event not entirely in control of the issuer as mezzanine equity. The Series A is not considered mandatorily redeemable other than in the event of a change of control, and a change in control is not solely in control of the Company. Accordingly, the Company determined that mezzanine treatment is appropriate for the Series A and has presented it as such in the consolidated balance sheets and consolidated statements of changes in stockholders' equity and mezzanine equity, as of both September 30, 2024 and December 31, 2023.

Pursuant to the Purchase Agreement, Pepsi, together with its affiliates, has certain rights and is also subject to various restrictions with respect to its ownership of the Company's outstanding common shares on an as-converted basis, through purchases of the Company's common stock in the open market and the accumulation of PIK dividends. Additionally, pursuant to the Purchase Agreement, Pepsi has the right to designate one nominee for election to the Board so long as Pepsi (together with its affiliates) beneficially owns at least approximately 11.0 million shares of the Company's outstanding common stock on an as-converted basis. Notwithstanding that the Series A is not currently convertible into common stock, the Purchase Agreement provides that Pepsi is deemed to beneficially own the underlying shares of common stock for purposes of its rights under the Purchase Agreement. In August 2022, the Company expanded the number of Board seats in connection with the election of a Pepsi representative to the Board.

Liquidation Preference

The Series A ranks, with respect to distribution rights and rights on liquidation, winding-up and dissolution, (i) senior and in priority of payment to the Company's common stock, (ii) senior to any class or series of capital stock of the Company expressly designated as ranking junior to the Series A, (iii) on parity with any class or series of capital stock of the Company expressly designated as ranking on parity with the Series A, and (iv) junior to any class or series of capital stock of the Company expressly designated as ranking senior to the Series A. The aggregate liquidation preference of the Series A was $550 million as of both September 30, 2024 and December 31, 2023.

Voting

The Series A confers no voting rights, except as otherwise required by applicable law, and with respect to matters that adversely change the powers, preferences, privileges, rights or restrictions given to the Series A or provided for its benefit, or would result in securities that would be senior to or *pari passu* with the Series A. As described above, Pepsi has a contractual right to representation on the Board, subject to maintaining certain ownership thresholds.

Stock Split

As a result of the Forward Stock Split, the conversion ratio for Series A Preferred Stock, initially set at five-for-one, was adjusted to fifteen-for-one. The adjustment maintains the proportional interests of Series A stockholders post-split. The revised conversion ratio, reflecting the impact of the Forward Stock Split, became effective on the split's effective date.

Dividends

The Series A entitles the holder to cumulative dividends, which are payable quarterly in arrears either in cash, in-kind, or a combination thereof, at the Company's election ("Regular Dividends"). Regular Dividends accrue on each share of Series A at the rate of 5.00% per annum, subject to adjustment as set forth in the Series A Certificate. In addition to such quarterly Regular Dividends, shares of Series A also entitle the holder to participate in any dividends paid on the Company's common stock on an as-converted basis. There were no cumulative undeclared dividends on the Series A at September 30, 2024. There were no dividends issued to common stockholders for the nine months ended September 30, 2024 or 2023.

Redemption

Subject to certain conditions set forth in the Series A Certificate, Series A may be redeemed at a price per share of Series A equal to the sum of (i) the stated value of such share of Series A as of the applicable redemption date, plus (ii) without duplication, all accrued and unpaid dividends previously added to the stated value of such share of Series A, and all accrued and unpaid dividends per share of Series A through such redemption date (the "Redemption Price").

Company's Optional Redemption

At any time from and after the earlier of (i) August 1, 2029, if the ten-day volume weighted average price of the Company's common stock (the "Ten-Day VWAP") does not exceed the conversion price on the date immediately prior to the date the Company delivers a redemption notice to the holders, and (ii) the cancellation of the Distribution Agreement by the Company, the Company has the right to redeem all (and not less than all) of the then-outstanding shares of Series A at the Redemption Price. In the event of the Company's optional redemption, the Company shall affect such redemption by paying the entire Redemption Price on or before the date that is thirty days after the delivery of the Company's redemption notice and by redeeming all the shares of Series A on such date.

Change in Control Redemption

In the event of a change in control, as defined by the following scenarios, the Company (or its successor) shall redeem all (and not less than all) of the then-issued and outstanding shares of Series A: (i) a sale or transfer, directly or indirectly, of all or substantially all of the assets of the Company in any transaction or series of related transactions (other than sales in the ordinary course of business); (ii) any merger, consolidation or reorganization of the Company with or into any other entity or entities as a result of which the holders of the Company's outstanding capital stock (on a fully-diluted basis) immediately prior to the merger, consolidation or reorganization no longer represent at least a majority of the voting power of the surviving or resulting Company or other entity; or (iii) any sale or series of sales, directly or indirectly, beneficially or of record, of shares of the Company's capital stock by the holders thereof which results in any person or group of affiliated persons owning capital stock holding more than 50% of the Company's voting power.

Upon a change in control and redemption, each Series A holder will receive, an amount equal to the greater of (A) the Redemption Price in cash, or (B) the cash and/or other assets (including securities) such holder would have received if each share of Series A were converted into a number of shares of common stock equal to the then-applicable conversion ratio and participated in such transaction resulting in such change of control as of the close of business on the business day immediately prior to the effective date of such transaction.

If the Company or its successor shall not have sufficient funds legally available under the Nevada law governing distributions to stockholders to redeem all outstanding shares of Series A, then the Company shall (A) redeem, pro rata among the holders, a number of shares of Series A equal to the number of shares of Series A that can be redeemed with the maximum amount legally available for the redemption, and (B) redeem all remaining shares of Series A not redeemed because of the foregoing limitations at the applicable change of control Redemption Price as soon as practicable after the Company (or its successor) is able to make such redemption out of assets legally available for the purchase of such shares of Series A. The inability of the Company (or its successor) to make a redemption payment for any reason shall not relieve the Company (or its successor) from its obligation to affect any required redemption when, as and if permitted by applicable law.

Holder Right to Request Redemption

On each of August 1, 2029, August 1, 2032, and August 1, 2035, the majority holders of the Series A have the right, upon no less than six months prior written notice to the Company, to request that the Company redeem all (and not less than all) of the then-outstanding shares of Series A, at the Redemption Price.

In the event of a holder-optional redemption, the Redemption Price will be payable, and the Company shall redeem the shares in three equal installments. These installments would commence on August 1, 2029, August 1, 2032, or August 1, 2035, as applicable, and in each case on the fifteenth- and thirtieth-month anniversary thereafter. On each redemption date for a holder-optional redemption, the Company will redeem shares of Series A on a pro rata basis according to the number of shares owned by each holder. The number of outstanding shares will be determined by dividing (i) the total number of shares of Series A Preferred Stock outstanding immediately prior to such redemption date by (ii) the number of remaining redemption dates (including the redemption date to which such calculation applies).

If, on any redemption date, legal constraints under the Nevada law governing distributions to stockholders or the terms of any indebtedness of the Company to financial institutions prevents the Company from redeeming all shares of Series A, the Company will ratably redeem the maximum number of shares that it may legally redeem, and will redeem the remaining shares as soon as it may lawfully do so.

Should any shares of Series A scheduled for redemption on a redemption date remain unredeemed for any reason on such redemption date, the following will occur: from the redemption date to the fifteen-month anniversary of such redemption date, the dividend rate with respect to such unredeemed share will automatically increase to 8% per annum. From such fifteenth-month anniversary to the thirtieth-month anniversary of such redemption date, the dividend rate with respect to such unredeemed share will automatically increase to 10% per annum. After such thirtieth-month anniversary of such redemption date, the dividend rate with respect to any such unredeemed share will automatically increase to 12% per annum, in each case until such share is duly redeemed or converted.

Conversion

The shares of Series A may be converted into shares of the Company's common stock pursuant to the Series A Certificate either at the option of the Company or subject to an automatic conversion as discussed below. The Series A was issued with a conversion price of $ 25 which is potentially subject to adjustment pursuant to the Series A Certificate. The conversion ratio is calculated as the quotient of (a) the sum of (x) the stated value of such share of Series A as of the applicable conversion date, plus (y) all accrued and unpaid dividends previously added to the stated value of such share of Series A, and without duplication, all accrued and unpaid dividends per share of Series A through the applicable conversion date; divided by (b) the conversion price as of the conversion date. As of September 30, 2024, the conversion ratio of the Series A into common was one-for-fifteen. At September 30, 2024, approximately 22.0 million shares of the Company's common stock were issuable upon conversion of the Series A Preferred Stock.

As of September 30, 2024, the Series A was not probable of becoming redeemable, as the most likely method of settlement is through conversion which is likely to occur before the holder's right to request redemption becomes exercisable.

Company Optional Conversion

At any time from and after August 1, 2029, provided the Ten-Day VWAP immediately prior to the date the Company delivers a conversion notice to the holders of Series A exceeds the conversion price, the Company may elect to convert all, but not less than all, of the outstanding shares of Series A into shares of the Company's common stock.

Automatic Conversion

The Series A will convert automatically into shares of the Company's common stock upon the occurrence of any of the following, each an "Automatic Conversion Event":

- Any date from and after the valid termination of the Distribution Agreement by the Company or Pepsi, if the Ten-Day VWAP immediately preceding such date exceeds the conversion price of such share as of such date.
- Any date from and after August 1, 2028, on which (x) the Company's products meet a market share requirement during a specified period (as defined in the Distribution Agreement) and (y) the Ten-Day VWAP immediately prior to such date exceeds the conversion price of such share as of such date. In the case of an Automatic Conversion Event, each share of Series A then outstanding shall be converted into the number of shares of common stock equal to the conversion ratio of such share in effect as of the automatic conversion date. The occurrence of an Automatic Conversion Event will terminate any right of the holder to receive a redemption at their request even if such request had already been submitted, provided that the Series A Preferred shares had not already been redeemed.

14. INCOME TAXES

In general, the Company uses an estimated annual effective tax rate, which is based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain discrete items are separately recognized in the quarter in which they occur and can be a source of variability on the effective tax rates from quarter to quarter. The Company's effective tax rate may change from period to period based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, and state and local income taxes.

The effective income tax rate for the three months ended September 30, 2024 was 22.3%. Such rate differed from the statutory federal income tax rate of 21.0% primarily due to disallowed stock-based compensation expense and state income taxes. The effective income tax rate for the nine months ended September 30, 2024 was 20.1%. Such rate differed from the statutory federal income tax rate of 21.0% primarily due to significant windfall benefits on stock-based compensation awards in the first quarter treated as a discrete items, offset by disallowed stock-based compensation expense and state income taxes.

The effective income tax rate for the three months ended September 30, 2023 was 19.9%. Such rate differed from the statutory federal income tax rate of 21.0% primarily due to net benefits on stock-based compensation awards, disallowed stock-based compensation expense and state income taxes. The effective income tax rate for the nine months ended September 30, 2023 was 21.1%. Such rate differed from the statutory federal income tax rate of 21.0% primarily due to disallowed stock-based compensation expense and state income taxes, partially offset by windfall benefits on stock-based compensation awards.

The Company is subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. The Company's tax returns for tax years beginning 2020 remain subject to potential examination by the taxing authorities.

15. STOCK-BASED COMPENSATION

On April 30, 2015, the Company adopted the 2015 Stock Incentive Plan (the "2015 Plan") with the objective of attracting and retaining highly competent personnel through opportunities to acquire the Company's common stock.

As of September 30, 2024, 20.8 million shares were available for issuance under the 2015 Plan. The 2015 Plan expires in 2025, and the Company intends to seek stockholder approval of a new plan at the Company's 2025 annual meeting of stockholders.

The 2006 Incentive Stock Plan (the "2006 Plan"), which was adopted on January 18, 2007 and expired in 2017, similarly had the objective of attracting and retaining highly competent employees, directors, and independent consultants through opportunities to acquire the Company's common stock. As of September 30, 2024, there were no unvested awards under the 2006 Plan and certain vested but unexercised awards remained outstanding. No further awards can be granted under the 2006 Plan.

For the three months ended September 30, 2024 and 2023, the Company recognized stock-based compensation expense of approximately $5.4 million and $5.0 million, respectively, included in selling, general and administrative expenses. For the nine months ended September 30, 2024 and 2023, this expense was approximately $13.7 million and $16.2 million, respectively, included in selling, general and administrative expenses.

The Company used straight-line amortization of compensation expense over the requisite service or vesting period of the grant and recognizes forfeitures as they occur.

Stock Options

The maximum contractual term of the Company's stock options is 10 years.

The Company used the Black-Scholes option-pricing model to estimate the fair value of its stock option awards and warrant issuances.

A summary of the status of the Company's outstanding stock options as of September 30, 2024 and changes during the nine months ending on that date is as follows:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value[1]	Weighted Average Remaining Term (Yrs)
At December 31, 2023	4,918	$ 3.81	$ 249,541	4.45
Exercised	(2,489)	1.54	112,394	—
Forfeiture and cancelled	—	—	—	—
At September 30, 2024	**2,429**	**$ 6.13**	**$ 61,277**	**5.00**
Exercisable at September 30, 2024	**2,429**	**$ 6.13**	**$ 61,277**	**5.00**

[1] The intrinsic value represents the amount by which the fair value of the Company's common stock exceeded the option exercise price as of September 30, 2024.

The total intrinsic value of the stock options exercised was $51.1 million for the three months ended September 30, 2024 compared to $50.5 million for the three months ended September 30, 2023. For the nine months ended September 30, 2024, the total intrinsic value of the stock options exercised was $112.4 million compared to $78.6 million for the nine months ended September 30, 2023. The total number of stock options exercised was 1.7 million during the three months ended September 30, 2024 compared to 1.0 million for the three months ended September 30, 2023.

As of September 30, 2024, the Company did not have any unrecognized pre-tax non-cash compensation expense related to options to purchase shares.

Restricted Stock Units

Restricted stock units are awards that give the holder the right to receive one share of common stock for each restricted stock unit upon meeting service-based vesting conditions (typically annual vesting in three equal annual installments, with a requirement that the holder remains in the continuous employment of the Company). The Company determines the fair value of restricted stock-based awards that vest over time based on the market price of the common stock on the date of grant. The holders of unvested units do not have the same rights as stockholders and do not have the right to receive any dividends or the right to vote.

A summary of the Company's restricted stock unit activity for the nine months ended September 30, 2024 and 2023 is presented in the following table:

	Nine Months Ended			
	September 30, 2024		September 30, 2023	
	Shares	Weighted Average Grant Date Fair Value	Shares[1]	Weighted Average Grant Date Fair Value[1]
Unvested at beginning of period	1,218	$ 26.13	1,617	$ 20.24
Granted	279	73.67	432	35.14
Vested	(653)	22.90	(618)	19.50
Forfeited and cancelled	(66)	38.07	(192)	24.22
Unvested at end of period	**778**	**$ 44.95**	**1,239**	**$ 31.42**

[1] *Forward Stock Split - The share numbers have been retrospectively adjusted to reflect the three-for-one stock split that became effective on November 13, 2023. See Note 2. Basis of Presentation and Summary of Significant Accounting Policies for more information.*

The total fair value of shares vested during the nine months ended September 30, 2024 and 2023 was approximately $15.0 million and $22.1 million, respectively. Unrecognized compensation expense related to outstanding restricted stock units to employees and directors as of September 30, 2024 and 2023 was $25.0 million and $20.0 million, respectively, and is expected to be expensed over the next 2.1 years.

Performance-based Stock Awards

PSUs are awards that give the holder the right to receive one share of common stock for each PSU upon meeting performance or market-based vesting conditions. These conditions typically include the attainment of specific metrics over a defined period. The fair value of the PSUs is determined based on either the grant date fair value for performance metrics or using a Monte Carlo simulation for market based awards. The Company recognizes expense if the metrics are probable of being achieved and expensed using either a straight line or an accelerated attribution model. Additionally, the Company recognizes compensation expense for non-employees in the same manner and periods as though cash had been paid for services received.

The Human Resources and Compensation Committee of the Board of Directors approved certain PSUs under the 2015 Plan, with each PSU initially equivalent in value to one share of Celsius' common stock.

In the third quarter of 2022, PSUs with an aggregate grant date fair value of $7.5 million, were issued to certain employees. These awards included an immediate vesting of 20% of the shares as well as specific performance-based metrics to be met in year one and year two of the issuance. These awards were fully vested, using the accelerated attribution method according to ASC 718, during the three months ended September 30, 2024.

In March 2024, PSUs with an aggregate award of approximately 65,000 shares of the Company's common stock were granted to certain officers of the Company. The PSUs vest over a period of three years from the grant date based on continuous service, with the number of shares earned (50% to 200% of the target awarded) depending upon the extent to which the Company can achieve certain financial and market performance targets measured over the period beginning January 1, 2024 through December 31, 2026. Approximately one-third of the PSUs were valued at $79.27 per PSU based on the Company's common stock price on the grant date, and the financial targets for vesting are based on the Company's achievement of certain revenue metrics. The Company recognizes the grant-date fair value of these PSUs as stock-based compensation expense ratably over the vesting period based on the number of awards expected to vest at each reporting date. The remaining PSUs were valued using a Monte Carlo simulation model. This model incorporates assumptions such as the risk-free interest rate based on zero-coupon yields implied by U.S. Treasury

issuances, and expected volatility derived from historical data of the Company's common stock and certain indices. The Company recognizes the grant-date fair value of these awards as stock-based compensation expense ratably over the vesting period. Approximately one-third of the performance target for vesting is based on total shareholder return relative to the Company's peer group, with each PSU valued at $134.75. The remaining one-third have a vesting performance target based on a specific market price, with each PSU valued at $20.25.

In August 2024, an aggregate of 104,000 PSUs were issued to certain employees of the Company with a performance period ending on December 31, 2025. The PSUs were valued at $39.40 per unit, based on the Company's common stock price on the grant date. A total of 87,000 shares vest dependent on the Company meeting specific market share MULO+C metrics for each of the years ending December 31, 2024, and 2025. Should the performance goal not be met by the period ending December 31, 2024, the portion of shares shall remain outstanding and vest if the December 31, 2025, goal is met. The remaining 17,000 shares vest if the Company meets a cumulative international revenue target, in 2024 and 2025 to be achieved by December 31, 2025.

A summary of the Company's PSU activity for the nine months ended September 30, 2024 and 2023 is presented in the following table:

	Nine Months Ended			
	September 30, 2024		September 30, 2023	
	Shares	Weighted Average Grant Date Fair Value	Shares [1]	Weighted Average Grant Date Fair Value [1]
Unvested at beginning of period	123	$ 29.43	228	$ 30.49
Granted	169	53.80	—	—
Vested	(78)	32.76	(93)	32.76
Forfeited and cancelled	—	—	(12)	24.87
Unvested at end of period	**214**	**$ 47.94**	**123**	**$ 30.45**

[1] *Forward Stock Split - The share numbers have been retrospectively adjusted to reflect the three-for-one stock split that became effective on November 13, 2023. See Note 2. Basis of Presentation and Summary of Significant Accounting Policies for more information.*

Unrecognized compensation expense related to outstanding PSUs issued to employees and non-employee consultants as of September 30, 2024 was approximately $7.2 million, and is expected to be expensed over a weighted average period of 1.9 years.

Issuance of common stock pursuant to exercise of stock options and other awards

During the three months ended September 30, 2024, the Company issued an aggregate of 1.7 million shares of common stock under the 2015 Plan and received aggregate proceeds of approximately $2.7 million. During the nine months ended September 30, 2024, the Company issued an aggregate of 3.2 million shares of common stock under the 2015 Plan and received aggregate proceeds of approximately $3.8 million.

During the three months ended September 30, 2023, the Company issued an aggregate of 1.0 million shares of its common stock under the 2015 Plan and 2006 Plan and received aggregate proceed of approximately $0.9 million. During the nine months ended September 30, 2023, the Company issued an aggregate of 2.5 million shares of its common stock under the 2015 Plan and 2006 Plan and received aggregate proceed of approximately $1.6 million.

To cover employees' tax withholding obligations, the Company uses net settlement, withholding shares upon vesting and paying the related taxes. For the three and nine months ended September 30, 2024, $1.7 million related to these net settlements was recorded and is reflected as repurchase of common stock related to tax withholdings in the Consolidated Statements of Changes in Stockholders' Equity and Mezzanine Equity as well as in the Consolidated Statements of Cash Flows. No amount was recorded for the same periods in the prior year.

16. COMMITMENTS AND CONTINGENCIES

Legal

SEC Inquiry

On January 8, 2021, the Company received a letter from the SEC Division of Enforcement seeking the production of documents in connection with a non-public, fact-finding inquiry by the SEC to determine whether violations of the federal securities laws had occurred. Subsequent to January 8, 2021, the Company received subpoenas for production of documents in connection with this matter. The investigation and requests from the SEC do not represent that the SEC has concluded that the Company or anyone else has violated the federal securities laws. The Company has cooperated and will continue to cooperate with the SEC staff in its investigation and requests. At this time, however, the Company cannot predict the length, scope, or results of the investigation or the impact, if any, of the investigation on the Company's results of operations.

Derivative Actions

On January 11, 2023, certain of the Company's directors and present and former officers were named as defendants in a derivative action complaint filed in the U.S. District Court for the District of Nevada, (the "Lampert Derivative Action"). The Company was named as a nominal defendant. The allegations involve purported false and misleading statements or omissions made between August 12, 2021, and March 1, 2022, which are claimed to have artificially inflated the Company's stock price. This action asserts the following claims: (i) breach of fiduciary duty, (ii) unjust enrichment, and (iii) violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

Subsequently, substantially similar derivative action complaints were filed, first on May 19, 2023, against the Company, as a nominal defendant, and certain of the Company's directors and present and former officers in a derivative action in the U.S. District Court for the Southern District of Florida, (the "Hammond Derivative Action"). This class action asserts claims for (i) breach of fiduciary duty, (ii) aiding and abetting breach of fiduciary duty, (iii) unjust enrichment, (iv) waste of corporate assets, and (v) violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

A second action was filed on July 10, 2023, against the Company, as a nominal defendant, and certain of the Company's directors and present and former officers in a derivative action in the District Court for the Eighth Judicial District in Clark County, Nevada, (the "Ingrao Derivative Action"). The Ingrao Derivative Action asserts claims for (i) breach of fiduciary duty and (ii) unjust enrichment.

A third action was filed on July 12, 2023 against the Company, as a nominal defendant, and certain of the Company's directors and present and former officers in a derivative action in the U.S. District Court for the Southern District of Florida (the "Hepworth Derivative Acton"). This class action asserts claims for (i) breach of fiduciary duty, (ii) aiding and abetting breach of fiduciary duty, (iii) unjust enrichment, (iv) waste of corporate assets, and (v) violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

The Lampert Derivative Action remains stayed, pursuant to the Court's Order, issued on July 9, 2024, which approved the parties' joint stipulation to stay of litigation. The Ingrao Derivative Action remains stayed, following the Court's entry of an Order, on September 11, 2023, approving the parties' joint stipulation regarding stay of litigation. On March 11, 2024, the Hammond Derivative Action and the Hepworth Derivative Actions were voluntarily dismissed and, on April 11, 2024, a single complaint containing substantially similar allegations was filed in the U.S. District Court for the District of Nevada, (the "Refiled Derivative Action"). The Refiled Derivative Action remains stayed, following the Court's Order, issued on June 12, 2024, approving the parties' joint stipulation to stay the litigation. Plaintiffs have collectively proposed that certain corporate governance actions be implemented and have requested attorney fees. Although the Company believes the various derivative actions are without merit, the Company has reached a negotiated settlement in principle, the amount of which is immaterial.

Strong Arm Productions

On May 4, 2021, Plaintiffs Strong Arm Productions USA, Inc., Tramar Dillard p/k/a Flo Rida, and D3M Licensing Group, LLC filed a lawsuit against the Company in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida. Plaintiffs asserted that the Company breached two endorsement and licensing agreements that were entered into, between Plaintiffs and the Company in 2014 and 2016. Plaintiffs alleged the Company had reached certain revenue and sales benchmarks set forth in the 2014 agreement that entitled them to receive 2.3 million shares (as adjusted for the Forward Stock Split) of the Company's common stock. In addition, Plaintiffs claimed they were entitled to receive unspecified royalties under the 2016 agreement.

A jury trial commenced on this matter on January 10, 2023. On January 18, 2023, the jury rendered a verdict against the Company for $82.6 million in compensatory damages. On April 27, 2023, the court denied the Company's post-trial motions which sought (i) dismissal of the case notwithstanding the verdict based on the plain language of the contracts at issue; (ii) in the alternative, granting a new trial; or (iii) in the alternative, reducing the award of damages to $2.1 million, which reflects the Company's stock price on the date that the jury found the relevant revenue and sales benchmarks at issue were met. The judgment will accrue post-judgement interest at 5.52% per year as of February 13, 2023.

The Company believes that the jury verdict is not supported by the facts of the case or applicable law, is the result of significant trial error, and there are strong grounds for appeal. The Company filed a notice of appeal to the Fourth District Court of Appeal for the State of Florida on February 21, 2023, which is currently proceeding. The Company intends to vigorously challenge the judgment through the appeal processes, and filed its initial brief on October 6, 2023.

The Company believes that the likelihood that the full amount of the judgment will be affirmed is not probable. The Company currently estimates a range of possible outcomes between $2.1 million and $82.6 million plus interest and has accrued a liability as of September 30, 2024, reflected in accounts payable and accrued expenses in the consolidated balance sheets, at the low end of that range. The ultimate amount of the original judgement that the Company may be required to pay could be materially different than the amount the Company has accrued. The Company cannot predict or estimate the duration or ultimate outcome of this matter.

Commitments

The Company has entered into distribution agreements that provide for the payment of liquidated damages in the event that the Company terminates the distribution agreements without cause. Cause has been defined in various ways. If management makes the decision to terminate an agreement without cause, an estimate of expected damages is accrued, and an expense is recorded within selling, general and administrative expenses for the period in which termination was initiated.

As of September 30, 2024 and December 31, 2023, the Company had purchase commitments to third parties of $62.8 million and $55.3 million, respectively. The Company's purchase obligations are primarily related to third party suppliers and have arisen through the normal course of business. These obligations vary in terms and none are individually significant.

As of September 30, 2024 and December 31, 2023, the Company had long term contractual obligations aggregating to approximately $42.3 million and $34.4 million, respectively, which related primarily to suppliers, sponsorships, and other marketing activities.

17. SUBSEQUENT EVENTS

On November 1, 2024, Celsius completed its acquisition of all issued and outstanding membership interests in Big Beverages Contract Manufacturing, L.L.C. ("Big Beverages"), pursuant to a membership interest purchase agreement, for $75.0 million in cash, subject to customary post-closing purchase price adjustments. Big Beverages is a longtime Celsius co-packer.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

When used in this Quarterly Report on Form 10-Q (this "Report"), unless otherwise indicated, the terms the "Company," "Celsius," "we," "us" and "our" refer to Celsius Holdings, Inc. and its subsidiaries.

Note Regarding Forward-Looking Statements

This Report contains forward-looking statements that are based on the current expectations of our Company and management about future events within the meaning of the United States Private Securities Litigation Reform Act of 1995 ("PSLRA"), Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are made in reliance of the safe harbor protections provided thereunder. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this Report that are not clearly historical in nature, including statements regarding the strategic investment by and long term partnership with PepsiCo, Inc. ("Pepsi"); the acquisition of Big Beverages Contract Manufacturing, L.L.C ("Big Beverages"); anticipated financial performance; management's plans and objectives for international expansion and future operations globally; the successful development, commercialization, and timing of new products; business prospects; outcomes of regulatory proceedings; market conditions; the current and future market size for existing or new products; any stated or implied outcomes with regards to the foregoing; and other matters are forward-looking. Without limiting the generality of the preceding sentences, any time we use the words "expects," "intends," "will," "anticipates," "believes," "confident," "continue," "propose," "seeks," "could," "may," "should," "estimates," "forecasts," "might," "goals," "objectives," "targets," "planned," "projects" and, in each case, their negative or other various or comparable terminology, and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include, without limitation:

- Our ability to maintain a strong relationship with Pepsi or any of our other distributors;
- The impact of the consolidation of retailers, wholesalers and distributors in the industry;
- Our ability to maintain strong relationships with co-packers to manufacture our products;
- Our ability to maintain strong relationships with our customers;
- The impact of increases in cost or shortages of raw materials or increases in costs of co-packing;
- Our ability to successfully generate demand through the use of third-parties, including celebrities, social media influencers, and others, may expose us to risk of negative publicity, litigation, and/or regulatory enforcement action;
- Our failure to accurately estimate demand for our products;
- The impact of additional labeling or warning requirements or limitations on the marketing or sale of our products;
- Our ability to successfully expand outside of the United States ("U.S.") and the impact of U.S. and international laws, including export and import controls and other risk exposure;
- Our ability to successfully complete or manage strategic transactions, successfully integrate and manage our acquired businesses, brands or bottling operations, or successfully realize a significant portion of the anticipated benefits of our joint ventures or strategic relationships, including the acquisition of Big Beverages;
- Our ability to protect our brand, trademarks, proprietary rights, and our other intellectual property;
- The impact of internal and external cyber-security threats and breaches;
- Our ability to comply with data privacy and personal data protection laws;
- Our ability to effectively manage future growth;
- The impact of global or regional catastrophic events on our operations and ability to grow;
- The impact of any actions by the U.S. Food and Drug Administration (the "FDA") regarding the manufacture, composition/ingredients, packaging, marketing/labeling, storage, transportation, and/or distribution of our products;
- The impact of any actions by the Federal Trade Commission (the "FTC") on our advertising;
- Our ability to effectively compete in the functional beverage product industry and the strength of such industry;
- The impact of changes in consumer product and shopping preferences;
- The impact of changes in government regulation and our ability to comply with existing regulation concerning energy drinks; and
- Other statements regarding our future operations, financial condition, prospects and business strategies.

Forward-looking statements and information involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements, including without limitation, the risks and uncertainties disclosed or referenced in Part I,Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report"). Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this Report that looks toward future performance is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in this Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Business Overview

Celsius is a growing company in the functional energy drink category in the United States (U.S.) and internationally. We engage in the development, processing, marketing, sale, and distribution of functional energy drinks to a broad range of consumers. We provide differentiated products that offer clinically proven and innovative formulas meant to positively impact the lives of our consumers. Our brand has also proven to be attractive to a broad range of customers, including fitness enthusiasts.

Our flagship asset, CELSIUS®, is marketed as a premium lifestyle and energy drink formulated to power active lifestyles. This product line comes in two versions, a 12-ounce ready-to-drink form and an on-the-go powder form. During 2023, we introduced a new CELSIUS® Essentials line, available in 16-ounce cans. Our products are currently offered in major retail channels across the U.S., including conventional grocery, natural, convenience, fitness, mass market, vitamin specialty and e-commerce. Additionally, our products are currently offered in certain Canadian, European, Middle Eastern, and Asia-Pacific markets.

An integral part of our value proposition is our focus on the functional energy drink and liquid supplement category, ensuring our products have clear and proven benefits. This is why we invest in research and development from the start and utilize our proprietary MetaPlus formulation in our portfolio, a blend of ginger root, guarana seed extract, chromium, vitamins, and green tea extract.

During 2024, we have continued to develop our U.S. Pepsi relationship as well as expanding our international presence through the following arrangements:

- In January 2024, we announced Pepsi as our exclusive distributor in Canada, as well as a new relationship with Lucozade Ribena Suntory Limited ("Suntory") to serve as our exclusive sales and distribution partner in the United Kingdom and the Republic of Ireland.
- In March 2024, we entered into a definitive manufacturing, sales, and distribution agreement with Frucor Suntory Australia Pty Limited and Frucor Suntory New Zealand Limited (both part of the Suntory Group) to expand into the Australia and New Zealand markets. Sales under this arrangement are expected to begin in the fourth quarter of 2024.
- In March 2024, we entered into an incentive program with Pepsi which is intended to better align our businesses as we look to grow and expand our product portfolio across the U.S. The ultimate impact of the incentive program on the Company's revenue and margin will be dependent upon achieving the intended outcomes of the program.
- In April 2024, we entered into a definitive sales and distribution agreement with Orangina Schweppes France (part of the Suntory Group) to expand into France. Sales under this arrangement are expected to begin in the fourth quarter of 2024.
- In August 2024, we entered into a definitive sales and distribution agreement with Schweppes Suntory Benelux SA (part of the Suntory Group) to expand into Belgium, Netherlands, and Luxembourg. Sales under this arrangement are expected to begin in the first quarter of 2025.

We were incorporated in the State of Nevada on April 26, 2005. Our common stock is listed on the Nasdaq Capital Market, and on November 13, 2023, a three-for-one forward stock split of our common stock was made effective for stockholders of record at the close of business on such date.

Results of Operations

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Revenue

For the three months ended September 30, 2024, revenue was approximately $265.7 million, compared to $384.8 million for the three months ended September 30, 2023. Revenue from our largest distributor declined $123.9 million in the three months ended September 30, 2024, compared to the same period last year, which was primarily driven by inventory optimization. Concurrently, related retailer promotional allowances created revenue headwinds that would have otherwise been offset by proportional distributor sell-in during the quarter.

European revenues for the three months ended September 30, 2024 were $16.2 million, compared to $11.0 million for the three months ended September 30, 2023. The revenue increase in Europe was predominantly driven by successful innovation launches. Asia-Pacific revenues contributed an additional $0.6 million. Other international markets generated approximately $1.8 million in revenue for the three months ended September 30, 2024.

The following table sets forth revenues by geographical location:

	For The Three Months Ended September 30,			
(In thousands)	**2024**	**2023**	**Dollar Change**	**Percentage Change**
Total	$ 265,748	$ 384,757	$ (119,009)	(31) %
North America	$ 247,125	$ 371,178	$ (124,053)	(33) %
Europe	$ 16,243	$ 11,038	$ 5,205	47 %
Asia-Pacific	$ 594	$ 1,247	$ (653)	(52) %
Other	$ 1,786	$ 1,294	$ 492	38 %

Gross Profit

For the three months ended September 30, 2024, gross profit decreased by $71.9 million, or 37%, to $122.2 million, from $194.1 million for the three months ended September 30, 2023. Gross profit margin was 46% for the three months ended September 30, 2024, a decrease from 50% for the same period in 2023. The decrease in gross profit was due to promotional allowances, incentives, and other billbacks as a percentage of gross revenue. These programs are driven by consumer purchases and sales from our distributors into retail, neither of which correlated with the sales that we made to our distributors this quarter due to supply chain optimization conducted by our largest distributor. Although gross profit as a percentage of revenue was lower year over year, we did receive the benefit of lower outbound freight and materials as a percentage of gross revenue in the three months ended September 30, 2024, compared to the same period last year.

Selling, General and Administrative Expenses

For the quarter ended September 30, 2024, selling, general and administrative ("SG&A") expenses totaled approximately $125.4 million, up 30% or $29.0 million from $96.4 million for the third quarter of 2023.

The increase in SG&A expenses primarily consisted of:

- a $17.5 million increase in marketing investments;
- a $9.3 million increase in employee costs, reflecting our ongoing investments to support growth; and
- a $2.2 million increase in other SG&A expenses.

Other Income

Other income for the three months ended September 30, 2024 was $11.4 million, which reflects an increase of $4.4 million versus $7.0 million for the three months ended September 30, 2023. The increase was primarily attributable to greater interest income earned on cash held in our money market accounts.

Net (loss) Income Attributable to Common Stockholders

Net loss attributable to common stockholders for the three months ended September 30, 2024 was $0.6 million, resulting in basic loss per share of $(0.00), based on a basic weighted average of 233.7 million shares outstanding. In comparison, for the three months ended September 30, 2023, net income attributable to common stockholders was $70.4 million, representing basic earnings per share of $0.30 based on a basic weighted average of 231.0 million shares outstanding. Diluted (loss) earnings per share was $(0.00) and $0.30 for the three months ended September 30, 2024 and 2023, respectively.

Nine Months Ended September 30, 2024 compared to nine months ended September 30, 2023

Revenue

For the nine months ended September 30, 2024, revenue was approximately $1,023.4 million compared to $970.6 million for the nine months ended September 30, 2023. This growth was primarily driven by increased revenues in North America, which experienced continued gains in distribution points, shelf space, and SKUs per location, offset in part by inventory optimization from our largest distributor, increased macroeconomic headwinds, and a decline in growth in the total energy drink category.

European revenues for the nine months ended September 30, 2024 were $47.1 million, which increased by $15.5 million or 49% from the same period in 2023. The revenue increase in Europe was predominantly driven by successful innovation launches. Asia-Pacific revenues contributed an additional $2.1 million. Other international markets generated approximately $5.2 million in revenue for the nine months ended September 30, 2024.

The following table sets forth revenues by geographical location:

	For The Nine Months Ended September 30,			
(In thousands)	**2024**	**2023**	**Dollar Change**	**Percentage Change**
Total	$ 1,023,433	$ 970,579	$ 52,854	5 %
North America	$ 968,988	$ 930,545	$ 38,443	4 %
Europe	$ 47,069	$ 31,599	$ 15,470	49 %
Asia-Pacific	$ 2,129	$ 4,111	$ (1,982)	(48) %
Other	$ 5,247	$ 4,324	$ 923	21 %

Gross Profit

For the nine months ended September 30, 2024, gross profit increased by $46.6 million, or 10%, to $513.5 million, from $466.9 million for the same period in 2023. Gross profit margins reflected an increase to 50% for the nine months ended September 30, 2024 from 48% for the same period in 2023. Gross profit margin improvements resulted from decreases in raw and package material unit cost and reduced outbound freight cost as a percentage of revenue partially offset by increased promotional allowances as a percentage of revenue from the reduction in disproportionate distributor sell-in.

Selling, General and Administrative Expenses

For the nine months ended September 30, 2024, SG&A expenses totaled $339.3 million, up 31% or approximately $79.8 million from $259.5 million in the same quarter of 2023.

The increase in SG&A expenses primarily consisted of:

- a $56.0 million increase in marketing investments;
- a $26.6 million increase in employee costs, reflecting our ongoing investments to support growth; and
- a $2.8 million decrease in all other SG&A expenses.

Other Income

Other income for the nine months ended September 30, 2024 was $31.0 million, which reflects an increase of $14.5 million versus $16.5 million for the nine months ended September 30, 2023. The increase was primarily attributable to interest income earned on cash held in our money market accounts, partially offset by foreign exchange rate transaction loss.

Net Income Attributable to Common Stockholders

Net income attributable to common stockholders for the nine months ended September 30, 2024 was $131.0 million, representing basic earnings per share of $0.56 based on a basic weighted average of 233.2 million shares outstanding. In comparison, for the nine months ended September 30, 2023, net income attributable to common stockholders was $142.6 million, representing basic earnings per share of $0.62 based on a basic weighted average of 230.5 million shares outstanding. Diluted earnings per share was $0.55 and $0.60 for the nine months ended September 30, 2024 and 2023, respectively.

Liquidity and Capital Resources

General

As of September 30, 2024 and December 31, 2023, we had cash and cash equivalents of approximately $903.7 million and $756.0 million, respectively, and working capital of approximately $1,074.0 million and $928.3 million, respectively.

Our primary sources of liquidity are cash flows from operations and our existing cash balances. Please refer to Part 1, Item 1A, *"Risk Factors"* of our 2023 Annual Report and Part II, Item 1A "*Risk Factors*" of this Report for specific risk factors that could have a material impact on our operations. We believe that our current cash resources are sufficient to fund our cash outflows for both our short and long-term cash needs.

Purchases of inventories, increases in accounts receivable and other assets, equipment purchases (including coolers), advances to certain of our co-packers, payments of accounts payable, and income taxes are expected to remain our principal recurring uses of cash and material cash requirements.

Cash flows for the nine months ended September 30, 2024 and September 30, 2023

Cash flows provided by operating activities

Cash flows provided by operating activities totaled approximately $187.2 million for the nine months ended September 30, 2024, which compares to $136.0 million of cash provided by operating activities for the nine months ended September 30, 2023. The approximately $51.2 million increase in operating cash generated is primarily driven by an increase in working capital, partially offset by a decrease in net income and higher tax payments.

Cash flows used in investing activities

Cash flows used in investing activities totaled approximately $21.0 million for the nine months ended September 30, 2024, which compares to cash used in investing activities of $9.5 million for the nine months ended September 30, 2023. The increase in cash used in investing activities was primarily due to increased purchases of property and equipment, with purchases of approximately $18.0 million in the current year period versus $12.7 million for the nine months ended September 30, 2023 and our purchase of a non-marketable equity security during the third quarter of 2024. For the nine months ended September 30, 2023, property and equipment purchases were partially offset by collections from our note receivable received from our China licensee of approximately $3.2 million.

Cash flows used in financing activities

Cash flows used in financing activities totaled $18.5 million for the nine months ended September 30, 2024, which compares to cash used in financing activities of $18.9 million for the nine months ended September 30, 2023. The main driver for cash used in financing activities for both periods was cash dividends paid on our outstanding shares of Series A Preferred Stock, all of which is held by Pepsi.

Off Balance Sheet Arrangements

As of September 30, 2024 and December 31, 2023, we had no off balance sheet arrangements.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, which requires us to make estimates and assumptions that affect the reported amounts in our consolidated financial statements. Critical accounting estimates are those that management believes are the most important to the portrayal of our financial condition and results and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and that have had, or are reasonably likely to have, a material impact on our financial condition or results of operations. Judgments and uncertainties may result in materially different amounts being reported under different conditions or using different assumptions. There have been no material changes to our critical accounting policies or estimates from those described in Part II, Item 7, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in our 2023 Annual report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, our financial position is routinely subject to a variety of risks. The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed are fluctuations in commodity and other input prices affecting the costs of our raw materials (including, but not limited to, increases in the costs of the price of aluminum cans, sucralose and other sweeteners, as well as other raw materials contained within our products). We generally do not use hedging agreements or alternative instruments to manage the risks associated with securing sufficient ingredients or raw materials. We are also subject to market risks with respect to the cost of commodities and other inputs because our ability to recover increased costs through higher pricing is limited by the competitive environment in which we operate.

We do not use derivative financial instruments to protect ourselves from fluctuations in interest rates and generally do not hedge against fluctuations in commodity prices.

There have been no material changes to the information regarding market risk provided in Item 7A, *"Quantitative and Qualitative Disclosures about Market Risk"* contained in our 2023 Annual Report.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial and accounting officer) conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2024, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms adopted by the SEC, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of such date because of the material weakness in internal control over financial reporting described below.

Our Chief Executive Officer and our Chief Financial Officer do not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. Although our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and our Chief Financial Officer evaluated whether our disclosure controls and procedures were effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if an individual desires to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Notwithstanding the foregoing conclusion, and notwithstanding the material weakness in our internal control over financial reporting described below, management believes that the consolidated financial statements and related financial information included in this Report fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with U.S. GAAP and the rules and regulations promulgated by the SEC.

We identified a material weakness as of December 31, 2023 in our internal control over financial reporting, which was not fully remediated as of September 30, 2024. A material weakness is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. We concluded that our internal control over financial reporting was not effective as of December 31, 2023 and was not fully remediated as of September 30, 2024 with respect to the following processes as the result of the ineffective design and operation of business process level controls: (i) accounting for revenue recognition, (ii) accounting for promotional allowances, and (iii) accounting for inventories.

Management has reassessed the design of controls and modified its processes to remediate the control deficiencies that led to the material weakness, including but not limited to placing increased emphasis on appropriately designing and implementing effective business process level controls. This material weakness cannot be considered remediated until the applicable controls are designed and operating effectively for a sufficient period of time, as supported by management's testing results.

Changes in Internal Control Over Financial Reporting

During the nine months ended September 30, 2024, we have been implementing and will aggressively continue to implement changes to improve the control environment with respect to the business process level controls that led to the material weakness in our internal control over financial reporting as of December 31, 2023 discussed above. We anticipate the actions to be taken, and resulting process improvements, to generally strengthen our internal control over financial reporting and remediate the material weakness noted above. These remedial measures were considered changes to our internal control environment that had a material effect on our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The information required by this Item is incorporated herein by reference to Note 16. *Commitments and Contingencies* in the consolidated financial statements in Part I, Item 1, of this Report.

Item 1A. Risk Factors.

We face a variety of risks that are inherent in our business and our industry, including operational, legal, regulatory and product risks. Such risks could cause our actual results to differ materially from our forward-looking statements, expectations and historical trends. Other than as set forth below, during the reporting period covered by this Report, there have been no material changes to our risk factors as set forth in Part I, Item 1A *"Risk Factors"* in our 2023 Annual Report.

Failure to successfully complete or manage strategic transactions can adversely affect our business. If we do not successfully integrate and manage our acquired businesses, brands or bottling operations, or if we are unable to realize a significant portion of the anticipated benefits of our joint ventures or strategic relationships, our financial results could suffer.

We regularly review and evaluate potential acquisitions, joint ventures, distribution agreements, divestitures, and other strategic transactions. The success of these transactions, is dependent upon, among other things, our ability to realize the full extent of the expected returns, benefits, cost savings or synergies as a result of a transaction, within the anticipated time frame, or at all; and receipt of necessary consents, clearances and approvals.

On November 1, 2024, we acquired substantially all of the equity interests of Big Beverages, a canned beverage manufacturer and co-packing partner of the Company. Acquisitions of businesses, brands or bottling operations may involve significant challenges and risks, and the expected benefits may take longer to realize than expected or may not be realized at all. Our business may also be adversely affected if we are unable to successfully integrate acquired businesses, brands or bottling operations, or if we are unable to consolidate operations. To the extent we integrate acquired businesses, brands or bottling operations, it is possible that we will not realize the expected benefits from any completed acquisition over the timeframe we expect, or at all, or that our existing operations will be adversely affected as a result of such acquisitions. Integrating the operations of acquired businesses, brands or bottling operations can be a difficult, costly and time-consuming process that involves a number of risks including, but not limited to, the integration of company cultures and management teams, retaining key employees and customers, increased exposure to certain governmental regulations and compliance requirements, increased costs, and use of resources. We may face difficulties in operating through new business models and/or supply chain models, or in new categories or territories, and challenges in extending Company controls (including internal controls over financial reporting, disclosure controls and procedures, data protection and cybersecurity), policies and governance structures (including with respect to food safety and quality, occupational safety, and sustainability) to newly acquired businesses, brands or bottling operations, which may result in increased costs and negative publicity. The costs of achieving benefits from acquisitions could be higher than we expected. Therefore, the acquisition and integration of acquired businesses, brands or bottling operations may not contribute to our earnings as expected, we may not achieve profit margin targets when expected, or at all, and we may not achieve the other anticipated strategic financial benefits of such transactions.

Other risks associated with acquisitions and any other strategic transactions that we may enter into include integrating manufacturing, distribution, sales, accounting, financial reporting and administrative support activities and information technology systems with our company or difficulties separating such personnel, activities and systems in connection with divestitures; operating through new business models or in new categories or territories; motivating, recruiting and retaining executives and key employees; conforming controls (including internal control over financial reporting and disclosure controls and procedures) and policies (including with respect to environmental compliance, health and safety compliance and compliance with anti-bribery laws); retaining existing customers and consumers and attracting new customers and consumers; managing tax costs or inefficiencies; maintaining good relations with divested or refranchised businesses in our supply or sales chain; inability to offset loss of revenue associated with divested brands or businesses; managing the impact of business decisions or other actions or omissions of our joint venture partners that may have different interests than we do; operating through new business models or in new categories or territories; and other unanticipated problems or liabilities, such as contingent liabilities and litigation. Strategic transactions that are not successfully completed or managed effectively, or our failure to effectively manage the risks associated with such transactions, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We rely on third-party co-packers to manufacture our products. If we are unable to maintain good relationships with our co-packers or their ability to manufacture our products becomes constrained or unavailable to us, our business could suffer.

Until the recent acquisition of Big Beverages, we did not directly manufacture our products, but instead outsourced such manufacturing to third-party co-packers. We continue to outsource manufacturing of our products to third-party co-packers, and we have created a network model within North America that encompasses the utilization of co-packers and warehousing across each geographical area, as well as alternative warehousing and co-packing capacity, in order to reduce our exposure within each geographical area. These third-party co-packers may not be able to fulfill our demand as it arises or fail to meet our product specifications, could begin to charge rates that make using their services cost inefficient or may simply not be able to or willing to provide their services to us on a timely basis or at all. There could also be food safety concerns or other regulatory compliance issues with our third-party co-packers, which could require them to (temporarily or permanently) cease manufacturing product and/or necessitate destruction of product that they have already manufactured. In the event of any disruption or delay in production of product by our co-packers, whether caused by a rift in our relationship or the inability of our co-packers to manufacture our products as required, we would need to secure the services of alternative co-packers. We may be unable to procure alternative packing facilities at commercially reasonable rates or within a reasonably short time period, and any such transition could be costly. In such case, our business, financial condition, results of operations and cash flows would be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
July 1, 2024 to July 30, 2024	—	$ —	—	$ —
August 1, 2024 to August 31, 2024	40,551	40.90	—	—
September 1, 2024 to September 30, 2024	—	—	—	—
Total	40,551	**$ 40.90**	**—**	**$ —**

[1] During the quarter ended September 30, 2024, we purchased an aggregate of approximately 41,000 shares of our common stock to satisfy the employee tax withholding obligations upon the vesting of equity awards.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Acquisition of Co-Packer

On November 1, 2024, Celsius completed its acquisition of Big Beverages Contract Manufacturing, L.L.C. ("Big Beverages") for $75.0 million, using cash on hand. Big Beverages is a longtime Celsius co-packer, and this strategic transaction provides Celsius with a 170,000 square-foot manufacturing and warehouse facility.

Rule 10b5-1 Trading Arrangements

From time to time, certain of our executive officers and directors have, and we expect they will in the future, enter into, amend and terminate written trading arrangements pursuant to Rule 10b5-1 of the Exchange Act or otherwise. During the quarter ended September 30, 2024, except as set forth below, none of our officers or directors adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K):

Name and Title	Type of Plan	Participant's Adoption Date	Termination Date or Date Terminated by Participant	Aggregate Number of Securities	Description of Trading Arrangement
John Fieldly, Chief Executive Officer	10b5-1(c)(1) Trading Plan	March 4, 2024	Terminated by Mr. Fieldly on September 11, 2024	251,046	Sale of shares of common stock (vested stock options or other awards)
Jarrod Langhans, Chief Financial Officer	10b5-1(c)(1) Trading Plan	March 11, 2024	Terminated by Mr. Langhans on September 11, 2024	20,000	Sale of shares of common stock (vested stock options or other awards)
John Fieldly, Chief Executive Officer	10b5-1(c)(1) Trading Plan	September 13, 2024	December 13, 2025	311,605	Sale of shares of common stock (vested stock options or other awards)
Jarrod Langhans, Chief Financial Officer	10b5-1(c)(1) Trading Plan	September 13, 2024	December 13, 2025	20,000	Sale of shares of common stock (vested stock options or other awards)

Item 6. Exhibits.

Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Composite Articles of Incorporation of Celsius Holdings, Inc.	10-K	3.1	2/29/2024
3.2	Second Amended and Restated Bylaws	10-Q	3.2	8/06/2024
10.1†	First Amendment, effective August 1, 2024, to the Employment Agreement between the Company and Jarrod Langhans dated February 2, 2024	10-Q	10.2	8/06/2024
10.2†	Executive Severance Pay Plan and Summary Plan Description	10-Q	10.3	8/06/2024
10.3†	Form of Executive Change in Control and Indemnity Agreement	10-Q	10.4	8/06/2024
31.1*	Section 302 Certification of Chief Executive Officer			
31.2*	Section 302 Certification of Chief Financial Officer			
32.1**	Section 906 Certification of Chief Executive Officer			
32.2**	Section 906 Certification of Chief Financial Officer			
101.INS	Inline XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline iXBRL and contained in Exhibit 101			

* Filed herewith
** Furnished herewith
† Management contract or compensatory plan arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELSIUS HOLDINGS, INC.

Date: November 5, 2024

By: /s/ John Fieldly

John Fieldly,
Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2024

By: /s/ Jarrod Langhans

Jarrod Langhans,
Chief Financial Officer
(Principal Financial and Accounting Officer)