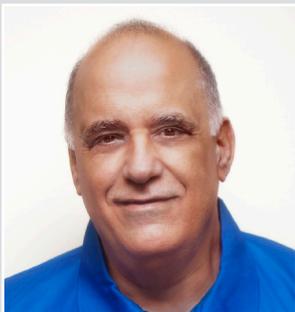


THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Celsius Holdings, Inc. (CELH)



GERRY DAVID is the CEO and President of Celsius Holdings, Inc. A seasoned executive with over 41 years in the business sector, his focus is in startups, turnaround and rapid growth. At 27, he opened his first startup, growing the company to cover six states before going public. He has over 20 years of experience in the tech sphere — having held executive roles at IBM, Honeywell and GTE, among others — and more than 21 years' experience in consumer products. He's personally led three startups, overseen turnarounds at five companies and successfully managed businesses spanning 72 countries. Prior to joining Celsius, Mr. David served as Executive Vice President of the Consumer Products Group for Oragenics Inc., a publicly traded company. He led the planning, implementation and growth of this new division globally. Before this, Mr. David held executive positions with several consumer product companies.

SECTOR — FOOD

TWST: How did Celsius come about?

Mr. David: Steve and Janice Haley were the Founders of the company, husband and wife, and they had this concept of a negative-calorie-type beverage. They engaged with a really good formulator, and they came up with a formula. Early on, they engaged with, as an example, University of Oklahoma and one of their major schools to conduct a significant study related to their formulation. I think what is key is that all the studies were done around the finished product, not a single ingredient or anything like that. So over the first five years or so of the company, they had seven major studies done on the product, and six of the seven studies have been published in peer-reviewed journals, which is really significant, as you know, because it takes it to another whole level of credibility because these peer-reviewed journals confirm the science behind the findings. So that's one of the things that, I think, Celsius has and nobody else has.

It's not only a product that has one-of-a-kind-type claims to it and benefits, but it also has the science to substantiate those claims. It has been challenged in the courts of California, and we won one that's been challenged, and it's been reviewed by NAD, which is the National Advertising Division, by their scientists. It is a pretty strenuous process. We have gone through that whole review and had positive results. All our claims were validated in that, so I think that's really one of the strengths that we have is that type of validation with clinicals.

TWST: Do you offer more than one product?

Mr. David: No, we really have one product, but we have two different versions: RTD cans and a powdered form. The RTD can

has five different flavor profiles, and the powdered form is currently available in one flavor. The core technology in the product is a proprietary blend that we trademarked, MetaPlus. That is what makes the product a negative-calorie drink. It is a blend of vitamins — the vitamin Bs and vitamin C — and green tea. It has things like guarana and ginger and taurine, and several other natural ingredients. The product contains no preservatives, artificial colors or flavors. It doesn't have any sugar or high-fructose corn syrup; it is very low in sodium, so it's really considered a really good healthy beverage.

All of that is combined in really good-tasting flavors. We have three carbonated products and two products that are noncarbonated. The RTD cans are available in three carbonated flavors and two noncarbonated flavors. We also have a powder version that is made with the exact same clinically proven formula used in the cans, except to drink, consumers can just add water to it and experience the same benefits.

The powdered version is a co-branded product, as we wanted to get into the 18 to 35 age group, so we engaged and co-branded this past year with Flo Rida, a multiplatinum recording artist. Flo was really into health, eating right, fitness and so forth. He also has a very strong social media presence. So we did a co-brand of a powder called Flo Fusion, so that's in GNC and Vitamin Shoppe, and some other specialty-type stores. We launched that, and it has the same active ingredients and the same formula. We are maintaining our focus on the core product as we grow the business.

TWST: How are trends in beverage consumption impacting your business?

Mr. David: The trends really support the product. There

has been a five-year steady decline in carbonated soft drinks, which is why that market is collapsing. People are looking for functional-type beverages that have a real benefit to them. Just this week, *Forbes* published an article on the 10 hottest trends in the food and beverage market and, in number four, was fat-burning beverages. According to *Forbes*, Celsius is the company that is leading that effort. So I think we are really right in line with the mindset of consumers wanting to get healthier, trying to feel better, losing weight.

Our product is not a weight-loss diet, it's not a weight-loss program, but if you drink our product, it will support that effort. It doesn't matter if you are pursuing it on your own or just trying to get healthy, or if you are on Weight Watchers or Jenny Craig or any of those, our product will support those goals. The science shows if you consume one can of our product every day, you are going to burn 100 to 140 calories extra, and you are going to burn up to 93% more body fat than a person that does not drink our product.

TWST: You are a part of a pretty significant change that the company undertook about three years ago. What happened and why?

Mr. David: I was brought in three years ago. My background — in the last 41 years, the first 20 years, I was in the high-tech industry; in the last 20 or so years, I have been in the consumer product side. I founded my first company back in 1978. I was 26 years old, and I opened offices in six states — it was a systems integration company — and then sold it to a public company. I led the turnaround in five different companies, and I have been involved with several startups. Plus, I had years with IBM on a large corporate environment and some other major companies early on, so my background is a blend of a number of types of experience.

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Carl DeSantis, who was the Founder of Rexall, was a significant shareholder at Celsius. Carl decided he wanted to take control of the company in around the August time frame in 2011. He bought out Steve Haley and took a 52% stake in the company. And at that point, Carl decided to bring in someone with experience in turnarounds to try to help move the company forward. Carl searched me out and brought me in for the turnaround. So 2012 was our first year.

When I came in, I first spent some time understanding the company, and then, I started laying out the groundwork for the new messaging, new marketing, new packaging, warehouses to be more suitable to what we were doing and moving manufacturing, and brought in some additional key team members. And in 2013, we had a record year revenue-wise, and we were cutting back on the losses of the company. By third quarter 2014, we already surpassed 2013's revenue. We haven't announced our 2014 year, but fourth quarter was absolutely exciting. Things are starting to come together for the company; we succeeded in turning around the company, and now we're focused on really growing the business.

We launched in Brazil in late November with our brand and partnered with the two-time world Formula 1 racing champion Emerson Fittipaldi, who is an extremely popular name in Brazil. People trust him;

people love him. He's a phenomenal businessman down there, and he is our spokesperson in Brazil. So that's just starting up there.

Sweden was launched four years ago. Two young guys — one was a boxer, one was a hockey player — never had any business background, but they spearheaded Celsius in Sweden. Four years later, Celsius is now the fastest-growing energy product in Sweden according to Euromonitor, which is like Nielsen there. There are 9 million people in Sweden, and we are selling about 1.5 million cans a month. So Sweden has been a huge success.

We signed a five-year exclusive agreement with the royal family of Dubai, and they are going to be our exclusive distribution partner in the Middle East. We'll start manufacturing for that in the next 60 days or so. So there is a lot of growth happening in the company, and we are very excited about the progress.

TWST: Is Carl DeSantis still involved in the company?

Mr. David: Yes, absolutely. Carl really is very passionate about Celsius, absolutely passionate, and really believes it should be the next billion-dollar company. He has put his finances behind the company and is also focused on helping us take Celsius to the next level.

TWST: Currently, how do you distribute your products?

Mr. David: In the U.S., we distribute in what we call a hybrid fashion. Publix is an example. In all the Publix stores, they place an order, we ship from our warehouse to their warehouses, and they put it in their stores. We do the same thing with Winn-Dixie and H-E-B in Texas, and other similar stores.

But we also have the hybrid where we work with a couple of the largest beverage distributors in the country. In the Northeast, we have Polar Beverages — that's a huge company in the New England area — and in California, we have Haralambos, which is one of the largest

beverage companies among California distributors. And then, we have a distributor in Texas, in Kimble, which is very big.

In the health club industry, we are the number-one-selling beverage nationwide in 24 Hour Fitness. The health club business this past year is up triple digits, and it's just exploding for us. Europa and Lone Star distribute Celsius and are the two largest distributors in the health club industry. So that's why we call it hybrid. In some cases we sell it directly to the stores, and in some cases, we sell it through distributors.

TWST: What is your growth strategy going forward?

Mr. David: In terms of growth, we are focusing on both the international and the domestic markets. Right now, our revenue is pretty much equally distributed 50-50 international to domestic. Our international model is very profitable for us, and it is a good model for us. We see some very strong growth continuing on the international side. On the domestic side, our sales are up significantly in 2014. So I think it's a pretty balanced approach.

Another part of our strength that I didn't mention is that we are one of the top companies in the beverage space with Amazon. We have more reviews for a beverage on Amazon than anybody else; it's almost 800 reviews or more. So Amazon is another very good partner for us.

TWST: You mentioned the revenue increased about 47% last year. What accounted for that high growth?

Mr. David: It was a combination of many different things. One was on the marketing side; we repackaged the product, the look and brand to make it look more like a premium product. We upgraded it and added some new graphics. The other strategy was to sell the product in quantities smaller than a four-pack, which previously was the smallest amount you could buy.

That strategy was not appropriate for a brand-new product that nobody had heard of. People want to be able to sample taste the product, to see if they even like it or how they feel, so it's an experiential thing. That strategy, selling single cans, has really helped dramatically because it saves somebody spending \$8 to try something. They now can spend \$2 and try it, and they can select multiple flavors and see which ones they like. And so there's a lower price-point entry for people to try it. That was a big change in our marketing.

Going forward, one important area that I believe is really going to propel the company is moving beyond the fitness industry to the weight-loss industry. In the past, the marketing has really been focused on the fitness industry and on people who go into gyms. That market is a certain-sized market, but when you really think of the benefits of our product — burning a 100 to a 140 calories per serving, you can increase your fat burned by up to 93% by drinking the product and increase your metabolism — it really fits better into what I would classify as the \$70 billion weight-loss industry.

Our positioning is not to sell ourselves as a weight-loss diet or to replace other liquids on your diet. We are saying that if you drink just one Celsius a day, we will help accelerate your results. That is what Celsius does. We're not competing with any weight-loss programs; we're there to help accelerate the results and, at the same time, give individuals healthy energy. So that's our positioning now.

We have put the bulk of our marketing dollars into social digital media. Pandora has been very good for us. We can measure those results in real time because of the digital nature of it. That allows us to test messaging, shift messaging and understand the results we are getting from each dollar we spend. On Facebook, for example, we buy our ads on the targeted sites, geotargeted too.

One of the other major changes was to refocus our sales effort. Instead of a thin and wide approach, we selected six markets where we thought we could have the most success. We continued to work with national accounts, such as Vitamin Shoppe and GNC and health clubs, but in terms of the wider strategy, we focused on those specific drill-deep markets, and tried to build momentum and customer acquisition in those markets. If we stay focused on our marketing strategy, we will start to build momentum. We can then expand beyond those six markets. But focusing those efforts has really helped us, and it has proven to be a more productive strategy.

TWST: In the beverage industry, margins are traditionally pretty small. Is that the case for Celsius?

Mr. David: Margins are tight in the beverage industry. We implemented a strategy this past year in cutting costs in areas and renegotiating contracts. We actually cut about \$400,000 — over a 12-month period — of costs. That is critical because of the thin margins in the beverage business, and volume helps dictate lower costs. So the more cans we can run at a time and the more cans we can fill at a time, the better we are.

Our strategy was to continue to really build the revenue stream; at the same time, it's helping us reduce costs. We are seeing really good trends. If you go back to 2009 or 2010, the company only had about \$7 million or so in revenue but \$19 million in losses. The company was just burning cash, so we've got a completely different situation today, and it's really resonating out there.

Mario Lopez just tweeted out to a million-plus people about a month or so ago unsolicited by us that Celsius is his favorite beverage. Celebrities are starting to take notice — Katie Holmes, Tom Cruise, and the most recent one was Russell Simmons, all of whom are fans of our product. Sofia Vergara was in the *New York Post* carrying a can of Celsius. The product is really just starting to resonate with people, and they love it. When people try it, they absolutely love it.

TWST: What do you think are the most important points investors should know about Celsius?

Mr. David: I really think one of the most important takeaways is that the product is a very unique product, a one of a kind with the claims we can make. Those claims are now really serving the consumers and the trends that are hitting in the marketplace today, so we are at the right place and right time. They also need to understand that the science behind the product is real. I always talk about the science because it is what sets us apart.

The stock has been trading around anywhere from \$0.50 to \$0.70 or so. Back several, or six years ago or so, the stock was at \$14 a share when it was on Nasdaq, and I really believe there is a strong upside to the company and the brand and the product positioning. So it's right where it needs to be and where the market trends are heading.

TWST: Thank you. (LMR)

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