



Top Shelf International Holdings Ltd

Principal Place of Business:
16-18 National Boulevard
Campbellfield
Victoria
Australia 3061

29 April 2022

ASX ANNOUNCEMENT (ASX:TSI)

FY22 Q3 Quarterly Report and Appendix 4C

Top Shelf International Holdings Limited (“Top Shelf” or “the Company”), Australia’s leading premium spirits company, provides an update for the third quarter of FY22 in accordance with ASX listing rule 4.7C.

1. Highlights

Top Shelf’s third quarter of FY22 included the following highlights:

- The commencement of national sales to **Coles Liquor Group (CLG)** inclusive of Liquorland, First Choice and Vintage Cellar stores in late March 2022 with three NED Whisky and Grainshaker Vodka RTD products. In addition, Top Shelf is delighted to confirm that national ranging of NED Whisky and Grainshaker Vodka 700mL bottle products will commence with CLG in store from May 2022.
- Initial CLG point of sale scan data is in line with management’s expectations, with the rate of sale of NED Whisky and Grainshaker Vodka RTD products climbing week on week to be comparable to key competitor products. The early focus with CLG has been fulfillment of initial purchase orders and product layout implementation across the store network. Following ranging of NED Whisky and Grainshaker Vodka 700mL bottle products in store in May, marketing activities will commence in key postcodes including out of home and digital advertising, and a promotional period surrounding World Whisky Day in late May.
- Cash receipts for FY22 Q3 were **\$9.1 million** (FY21 Q3: \$5.1 million, an increase of **79%**).
- FY22 third quarter (Q3) unaudited revenue of **\$6.5 million** reflected brand product sales into independent and direct on premise channels, and commencement of sales into CLG enabled by available whisky to harvest from March, and continued demand for the Company’s third party contract packaging services. The FY22 Q3 unaudited revenue result represented growth on the prior comparative period of FY21 Q3 of **29%**.
- In the month of March, Top Shelf harvested its first batch of mature whisky produced at the Company’s Campbellfield Distillery. The Company now has access to maturing whisky with a stable harvest profile and of improved quality grade facilitating execution of its domestic and international distribution growth, and product premiumization strategies.
- Top Shelf has expanded its independent off-premise channel with recent distribution agreements executed with Independent Liquor Group, Local Liquor (Independent Liquor Retailers) and Star Liquor Group and is well advanced with international distribution partner opportunities. In March, Top Shelf launched its next super premium whisky series – the Master Distiller’s single barrel release. The NED Whisky French XO Cognac release has a retail price of \$240 per litre (at 46% ABV), reflecting a step up in grade and increase in net sales value per litre relative to The Wanted Series.
- The investment in our Australian agave and distillery project at Eden Lassie is advancing through the design, planning and approval phase, and remains on budget. Commissioning of the facility is expected in July 2023.

- As disclosed in an ASX announcement dated 28 April 2022, the Company and directors warmly welcome Lynette Mayne AM to the board as a Non-Executive Director. Lynette, who is currently executive chair of Richard Branson's The B Team Australasia, brings a wealth of experience and knowledge to the Company. In conjunction, the Company and directors recognise and thank Ken Poutakidis for his significant and invaluable contribution to the Company over many years.

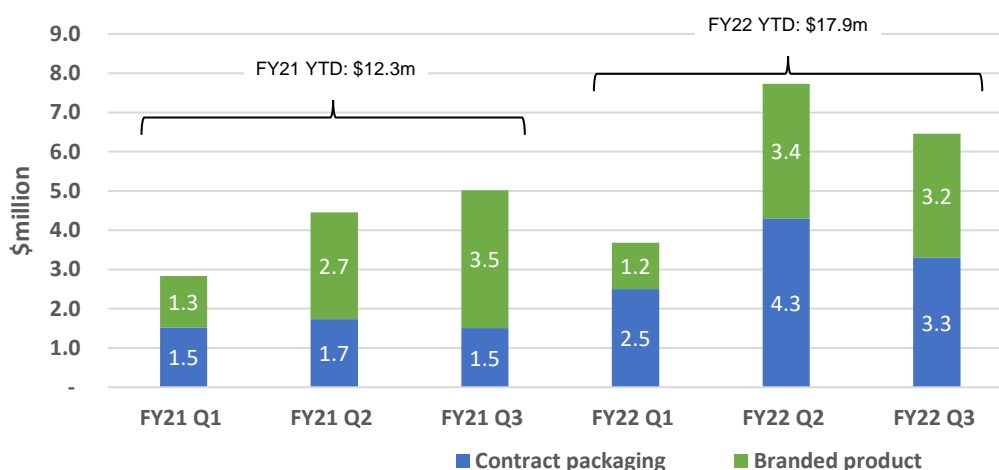
Top Shelf's Chief Executive Drew Fairchild said *"I couldn't be more delighted that we were able to align a national ranging agreement with Coles Liquor Group with an increased inventory of mature whisky available for harvest. This moment has been something the Company has been striving to achieve for a number of years and with a stable profile of mature whisky now available, our focus is now on the execution of our distribution strategy for both NED Whisky and Grainshaker Vodka."*

"My fellow directors and I acknowledge the tremendous contribution to Top Shelf of Jason Redfern and Ken Poutakidis over many years. Jason, a co-founder of Top Shelf, recently stepped back from his operational role in the business. Jason was instrumental in establishing and growing the business and setting the vision for our portfolio of premium spirits to set the benchmark for modern Australian taste. Ken steps down from the Board having made a tremendous contribution to Top Shelf. He has been a critical part of the company for many years before becoming a Non-Executive Director and was key in guiding us through the IPO process and first 18 months as a listed company. With Lynette Mayne joining the board and Trent Fraser returning to Australia in April to continue in his role leading the development of our Australian Agave Project, the Company is continuing to evolve and prepare for its next phase of growth."

2.1. Revenue

- The Company's FY22 Q3 and year to date (YTD) revenue profile in comparison to the prior comparative periods is illustrated in the chart below:

Chart 1: Revenue growth profile



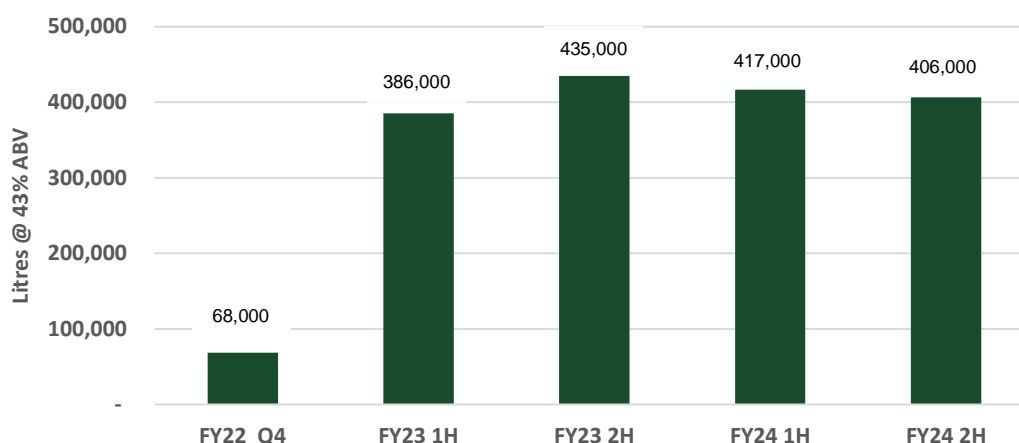
- Unaudited revenue of **\$6.5 million** in FY22 Q3 represented growth above the FY21 prior comparative period of **29%** and on a YTD basis is **45%** above the prior comparative period. The FY22 Q3 result reflected:
 - Branded product revenue of **\$3.2 million** relative to \$3.5 million in FY21 Q3 reflected available whisky supply only becoming available during March to coincide with the commencement of CLG ranging, with:
 - initial sales into CLG in March. Note sales to CLG are recognised by the Company on a net excise basis.
 - the recommencement of NED whisky sales into the Independent and IBA channels with access to available whisky in late March. NED Whisky sales were supply constrained in January and February. From March onward, the Company has access to both volume and quality of spirit, which underpins the growth objectives for the NED Whisky brand in FY22 Q4 and beyond;
 - continued strong sales into the on premise and festivals and events channel, noting that in FY22 revenue for the Australian Open marquee event was recognised in Q2 in contrast to Q3 in FY21; and
 - the launch of a Grainshaker 275mL pre-mix RTD bottle product into the Independent channel with strong initial demand from stores and consumers.

- Third party contract packaging revenue of **\$3.3 million** or growth of **120%** above FY21 Q3 due to demand from the Company's portfolio of major retail and craft beverage customers. Top Shelf is continuing to experience ongoing expressions of interest from potential customers for contract packaging and distillation services. New customers recently added to Top Shelf's portfolio have increased the average production run size aiding production efficiencies and reducing downtime.
- With access to available whisky, Top Shelf is focused on expanding its independent off premise distribution via the Independent Brands Australia (IBA) network augmented by recent additional distribution agreements inclusive of Independent Liquor Group, Local Liquor and Star Liquor Group.
- Following on the success of the summer festival and outdoor events season, the Company's on premise growth strategy, focused on winning market share in our home market of Melbourne, Victoria, has continued in FY22 Q3 with the signing of two exclusive supply agreements for the first pour of Grainshaker Vodka and NED Whisky product. These supply agreements of three and four years respectively enable exclusive supply in seven high profile Melbourne based venues with an aggregate revenue value over the agreement terms of \$5.6 million. In addition, Top Shelf commenced the supply of Grainshaker Vodka to Australian Venue Co's new floating bar on the Yarra River in Melbourne, Yarra Botanica, in FY22 Q3.
- Across festival and events, on premise and off premise distribution (Independent and CLG) channels, Grainshaker Vodka is building a meaningful market share and position in Melbourne.

2.2. Maturing spirit inventory investment

- Top Shelf's ongoing investment in its maturing spirit inventory continued during FY22 Q3. At 31 March 2022, the Company had just under **2.0 million litres** of whisky under maturation (@ 43% ABV) and an equivalent of **2.4 million litres** of agave spirit (@ 43% ABV).
- The Company's total maturing spirit inventory (whisky and agave) reflected an equivalent net sales value of **\$341 million** as at 31 March 2022 (30 June 2021: \$272 million) reflecting an increase of **25% above** 30 June 2021¹. Top Shelf's whisky under maturation represented net sales value of **\$141 million** (30 June 2021: \$111 million; 27% above 30 June 2021) and maturing agave plants at the Eden Lassie agave farm represented an equivalent net sales value of **\$200 million**.
- Top Shelf's current whisky maturation position, reflective of the commissioning of the Campbellfield distillery in late 2019, is enabling of a stable harvest profile of mature whisky from March 2022 onwards. In the month of March, Top Shelf harvested the equivalent of 58,000 litres of whisky (@ 43% ABV) for bottling and canning into NED Whisky product across March and April.
- The maturing spirit inventory net sales value as at 31 March 2022 reflects the methodology set out in Top Shelf's spirit inventory presentation dated 22 July 2021 inclusive of the whisky and agave net sales values per litre. Top Shelf plans to formally update its maturing spirit inventory valuation in July 2022.
- Top Shelf has had limited available whisky for sale during FY22 until March 2022. Chart 2 below illustrates the available harvest profile of Top Shelf's whisky under maturation as at 31 March 2022.

Chart 2: Maturing whisky inventory | Litres of maturing whisky available for harvest²



¹ Top Shelf plans to formally update its maturing spirit inventory valuation on an annual basis.

² Top Shelf has an additional 203,000 litres of whisky that will mature for harvest in FY25 1H. New make whisky production in FY22 Q4 will complement the maturing whisky available to harvest in FY25 1H.

2.3. Agave distillery project update

- TSI's priority business expansion project, the development of an agave distillery facility at Eden Lassie, continues to advance on budget and on time. The current phase involves facility build architectural and engineering planning and engagement with stakeholders including the Whitsunday Regional Council. Design planning for facility energy supply and the agave spirit distilling process continue in parallel with deposits on long lead time items being placed as required.

2.4. Cash and borrowings

- The Company's cash balance as at 31 March 2021 was **\$30.2 million** with the Longreach Credit facility remaining fully drawn at **\$25 million**.

Cash Flow Update

3.1. Quarterly net cash flows

Table 1 below summarises Top Shelf's FY22 year to date cash flows by quarter:

Table 1: Net cash flows quarterly profile

\$'m	FY22			
	Q1	Q2	Q3	YTD
Operating activities	(3.7)	(5.7)	(5.4)	(14.7)
Investing activities	(0.8)	(0.9)	(2.4)	(4.2)
Financing activities	(0.3)	40.6	(0.7)	39.6
Net cash flows	(4.9)	34.2	(8.5)	20.7

3.2. Operating activities

The Company's FY22 Q3 operating cash flows of **\$5.4 million** included cash receipts of **\$9.1 million** (FY21 Q3: \$5.1 million, an increase of **79%**).

Operating activity cash flows in the first quarter included:

- Sales activation and execution, and marketing support expenditure (\$2.2 million);
- Business investment expenditure (\$1.2 million) inclusive of tier 1 marquee partnerships (\$0.6m) and the agave distillery and brand development (\$0.4m);
- Group support function and listed company costs (\$1.7 million); and
- Continued investment in new make whisky production (\$0.4 million) and other inventories (packaging materials and finished goods) as the Company expands its branded product range and prepares for increased production activity with whisky available to harvest;

3.3. Investing activities

FY22 third quarter investing activity cash flows of **\$2.4 million** were reflective of:

- Maturation oak barrel and racking expenditure (\$0.7 million). This included catch-up expenditure due to supply chain challenges and the delayed delivery of American oak into Australia experienced in late 2021;
- Campbellfield capital improvement projects (\$0.4 million) inclusive of an instalment payment for a multi packer unit that will automate the secondary packaging process of multi flavoured product arrangements, such as the Grainshaker Sunset pack for CLG; and
- Australian Agave Project expenditure (\$0.7 million) inclusive of agronomy activities, and distillery architectural and engineering planning costs.

3.4. Financing activities

The financing activity cash flows of **\$0.7 million** during FY22 Q3 reflected debt facility and asset lease interest and principal payments.

4. Related party transactions

In accordance with ASX listing rule 4.7C.3, the following summarises the related party transactions of the Company in the third quarter.

Top Shelf engaged Fairchild Advisory, a related party of Chief Executive Officer, Drew Fairchild, in relation to the provision of health safety, environment and quality services. The Company has incurred fees of \$7,000 (excluding GST) in relation to these services.

End

This announcement was approved by the Company's Chief Executive Officer Drew Fairchild, on behalf of the Top Shelf Board.

For more information (investors and media):

For further information, please visit our investor website <https://www.topshelfgroup.com.au/investors> or contact investor relations at investor@topshelfgroup.com.au or on +61 409 916 474.

Media enquiries, please contact Matt Slade on the above number.

About Top Shelf

Top Shelf International is a Melbourne based distiller and marketer of premium Australian spirits, with distinctive brands in NED Australian Whisky and Grainshaker Hand Made Australian Vodka. The Company has a track record of success creating high quality, premium Australian products and brands; each in its own way encapsulating a distinctive Aussie attitude, social experience and flavour profile.

The Company has expertise in the development and production of distilled spirits, undertakes a significant level of research and development and operates modern fermentation, distillation and packaging facilities in Campbellfield, Victoria.

The Company is creating Australia's first agave spirit range from its magnificent Agave farm in The Whitsundays region of Queensland. This location has been specifically chosen for its climatic suitability for growing *tequilana* blue agave. The farm is being developed using the most up-to-date and innovative agronomy and horticultural practices.

In addition to distilling and manufacturing its own portfolio of spirit brands, Top Shelf also provides canning, bottling and packaging services to a range of customers.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Top Shelf International Holdings Ltd

ABN

Quarter ended ("current quarter")

22 164 175 535

31 March 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers (incl. GST)	9,106	23,200
1.2	Payments (incl. GST) for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs ¹	(8,277)	(19,464)
	(c) advertising and marketing	(1,801)	(5,587)
	(d) leased assets	-	-
	(e) staff costs	(2,375)	(7,288)
	(f) administration and corporate costs	(2,021)	(5,892)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	307

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities Note 1: Product manufacturing and operating costs include investment in new make whisky inventory of \$0.4m in the March quarter	(5,368)	(14,724)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,977)	(3,702)
	(d) investments	-	-
	(e) intellectual property	(43)	(134)
	(f) other non-current assets (biological asset development)	(430)	(1,257)
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

2.5	Other (R&D refund associated with capital activities)	-	922
2.6	Net cash from / (used in) investing activities	(2,450)	(4,170)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	35,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,367)
3.5	Proceeds from borrowings	-	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(1,400)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Payment of lease liability principal – buildings and equipment	(62)	(164)
	Interest and other finance costs - borrowings	(456)	(916)
	Interest and other finance costs - leases	(190)	(567)
3.10	Net cash from / (used in) financing activities	(708)	39,586

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	38,683	9,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,368)	(14,724)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,450)	(4,170)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.4	Net cash from / (used in) financing activities (item 3.10 above)	(708)	39,586
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	30,158	30,158

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	30,158	38,683
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	30,158	38,683

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	7
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	25,000	25,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	25,000	25,000
7.5 Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Top Shelf International Holdings Ltd has a secured financing facility agreement arranged by Longreach Credit Investors Pty Ltd with AMAL Trustees Pty Ltd as trustee for the Longreach Direct Lending Fund.</p> <p>The interest rate is 7.25% provided the market capitalisation of Top Shelf exceeds \$75.0 million. The alternative interest rate is 10.0%. The maturity date of the facility is 15 December 2023.</p> <p>The facility was fully drawn to \$25.0 million at 31 March 2022.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(5,368)
8.2 Cash and cash equivalents at quarter end (item 4.6)	30,158
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	30,158
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.6
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	

Quarterly cash flow report for entities subject to Listing Rule 4.7B

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2022

Authorised by: Drew Fairchild, Chief Executive Officer

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here:

Quarterly cash flow report for entities subject to Listing Rule 4.7B

"By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.