



Top Shelf International Holdings Ltd

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

20 October 2021

ASX ANNOUNCEMENT (ASX:TSI)

FY22 Q1 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 first quarter of FY22 in accordance with ASX listing rule 4.7C.

1. Highlights

Following on from successfully finalising the Company’s first listed entity financial year end in FY21, Top Shelf has delivered on its first quarter objectives with the following notable highlights:

- **Record cash receipts** for first quarter of FY22 of \$5.8 million, an 187% increase on the prior year comparative period (\$2.0 million).
- FY22 first quarter unaudited **revenue of \$3.7 million** representing an **increase of 30%** on the prior year comparative period (\$2.8 million).
- **NED Whisky** achieved **YoY retail sales growth of 288%** to September 2021 (source: IRI AU Liquor MAT 19 September 2021 (CLG and ALM) and is recognised as the **fastest growing whisky brand** in the Australian market in both bottle and ready to serve formats.
- Our NED Whisky 700mL bottle is currently the **second highest retail selling Australian whisky** in market with the fastest growth rate (source: IRI AU Liquor MAT 19 September 2021 (CLG and ALM). Our NED Whisky ready to serve format is already the largest selling in the Australian retail whisky segment.

Top Shelf was able to sustain its growth trajectory despite the limited availability of whisky to harvest and sell during the period reflecting the timing of commissioning of the Campbellfield distillery in 2019.

Top Shelf is ready for the post lockdown rebound as venues re-open across NSW and Victoria in the coming months. The Company is well positioned to benefit from the rebound with product distribution arrangements in place with major hospitality groups in Victoria, event partnerships including the Australian Open tennis and Australian Turf Club and the planned opening of our consumer experience venue, The Distiller - Melbourne, in Northcote, Melbourne by mid-November 2021.

Top Shelf’s Chief Executive Drew Fairchild stated *“We continue to deliver on our commitments and are primed for continued, sustainable growth. In the first quarter of FY22, we delivered on growth outcomes despite disrupted market access associated with COVID-19.*

“We have built a highly skilled team, established distribution channels for both NED Whisky and Grainshaker Vodka, completed our service delivery model and implemented our national field sales team. We will have significantly more whisky available for harvest and sale in the second half of FY22 and will be in a position where we can activate and accelerate the market penetration and velocity of our brands.

“We are also now weeks away from sharing our exciting Australian Agave Project roadmap.”

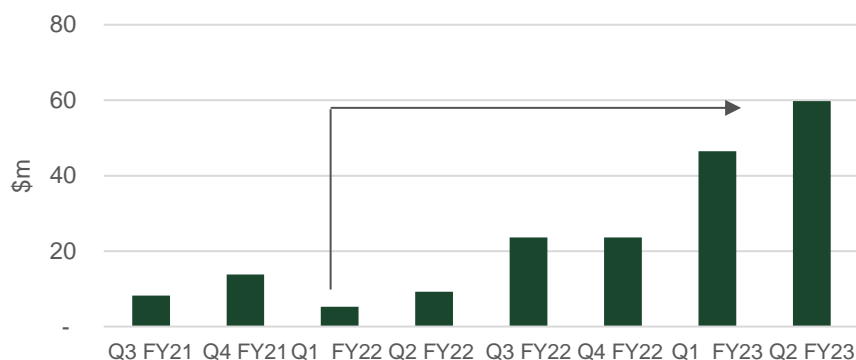
1.1.Operational update

- Top Shelf's branded product market performance has continued to accelerate in the first quarter of FY22:
 - NED Whisky achieved YoY retail sales growth of 288% making it the fastest growing whisky brand in the Australian retail market in both bottle and ready to serve formats (source: IRI AU Liquor (CLG and ALM) MAT 19/9/21); and
 - Sales velocity performance of Grainshaker Vodka 700mL bottle in IGA Liquor Victoria stores after ranging from July 2021 has been very encouraging and has exceeded the Company's initial expectations. Grainshaker Vodka RTS ranging commenced in IBA Victoria and Queensland in September 2021.
- The operational performance of the Campbellfield facility reflected strong demand from third party contract packaging customers, which will be further strengthened by the appointment of a dedicated third party business development manager in September 2021.
- The Campbellfield canning and bottling facility experienced high demand during the first quarter as evidenced by the effective utilisation rate of 94% (calculated in consideration of the Company's current five day, two-shift rostering structure). The distillery recorded its most productive month to date with approximately 75,000 litres of new make whisky (@ 43% ABV) produced in September 2021.

1.2.Revenue

- Unaudited revenue of \$3.7 million represented an increase of 30% on the prior year comparative period (\$2.8 million). In the first quarter of FY22, Top Shelf reported:
 - brand product revenue of \$1.2 million (unaudited basis) was steady with the prior year comparative period (\$1.3 million); and
 - third party contract packaging revenue of \$2.5 million (unaudited basis), an increase of 64% on the prior year comparative period (\$1.5 million). The Company's third-party contract packaging revenue reflecting demand from its portfolio of major beverage and craft customers with a strong pipeline of scheduled work for the second quarter of FY22.
- As foreshadowed in our FY21 investor presentation and illustrated in Chart 1 below, Top Shelf had limited available whisky available for sale in the first quarter of FY22 reflecting the timing of commissioning of the Campbellfield distillery in 2019.

Chart 1: Annualised run rate of whisky available for sale (\$million)



1.3.Maturing spirit inventory investment

- During the first quarter of FY22, Top Shelf has continued to invest in its maturing spirit inventory. At 30 September 2021 Top Shelf had 1,728,000 litres of whisky under maturation (@ 43% ABV) and an equivalent of 1,989,000 litres of agave spirit (@ 43% ABV).
- The Company's total maturing spirit inventory (whisky and agave) reflected an equivalent net sales value of \$290 million as at 30 September 2021 (30 June 2021: \$272 million). Top Shelf's whisky under maturation represented net sales value of \$123 million (30 June 2021: \$111 million) and maturing agave plants at the Eden Lassie agave farm represented an equivalent net sales value of \$167 million.

1.4.Cash and borrowings

- The Company's total available funding including cash and undrawn debt facilities is \$9.9 million.
- This includes a cash balance of \$4.5 million as at end of September. The Company executed an Amendment Deed with Longreach Credit Investors on 19 October 2021 to extend Top Shelf's existing debt facility limit from \$15.0 million to 25.0 million. The Company has immediate access to debt funding of \$5.4 million (net of transaction costs) with a further \$3.5 million available upon execution of an insurance policy in relation to the Company's agave plants at Eden Lassie.

- Top Shelf's R&D tax incentive application for R&D activities undertaken in the FY21 period was approved by AusIndustry in October 2021 and will result in a refundable tax offset of \$1.2 million expected to be received in the form of a cash refund in the second quarter of FY22.

2. Cash Flow Update

2.1. Quarterly net cash flows

During the first quarter of FY22, Top Shelf has continued to invest in the execution of its growth strategy. Table 1 below summarises the Company's FY22 first quarter net cash flows in comparison to the quarterly profile of FY21.

Table 1: Net cash flows quarterly profile

\$'m	FY21				FY22
	Q1	Q2	Q3	Q4	Q1
Operating activities	(1.5)	(4.1)	(5.6)	(4.5)	(3.6)
Investing activities	(0.5)	(0.7)	(1.1)	(2.5)	(0.8)
Financing activities	0.2	21.1	4.7	2.4	(0.5)
Net cash flows	(1.8)	16.3	(2.1)	(4.6)	(4.9)

2.2. Operating activities

Cash used in the Company's operating activities of \$(3.6) million in the first quarter of FY22 represented an improvement relative to the operating cash utilisation during previous quarters of FY21.

Operating activity cash flows in the first quarter included:

- continued investment in whisky inventory for maturation (\$0.6 million);
- additional finished goods on hand to service third party delivery requirements and branded product sales in the second quarter (\$0.5 million); offset by
- a reduction in general working capital investment (excluding whisky inventory and finished goods) largely reflecting reduced trade receivables and corresponding trade payables after the trading activity experienced in the fourth quarter of FY21.

2.3. Investing activities

In addition to Top Shelf's investment in working capital, in the fourth quarter cash was invested in plant & equipment, biological assets and R&D intangible assets of \$(0.8) million inclusive of:

- ongoing investment in agave agronomic activities, agave plant purchases from third party nurseries and minor stay in business capital expenditure (\$0.6 million). The Company had over 391,000 agave plants in ground at Eden Lassie as at 30 September 2021 (30 June 2021: 282,000 plants);
- investment in:
 - the development of agave fermentation and distillation techniques (\$0.1 million); and
 - the fit-out of The Distiller – Melbourne customer experience venue in Northcote, Melbourne (\$0.1 million).

2.4. Financing activities

In the fourth quarter, net cash from financing activities of \$0.5 million reflecting interest payments in relation to the Longreach Credit secured facility, and interest and principal payments in relation to leases recognised by the Company in accordance with AASB 16 *Leases*.

3. Related party transactions

In accordance with ASX listing rule 4.7C.3, the following summarises the related party transactions of the Company in the fourth 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 \$16,000 (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 info@topshelfgroup.com.au or on (03) 8317 9990.

Media enquiries, please contact Mark Hawthorne, Civic Financial on 0418 999 894.

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 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

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (incl. GST)	5,834	5,834
1.2 Payments (incl. GST) for		
(a) research and development	-	-
(b) product manufacturing and operating costs ¹	(4,689)	(4,689)
(c) advertising and marketing	(1,145)	(1,145)
(d) leased assets	-	-
(e) staff costs	(1,968)	(1,968)
(f) administration and corporate costs	(1,679)	(1,679)
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	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 \$0.6m in the September quarter	(3,647)	(3,647)

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

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(279)	(279)
	(d) investments	-	-
	(e) intellectual property	(75)	(75)
	(f) other non-current assets (biological asset development)	(418)	(418)
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)	-	-
2.5	Other (R&D refund associated with capital activities)	-	-
2.6	Net cash from / (used in) investing activities	(772)	(772)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-

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

3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Payment of lease liability principal – buildings and equipment	(54)	(54)
	Interest and other finance costs - borrowings	(275)	(275)
	Interest and other finance costs - leases	(188)	(188)
3.10	Net cash from / (used in) financing activities	(517)	(517)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,467	9,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,647)	(3,647)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(772)	(772)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(517)	(517)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,531	4,531

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

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	4,531	9,467
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)	4,531	9,467

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	16
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>		

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	15,000	15,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	15,000	15,000

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

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%.</p> <p>As at 30 September 2021, the facility was drawn to \$15.0 million.</p> <p>The Company executed an Amendment Deed with Longreach Credit Investors on 18 October 2021 to extend Top Shelf's existing debt facility from \$15.0 million to 25.0 million. This provides the Company with immediate access to additional funding of \$5.4 million (net of transaction costs) with a further \$3.5 million available upon execution of an insurance policy in relation to the Company's agave plants at Eden Lassie.</p> <p>The maturity date of the facility is 15 December 2023.</p>	

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,647)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,531
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,531
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.2
<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>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: The Company is expecting to recognise comparable net operating cash flows in the short term as investment is made in new make whisky, brands and operating leverage to enable Top Shelf to scale revenue growth.</p> <p>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?</p>	

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

Answer: The Company executed an Amendment Deed with Longreach Credit Investors on 18 October 2021 to extend Top Shelf's existing debt facility from \$15.0 million to 25.0 million. This provides the Company with immediate access to additional funding of \$5.4 million (net of transaction costs) with a further \$3.5 million available upon execution of an insurance policy in relation to the Company's agave plants at Eden Lassie.

The Company also expects to receive a \$1.2 million R&D tax credit cash refund in FY22 in relation to FY21 R&D activities.

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: The Company is forecasting to continue its operations and meet its business objectives with the additional funding available to the Company as summarised in the response to item 8.6.2.

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: [20] October 2021

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: "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.