



Top Shelf International Holdings Ltd

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

29 April 2021

ASX ANNOUNCEMENT (ASX:TSI)

31 March 2021 Quarterly Report and Appendix 4C

Top Shelf International Holdings Limited (“Top Shelf” or “the Company”), an Australian multi-branded spirits company and owner of NED Whisky and Grainshaker Vodka, provides an update for the third quarter of FY21 in accordance with ASX listing rule 4.7C.

Highlights

Revenue

- Top Shelf reported total revenue of \$5.0 million (unaudited basis) in the third quarter of FY21, an increase of 121.4% on the prior year comparative period (\$2.8 million). The Company’s total revenue in the third quarter of FY21 was aligned with gross cash receipts inclusive of GST of \$5.1 million.
- The revenue growth is largely attributed to the strong demand for the Company’s brand products, NED Whisky and Grainshaker Vodka. In the third quarter of FY21, Top Shelf reported:
 - brand product revenue of \$3.5 million (unaudited basis), an increase of 274.7% on the prior year comparative period (\$0.9 million); and
 - third party contract packaging revenue of \$1.5 million (unaudited basis), an increase of 13.1% on the prior year comparative period (\$1.3 million).
- Year to date revenue was \$12.3 million (unaudited basis), an increase of 138.8% on the prior comparative period (\$5.2 million).
- The Company’s reported total revenue of \$5.0 million represented an increase of \$0.5 million on the second quarter of FY21 (\$4.5 million) with:
 - brand product revenue (\$3.5 million) representing an increase of \$0.8 million or 29.0% on the second quarter of FY21 (\$2.7 million); and
 - third party revenue (\$1.5 million) in comparison to \$1.7 million in the second quarter of FY21. Third party contract packaging activity in the third quarter was steady with the second quarter consistent with Top Shelf’s primary focus on growth of brand product sales. As at 31 March 2021, the Company held the equivalent of \$0.4 million of revenue in third party finished product not yet despatched to customers (31 December 2020: \$nil).
- Top Shelf reported record monthly total revenue of \$2.2 million in March 2021 providing the Company with momentum into the fourth quarter of FY21 after the seasonally quieter month of January.

Cash position

- The Company’s cash balance as at 31 March 2021 was \$14.0 million (31 December 2020: \$16.1 million).
- During the third quarter of FY21, Top Shelf’s Longreach Credit secured financing facility was drawn down by an additional \$5.0 million to \$12.0 million reflecting the expansion of the Company’s borrowing base inclusive of trade receivables, maturing whisky and oak storage assets.

Operational Update

NED Whisky and Grainshaker Vodka

- Top Shelf has been delighted with the consumer response to the launch of Grainshaker Vodka in late October 2020. The Grainshaker Vodka ready to serve (RTS) product range was listed with independent distributors from February 2021 in alignment with the activation of the Grainshaker Vodka brand at the Australian Open.
- Top Shelf is excited to report that orders have been received for NED Whisky and Grainshaker Vodka bottle and RTS products as part of the initial development of a China market strategy. Top Shelf has been engaging with locally based Chinese buyers inclusive of hosting monthly seeding and activation tasting events, in addition to establishing a presence on Chinese social media platforms.
- In the fourth quarter of FY21, Top Shelf will the release of a NED Whisky 8.0% ABV¹ RTS (with the higher ABV product offering complementing the 4.8% and 6.0% NED Whisky RTS product range) and the third and fourth batch releases of the popular NED Whisky limited edition Wanted Series. The Wanted Series will be available via our ALM and independent distribution channels and online.
- In March 2021, Top Shelf officially opened the Welcome to Thornbury Grainshaker Vodka Local Distillery in Thornbury, Melbourne. The Local Distillery provides consumers with an immersive brand experience with a calendar of upcoming activation events to directly engage the Grainshaker Vodka brand and product range with consumers.

NED Whisky maturation investment

- Top Shelf continued to invest in NED Whisky inventory with 1,386,700 litres on hand² as at 31 March 2021, an increase in NED Whisky inventory on hand of 437,085 litres or 46.0% during FY21 Q3. The NED Whisky inventory on hand represents the equivalent of over \$88.1 million in net sales value at maturation³ as at 31 March 2021. Net sales value at maturation reflects the envisaged NED Whisky product range inclusive of the premium Wanted Series.
- In February 2021, Top Shelf leased a second maturation facility in Somerton, Victoria. With fire protection walls subsequently installed, the maturation facility provides Top Shelf with additional whisky storage capacity of 1.2 million litres (at 65.0% ABV). Investment in the second maturation facility completes the envisaged whisky production and storage capacity of the Campbellfield distillery and maturation facilities in Somerton.
- The Company's total whisky storage capacity is now in excess of 2.0 million litres with Top Shelf's first maturation facility currently at capacity. Top Shelf presently has specialist oak coopers on site from Italy installing 13 oak vats that will provide storage capacity of 193,000 litres by May 2021.

Australian Agave

- As at the date of this report, the Company's Eden Lassie agave farm has planted over 216,000 agave plants (31 December 2020: 165,000 plants) or the equivalent of 216 kilometres of planted skip rows, with an additional 225,000 plants in nursery available for Top Shelf's CY21 planting program.
- The Company also continues to progress planning of an Australian Agave brand and Eden Lassie distillery and visitor centre. Top Shelf anticipates the launch of the Australian Agave brand in the first quarter of FY22 with a limited release experimental product series available for sale in FY22. The Company believes that the Australian Agave project could have a significant effect on the Whitsunday regional economy and welcomes the strong engagement from the Queensland state government, Whitsunday Regional Council, Tourism Whitsundays and the local community.
- In March 2021, the Company's Australian Agave project in conjunction with the University of Adelaide was awarded a \$0.8 million grant via the Australian Research Council's Linkage Program over three years to continue the ongoing research and development into the establishment of agave as a sustainable and climate proof Australian crop. Top Shelf will contribute a minimum of \$0.3 million to the project over the period of the grant.

Capabilities

- Top Shelf has continued to attract talent and has invested in sales, marketing and operational capability in the third quarter of FY21 with the appointment of state sales managers in Western Australia and Queensland, a dedicated brand marketing manager and strengthened supply chain and operational management at the Campbellfield facility.

¹ ABV: Alcohol by volume.

² Litres of whisky on hand at 40.0% ABV.

³ The litres of whisky on hand multiplied by the anticipated weighted average wholesale sales value of Top Shelf's NED Whisky bottle range of \$41.7 is used by Top Shelf as an indicator of wholesale revenue when the whisky is matured. The whisky maturation period is a minimum of two years.

Cash Flow Update

Third quarter cash flows

During the third quarter ended 31 March 2021, Top Shelf has continued to invest in business operations to enable the execution of its growth strategy. The Company's net cash flows for the third quarter period ended 31 March 2021 were \$2.1 million reflecting:

- Cash used in operating activities of \$5.6 million inclusive of:
 - cash receipts (\$5.1 million) offset by operating expenditure (\$7.2 million) inclusive of labour costs of \$1.1 million as the Company's operating structure is established to execute envisaged future revenue growth;
 - brand development and activation expenditure and labour including major sporting event (Australian Open and Kelly Grove Supercar Racing) and Grainshaker Vodka brand launch venue sponsorship (\$2.2 million);
 - continued investment in NED Whisky inventory for maturation and, to a lesser extent, Grainshaker Vodka and third party finished goods inventory (\$1.1 million);
 - general working capital investment (excluding inventory) (\$0.5 million); net of:
 - R&D refund received in February 2021 associated with FY20 operating activities (\$0.3 million).
- Cash invested in capital assets of the business of \$1.1 million inclusive of:
 - investment in plant & equipment (\$0.8 million) inclusive of storage oak and racking (\$0.3 million), the second maturation facility firewalls (\$0.2 million) and Welcome to Thornbury Grainshaker Vodka Local Distillery establishment costs (\$0.2 million);
 - investment in agave plants and ongoing planting activities at Eden Lassie agave farm (\$0.9 million) inclusive of the one-time external supply of 155,000 agave plants for planting in CY21. The agave plants are anticipated to become self-regenerating beyond CY21 for future period planting cycles;
 - property lease security deposit in relation to the second maturation facility house (\$0.2 million); net of
 - R&D refund received in February 2021 associated with FY20 invested capital (\$0.8 million).
- Net cash from financing activities of \$4.6 million inclusive of:
 - drawings from the Longreach Credit secured facility of \$4.9 million (net of establishment fees); less:
 - 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* (\$0.3 million).

Top Shelf's Chief Executive Drew Fairchild stated "I am delighted with the talent that we have been able to attract to Top Shelf in the third quarter as a key pillar in our ambition to be Australia's premier international multi branded spirits company. This talent acquisition enhances our capability inclusive of maturing business processes required to fulfil our ambition.

Our capability growth complements the ongoing investment in our maturing whisky and Agave plant inventories required to fulfil anticipated future demand.

Top Shelf continues to be on track and on trend through the third quarter of FY21. The continued strong performance of our NED Whisky and Grainshaker Vodka brands has been a highlight, which we expect to go from strength to strength."

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 \$30,000 (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

About Top Shelf

Top Shelf is a Melbourne based producer and marketer of high-quality Australian spirit-based beverage brands, with an ambition to create high quality, authentic Aussie spirit brands, where each brand in its own distinctive way embodies an unmistakably Aussie taste, attitude and social experience.

Top Shelf has expertise in the development and production of distilled spirits, access to research and development expertise and modern, fully commissioned and operational fermentation, distillation and packaging facilities in Campbellfield, Victoria. In addition to distilling and manufacturing its own range of spirituous products, Top Shelf also provides canning, bottling and packaging services to a range of customers. Top Shelf operates a farm near Bowen in Queensland where it is planting agave plants to support an Australian Agave spirits business at scale.

Appendix 4C

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

Name of entity
Top Shelf International Holdings Ltd
ABN
22 164 175 535
Quarter ended ("current quarter")
31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Nine months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (incl. GST)	5,085	11,330
1.2 Payments (incl. GST) for		
(a) research and development	-	-
(b) product manufacturing and operating costs ¹	(6,118)	(10,318)
(c) advertising and marketing	(1,957)	(3,896)
(d) leased assets	-	-
(e) staff costs	(1,267)	(2,714)
(f) administration and corporate costs	(1,616)	(5,862)
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	264	264
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,609)	(11,196)
Note 1: Product manufacturing and operating costs include investment in inventory of \$1.1m in the Current quarter and \$3.5m in the nine month Year to date period.		

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	(814)	(1,597)
	(d) investments	-	-
	(e) intellectual property	(14)	(348)
	(f) other non-current assets (agave plants)	(1,070)	(1,232)
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)	793	793
2.6	Net cash from / (used in) investing activities	(1,106)	(2,385)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) ²	-	35,952
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	-	(4,705)
3.5	Proceeds from borrowings	5,000	14,410
3.6	Repayment of borrowings	-	(15,018)
3.7	Transaction costs related to loans and borrowings	(39)	(1,006)
3.8	Dividends paid	-	-

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

3.9	Other (provide details if material)		
	Payment of lease liability principal – Eden Lassie agave farm	-	(2,330)
	Payment of lease liability principal - other	(24)	(43)
	Interest and other finance costs - borrowings	(162)	(880)
	Interest and other finance costs - leases	(126)	(412)
3.10	Net cash from / (used in) financing activities	4,649	25,967

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,108	1,656
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,609)	(11,196)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,106)	(2,385)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,649	25,967
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	14,042	14,042
	Note 2: Excludes payment of initial public offering proceeds to selling shareholders		

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	14,402	16,108
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)	14,402	16,108

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

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	30
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. 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	12,000	12,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	12,000	12,000
7.5	Unused financing facilities available at quarter end		-
7.6	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>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 31 March 2021, the facility limit was \$12.0 million increasing monthly by \$1.0 million to a maximum of \$15.0 million by June 2021.</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)	(5,609)
8.2	Cash and cash equivalents at quarter end (item 4.6)	14,042
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	14,042
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.5
	<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>	

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 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

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

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.