



Top Shelf International Holdings Ltd

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

29 July 2021

ASX ANNOUNCEMENT (ASX:TSI)

30 June 2021 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 fourth quarter of FY21 in accordance with ASX listing rule 4.7C.

1. Highlights

Top Shelf’s Chief Executive Drew Fairchild stated *“The FY21 fourth quarter revenue result of \$7.7 million (pro forma unaudited basis) and achievement of our full year pro forma revenue forecast of \$20 million is an outstanding result.*

“Pleasingly the FY21 result reflects a growth rate half on half in FY21 of 115% for branded product revenue and an average whisky net sales value per litre increase of 23%.

“Over the course of FY21, Top Shelf has continued to invest in its maturing spirit inventory and maturation capacities, an indication of which is the equivalent net sales value of the Company’s maturing whisky and agave spirit assets having increased to \$272 million at 30 June 2021 from \$44 million at 30 June 2020.

“Operating cash flows, exclusive of investment in inventory and working capital, improved in the fourth quarter relative to the third quarter as Top Shelf realises the benefits of increased net sales price and margin, and operating leverage including the management of our cost base and the completion of IPO and other legacy commitments.

“The Company is currently in advanced discussion with its lender, Longreach Credit Investors, to increase the size of the existing financing facility, based on the increase in the value of Top Shelf’s branded inventory assets, and extend the term of the facility.

“The Company’s recent performance attests to the brand resonance, ongoing establishment of distribution channels both here and abroad, the strength of our vertically integrated operating platform and recent investment in people, all of which support the scaling of our business and underpin our future growth ambitions.”

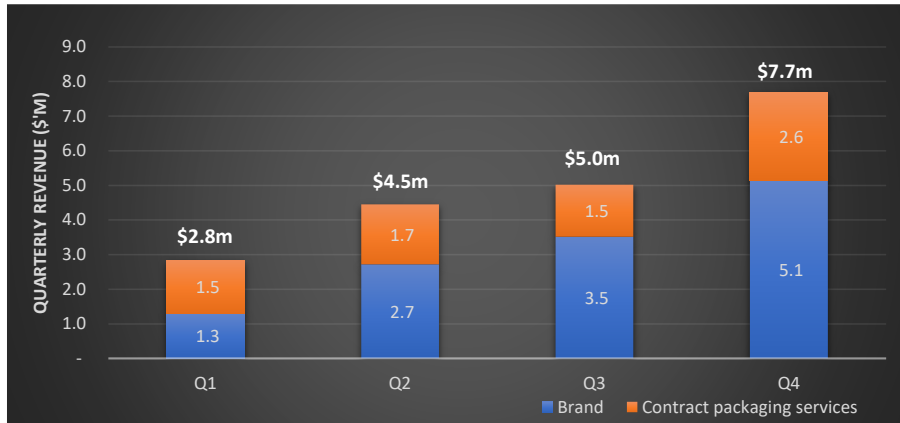
1.1. Revenue

- In the fourth quarter of FY21, Top Shelf reported pro forma unaudited revenue of \$7.7 million.
- Pro forma unaudited revenue of \$7.7 million represented an increase of 161% on the prior year comparative period (\$3.0 million). In the fourth quarter of FY21, Top Shelf reported:
 - brand product revenue of \$5.1 million (pro forma unaudited basis), an increase of 160% on the prior year comparative period (\$2.0 million); and
 - third party contract packaging revenue of \$2.6 million (pro forma unaudited basis), an increase of 162% on the prior year comparative period (\$1.0 million).
- Cash receipts from customers in the fourth quarter of FY21 of \$5.3 million represented an 81% increase on the prior year comparative period (\$2.9 million).

- The Company has provided further detail of its FY21 pro forma and statutory unaudited revenue result in an ASX announcement dated 14 July 2021. A reconciliation of fourth quarter pro forma to statutory unaudited revenue is provided later in this document.

Chart 1: FY21 pro forma unaudited revenue quarterly profile

The chart below illustrates the Company's FY21 pro forma unaudited brand and third-party contract packaging by quarter:



1.2. *Maturing spirit inventory investment*

- As at 30 June 2021, Top Shelf's whisky under maturation represented net sales value of \$111 million and maturing agave plants at the Eden Lassie agave farm represented an equivalent net sales value of \$161 million. The Company's total maturing spirit inventory (whisky and agave) reflected an equivalent net sales value of \$272 million as at 30 June 2021 relative to \$44 million at 30 June 2020.
- The Company has provided detail on its maturing spirit inventory in an ASX announcement dated 22 July 2021.

1.3. *Cash*

- The Company's cash balance as at 30 June 2021 was \$9.5 million.
- In the fourth quarter of FY21, Top Shelf's trade receivables position increasing by 54% to \$7.9 million. The Company expects this working capital to translate to cash in the first quarter of FY22.
- Top Shelf also anticipates recognising an R&D refundable tax offset of approximately \$1.0 million in relation to FY21 R&D activities to be received in the form of a cash refund in the first half of FY22.

1.4. *Borrowings*

- During the fourth quarter of FY21, Top Shelf's Longreach Credit secured financing facility was drawn down by an additional \$3.0 million to the facility limit of \$15.0. The facility was utilised to fund investment in whisky production, a second barrel house with accompanying oak storage assets, and agave plants.

Table 1: 30 June 2021 forecast and actual borrowing position

The table below sets out the Company's forecast and actual borrowing position relative to the net sales value of maturing spirit inventory at 30 June 2021.

	IPO forecast	Actual
Facility drawn balance	\$8 million	\$15 million
Maturing spirit inventory net sales value	\$107 million	\$272 million
Facility balance as % of maturing spirit inventory net sales value	7.5%	5.5%

- The Company is currently in advanced discussion with Longreach Credit Investors to increase the size of the existing financing facility, based on the increase in the value of Top Shelf's branded inventory assets, and extend the term of the facility.

2. Cash Flow Update

2.1. FY21 quarterly net cash flows

During the fourth quarter ended 30 June 2021, Top Shelf has continued to invest in the execution of its growth strategy. Table 2 and Table 3 below summarise the Company's FY21 quarterly net cash flows and FY21 quarterly cash flows from operating activities respectively.

Table 2: FY21 net cash flows quarterly profile

\$'m	Q1	Q2	Q3	Q4	FY21
Operating activities	(1.5)	(4.1)	(5.6)	(4.5)	(15.7)
Investing activities	(0.5)	(0.7)	(1.1)	(2.5)	(4.9)
Financing activities	0.2	21.1	4.7	2.4	28.4
Net cash flows	(1.8)	16.3	(2.1)	(4.6)	7.8

Table 3: FY21 operating cash flows quarterly profile

\$'m	Q1	Q2	Q3	Q4	FY21
Trading cash flows					
- Receipts	2.0	4.2	5.1	5.3	16.6
- Payments	(3.0)	(8.0)	(9.7)	(8.7)	(29.5)
Trading cash flows – total	(1.0)	(3.8)	(4.6)	(3.5)	(12.9)
Working capital investment					
- New make whisky inventory	(0.4)	(0.9)	(0.9)	(1.0)	(3.2)
- Trade debtors, other inventory and trade payables	(0.1)	0.7	(0.3)	-	0.2
Working capital investment – total	(0.5)	(0.2)	(1.2)	(1.0)	(3.0)
R&D income (operating portion only)	-	-	0.3	-	0.3
Net cash flows from operating activities	(1.5)	(4.1)	(5.6)	(4.5)	(15.7)

2.2. Operating activities

Cash used in the Company's operating activities of \$(4.5) million in the fourth quarter represented an improvement relative to the corresponding operating cash utilisation of \$(5.6) million in the third quarter.

As summarised in Table 3 above, the Company's operating activities are considered in terms of trading cash flows and working capital investment. A key focus for the Company is positive trading cashflows and the continued optimal investment in inventory to support future revenue growth.

Working capital investment included:

- continued investment in whisky inventory for maturation (\$1.0 million); and
- general working capital investment (excluding whisky inventory) largely reflected in trade receivables resulting from revenue growth offset by trade payables and a reduction in finished good inventory.

2.3. Investing activities

- In addition to Top Shelf's investment in working capital, in the fourth quarter cash was invested in plant & equipment and biological assets of \$(2.5) million inclusive of:
 - ongoing investment in agave agronomic activities, agave plant purchases from third party nurseries and the Company's whisky small oak barrel program (\$0.8 million).
 - investment in the following non-recurring projects:
 - Top Shelf's second barrel house large oak vat project inclusive of the installation and commissioning of 12 14,000 litre vats and one 25,000 litre vat (\$0.6 million);
 - still equipment for the Eden Lassie agave distillery (\$0.3 million); and
 - Welcome to Thornbury local distillery experience fit out (\$0.3 million).

2.4. Financing activities

- In the fourth quarter, net cash from financing activities of \$2.4 million inclusive of:
 - drawings from the Longreach Credit secured facility of \$2.9 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 (\$0.5 million).

3. Initial public offering use of funds

In accordance with ASX listing rule 4.7C.2, the actual use of funds from the initial public offering as at 30 June 2021 relative to the prospectus dated 12 November 2020 is set out in the table below. The actual use of funds below reflects invested expenditure for the 12-month period ended 30 June 2021.

Table 4: Initial public offering forecast and actual use of funds

Use of funds	Forecast (\$m) (12 months)	Actual (\$m) (12 months)	Status
Payments to Selling Shareholders	12.2	12.2	Complete
Repayment of borrowings and shareholder loans	8.6	6.6 ¹	Complete
Offer transaction costs and other costs associated with IPO preparation	4.6	5.3	Complete
Eden Lassie farm final acquisition payment, capital expenditure and agave plant investment	2.7	4.1	Ongoing ²
Sales & marketing (including brand investment and sales labour costs)	4.9	6.5	Ongoing
Inventory and related storage asset capital expenditure	4.8	4.9	Ongoing
General plant and equipment capital expenditure and R&D investment	0.9	3.0	Ongoing
General working capital	8.5	3.9	Ongoing
Total	47.2	46.4	

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 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 \$13,000 (excluding GST) in relation to these services.

¹ In December 2020, a financing facility with Longreach Capital was drawn to \$7.0 million reflecting the actual borrowing base (as defined in the prospectus) of Top Shelf in comparison to an assumption of \$5.0 million. This variance is reflected in the actual repayment of borrowings and shareholder loans.

² Expenditure includes the final acquisition payment for the Eden Lassie agave farm of \$2.2 million, completed on 16 December 2020, and the acquisition of 155,000 agave plants in February 2021 to accelerate Top Shelf's CY21 planting program.

5. FY21 fourth quarter pro forma to statutory unaudited revenue reconciliation

Table 5: FY21 fourth quarter pro forma to statutory unaudited revenue reconciliation

\$ million	FY21 Q4
Pro forma	7.7
1. Contract packaging service revenue – produced to order not picked up	(0.8)
Statutory	6.9

Reconciliation notes:

1. As at 30 June 2021, produced to order, not picked up finished goods representing \$0.8 million of contract packaging service revenue pursuant to contract packaging services provided by Top Shelf to Pinnacle Drinks in the second half of FY21 has been recognised as revenue on a pro forma basis. Top Shelf anticipates the dispatch to customer of this volume will occur during July and August 2021 at which point the revenue will be recognised by the Company on a statutory basis.

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 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 research and development and operates modern fermentation, distillation and packaging facilities in Campbellfield, Victoria.

The Company is creating Australia's first agave spirit range and is developing an Agave farm in The Whitsundays region of Queensland specifically chosen for the suitability of its climate for growing blue agave. In development of the farm the Company has committed to the application of 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

22 164 175 535

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (incl. GST)	5,281	16,612
1.2 Payments (incl. GST) for		
(a) research and development ¹	(170)	(170)
(b) product manufacturing and operating costs ²	(3,417)	(13,735)
(c) advertising and marketing	(1,763)	(5,659)
(d) leased assets	-	-
(e) staff costs	(1,634)	(4,348)
(f) administration and corporate costs	(2,807)	(8,670)
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
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(4,511)	(15,706)
<p>Note 1: The majority of R&D expenditure recognised in the Company's R&D refundable tax offset claim is reflected in investing activity cash flows. Amounts recognised in operating activity cash flows only relate to the Company's Australian agave research projects in partnership with Adelaide University.</p> <p>Note 2: Product manufacturing and operating costs include investment in new make whisky inventory of \$1.0m in the Current quarter and \$3.2m in the 12 month Year to date period.</p>		

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	(1,689)	(3,286)
	(d) investments	-	-
	(e) intellectual property	(137)	(485)
	(f) other non-current assets (biological asset development)	(644)	(1,876)
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
2.6	Net cash from / (used in) investing activities	(2,469)	(4,854)

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	3,000	18,378
3.6	Repayment of borrowings	-	(15,018)
3.7	Transaction costs related to loans and borrowings	(93)	(1,099)
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	(72)	(115)
	Interest and other finance costs - borrowings	(240)	(2,089)
	Interest and other finance costs - leases	(191)	(603)
3.10	Net cash from / (used in) financing activities	2,404	28,371

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,042	1,656
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,511)	(15,706)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,469)	(4,854)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,404	28,371
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	9,467	9,467
	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	9,467	14,042
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)	9,467	14,042

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	13
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	15,000	15,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	15,000	15,000
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 30 June 2021, the facility was fully drawn to \$15.0 million.</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)	(4,511)
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,467
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	9,467
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.1
<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 July 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.