

Top Shelf International Holdings Ltd

Delivering Today, Primed for Tomorrow
Australia's Largest and Fastest Growing
Premium Spirits Company

FY21 Investor Presentation

27 August 2021
ASX: TSI



TOP SHELF
INTERNATIONAL

OUR AMBITION

AUSTRALIA'S ONLY MULTI-BRANDED INTERNATIONAL SPIRITS COMPANY

TSI Purpose

Promote, celebrate and enjoy our distinctive Aussie way of life

Our Core

High quality, authentic Australian spirit brands that embody an unmistakably Aussie taste, attitude and social experience



>\$100m



>\$50m



>\$100m

Production Capacity

Growth Levers

Grow Distribution Channels

Grow Channel Velocity

Grow Portfolio & Premiumisation

Build Brand & Activation

Capability & Operating Model



5-Year Ambition

40%

Gross Margin

15-20%

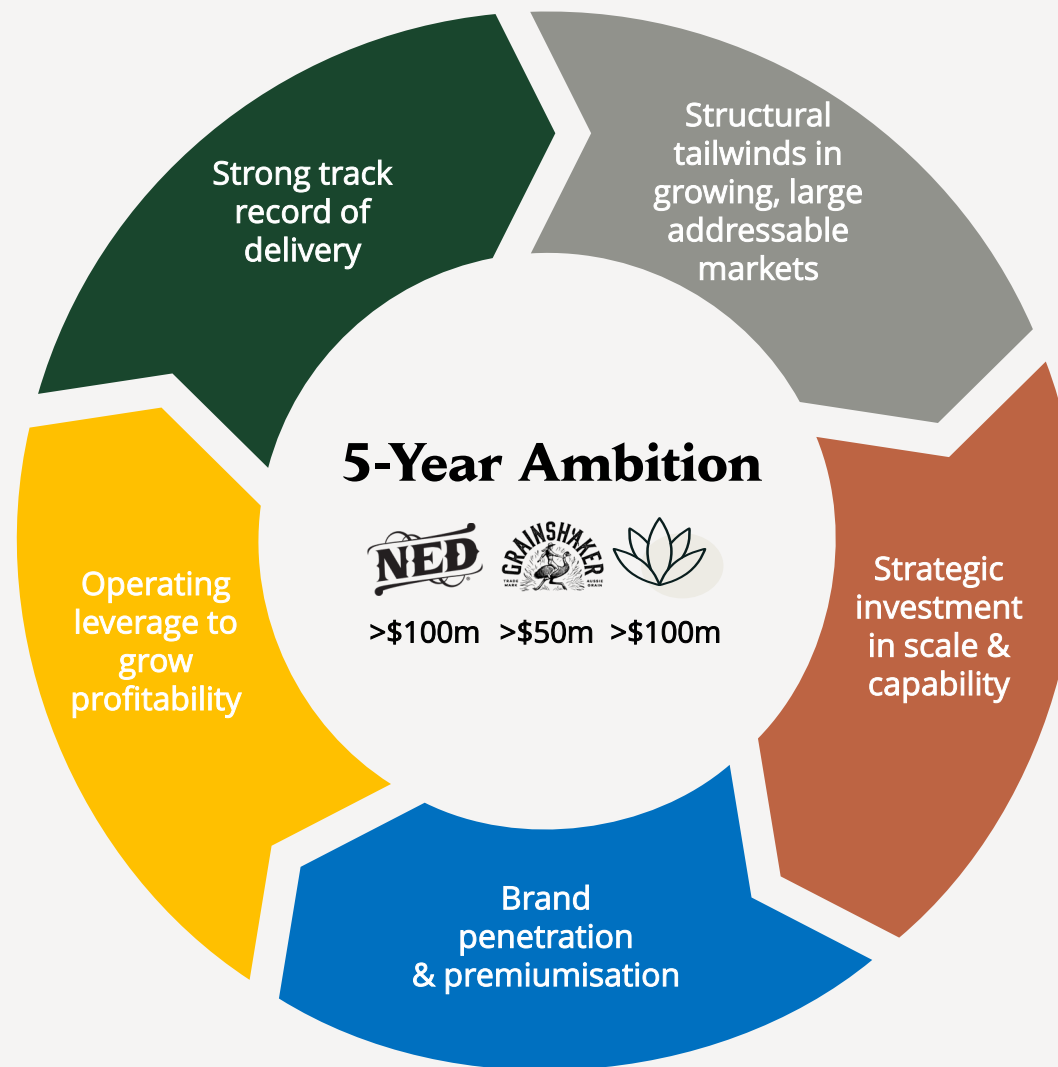
Brand Investment

20+%

Contribution Margin

FUNDAMENTALS IN PLACE

INVESTMENT IN SCALE, CAPABILITY AND BRAND TO REALISE SIGNIFICANT GROWTH OPPORTUNITIES



STRUCTURAL TAILWINDS

RECORD RETAIL GROWTH DRIVING SPIRITS AND RTD GROWTH

Spirits ¹

Total Size (\$)
\$5.2b

Growth (\$)
\$996m

Growth (%)
+23.7%

RTDs ¹

Total Size (\$)
\$3.7b

Growth (\$)
\$987m

Growth (%)
+39.2%

**There are significant opportunities
for Australian spirits to further
outperform the market**

8%

Only 8% of spirits consumed in
Australia are Australian by provenance ¹
Beer 80%,
Wine 75%

\$4

Australia currently exports only
\$4 per capita in spirits ³
NZ \$14, Sweden \$80
Estonia \$85, UK \$120
Ireland \$171

1. IRI Liquor Outlook Report May 2021

1. Euromonitor Alcohol in Australia May 2021. 2. Barclays Global Consumer Staples US Tequila July 2021; 3. Spirits & Cocktails Australia

**Macro Trends
driving growth**

Premiumisation /
Trading Up

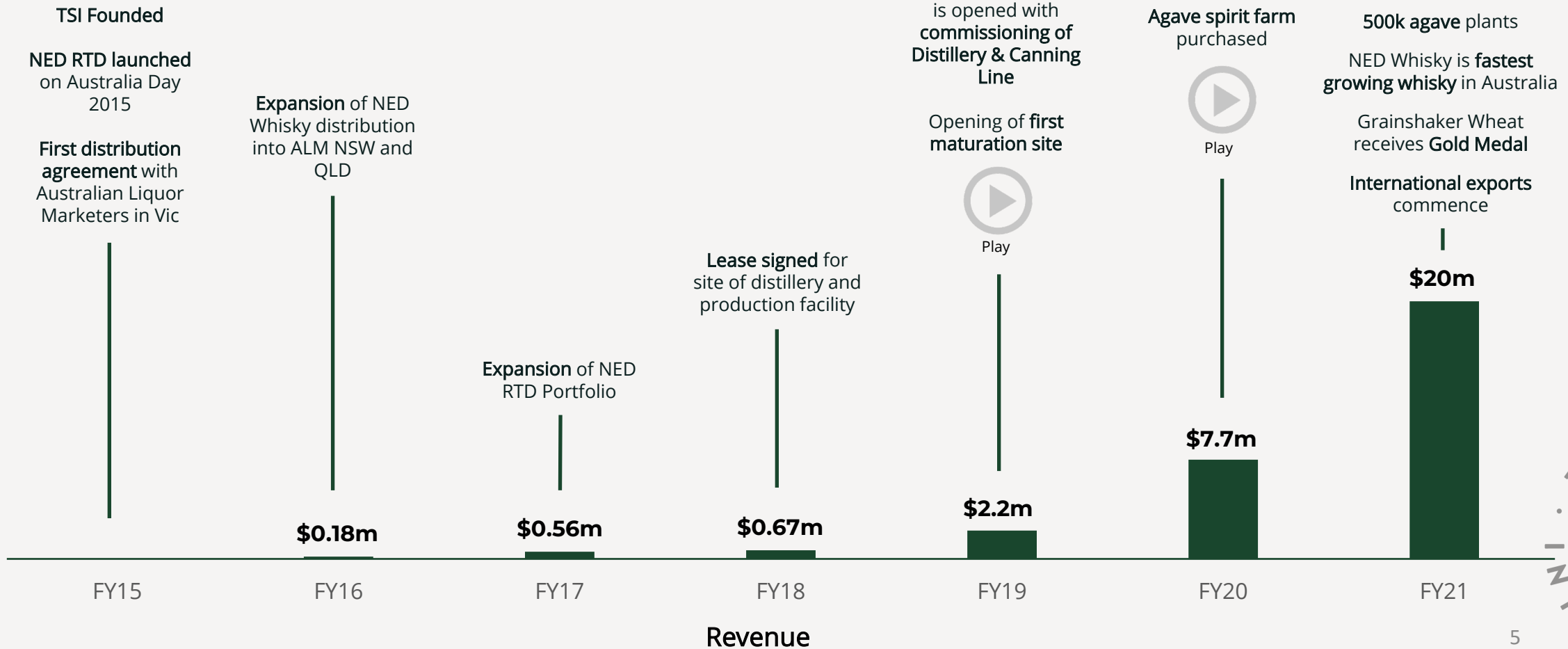
Supporting
local

The at-home
occasion

e-commerce
expansion

SUSTAINED TRACK RECORD OF GROWTH

\$69M INVESTED IN BUILDING AUSTRALIA'S LARGEST SPIRITS COMPANY



FY21 KEY HIGHLIGHTS

AUSTRALIA'S FASTEST GROWING SPIRITS COMPANY AND LARGEST DISTILLER OF WHISKY

Achieved IPO Prospectus Forecast

Pro Forma Revenue

\$20m

+160% on pcpc
Delivered on prospectus forecast

Whisky Price/Litre

\$71.4

+23% on H1 FY21 ¹

Gross Margin

23.9%

21.6% to 25.2% HOH
+1.1% ahead of prospectus forecast

EBITDA

-\$6.1m

Ahead of prospectus forecast

Brand

#1

NED Fastest Growing Whisky ³
Grainshaker Fastest Growing Australian Vodka ⁴

NSV Maturing Spirits

\$272m

at end FY21 ¹
+521% pcpc

Available Funding

\$18.4m

Cash reserves \$9.5m
plus extension of borrowing base \$8.9m ²

Capability

\$68.9m

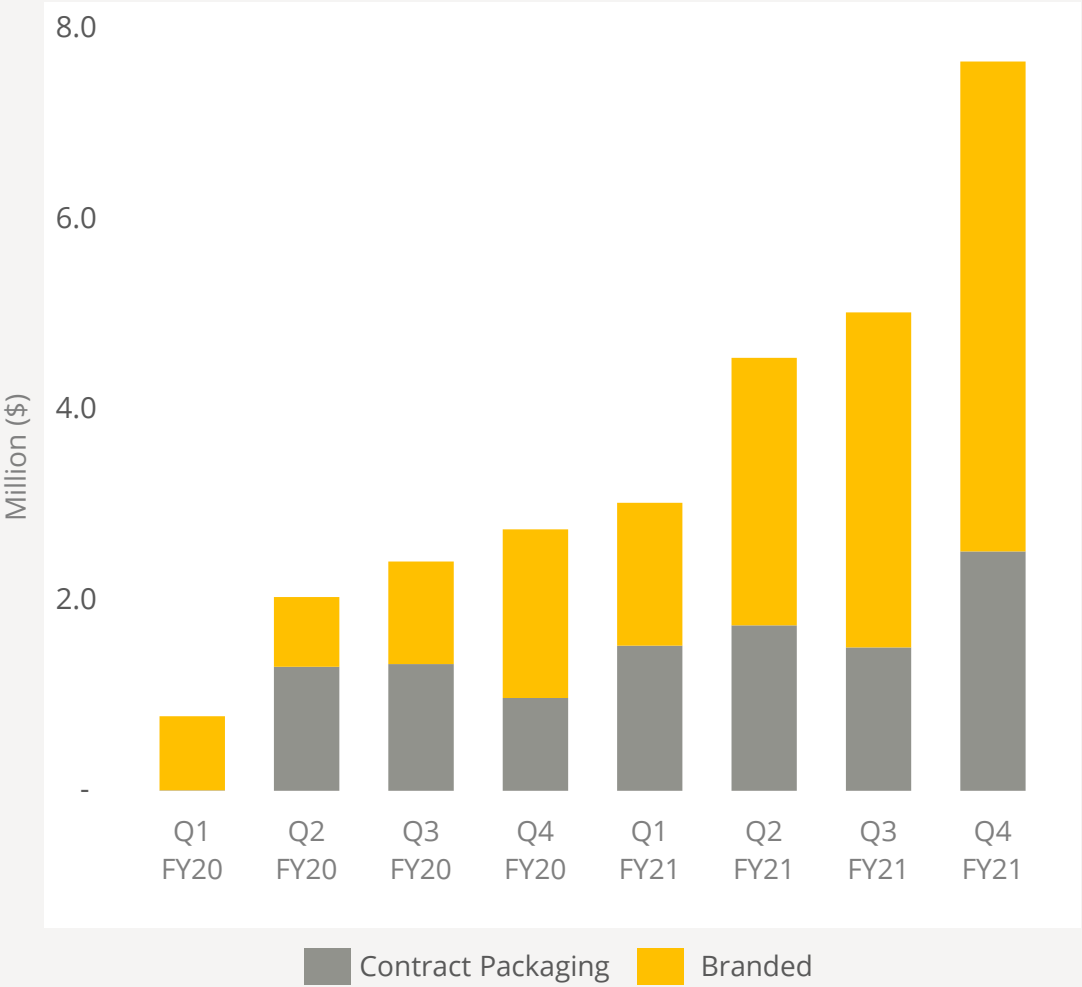
- Tangible Assets
- Our People
- Operating Model

1. TSX ASX Announcement Net Sales Value of Maturing Spirit July 2021. 2. Top Shelf executed a credit approved term sheet with Longreach Credit in August 2021 to extend the existing facility limit to \$25m. The term sheet specifies a number of conditions precedent inclusive of the satisfactory insurance coverage of the Eden Lassie agave farm and other conditions considered common for a transaction of this nature. 3. IRI AU Liquor (CLG and ALM ww), Dollars Growth vs. pcpc, MAT to 25/07/21. 4. Management estimate based on comparison between Australian Vodka brands sales data IRI \$ Growth vs. pcpc MAT 29/7/21 and TSI net revenue data

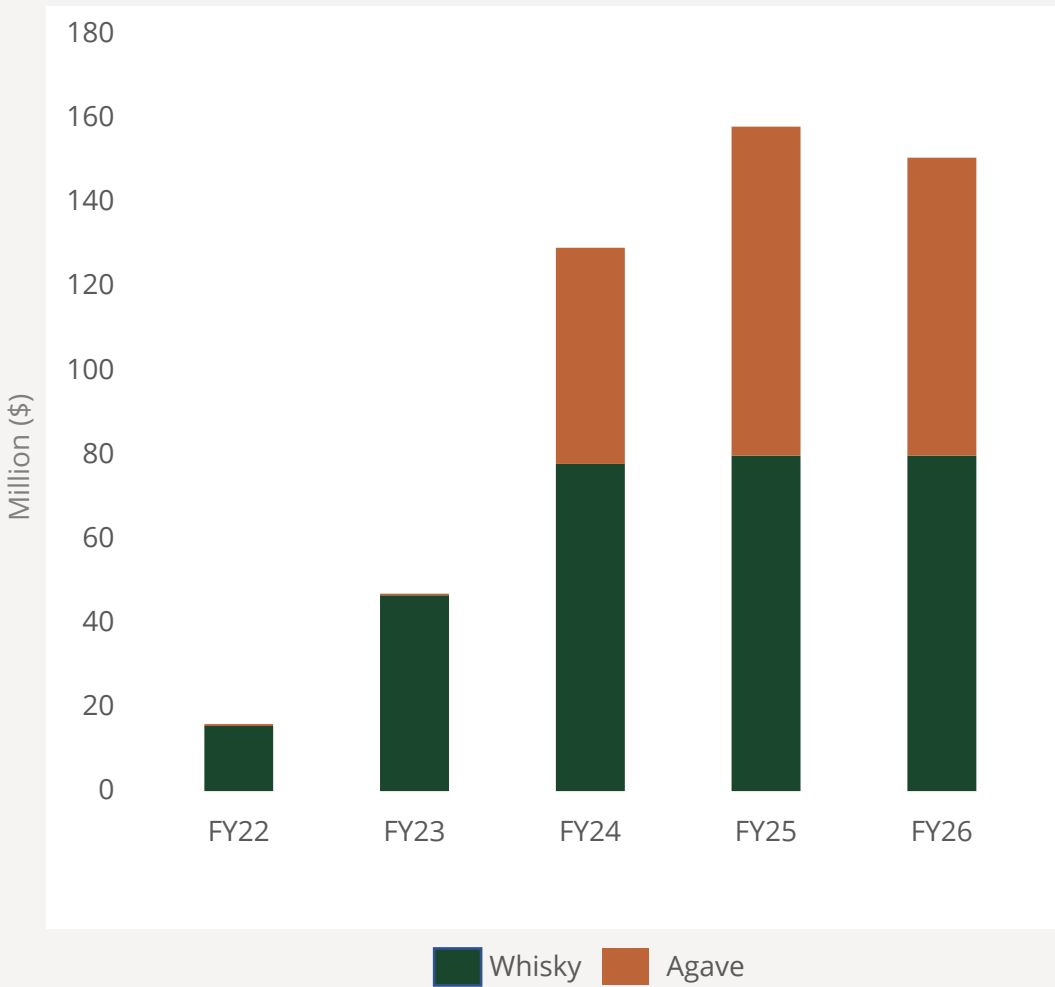
SOLD OUT MATURATION CURVE TO DATE

\$500M IN NET SALES VALUE OF MATURING SPIRIT OVER NEXT FIVE YEARS

SALES REVENUE (\$M)



NET SALES VALUE OF MATURING SPIRIT (\$M) ¹



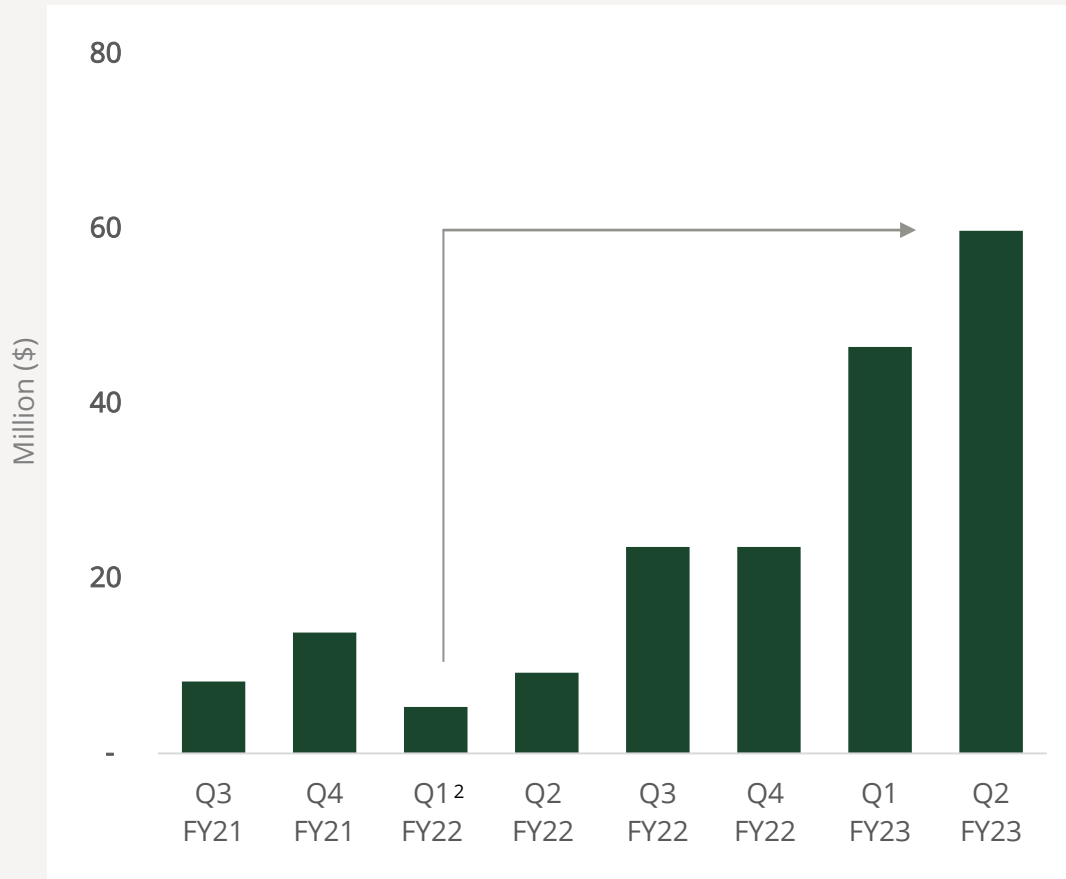
1. TSI ASX Announcement Net Sales Value of Maturing Spirit July 2021



WHISKY (NSV) SALES - REALISATION

WHISKY AT SCALE – FINALLY!

ANNUALISED RUN RATE OF WHISKY AVAILABLE FOR SALE (\$M) ¹



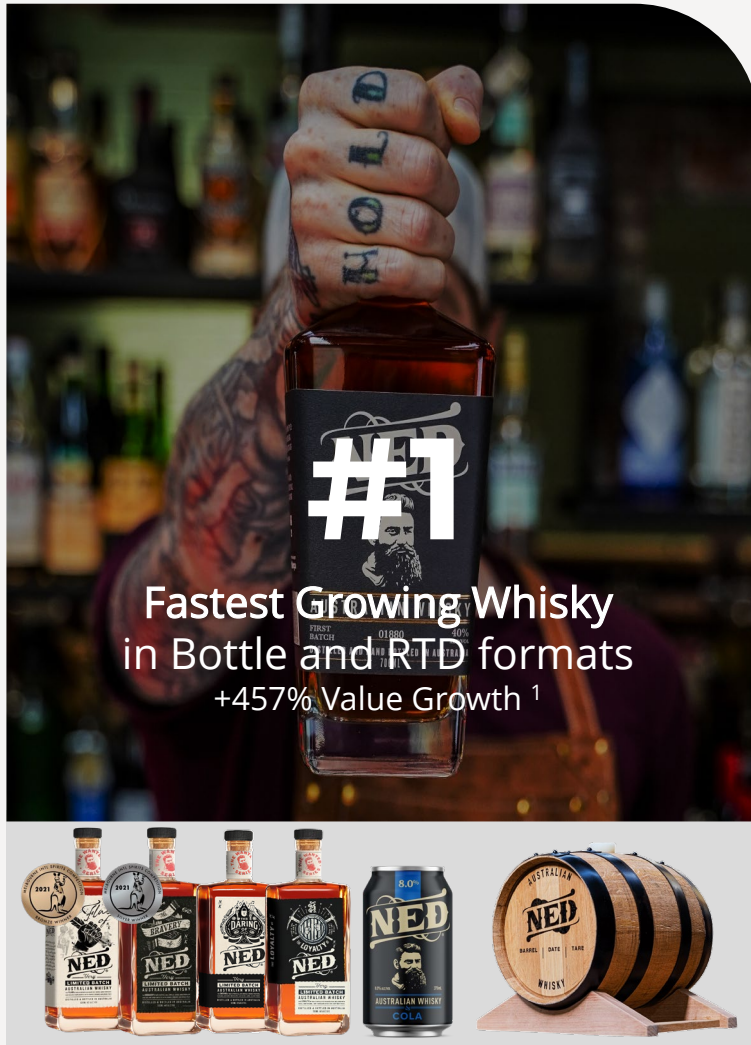
Confidence and Catalysts

- +29% increase in retail stores on prospectus
- Velocity - Top 5 bourbon RTD
- Demand from major retailers
- Increased margin - pricing and portfolio premiumisation

1. TSI ASX Announcement Net Sales Value of Maturing Spirit July 2021. 2. Q1 FY22 inventory impacted by commissioning of Campbellfield distillery

NED AUSTRALIAN WHISKY

FASTEST GROWING WHISKY IN AUSTRALIA



NED Portfolio Premiumisation



1,849
Off Premise Accounts
+29% on Prospectus



Top 5
Rate of Sale Bourbon
RTD Brands ³



Awards
Melbourne International
Spirits Competition

Grow Distribution Channels

- 1,849 off-premise accounts (+29% increase on IPO Prospectus)
- National IBA Ranging (including Cellarbrations, IGA Liquor, The Bottle-O)
- Launch of international exports into China, including Tmall store
- Launch NED DTC e-commerce platform
- Paramount On-Premise
- Thirsty Camel WA & VIC
- The Wanted Series placed into ALM and Dan Murphy's Marketplace

Grow Channel Velocity

- Top 5 Rate of Sale - Units Per Store Per Week of Bourbon RTD Brands. NED 6% matching Wild Turkey 101 6.5% ROS ³

Grow Portfolio & Premiumisation

- Ave Price/Litre increase of 23% to \$74.1 ²
- Launch of The Wanted Series Super Premium series
- Launch of 8% Cola 375ml RTD
- Launch of 20-litre Small Barrel program

Build Brand & Activation

- Silver and Bronze medals at 2021 Melbourne International Spirit Competition
- Kelly Grove Racing / Supercars Partnership
- Community-based sporting partnerships
- Special limited / occasion releases and offers to NED direct database

1. IRI AU Liquor (CLG and ALM ww), Dollars Growth vs. pcp MAT to 25/07/21. 2. TSI ASX Announcement Net Sales Value of Maturing Spirit July 2021. 3. IRI ALM ww QTR to 29/7/21 - RTD Bourbon Brands 6-7% ABV

GRAINSHAKER HANDMADE AUSTRALIAN VODKA

FASTEST GROWING VODKA IN AUSTRALIA



Grainshaker 700ml Proprietary Bottle, new 330mL RTDs and Small Batch Vodka concept



272

Off Premise Accounts
+800% HOH



338

On Premise Accounts
+59% HOH



Gold

Grainshaker Wheat
Melbourne International
Spirits Competition

Grow Distribution Channels

- Grainshaker now available in more than 600 accounts, +200% increase HOH
- Secured ranging in IGA Liquor Victoria for Grainshaker 700mL Corn
- Confirmation of ranging in IBA Victoria & Queensland in Sep 2021 for RTDs
- Signed major contracts with numerous large on premise groups
- Launch of international exports into China, including Tmall and Taiwan
- Signed terms with distribution partner in Hong Kong
- Discussions with major supermarket ranging commenced

Grow Portfolio

- Launch of bottle with three varieties in Oct 2020
- Launch of RTD portfolio in kegs & cans in Dec 2020
- Launch of 700ml proprietary bottle

Build Brand & Activation

- Gold Medal for Grainshaker Wheat at 2021 Melbourne International Spirits Competition
- Brand launch in Oct 2020
- Official Vodka of the Australian Open
- Partner of major music festivals: Reminiscence & Ministry of Sound
- Commissioned Small Batch Still project at WTT precinct

1. Management estimate based on comparison between Australian Vodka brands sales data IRI \$ Growth vs. pcg MAT 29/7/21 and TSI net revenue data

AUSTRALIAN AGAVE PROJECT

A CATEGORY-DEFINING PROJECT SHOWCASING WHAT AN AUSTRALIAN AGAVE SPIRIT IS CAPABLE OF



\$161m

Net Sales Value of Maturing Spirit
at end FY21



500k

Agave planted or in
nursery



Top 25

Scale that places farm
in top 25 in the world



Trent Fraser

Built Volcan Tequila into
top 5 premium tequila
brand in the world

Key Highlights

People

- Appointment of Trent Fraser, ex. LVMH President, who in four years built Volcan De Mi Tierra Tequila to be among the top 5 super premium tequila brands in the world
- Building capability at the spirit farm led by agronomist Chris Monsour

Spirit Farm

- When at full capacity, the size of the farm will place TSI in the top 25 agave producers in the world and the largest outside Mexico
- 500k agave planted or in nursery
- Best in class approach to ag tech, data analytics, sustainability practices and knowledge transfer to other regional farming enterprises
- Production forecasted to commence in the second half of CY 2023

Government Support

- Received Australian Government Australian Research Council's Linkage Program over 3 years (\$0.76m)
- Application submitted for Australian Government Modern Manufacturing Initiative - Translation Stream - Food and Beverage grant. Application supported by QLD Department of State Development
- Application submitted for Queensland Government Industry Partnership Program

Partnerships

- Executed MOU with H2EC to supply green energy for world first green energy distillery

BRAND PENETRATION & PREMIUMISATION

FY22 CATALYSTS TO DELIVER BRAND GROWTH

Grow Distribution Channels

- Develop long-term strategic plans with **major domestic retail partners**
- Continue to build strong **on-premise relationships** with hospitality groups and boutique venues
- Accelerate **international expansion** by signing new distributors in prioritised global markets
- Deploy newly-created **digital capability** in e-commerce and DTC channels

Grow Channel Velocity

- Continue to **build sales resource** and capability in key geographic areas
- **Utilise data and technology** to map and target key demographics
- Execute **path to purchase and perfect store model** on blockbuster products

Grow Portfolio & Premiumisation

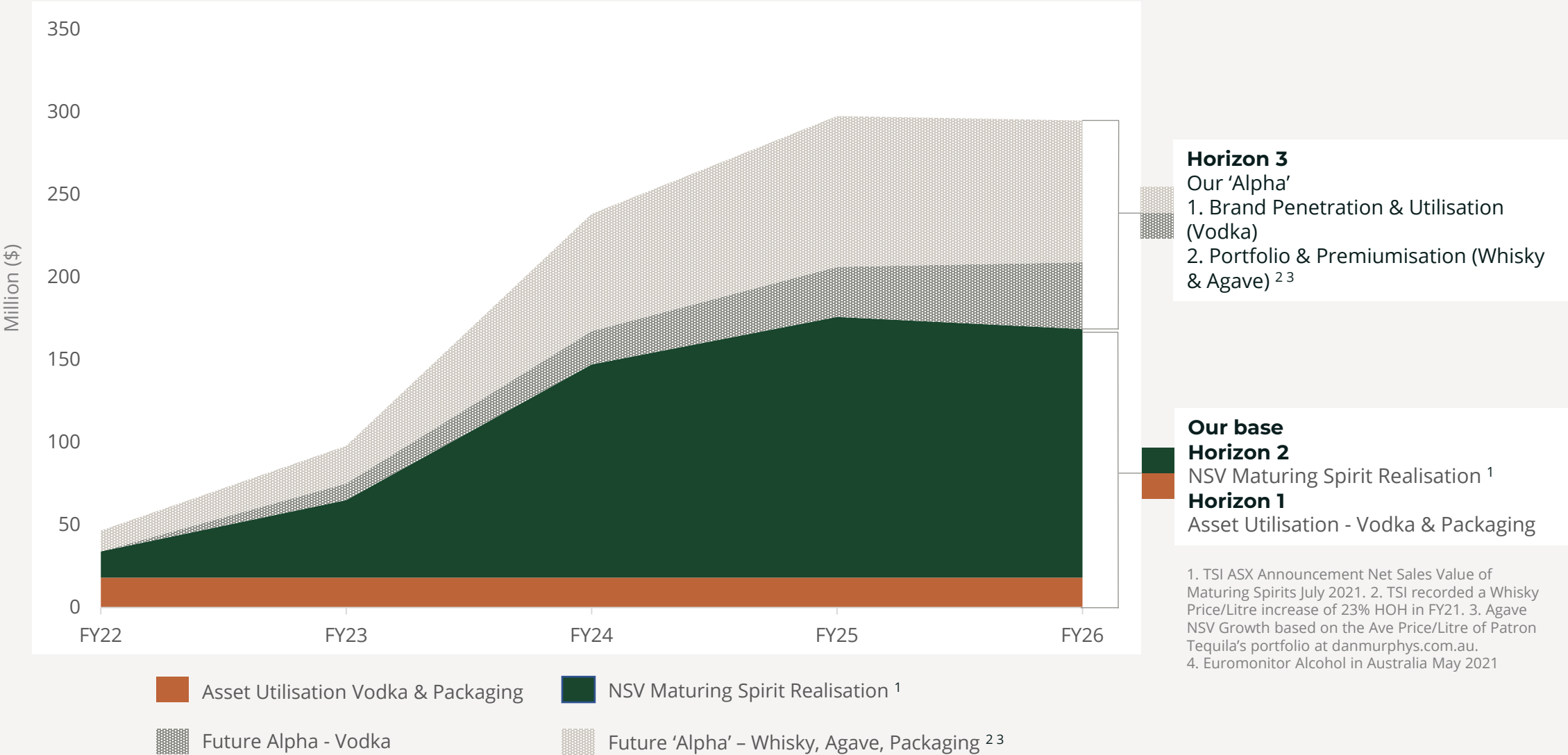
- **Grow net sales value** per litre and margin via **portfolio expansion and premiumisation**
- **Deliver NED premium portfolio** in line with whisky maturation curve
- **Grow Grainshaker portfolio** through Limited Edition and Small Batch programs

Build Brand & Activation

- **Invest at scale** 'through the line' in selected geographic areas informed by demographic data
- **Activate sponsorships** with limited edition products and instore merchandising tools
- **Drive brand experience** through live music and sporting events
- Launch **Agave brand**

DELIVERING OUR FIVE-YEAR AMBITION

OUR AMBITION REPRESENTS 2.7% OF CURRENT \$11.1B⁴ AUSTRALIAN SPIRITS MARKET



APPENDIX

GRAINSHAKER 

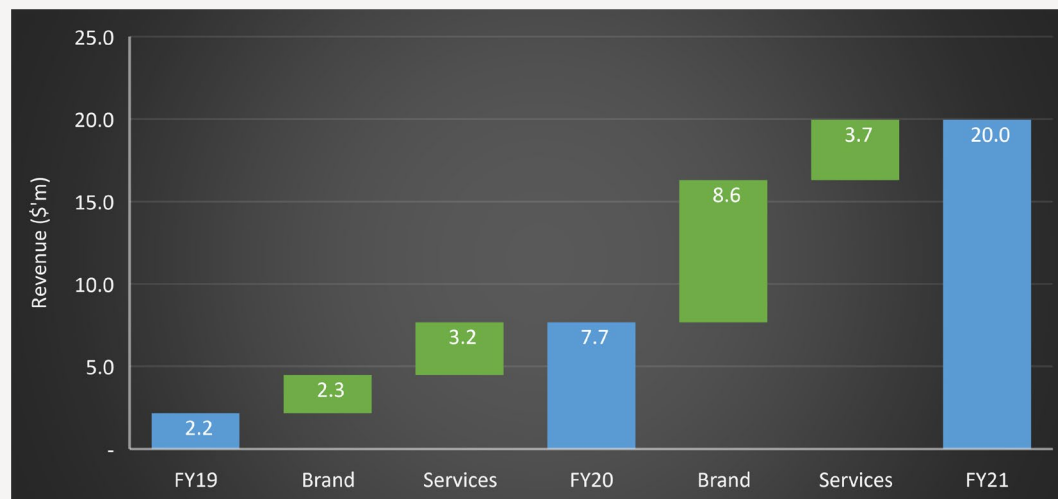
NED  NED
AUSTRALIAN WHISKY AUSTRALIAN WHISKY



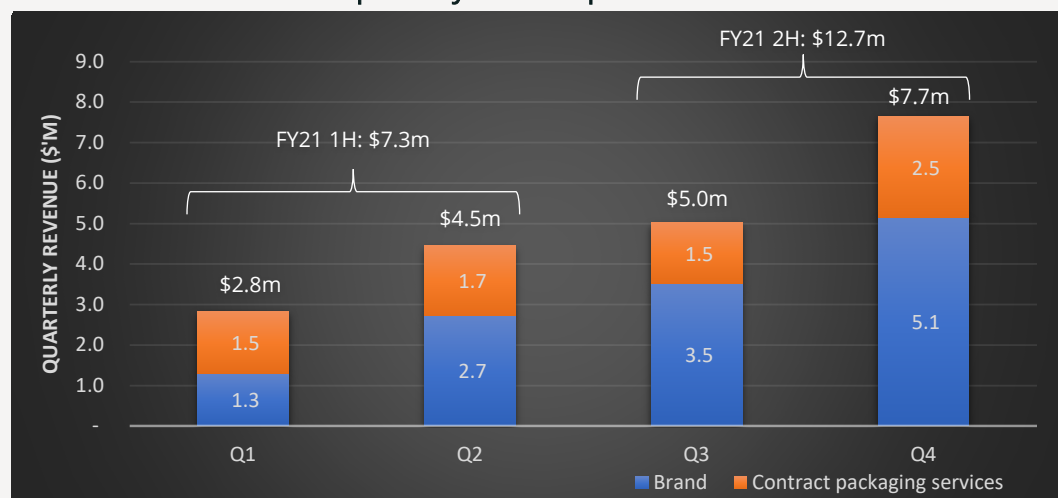
PRO FORMA REVENUE

TSI'S WHISKY MATURATION CURVE AND PRODUCT PORTFOLIO, GRAINSHAKER BRAND LAUNCH AND NEW CUSTOMER ARRANGEMENTS FACILITATED OUTSTANDING GROWTH IN FY21

Pro forma revenue: FY19 – FY21 growth profile



Pro forma revenue: FY21 quarterly revenue profile



Pro forma revenue

- The Group recognised pro forma revenue of \$20.0 million in FY21, relative to \$7.7 million in FY20, representing growth of 160% or \$12.3 million.
- TSI's branded products (NED Whisky and Grainshaker Vodka) achieved growth of \$8.6 million or 212% in FY21 to \$12.7 million reflecting:
 - the increasing scale of TSI's whisky maturation capability and quality enabling the sales expansion of the NED Whisky product range and complementary introduction of super premium product offerings;
 - the national retail ranging of NED Whisky bottle and Ready To Drink (RTD) products with Independent Brands Australia (IBA), consisting of Cellarbrations, The Bottle O and IGA Liquor outlets, from September 2020; and
 - the brand launch of Grainshaker Vodka in October 2020 and strong subsequent on-premise demand.
- Contract packaging services growth of \$3.7 million or 102% from FY20 to \$7.3 million reflected the annualised performance of contract packaging services provided to major beverage and craft customers after commissioning of TSI's canning and bottling capabilities in October 2019.

PRO FORMA PROFIT OR LOSS TO EBITDA

REVENUE GROWTH AND GROSS MARGIN ENHANCEMENT ARE STRATEGIC PILLARS TO SUSTAINABLY SCALE TOP SHELF'S BUSINESS

\$m	FY21	FY20
Revenue	20.0	7.7
Cost of sales	(15.2)	(5.9)
Gross profit	4.8	1.8
Fair value gain on biological assets	5.6	-
Other income	0.6	0.4
Operating expenses		
Labour	(4.8)	(1.9)
Sales & marketing	(6.2)	(2.0)
General & administration and other	(6.9)	(3.1)
Operating expenses - total	(17.8)	(6.9)
Add back depreciation & amortisation in cost of sales and operating expenses	0.8	0.4
EBITDA	(6.1)	(4.3)
Revenue		
Branded	12.7	4.1
Contract packaging	7.3	3.6
Revenue - total	20.0	7.7
Gross profit %	23.9%	23.5%
Cash gross profit %	25.2%	24.0%
Cost of doing business metrics		
Labour as % of revenue	23.9%	24.2%
Sales & marketing as % of revenue	31.0%	26.1%
General & administration as % of revenue	28.5%	31.0%
Operating expenses as % of revenue	89.4%	90.1%

Pro forma profit or loss to EBITDA

Gross margin

FY21 gross margin as a percentage of revenue of 23.9% improved 40 bps relative to FY20. Importantly, gross margin in FY21 2H of 25.2% reflected an absolute improvement of 3.6% from 21.6% in FY21 1H.

The FY21 2H gross margin improvement reflected:

- Contribution of Grainshaker Vodka sales after brand launch in October 2020;
- Launch of NED's The Wanted Series super premium range, NED 8.0% Cola RTS, NED Whisky 20L barrel program; and
- Start of international sales.

EBITDA

The Group recognised an EBITDA loss of \$6.1 million in FY21 reflecting:

- Recognition of the fair value of Top Shelf's maturing agave plantation in north Queensland with harvest of estate agave anticipated to commence within two years;
- Investment in TSI's brands (NED Whisky and Grainshaker Vodka) via sponsorship and channel activation strategies; and
- Investment in human capital across sales, marketing, digital, operations and corporate functions, and the supporting infrastructure required to sustainably scale the business beyond FY21.

NET ASSET POSITION

THE GROUP'S BALANCE SHEET REFLECTS NET TANGIBLE ASSETS OF \$34.5M AND FUTURE NET SALES OF \$272M

\$m	30 June 2021	30 June 2020
Cash and cash equivalents	9.5	1.7
Trade and other receivables	8.0	2.6
Inventories	7.4	3.3
Property, Plant & Equipment	27.2	21.2
Right-of-use assets	6.3	7.5
Biological Assets	7.7	0.7
Other assets	11.6	7.0
Total Assets	77.8	44.0
Trade and other payables	(11.9)	(5.2)
Lease liabilities	(6.9)	(7.2)
Borrowings	(14.9)	(14.5)
Provisions	(0.7)	(0.5)
Total liabilities	(34.4)	(27.4)
Net assets	43.4	16.6
Tangible net assets	34.5	12.3

Net asset position

Net tangible assets

The Group's net tangible asset position as at 30 June 2021 of \$34.5 million reflected:

- Invested capital (\$26.7 million) in the plant and equipment and leased properties of TSI's distillery, whisky maturation and canning and bottling capabilities at Campbellfield and Somerton, Victoria, and the agave farm property in dry north Queensland;
- Working capital (\$13.2 million) inclusive of TSI's investment in new make whisky (\$6.0 million), agave plants (\$7.7 million) and trade receivables and payables, and other inventories; and
- Net debt of \$5.4 million.

Working capital

The Group's working capital as at 30 June 2021 included:

- New make whisky recognised at cost of \$6.0 million, representing a future net sales value of \$111 million; and
- Agave plants recognised at fair value of \$7.7 million, representing c.30% of the expected scale of TSI's agave agronomy operation (full scale: 1 million plants in ground) and a future net sales value of \$161 million.

Available funds

The Group has available funds for its FY22 operations of \$18.4 million reflecting cash as at 30 June 2021 of \$9.5 million and net available drawings of \$8.9 million from a credit approved term sheet executed in August 2021 with Longreach Credit extending the existing finance facility from \$15 million to \$25 million.

CASH FLOWS

THE GROUP HAS CONTINUED TO INVEST IN STRATEGIC INITIATIVES TO SCALE A MULTI-BRANDED SPIRITS COMPANY

\$m	FY21	FY20
Statutory EBITDA	(10.3)	(4.3)
Add back fair value gain on biological assets	(5.6)	-
Add back share based payment expense	2.1	-
Reclassification of IPO related costs to financing activities	2.0	-
Cash EBITDA	(11.8)	(4.3)
Working capital investment (including biological assets)	(4.1)	(1.7)
Capital expenditure	(6.7)	(6.5)
R&D income	0.8	0.2
Property security deposits	(0.1)	(0.2)
Net cash flows before financing activities	(22.0)	(12.6)
Lease payments	(0.8)	(0.6)
Net financing costs	(2.2)	(1.5)
Net proceeds from borrowings - external	5.0	6.1
Net proceeds from / (repayment) of borrowings - related parties	(2.6)	0.3
Net proceeds from pre-IPO capital raising activities	1.0	10.4
Proceeds from the IPO	35.0	-
IPO and capital raising costs	(5.6)	(0.5)
Net cash flows	7.8	1.6

Cash flows

Net cash flows before financing activities

In FY21, cash invested in operating and investing activities of \$22.0m reflected:

- Cash EBITDA (\$11.8m)
- Working capital (\$4.1m) inclusive of:
 - new make whisky investment (\$3.5m) contributing 1.6m litres (at ABV 43%) to the Group's maturing whisky reserves; and
 - agave plant investment (\$1.7m) contributing to the 515,000 maturing agave plants in ground and nursery as at 30 June 2021.
- Capital expenditure (\$6.7m) inclusive of:
 - the final payment to acquire the agave spirit farm (\$2.3m) and payment for lead items for the agave distillery;
 - completion of the Campbellfield distillery with acquisition and installation of a second whisky lauter tun, and fit-out of the second barrel house in Somerton inclusive of firewalls and installation of 12 x 14,000-litre vats; and
 - the Group's recurring small oak whisky barrel acquisition program.

Financing cash flows

In FY21, financing cash flows of \$29.8m reflected:

- the successful completion of an IPO in December 2020 raising \$26.9m (net of the settlement of related party borrowings and IPO transaction costs); and
- the drawings from a new \$15 million finance facility with Longreach Credit of \$4.1m (net of the settlement of a preexisting \$10m facility and \$0.9m cessation fee).

ACTUAL PERFORMANCE RELATIVE TO IPO PROSPECTUS

THE GROUP HAS REMAINED FOCUSED ON ITS LONG TERM STRATEGIC OBJECTIVES DURING FY21

Key financial metrics: Actual relative to IPO forecast

\$m	Actual	IPO forecast	Variance
Pro forma revenue	20.0	20.0	-
Pro forma gross margin	4.8	4.6	0.2
Pro forma gross margin %	23.9%	22.8%	110 bps
Biological asset fair value gain	5.6	-	5.6
Pro forma EBITDA	(6.1)	(6.4) ¹	0.3
Maturing whisky net sales value	111.0	106.9	4.1
Maturing agave plants ('000)	515	412	103
Net cash / (debt)	(5.4)	3.0	(8.4)

Net cash / (debt): Actual relative to IPO forecast

		\$m
Forecast net cash / (debt)		3.0
Capital expenditure	a.	(1.6)
Agave farm development and R&D	b.	(1.7)
Brand and marketing investment	c.	(3.0)
General business investment and working capital		(0.9)
IPO related costs		(1.0)
Actual net cash / (debt)		(5.4)

Note 1: The IPO forecast EBITDA is disclosed on a consistent basis with actual EBITDA, being exclusive of forecast share based payments (\$3.0 million) and additional listed company costs (\$0.5 million).

Actual performance relative to the IPO prospectus

Key financial metrics

- The Group successfully achieved the pro forma revenue forecast of \$20.0m with the outperformance of gross margin percentage by 110 bps.
- With maturity of the agave spirit farm, the Group has recognised the fair value of the 288,000 plants in ground as at 30 June 2021 contributing to the outperformance of forecast EBITDA.
- The average net sales price achieved by the Group in FY21 2H of \$71.40 per litre of NED Whisky (at ABV 43%) contributed to the outperformance of the maturing whisky net sales value on hand as at 30 June 2021 of \$111m.

Net cash / (debt)

- The Group's actual net cash / (debt) position relative to forecast has been summarised with reference to the following expenditure categories:
 - Capital expenditure: investment in scale (via a second whisky maturation facility in Somerton and associated oak vat expenditure) and brand (via the Welcome to Thornbury brand experience venue) in addition to initial capital equipment for the agave distillery;
 - Agave: investment in third party plant supply security and advancement of agave agronomy activities; and
 - Brand and marketing: investment in NED Whisky national ranging support activities and establishment of the Grainshaker brand inclusive of non-recurring launch sponsorships.

APPENDIX

STATUTORY TO PRO FORMA RECONCILIATION

\$m		FY21	FY20
Revenue			
Statutory		19.2	7.7
Finished goods not picked-up	a.	0.8	-
Pro forma		20.0	7.7
EBITDA			
Statutory		(10.3)	(4.3)
Finished goods not picked-up	a.	0.1	-
IPO transaction costs	b.	1.4	-
Other costs associated with IPO preparation	c.	0.6	-
Share based payment expense	d.	2.1	-
Pro forma		(6.1)	(4.3)
Loss after income tax			
Statutory		(10.7)	(4.8)
Finished goods not picked-up	a.	0.1	-
IPO transaction costs	b.	1.4	-
Other costs associated with IPO preparation	c.	0.6	-
Share based payment expense	d.	2.1	-
Longreach Credit existing facility cessation fee	e.	0.9	-
Income tax effect of adjustments		(0.8)	-
Pro forma		(6.4)	(4.8)

Statutory to pro forma reconciliation

The pro forma financial results referred to in this presentation have been calculated to reflect the impact of certain items described below. This has been done to more clearly represent the underlying financial results (noting that this financial information has not been prepared in accordance with Australian Accounting Standards) and to align the FY21 actual results with the assumptions of the FY21 forecast disclosed in the Company's IPO prospectus.

The pro forma adjustments are described with reference to the table opposite:

- As at 30 June 2021, produced to order not picked up finished goods representing contract packaging service revenue pursuant to contract packaging services provided by the Group in the second half of FY21 has been recognised as revenue on a pro forma basis. The Group anticipates the dispatch of this volume in the first quarter of the year ending 30 June 2022 at which point the revenue will be recognised on a statutory basis. (Produced to order not picked up finished goods on hand at 30 June 2020: \$nil).
- IPO transaction costs including joint lead manager and other adviser fees.
- Additional accounting and audit fees recognised in FY21 associated with the historical audit of the Company's 30 June 2018, 2019 and 2020 annual accounts in preparation for the Company's IPO.
- Share based payments expense, as a non-cash cost, incurred in relation to the Company's long term incentive plan commenced in October 2020 and ordinary shares issued to select directors at nil cash consideration prior to the IPO.
- A cessation fee in relation to the early termination of a superseded financing facility arrangement with Longreach Credit in December 2020.