



# Top Shelf International Holdings Ltd

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

29 April 2024

## ASX ANNOUNCEMENT (ASX:TSI) - FY24 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 FY24 in accordance with ASX listing rule 4.7C.

### Introduction

Top Shelf’s Chief Executive Officer Trent Fraser commented:

*“The market launch of Act of Treason in January 2024 was an incredibly exciting milestone for the Company and the response from customers and consumers has exceeded all expectations to date. From initial sold out DTC and on premise sales, the team is eagerly preparing for a broader market release of Act of Treason during the fourth quarter for FY24.*

*“With completion of the capital-intensive platform build phase in the Company’s rear view mirror and high quality Australian Agave spirit now in bottle, the business focus has pivoted to execution and realisation of Top Shelf’s world-class premium spirits portfolio.*

*“The business model focused on value creation is working evidenced in continued gross margin and EBITDA improvement in Q3 over the prior comparative period <sup>A</sup>.*

*“The team is actively pursuing a number of opportunities across our NED Whisky, Grainshaker Vodka and Act of Treason portfolio with domestic retail and on premise partners in addition to international market opportunities to finish the financial year strongly and set the Company up for success in FY25.”*

Reference A: FY24 Q3 gross margin: **\$1.9 million**; improvement of **28%** on prior comparative period (pcp). FY24 Q3 underlying EBITDA: **\$(2.4) million**; improvement of **54%** on pcp.

### Quarterly financial performance trends <sup>1 2</sup>

Chart 1: Group gross margin profile – LTM basis

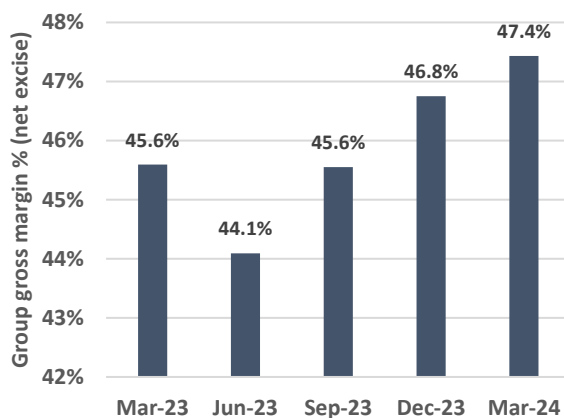
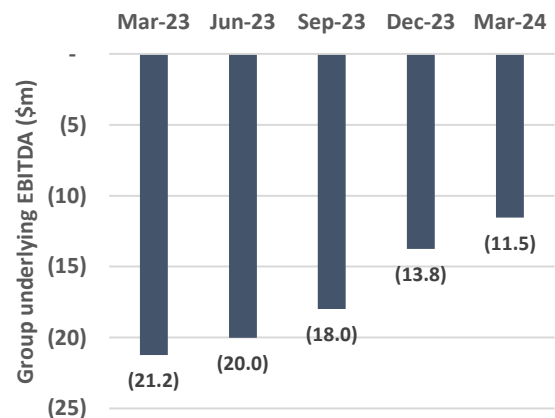


Chart 2: Group EBITDA profile – LTM basis



<sup>1</sup> Group gross margin presented on a cash basis (gross margin excluding depreciation and whisky liquid cost divided by net excise revenue). Group gross margin is calculated from net excise revenue and gross margin on a rolling last twelve month basis.

<sup>2</sup> Group EBITDA reflecting underlying EBITDA presented on a rolling last twelve month basis.

### Quarterly operational commentary

Although initial customer demand after the market launch in January 2024 has outpaced available supply, the Company's agave team has been diligently focused on increasing agave harvest volumes and production throughput during Q3 in preparation for the broader release of Act of Treason Australian Agave into retail and on premise channels during the June quarter of FY24.

Alongside the market release of Act of Treason Australian Agave, the Company has been undertaking significant investment in new and innovative product development, including, as an example, flavoured NED Whisky and Grainshaker Vodka offerings, that will support Top Shelf's range expansion initiatives with retail and on premise partners over the course of 2024.

### Funding

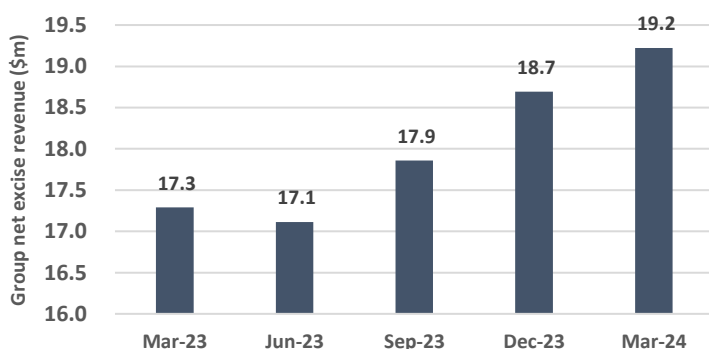
The Company executed a binding term sheet in April 2024 for a \$5.0 million sale and leaseback of its agave farmland assets. As part of this transaction, Top Shelf will retain ownership of the distillery and agave plant assets.

The Company's debt facility refinancing process remains ongoing and is expected to complete before the end of FY24.

### Revenue

Group unaudited net excise revenue of **\$19.2 million** in the twelve months to 31 March 2024 (LTM March 2024) represented growth of **11.2%** on the prior comparative period, LTM March 2023.

Chart 3: Group revenue profile – LTM basis <sup>3</sup>



NED Australian Whisky and Grainshaker Australian Vodka have continued to perform strongly through FY24 Q3 relative to their respective competitor sets as evidenced through available retail scan data. Act of Treason Australian Agave has received exciting recognition through initial on premise seeding in its local Whitsundays region and select high image accounts in Australian east coast capital cities.

The Company's contract packaging services continued to deliver consistent monthly throughput volume throughout Q3 enabling operating efficiency and asset utilisation of Top Shelf's Campbellfield production site.

<sup>3</sup> Group revenue is presented on a net excise basis (i.e. statutory revenue less excise, which is presented within COGS for statutory reporting purposes). Group revenue is presented on a rolling last twelve month basis to illustrate underlying performance without the distortion of quarter to quarter seasonality.

## Summarised financial performance and key metrics

The Company's unaudited summarised profit or loss to EBITDA and performance metrics for FY24 Q3 and year to date to 31 March 2024 (FY24 YTD) relative to comparative periods is set out in Table 1.

Table 1: FY24 Q3 and YTD and comparative FY23 periods profit or loss and performance metrics

\$ million	Q3		YTD	
	FY23	FY24	FY23	FY24
Gross excise revenue	6.3	5.6	21.0	20.8
Net excise revenue	3.7	4.2	12.6	14.8
<b>Gross margin</b> <sup>4</sup>	<b>1.5</b>	<b>1.9</b>	<b>5.7</b>	<b>7.3</b>
<b>Variable contribution margin</b> <sup>5</sup>	<b>1.2</b>	<b>1.8</b>	<b>4.9</b>	<b>7.0</b>
<b>Operating contribution</b> <sup>6</sup>	<b>(1.6)</b>	<b>(0.3)</b>	<b>(4.3)</b>	<b>(0.2)</b>
Brand and business investment	(1.1)	(0.9)	(5.7)	(3.0)
<b>Contribution margin</b>	<b>(2.7)</b>	<b>(1.2)</b>	<b>(10.0)</b>	<b>(3.2)</b>
Group support	(1.9)	(1.2)	(5.7)	(4.1)
<b>Underlying EBITDA</b>	<b>(4.6)</b>	<b>(2.4)</b>	<b>(15.7)</b>	<b>(7.3)</b>
Non-recurring expenditure	-	(0.4)	(0.5)	(0.9)
<b>EBITDA</b>	<b>(4.6)</b>	<b>(2.8)</b>	<b>(16.2)</b>	<b>(8.2)</b>
<i>Gross margin – net excise %</i> <sup>7</sup>	40.2%	44.1%	45.2%	49.4%
<i>Underlying controllable expenditure</i> <sup>8</sup>	(5.8)	(4.2)	(20.6)	(14.3)

### Underlying EBITDA performance

Underlying EBITDA performance of **\$(7.3) million** in FY24 YTD reflected an improvement of **54%** (or **\$8.5 million** improvement) on the prior comparative period (pcp) of FY23 attributable to:

- **Gross margin improvement to 49.4%** as the Company continued to execute various initiatives to improve brand margin at the channel and product level, COGS improvement initiatives, and realise production efficiencies from Top Shelf's Campbellfield production site; and
- A **controllable cost base reduction of 31.0%** (or **\$6.4 million** improvement) relative to pcp reflecting outcomes of the Company's 2023 strategic review to curtail expenditure by discontinuing activities and removing associated vendor spend and resetting the Company's organisational structure.

Non-recurring expenditure in FY24 YTD reflected labour redundancy costs and non-recurring corporate project expenditure.

<sup>4</sup> Gross margin is disclosed on a cash basis reflecting adjustments to exclude depreciation (FY24 YTD: \$1.4 million) and whisky liquid cost (FY23 YTD: \$1.1 million) from the Cost of goods sold.

<sup>5</sup> Variable contribution margin is presented as gross margin less distribution and other variable items.

<sup>6</sup> Operating contribution is presented as variable contribution margin less selling and general operating costs.

<sup>7</sup> Gross margin – net excise reflects the calculation of Gross margin relative to Revenue net of excise.

<sup>8</sup> Underlying Controllable expenditure representing costs below the Variable contribution margin line to EBITDA excluding non-recurring costs.

## Business investment

Top Shelf's business investments (brand, whisky and agave) included in operating and investing cash flows, totalling **\$8.1 million** in FY24 YTD are summarised in Table 2 below. The business investment of **\$1.4 million** in FY24 Q3 is the first quarter representative of the Company's business model post completion of the operating platform investment phase.

Table 2: FY24 Q3 and YTD and comparative FY23 period business investment reconciliation

\$ million	Q3		YTD	
	FY23	FY24	FY23	FY24
Brand	0.8	0.6	4.9	2.2
Whisky	0.4	-	1.7	0.5
Australian Agave	1.8	0.8	4.6	5.4
<b>Business investment - total</b>	<b>3.0</b>	<b>1.4</b>	<b>11.1</b>	<b>8.1</b>

*Brand:* The Company has consciously moderated its commercial partnership investment in FY24 as the NED Whisky and Grainshaker Vodka brand mature and pivot focus to promotion and activation activities with retail and on premise partners.

*Whisky:* New make production has been deliberately constrained during FY24 reflecting its current reserves position of high-quality whisky through the significant investment in whisky production and maturation undertaken in recent years. Moving forward the current whisky reserve provides production flexibility to the Company.

*Australian Agave:* The Company's investment in Australian Agave included:

- agave agronomy operations (recurring) (FY24 YTD: \$0.8 million);
- completion of the onsite agave distillery that commenced production in December 2023 with facility commissioning and production development costs recognised in Q3 (non-recurring) (FY24 YTD: \$3.8 million); and
- brand market launch preparation expenditure (non-recurring) (FY24 YTD: \$0.3 million).

Top Shelf has invested approximately \$9.8 million to build and commission Australia's largest operational agave distillery. This investment completes the integrated operational platform for Top Shelf to execute its strategic objectives.

## Cash flow reconciliation

The Company's unaudited cash flow for FY24 Q3 and YTD relative to comparative FY23 periods is summarised in Table 3.

Table 3: FY24 Q3 and YTD and comparative FY23 period cash flow reconciliation

\$ million	Q3		YTD	
	FY23	FY24	FY23	FY24
Operating				
Business investment	(1.3)	(0.9)	(6.6)	(3.5)
Trading activities	0.7	0.4	(10.2)	(5.7)
Operating - total	(0.6)	(0.4)	(16.8)	(9.2)
Investing				
Business investment	(1.7)	(0.5)	(4.5)	(4.6)
Other – stay in business	(0.4)	-	(1.0)	(0.2)
Investing - total	(2.1)	(0.5)	(5.5)	(4.8)
<b>Operating and investing - total</b>	<b>(2.7)</b>	<b>(0.9)</b>	<b>(22.4)</b>	<b>(14.0)</b>
Financing	8.4	0.1	14.6	13.1
<b>Net</b>	<b>5.6</b>	<b>(0.8)</b>	<b>(7.8)</b>	<b>(0.9)</b>
<b>Closing cash balance</b>	<b>12.3</b>	<b>2.0</b>	<b>12.3</b>	<b>2.0</b>

### **Operating and investing activities**

Operating cash flows improved during FY24 YTD relative to pcp by **\$7.6 million or 46%** reflecting the conversion of margin improvement (\$1.6 million) and cost base reduction initiatives (\$5.9 million) to cash flow.

Investing cash flows during FY24 YTD substantially reflected the investment required to build and commission Australia's only operational agave distillery (\$3.8 million). With the commissioning of the agave distillery in December 2023, FY24 Q3 is the first quarter representative of the Company's business model post completion of the operating platform investment phase.

The stay in business capital expenditure requirement of the Company is expected to normalise at \$1.5 million - \$2.0 million per annum (inclusive of recurring oak expenditure) in future periods.

### **Financing activities**

The Company's debt facility drawn position remained at **\$25.0 million** (30 June 2023: \$35.0 million) during Q3 with cash reserves of **\$2.0 million** at 31 March 2024. Financing activity cash flows during Q3 reflected inflows from the 2023 equity raise retail entitlement offer shortfall (\$1.1 million) offset by the Company's debt facility interest and property and equipment lease costs.

The Company's previously announced debt facility refinancing process remains ongoing with an objective of extending the maturity date beyond the current date in December 2024. The Company is targeting to complete the refinancing process before the end of FY24.

### **Asset transaction update**

As announced to the ASX on 12 April 2024, the Company has executed a binding term sheet in relation to a \$5.0 million sale & leaseback transaction of the farmland and structural improvement assets at the Company's agave farm located at Eden Lassie in Queensland's Whitsundays region.

The agreed sale does not include the agave farm's distillery plant & equipment assets or agave plants. Proceeds from the proposed sale, after transactions costs, will be used by the Company for working capital purposes, including for further reduction of debt.

The binding term sheet reflects the following key terms inclusive of:

- Total purchase consideration of \$5.0 million
- Initial 10 year term with option to extend for a further 5 years
- Commencing lease cost of \$0.5 million per annum
- Right for the Company to repurchase the assets at any future date for a minimum of \$6.5 million

The Company had been investigating a sale & leaseback transaction as part of its capital strategy that previously contemplated the sale of its agave distillery plant & equipment assets, in addition to land assets. The agreed sale of only the agave farmland and structural improvement assets enables the Company to retain full ownership and control of the agave agronomy activities and distillery operations.

Top Shelf has executed the binding term sheet with an entity related to non-executive director Stephen Grove. The transaction remains subject to shareholder approval at an Extraordinary General Meeting. The Company anticipates lodging a Notice of Meeting inclusive of an Independent Experts Report with the ASX and ASIC in early May 2024. Subject to shareholder approval, completion of the transaction is expected to occur in June 2024.

### **End**

*This announcement was approved by the Top Shelf Board of Directors.*

**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](mailto: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, Grainshaker Hand Made Australian Vodka and Act of Treason Australian Agave. 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 and distillery operation 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 at its Campbellfield production site in Victoria.

## 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 2024**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,818	25,470
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,725)	(18,051)
(c) advertising and marketing	(1,344)	(5,124)
(d) leased assets	-	-
(e) staff costs	(2,092)	(6,674)
(f) administration and corporate costs	(1,076)	(4,791)
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	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(419)</b>	<b>(9,170)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(112)	(3,693)
(d) investments	-	-
(e) intellectual property	(158)	(368)
(f) other non-current assets	(267)	(759)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(3)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(536)</b>	<b>(4,823)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,173	28,391
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	-	(2,174)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(10,000)
3.7	Transaction costs related to loans and borrowings	(100)	(100)
3.8	Dividends paid	-	-
3.9	Other		
	Payment of lease liability principal – buildings and equipment	(95)	(275)
	Interest and other finance costs paid - borrowings	(649)	(2,174)
	Interest and other finance costs paid - leases	(184)	(555)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>145</b>	<b>13,113</b>



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,786	2,855
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(419)	(9,170)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(536)	(4,823)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	145	13,113
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,975</b>	<b>1,975</b>

<b>5. Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	1,975	2,786
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,975</b>	<b>2,786</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	120
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p>In accordance with ASX listing rule 4.7C.3, the following summarises the related party transactions of the Company in the third quarter of FY24.</p> <p>The Company has a sponsorship arrangement with Grove Racing Pty Ltd, a related party of non-executive director, Stephen Grove.</p>	

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities	25,000	25,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
<b>7.4 Total financing facilities</b>	<b>25,000</b>	<b>25,000</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
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 facility limit is \$25.0 million. The interest rate is 10.25%, or if the market capitalisation of Top Shelf exceeds \$75.0 million, the interest rate is 8.25%. The facility matures in December 2024.</p>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(419)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,975
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,975
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>4.7</b>
<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>	
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
<i>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.</i>	

## 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 2024

Authorised by: Top Shelf Board of Directors  
(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.