



Top Shelf International Holdings Ltd

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

31 July 2024

ASX ANNOUNCEMENT (ASX:TSI) - FY24 Q4 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 FY24 in accordance with ASX listing rule 4.7C.

Highlights

- Underlying EBITDA improvement of **51%** or **\$10.1 million** in FY24 from improved gross margin and cost reduction initiatives. Controllable costs reduced by **\$7.8 million (30%)**.
- **Nationwide ranging** of Act of Treason Australian Agave with Endeavour Group (Dan Murphy’s and BWS) from July 2024.
- **Gold medals** for Act of Treason Australian Agave at three prestigious international spirit competitions (San Francisco World Spirits Competition, the International Wine and Spirit Competition and World Drinks Awards).
- Completion of a **\$11.7 million** equity raise in the June quarter of FY24.
- Extension of the Company’s debt facility maturity by 12 months to **December 2025**.
- Execution of formal sale and lease documentation in relation to the proposed **\$5.0 million** agave farmland sale & leaseback transaction.¹

Quarterly financial performance trends^{2 3}

Chart 1: Group gross margin profile – LTM basis

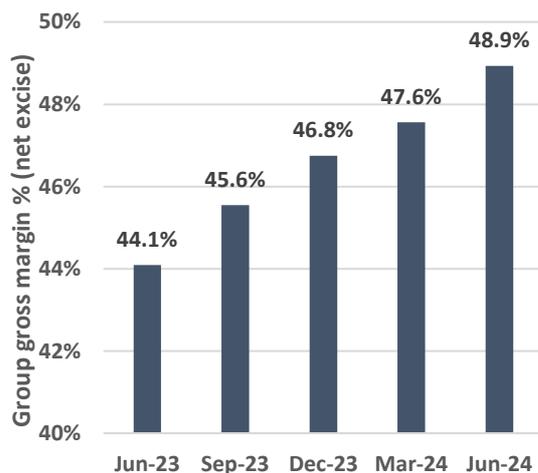
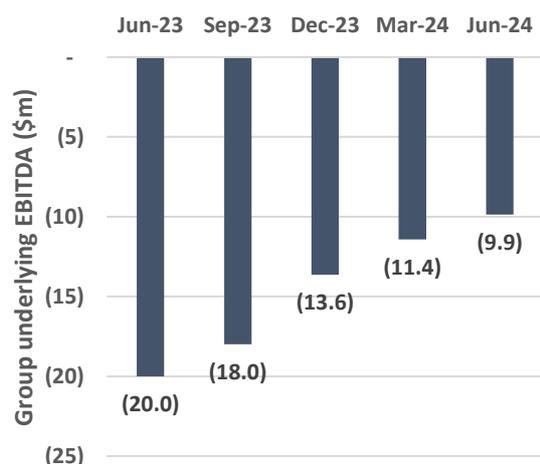


Chart 2: Group EBITDA profile – LTM basis



¹ The proposed agave farmland sale & leaseback transaction with a related party entity remains subject to shareholder approval.

² 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.

³ Group EBITDA reflecting underlying EBITDA presented on a rolling last twelve month basis.

Top Shelf's Chief Executive Officer Trent Fraser commented:

"The FY24 improvement of Top Shelf's gross margin in absolute terms and EBITDA performance of 22% and 51% respectively is a tremendous result particularly in light of soft trading conditions currently being experienced by the beverage sector.

"In addition to a reset of the economic model in FY24, a critical focus has been to accelerate domestic major retail and range expansion. Major retail distribution point growth in excess of 40% during FY24 in a highly competitive environment is testament to the Top Shelf team and quality of our brand portfolio. We are also starting to see the targeted execution plans in dedicated international markets start to bear fruit.

"Although Act of Treason Australian Agave is only in its infancy, it has already won Gold medals at two of the most prestigious global spirit competitions, namely the San Francisco World Spirits Competition, and the International Wine and Spirit Competition in London, UK.

"The efforts of the Top Shelf team with the incredible support of our investors, customers and suppliers enabled FY24 to be a transformational year in many ways for the business."

Operational commentary

The Company has been focused on preparation for the broader launch of Act of Treason Australian Agave into retail and on-premise channels, in addition to new product development and expanded retail ranging of existing NED Whisky and Grainshaker Vodka products in the September quarter of FY25.

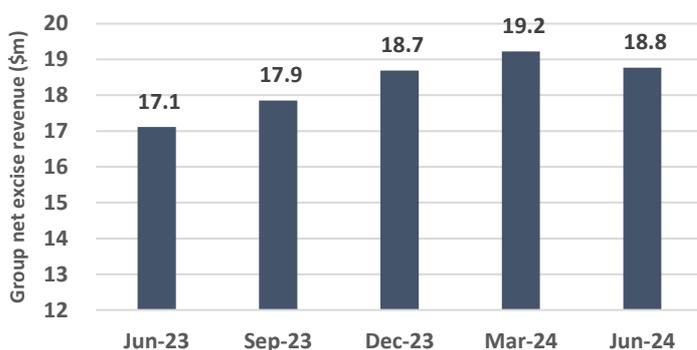
Top Shelf is currently engaging with its major contract packaging customer with the objective of expanding the existing arrangement beyond 31 December 2024.

John Selak, formerly a partner in the Corporate Finance practice of Ernst & Young was appointed a non-executive director of the Company from 1 June 2024. John will chair the Company's Audit and Risk Committee.

Revenue

Group unaudited net excise revenue of **\$18.8 million** in FY24 represented growth of **10%** on FY23.

Chart 3: Group revenue profile – LTM basis⁴



The Company's NED Australian Whisky and Grainshaker Australian Vodka have performed well through the second half of FY24 despite soft trading conditions currently being experienced across the beverage sector, particularly in the June quarter. From available retail market scan data, NED Australian Whisky and Grainshaker Australian Vodka are continuing to deliver growth rates above their competitor set.

Act of Treason Australian Agave sales in its local Whitsundays region and select high image accounts in Australian east coast capital cities have exceeded initial expectations ahead of a broader on premise expansion and the national retail launch with Endeavour Group (Dan Murphy's and BWS) in July 2024.

The Company's contract packaging services delivered stable monthly throughput volume through the second half of FY24. In the June quarter of FY24, contract packaging services delivered higher throughout volume and margin per unit than the prior comparative June quarter although customer mix contributed to lower revenue per unit (reflected in the overall group revenue performance).

⁴ 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 the second half (2H) and full year of FY24 relative to comparative FY23 periods is set out in Table 1.

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

\$ million	2H		Annual	
	FY23	FY24	FY23	FY24
Gross excise revenue	12.8	11.4	27.5	26.5
Net excise revenue	8.2	8.2	17.1	18.8
Gross margin ⁵	3.3	3.8	7.5	9.2
Variable contribution margin ⁶	2.8	3.6	6.4	8.8
Operating contribution ⁷	(2.8)	(0.7)	(5.5)	(0.5)
Brand and business investment	(2.0)	(1.7)	(6.6)	(3.9)
Contribution margin	(4.9)	(2.5)	(12.1)	(4.4)
Group support	(4.0)	(2.6)	(7.9)	(5.5)
Underlying EBITDA	(8.8)	(5.1)	(20.0)	(9.9)
Non-recurring expenditure	(1.8)	(0.8)	(2.3)	(1.4)
EBITDA	(10.6)	(5.9)	(22.3)	(11.3)
Gross margin – net excise % ⁸	40.6%	45.6%	44.1%	48.9%
Underlying controllable expenditure ⁹	(11.6)	(8.7)	(26.5)	(18.6)

Underlying EBITDA performance

Underlying EBITDA performance of **\$(9.9) million** in FY24 reflected an improvement of **51%** (or **\$10.1 million** improvement) on FY23 attributable to:

- **Gross margin improvement of \$1.6 million** or from 44% to **49%** 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 30%** (or **\$7.8 million** improvement) relative to pcp reflecting outcomes of the Company's 2023 strategic review to curtail expenditure (i.e. discontinuing activities and removing associated vendor spend and resetting the Company's organisational structure) and a continued focus on cost control.

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

⁵ Gross margin is disclosed on a cash basis reflecting adjustments to exclude depreciation (FY24: \$1.3 million; FY23: \$0.8 million) and whisky liquid cost (FY24: \$0.6 million; FY23: \$0.7 million) from the Cost of goods sold.

⁶ Variable contribution margin is presented as gross margin less distribution and other variable items.

⁷ Operating contribution is presented as variable contribution margin less selling and general operating costs.

⁸ Gross margin – net excise reflects the calculation of Gross margin relative to Revenue net of excise.

⁹ 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 **\$9.3 million** in FY24 are summarised in Table 2 below. The business investment of **\$2.6 million** in FY24 2H is the first period representative of the Company's business model post completion of the operating platform investment phase.

Table 2: FY24 and comparative FY23 periods business investment reconciliation

\$ million	2H		Annual	
	FY23	FY24	FY23	FY24
Brand	1.6	1.2	5.7	2.8
Whisky	0.7	-	2.0	0.5
Australian Agave	4.2	1.4	7.0	6.0
Business investment - total	6.6	2.6	14.7	9.3

Brand: The Company has consciously moderated its commercial partnership investment in FY24. The investment reflected in FY24 2H largely reflected NED Whisky's strategic brand engagement alignment with Supercars Australia and Grove Racing.

Whisky: New make production has been deliberately constrained during FY24. Top Shelf has sufficient reserves of high-quality whisky through the investment in whisky production and maturation undertaken in recent years.

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

- agave agronomy operations (FY24: \$1.0 million);
- completion of the onsite agave distillery that commenced operations in December 2023 (FY24: \$3.9 million); and
- brand market launch preparation expenditure (FY24: \$0.4 million).

The investment to build and commission Australia's largest operational agave distillery has completed the integrated operational platform for Top Shelf to execute its strategic objectives.

Cash flow reconciliation

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

Table 3: FY24 and comparative FY23 periods cash flow reconciliation

\$ million	2H		Annual	
	FY23	FY24	FY23	FY24
Operating				
Business investment	(3.0)	(1.8)	(8.3)	(4.4)
Trading activities	(3.6)	(2.2)	(14.5)	(8.3)
Operating - total	(6.6)	(4.0)	(22.8)	(12.7)
Investing				
Business investment	(3.6)	(0.9)	(6.4)	(5.0)
Other – stay in business	(0.8)	-	(1.4)	(0.2)
Investing - total	(4.4)	(0.9)	(7.8)	(5.2)
Operating and investing - total	(11.0)	(4.9)	(30.7)	(17.9)
Financing	7.2	9.1	13.4	22.0
Net	(3.8)	4.2	(17.3)	4.1
Closing cash balance	2.9	7.0	2.9	7.0

Operating and investing activities

Operating and investing cash flows improved during FY24 relative to pcp by **\$12.8 million or 42%** reflecting:

- the conversion of margin improvement (\$1.6 million);
- cost base reduction initiatives (\$7.8 million) to cash flow; and
- a reduction in capital expenditure activities investing in the operating platform (\$2.7 million).

Investing cash flows during FY24 substantially reflected the investment required to build and commission the agave distillery (\$3.9 million). With the commissioning of the agave distillery in December 2023, FY24 2H is the first half year period representative of the Company's business model post completion of the operating platform investment phase.

Financing activities

Top Shelf completed a **\$11.7 million** capital raise during the June quarter of FY24 (\$10.5 million net of transaction costs).

The Company executed a facility agreement amendment deed with its debt provider, Longreach Credit Investors, in June 2024. In accordance with the amendment deed, the debt facility maturity was extended by 12 months to December 2025 and the facility interest rate is 15.0% (cash of 12.25% and payment in kind of 2.75%).

The Company's debt facility drawn position was **\$25.0 million** at 30 June 2024 (30 June 2023: \$35.0 million) with cash reserves of **\$7.0 million** at 30 June 2024. The Company has made a debt principal repayment of \$2.8 million in July 2024.

Asset transaction update

The Company is progressing with the previously announced **\$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 and for further reduction of debt.

As announced on 15 July 2024, Top Shelf has executed formal sale and lease documentation with an entity related to non-executive director Stephen Grove. The transaction remains subject to shareholder approval at an Extraordinary General Meeting. The Company has lodged a Notice of Meeting inclusive of an Independent Experts Report with the ASX and ASIC in July 2024 and subject to shareholder approval, completion of the transaction is expected to occur in September 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 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")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,600	32,282
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,326)	(22,862)
(c) advertising and marketing	(1,401)	(6,525)
(d) leased assets	-	-
(e) staff costs	(2,496)	(8,997)
(f) administration and corporate costs	(2,083)	(6,874)
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)	-	-
1.9 Net cash from / (used in) operating activities	(3,706)	(12,976)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(82)	(3,775)
(d) investments	-	-
(e) intellectual property	(67)	(435)
(f) other non-current assets	(219)	(978)

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)
2.6 Net cash from / (used in) investing activities	(368)	(5,190)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	11,680	40,071
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	(1,033)	(3,207)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(10,000)
3.7 Transaction costs related to loans and borrowings	(668)	(668)
3.8 Dividends paid	-	-
3.9 Other		
Payment of lease liability principal – buildings and equipment	(100)	(375)
Interest and other finance costs paid - borrowings	(640)	(2,998)
Interest and other finance costs paid - leases	(184)	(555)
3.10 Net cash from / (used in) financing activities	9,056	22,268

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,975	2,855
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,706)	(12,976)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(368)	(5,190)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,056	22,268
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,957	6,957

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,957	1,975
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)	6,957	1,975

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	121
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

In accordance with ASX listing rule 4.7C.3, the following summarises the related party transactions of the Company in the fourth quarter of FY24.

The Company has a sponsorship arrangement with Grove Racing Pty Ltd, a related party of non-executive director, Stephen Grove.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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)		
7.4 Total financing facilities	25,000	25,000
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>A facility amendment and restatement deed was executed on 30 June 2024. The facility has a maturity date of 15 December 2025 and the facility interest rate is 15.0% per annum (interest of 12.25% per annum is payable in cash and payment in kind interest of 2.75%). The facility has a minimum cash reserve requirement of \$2.0 million.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,706)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,957
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,957
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.9
<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?	
<p>Answer: The Company expects the current level of net operating cash flows to improve over the course of the financial year ending 30 June 2025 reflecting gross margin improvement and the run rate benefit of cost reduction initiatives implemented over the past 12 months.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: As referred to in the June quarterly business update, the Company expects the completion of a \$5.0 million sale & leaseback transaction to occur in September 2024, subject to shareholder approval.</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company expects to utilise the proceeds from the recent capital raise and sale & leaseback transaction to continue its operations. The Company continues to review opportunities to preserve cash and / or reduce debt through sale of non-core assets.

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: 31 July 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.