

TOP SHELF INTERNATIONAL HOLDINGS LTD

FY22 1H Results Presentation

25 February 2022

ASX: TSI



OUR MISSION

Premium spirits that embody
the independent spirit and
personality of Australia



AUSTRALIAN
AGAVE
PROJECT
20°S 148°E

TOPS
INTERNATIONAL

TOP SHELF INTERNATIONAL

PREMIUM SPIRITS BRANDS THAT EMBODY THE UNIQUE PERSONALITY OF AUSTRALIA

A portfolio of premium spirits setting the new benchmark for modern Australian taste

Australia's largest and fastest growing premium spirits company

Our brands



NED Whisky

>\$100m pa
5-Year Net Sales Ambition



Grainshaker Vodka

>\$50m pa
5-Year Net Sales Ambition



Australian Agave

>\$100m pa
5-Year Net Sales Ambition

Our assets

Providing operating leverage

Unique asset base
with in-built scale
and quality

Vertically-
integrated
production &
manufacturing
facility

Maturing spirit
inventory,
maturation and
bond stores

Our people,
capability to
accelerate and
execute

Agave spirit farm,
distillery and
production facility

Australian Agave Project in development



5-Year Ambition

40%
Gross Margin

15-20%
Brand Investment

20+%
EBITDA

FUNDAMENTALS IN PLACE

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



FY22 1H PERFORMANCE



FY22 1H KEY HIGHLIGHTS

REVENUE GROWTH, PROFIT ENHANCEMENT AND INVESTMENT IN FUTURE REVENUE

Brands



21 Medals for NED and Grainshaker at Australian spirits competitions, including 3 Gold Medals ⁴

Revenue

\$11.4m

+57% on pcg
Q1 \$3.7m
Q2 \$7.7m

Gross Margin

27%

Proforma gross profit margin ¹
25.4% FY21
21.6% FY21 1H

FY22 1H Investments

P&L

\$2.0m

Investment in marquee partnerships & agave to support brand scaling ²

Balance Sheet

\$2.7m

Delivering uplift of \$50m future whisky & agave net sales value ³

NSV Maturing Spirits

\$322m

\$137m NSV - 1.9m Litres Whisky ³
\$185m NSV - 2.2m Litres Agave ³

Operating Result

-\$1.5m

Before FY22 1H Investments in P&L & Group Costs. ⁵
Group EBITDA -\$6.8m

Available Funding

\$38.7m

Cash on hand at 31 Dec 2021

Total Assets

\$112.5m

at end FY22 1H ⁶

1. Proforma gross profit excludes contract packaging excise in FY22 1H and is disclosed on a consistent basis with the FY21 statutory gross profit 2. Investment forecast in TSI ASX Announcement Capital Raise Investor Presentation Oct 2021 3. TSI ASX Announcement Net Sales Value of Maturing Spirit Jul 2021 4. Australian Distilled Spirits Awards, Tasting Australia Spirit Awards, Melbourne International Spirits Competition 5. Operating result profit represents performance before investment in brand & agave, group support function costs including listed company costs and non-recurring items. 6. Refer balance sheet – inventory carried at cost

FY22 1H HIGHLIGHTS – BRAND

GROWTH THROUGH INCREASED PENETRATION AND CHANNEL EXPANSION



NED outpacing off premise category growth, Grainshaker on premise and festival penetration, ongoing recognition of product quality via Australian spirits awards

Product Quality

- 21 Medals (including 3 Gold) at Australian spirits awards - NED 14 x Medals; Grainshaker 7 x Medals

NED Whisky

- Total NED Whisky (Glass and RTD) Value grew 19.4% vs Total Bourbon category at 3.8% (x5 rate of category) ¹
- NED RTD Value grew 58.2% vs Bourbon RTD category at 2.3% (25x rate of category) ¹
- NED 6% RTD Rate of Sale continues to match Wild Turkey 101 6.5% ROS ²
- NED NPD & Premiumisation (Sounds of Bathurst, The Wanted Series) delivered record DTC revenue for Q2 FY22 (+190% on Q1 FY22)

Grainshaker Vodka

- Grainshaker RTD Rate of Sale matching White Claw Hard Seltzer ³
- Grainshaker 'VOZDKA' outdoor campaign to support off premise and Australian Open
- Grainshaker NPD Small Batch program utilising The Distiller Whisky & Vodka Bar distillation capability
- Gross margin and contribution margin for festivals and events aligned with 5 year ambition - 110,000 people attended Grainshaker and NED first-pour live music events in Dec 2021

Key Customers & Partnerships

- National ranging for NED Whisky and Grainshaker Vodka with Coles Liquor Group (announced Feb 2022)
- Grainshaker retail ranging in Vic and Qld via ALM
- International strategy progressing - ranging in Dairy Farm retail (Hong Kong), TSI first Australian spirits company to launch dedicated Alibaba Tmall store, advanced discussions with major distribution partner
- Festivals and Events agreements including 2-year Arts Centre Melbourne agreement

1. IRI AU Liquor (CLG and ALM ww), Dollars Growth 1H FY22 vs. pcp. 2. IRI (ALM ww) Units/Store/Week MAT to 14/11/21 – RTD NED vs Wild Turkey. 3. IRI AU Liquor (Vic ALM ww) Units/Store/Week 4 wks to 06/02/22 Grainshaker Pink Grapefruit vs White Claw Ruby Grapefruit



FY22 1H HIGHLIGHTS – AGAVE & PRODUCTION

AGAVE PROJECT ENTERING DISTILLERY BUILD PHASE; RECORD CONTRACT PACKAGING REVENUE



Australian Agave Project

- Planting schedule on track
- Use of advanced agronomy and technology delivering plant health and maturation
- Pre sales of Australian Agave spirits via launch of NFT program
- First 2000-litre Kothe copper pot still arrived in readiness for start of distillery construction
- Plans for the distillery and production facility submitted to relevant planning authorities with construction anticipated to start mid CY22
- Brand development well advanced
- Project will be one of the largest plant-bottle-brand agave spirit operations in the world
- Project listed among Top 10 biggest global spirits stories of 2021 by Spirits Business ¹

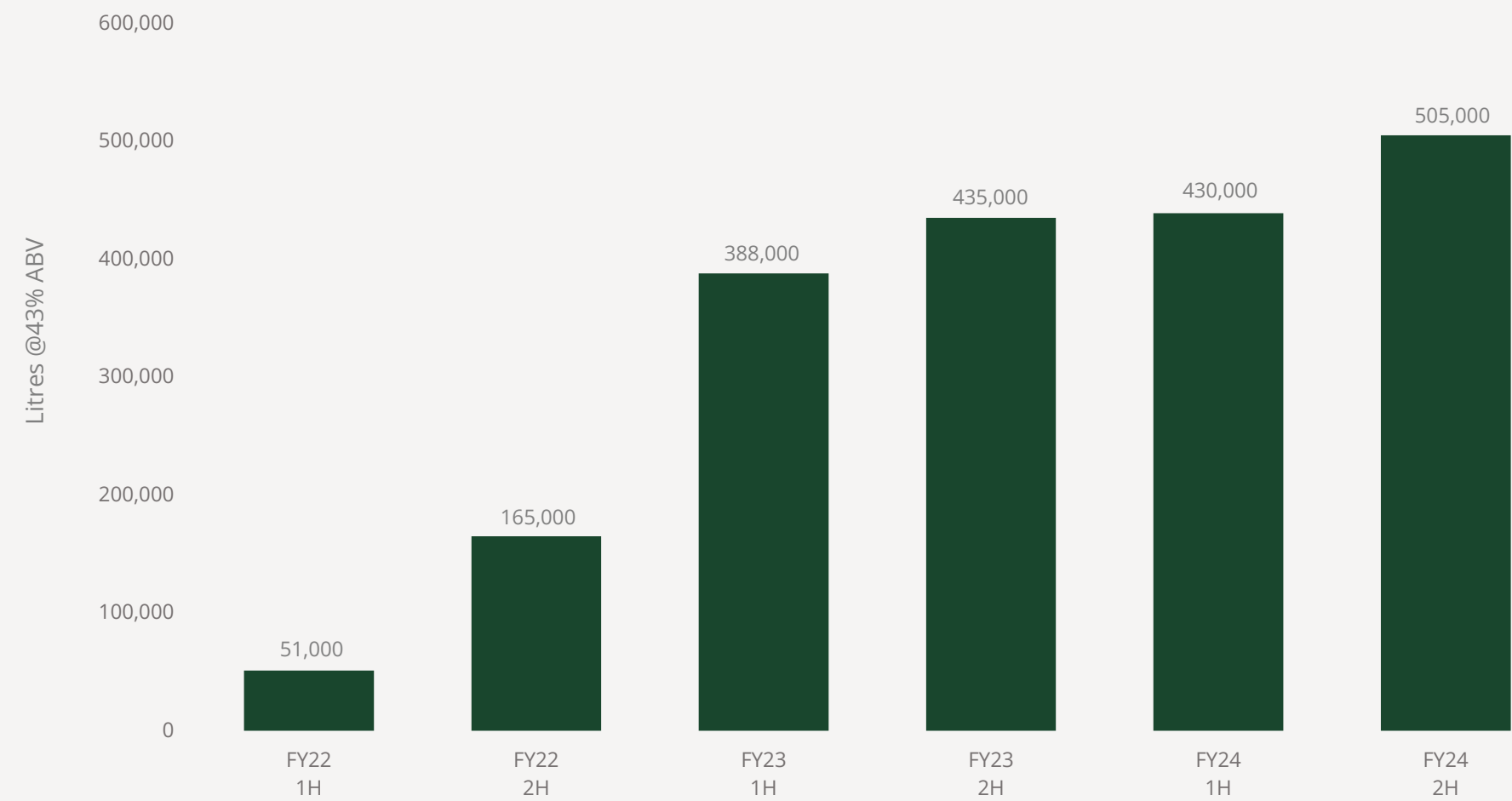
Production

- Record \$6.8m revenue in FY22 1H (+\$3.3m or 109% YOY)
- Production facility operated 24/5 to service demand in lead up to Christmas
- Record whisky production month in Sep 2021 – 75,000 litres new make spirit (@43% ABV)
- 113,000 cases produced in Dec 2021, 69,000 for third parties
- Internal capability now at forefront of customer and consumer value proposition
- Well-positioned to capitalise on prolonged global supply chain issues

1. <https://www.thespiritsbusiness.com/2021/12/the-biggest-spirits-stories-of-2021>

MATURING WHISKY INVENTORY

LITRES OF MATURING WHISKY AVAILABLE FOR HARVEST



BRAND PENETRATION & PREMIUMISATION

FY22 CATALYSTS CONTINUE TO DELIVER BRAND GROWTH

Grow Distribution Channels

- Develop long-term strategic plans with major domestic retail partners
- Continue to build strong on-premise and festivals and events relationships
- Accelerate international expansion by signing new distributors in prioritised global markets
- Deploy newly-created digital capability in e-commerce and DTC channels
- Exceed customer expectations

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 exceptional brand experiences through live music and sporting events
- Launch Agave brand

COLES LIQUOR GROUP – NATIONAL RANGING

NED WHISKY & GRAINSHAKER VODKA SCALED INTO MAJOR NATIONAL RETAIL



Coles Vision & Priorities

Vision: More accessible and locally relevant drinks specialist

Key Priorities: Differentiate & serve consumers better; Be more relevant, accessible & local

Coles & TSI Partnership

- Major customer partnership and shared strategic vision
- Two TSI brands scaled into national ranging
- NED 806 Stores; Grainshaker 815 Stores
 - Total Coles Liquor Stores – 931 ¹
- Non exclusive agreement
- Exclusive products and packaging formats – NED 6% 375ml 16-Pack; Grainshaker Sunset Mixed 330ml 12-Pack
- Through The Line marketing investment aligning customer and consumer
- Ecommerce / Grocery opportunity

"We're looking forward to building an ongoing relationship with Top Shelf International. Throughout the ranging discussions we were impressed with the vision and ambition for both the NED and Grainshaker brands. The addition of these premium Australian spirits further builds on our commitment to supporting high quality, locally produced brands."

Brad Gorman, Coles Liquor General Manager Merchandise ²



FY22 1H INVESTMENTS (P&L) – SCALING BRANDS

INVESTMENT IN KEY PARTNERSHIPS TO BUILD MEMORABLE, PROFITABLE BRANDS THAT EXCEED CUSTOMER & CONSUMER EXPECTATIONS



Broad reach through broadcast and digital integration.
Activate on and off premise, sampling, entertain customers

Off
Premise

On
Premise

DTC

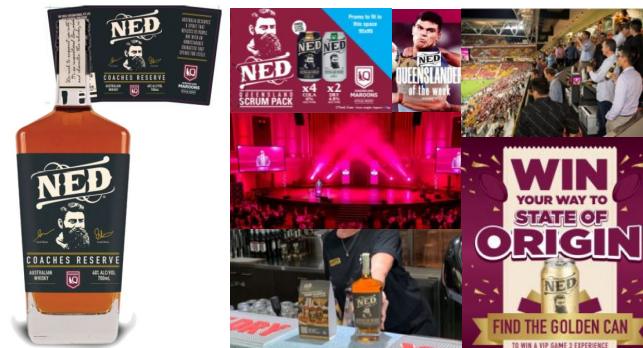
Customer

Media Reach
(incl Out Of Home)

Pourage
& Signage



Precinct Activation * On Premise * Off Premise
OOH Proximity * Media/Digital * Influencers



Off Premise * On Premise * e-commerce
PR/Content * Media/Digital * Corporate/Customers



AUSTRALIAN TURF CLUB

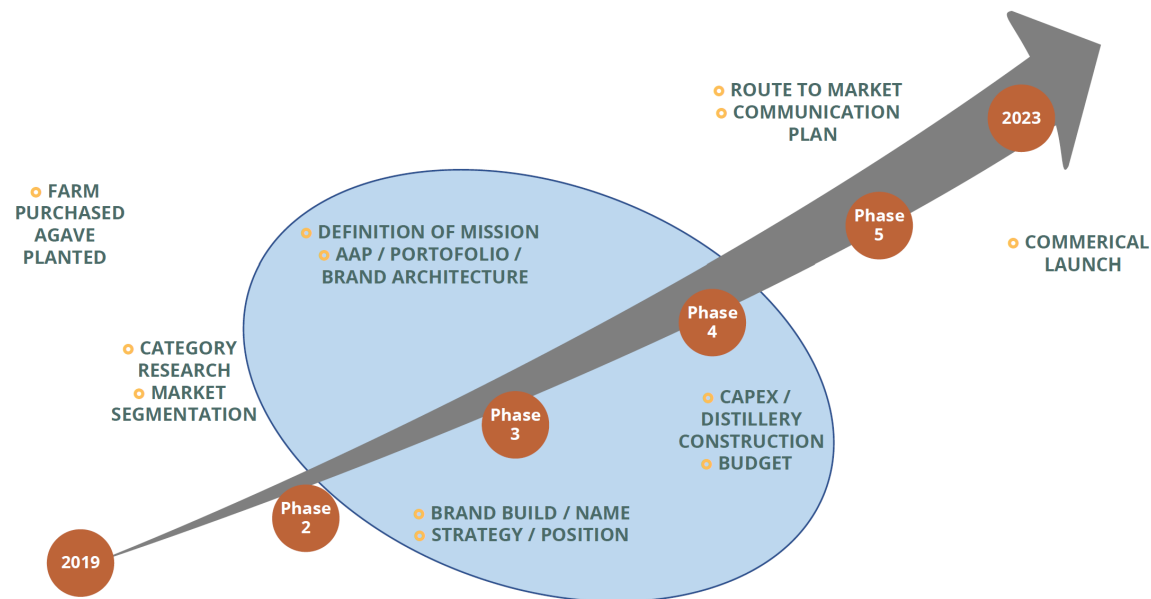


NED Bar Supersite * Grainshaker Lounge * Track Signage
On Premise * Media/Digital * Corporate/Customers

Note: Our definition of investment in the P&L in terms of brands is limited to these partnerships. This is managed on a net basis. Revenue and gross margin from product sales offsets sponsorship costs

FY22 1H INVESTMENT (P&L + B/S) – AGAVE

DEVELOPMENT OF UNIQUELY AUSTRALIAN BRANDS TO TAKE TO THE WORLD IS WELL ADVANCED;
DISTILLERY PLANNING & CONSTRUCTION TO PRODUCE WORLD-CLASS SPIRITS



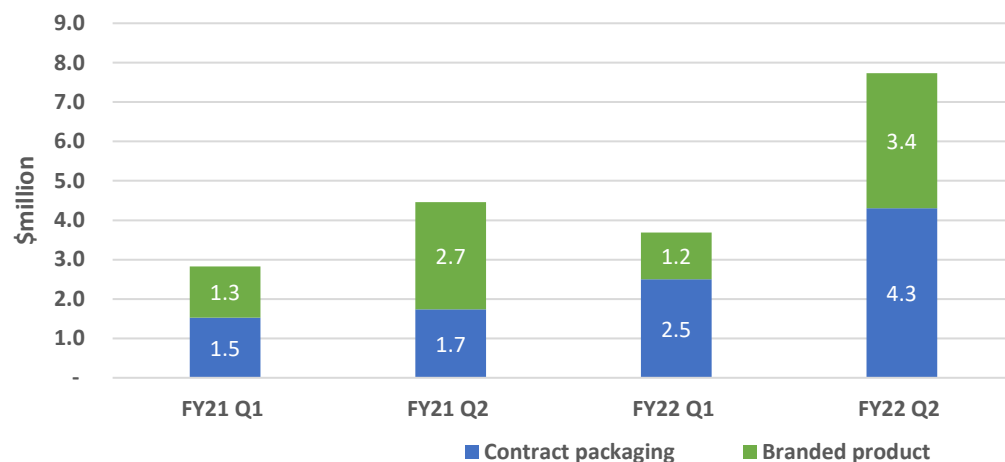
A landscape photograph showing a vast field of agave plants in the foreground, stretching towards a line of trees and mountains in the distance. The sky is filled with large, dramatic clouds illuminated by the warm, golden light of a setting or rising sun. A dark green rectangular overlay with rounded corners is positioned on the left side of the image, containing the word "APPENDIX" in white, bold, uppercase letters.

APPENDIX

FY22 1H RESULTS – REVENUE

TSI'S REVENUE GROWTH, PARTICULARLY IN Q2, PROVIDES STRONG MOMENTUM INTO 2H COUPLED WITH WHISKY AVAILABLE TO HARVEST AND NATIONAL RANGING WITH COLES LIQUOR GROUP

Revenue: FY22 1H quarterly revenue profile



Revenue

- TSI recognised revenue of \$11.4 million in FY22 1H relative to \$7.3 million in FY21 1H, representing growth of 57% or \$4.1 million.

Branded product

- TSI recognised branded product revenue of \$4.6 million in FY22 1H with, importantly, \$3.4 million in FY22 Q2 as the eastern seaboard states rebounded strongly from four months of COVID-19 related lockdowns.
- Notwithstanding the challenges of COVID-19 related lockdowns and limited whisky available to harvest, the branded product performance in FY22 Q2 was outstanding result, providing TSI with strong momentum moving into FY22 2H with a significant uplift in whisky available to harvest and national ranging with Coles Liquor Group announced in February 2022.
- TSI recognised revenue in relation to the first release Australian Agave NFT program in December 2021 (\$0.3 million). Revenue will be recognised progressively in line with delivery to token holders of products and services of the program.

Contract packaging services

- Demand for TSI's contract packaging services was strong in FY22 1H with underlying revenue growth of 28% or \$0.9 million (revenue: excluding excise passthrough). The customer demand came from TSI's portfolio of major retail and craft beverage customers.
- To fulfill this customer demand, TSI's canning and bottling facility in Campbellfield operated on a three shift, 24/5 basis during December 2021.

FY22 1H RESULTS - PROFIT OR LOSS TO EBITDA

TSI HAS DELIVERED GROSS PROFIT ENHANCEMENT IN FY22 1H AND INVESTED IN STRATEGIC INITIATIVES TO DELIVER SIGNIFICANT FUTURE REVENUE GROWTH

\$m	FY22 1H	FY21 1H
Revenue	11.4	7.3
Cost of sales	(9.0)	(5.7)
Gross profit	2.4	1.6
Biological asset fair value gain	3.1	-
Other income	0.0	0.3
Distribution	(0.6)	(0.2)
Selling	(2.6)	(1.5)
Marketing	(1.7)	(0.4)
Operating	(2.1)	(0.9)
Operating result	(1.5)	(1.2)
Business investment	(2.0)	(0.4)
Operating result including business investment	(3.5)	(1.5)
General & administration	(3.4)	(2.2)
Depreciation in COGS	0.2	0.1
Group EBITDA - underlying	(6.8)	(3.6)
Non recurring items	(1.0)	(3.5)
Group EBITDA - statutory	(7.8)	(7.1)
Revenue		
Branded	4.6	4.0
Contract packaging	6.8	3.3
Revenue - total	11.4	7.3
Gross profit %	20.8%	21.6%
Pro forma gross profit %	27.0%	21.6%

Note: Pro forma gross profit % excludes contract packaging passthrough excise in FY22 1H and is disclosed on a consistent basis with the FY21 1H statutory gross profit

Profit or loss to EBITDA

Gross profit

TSI's gross profit result of \$2.4 million represented growth of 51% on FY21 1H partially reflecting strong demand for TSI's contract packaging services.

Gross profit as a percentage of revenue (excluding contract packaging passthrough excise) of 27.0% reflected TSI's branded product performance, particularly into the festival and events channel after the COVID-19 related lockdowns, and continued margin enhancement from TSI's contract packaging services.

Operating result

Operating result reflects:

- gross profit and fair value gain of TSI's maturing agave plantation; and
- business activity growth with implementation of a national independent channel sales team, marketing expenditure inclusive of channel activation and brand design spend, and maturity of TSI's scalable production facility operating structure.

Business investment

Investment in brand via marquee sponsorships and agave brand and distillery facility preparation to provide TSI with significant future revenue opportunities.

EBITDA

General & administration includes group leadership and support functions and requisite listed company costs.

Note: Non-recurring items are discussed further in Appendix - EBITDA to loss after tax reconciliation

FY22 1H RESULTS - NET ASSET POSITION

TSI'S BALANCE SHEET REFLECTS THE CAPITAL REQUIRED TO ESTABLISH AUSTRALIA'S PRE-EMINENT PREMIUM SPIRITS BUSINESS

\$m	31 December 2021	30 June 2021
Assets		
Cash and cash equivalents	38.7	9.5
Trade and other receivables	7.0	7.9
Inventories	9.9	7.4
Property, plant & equipment	28.4	27.6
Right-of-use assets	6.3	6.3
Biological assets	11.6	7.7
Other assets	10.7	11.2
Assets - total	112.5	77.7
Liabilities		
Trade and other payables	(13.7)	(11.8)
Borrowings	(23.6)	(14.9)
Lease liabilities	(7.0)	(6.9)
Provisions	(1.1)	(0.7)
Liabilities	(45.3)	(34.3)
Net assets	67.2	43.4
Net tangible assets	58.1	34.5

Net asset position

Net tangible assets

TSI's net tangible asset position as at 31 December 2021 of \$58.1 million included:

- Invested capital (\$34.7 million) in integrated distillery, maturation and canning & bottling capabilities at Campbellfield and Somerton (Vic), and the agave farm (Qld)
- Working capital (\$14.8 million) inclusive of investment in new make whisky (\$7.3 million), agave plants (\$11.6 million) and trade receivables and payables, and other inventories.

Working capital

TSI's working capital as at 31 December 2021 included:

- New make whisky recognised at cost of \$7.3 million, representing a future net sales value of \$137 million (June 2021: \$111 million). At 31 December 2021, TSI had over 1.9 million litres of whisky under maturation (at 43% ABV). A cash cost of \$1.9 million including production and oak maturation costs has achieved the future net sales value uplift \$26 million in FY22 1H; and
- Agave plants recognised at fair value of \$11.6 million, representing a future net sales value of \$185 million (June 2021: \$161 million). A cash cost of \$0.8 million for agave agronomy activities has achieved the future net sales value uplift of \$24 million.

Capital structure

In October 2021, TSI extended its secured borrowing facility with Longreach Credit from \$15.0 million to \$25.0 million. The facility was extended principally on the basis of inclusion of agave plants in the borrowing base. The facility was fully drawn in December 2021. In November 2021, TSI completed a \$35.0 million capital raise to fund the development of a dedicated agave distillery at its Eden Lassie spirit farm and other brand acceleration and growth initiatives.

FY22 1H RESULTS - CASH FLOWS

TSI HAS CONTINUED TO INVEST IN BRANDS, STRATEGIC INITIATIVES, CAPABILITY AND WORKING CAPITAL IN FY22 1H

\$m	FY22 1H	FY21 1H
Statutory EBITDA	(7.8)	(7.1)
Add back fair value gain on biological assets	(3.1)	-
Add back share based payment expense	0.3	1.7
Working capital movement	1.1	(1.4)
Capital expenditure	(1.7)	(3.4)
Agave agronomy expenditure	(0.8)	(0.2)
R&D income	0.9	-
Net cash flow before financing activities	(11.1)	(10.4)
Lease payments	(0.5)	(0.3)
Net financing costs	(0.5)	(1.7)
Net proceeds from / (repayment) of borrowings	8.6	(5.6)
Net proceeds from capital raising activities	32.6	32.4
Net cash flow	29.2	14.5

Cash flows

Net cash flows before financing activities

In FY22 2H, cash invested in operating and investing activities of \$11.1 million reflected:

- Statutory EBITDA (\$7.8 million) inclusive of P&L investments (\$2.0 million) and non-recurring items (\$1.0 million).
- Working capital (\$1.1 million) reflected:
 - investment in new make whisky investment (\$1.2 million) contributing over 400,000 litres (at ABV 43%) to TSI's maturing whisky reserves; offset by:
 - the timing of trade receivable and payable balances and the Australian Agave NFT program revenue received in advance.
- Capital expenditure (\$1.7 million) inclusive of:
 - TSI's recurring small oak whisky barrel acquisition program;
 - Agave distillery project preliminary expenditure;
 - Stay in business improvements at the Campbellfield production facility and completion of The Distiller brand experience venue in Thornbury, Melbourne.
- Agave agronomy investment (\$0.8 million) contributing to the 600,000 maturing agave plants in ground and nursery as at 31 December 2021.
- Balance sheet investment of \$2.7 million is reflected in working capital inventory (\$1.2 million), oak capital expenditure (\$0.7m) and agave agronomy expenditure (\$0.8m)

FY22 1H RESULTS – EBITDA TO LOSS AFTER TAX RECONCILIATION

\$m	FY22 1H	FY21 1H
EBITDA - underlying	(6.8)	(3.6)
Non recurring items	(1.0)	(3.5)
EBITDA - statutory	(7.8)	(7.1)
Depreciation and amortisation	(0.5)	(0.4)
EBIT	(8.3)	(7.5)
Net finance costs	(0.9)	(2.0)
Loss before tax	(9.3)	(9.5)
Income tax	(0.3)	2.8
Loss after tax	(9.6)	(6.7)

EBITDA to loss after tax reconciliation

Nonrecurring items

In FY22 1H, nonrecurring items included:

- share based payments; and
- discontinued consulting and employee arrangements.

In FY21 1H, nonrecurring items included:

- share based payments; and
- IPO transaction and associated costs.

THANK YOU

