



## Top Shelf International Holdings Ltd

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

28 April 2023

### ASX ANNOUNCEMENT (ASX:TSI) - FY23 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 FY23 in accordance with ASX listing rule 4.7C.

#### New Chief Executive

**Trent Fraser** was appointed the Company’s Chief Executive Officer on 21 April 2023 succeeding co-founder and Managing Director, Drew Fairchild. Trent joined Top Shelf in September 2021 and has more than two decades of experience in wine and spirits in Australia and the United States including 13 years with LVMH.

Top Shelf’s Chief Executive Trent Fraser said *“I am honoured to be stepping into the Chief Executive role as part of our planned succession.”*

*“While the Top Shelf brands continue to shine in market and in awards, it is evident we need an immediate transformation of the existing business plan and model.”*

*“A full strategic review is underway with a vision to set a clear pathway to profitability. There are a number of initiatives and gains we have already enacted that are reflective in this quarterly result, and I can assure you of a similar improvement for FY23 Q4.”*

*“My discipline and training in the wines and spirits sector for the past 22 years has been focused on value creation. My immediate focus is to continue to improve the financial position of Company and to focus on key customer partners to drive brand performance.”*

#### Business highlights

**Brand revenue:**  
LTM Mar-23: **\$24.8m**  
Growth on pcpc: **90%**

**Gross margin (YTD):**  
Cash: **27.1%**  
Net excise: **45.0%**

**Normalised EBITDA:**  
Q3: **\$(3.5)m**  
YTD: **\$(10.1)m**

**Annualised cost out:**  
**\$7.0m**

**Cash receipts:**  
Q3: **\$9.2m**  
YTD: **\$27.2m**

**Business investment:**  
Q3: **\$3.0m**  
YTD: **\$11.1m**

The Company recognised brand revenue of **\$24.8 million** in the twelve months to 31 March 2023 (pro forma unaudited basis) representing growth of **90%** on the prior comparative period (FY23 Q3: **\$4.9 million**). Top Shelf’s pro forma unaudited group revenue in the twelve months to 31 March 2023 was **\$31.6 million**, inclusive of brand sales and contract packaging services.

Top Shelf has prioritised cash preservation with a disciplined business simplification program. To date the program has resulted in an annualised cost out of:

- Realised labour savings of **\$2.0 million** with existing roles expanded or re-prioritised across all business functions; and
- Executed non labour expenditure savings of **\$5.0 million** with rightsized investment spend, business activity changes, supplier tender processes and the removal of discretionary spend.

In addition to the cost reductions above:

- the Company has incurred non-recurring project expenditure of **\$2.7 million** in the nine months of FY23 to 31 March 2023, largely in relation to the agave distillery project, that will not be incurred in future periods;
- Top Shelf is exploring potential opportunities to optimise cash inflows from, for example, the disposal of underutilised assets; and
- the Company is actively engaging with suppliers to restructure payment terms where possible.

Top Shelf's Grainshaker Australian Vodka was recognised as the **equal third-highest rated vodka in the world** at the International Wine and Spirits Competition in London. Grainshaker Wheat Vodka scored 98 points and received an Outstanding Gold medal testament to the skill and capability of the Company's distilling team.

In March 2023, a \$10 million institutional placement was successfully completed providing the Company with cash reserves of **\$12.3 million** and available funding of **\$22.3 million** at 31 March 2023.

### Summarised profit or loss and performance metrics

The Company's unaudited summarised profit or loss to EBITDA and performance metrics for the FY23 year to date period to 31 March 2023 (FY23 YTD) are set out in Table 1.

Table 1: FY23 YTD profit or loss and performance metrics

\$ million	FY23			
	Q1	Q2	Q3	YTD
Revenue	5.7	9.0	6.4	21.1
<b>Gross margin <sup>1</sup></b>	<b>1.6</b>	<b>2.7</b>	<b>1.5</b>	<b>5.7</b>
Variable contribution margin	1.4	2.3	1.2	4.9
<b>Operating contribution</b>	<b>(1.3)</b>	<b>(1.6)</b>	<b>(1.8)</b>	<b>(4.6)</b>
Brand and business investment	(1.8)	(2.8)	(1.1)	(5.7)
<b>Contribution margin</b>	<b>(3.1)</b>	<b>(4.4)</b>	<b>(2.8)</b>	<b>(10.3)</b>
Group support	(2.1)	(2.3)	(1.9)	(6.3)
<b>EBITDA</b>	<b>(5.2)</b>	<b>(6.7)</b>	<b>(4.7)</b>	<b>(16.6)</b>
Discontinued and non-recurring expenditure	1.5	3.8	1.2	6.5
<b>Normalised EBITDA</b>	<b>(3.7)</b>	<b>(2.9)</b>	<b>(3.5)</b>	<b>(10.1)</b>
<i>Gross margin – cash % <sup>1</sup></i>	27.5%	29.7%	23.2%	27.1%
<i>Gross margin – net excise % <sup>2</sup></i>	41.1%	51.9%	39.4%	45.0%
<i>Normalised controllable expenditure <sup>3</sup></i>	(5.1)	(5.2)	(4.7)	(15.0)

### EBITDA

EBITDA as set out in Table 1 above is inclusive of gross margin on a cash basis (refer footnote 1) and excluding the recognition of the non-cash gain of the fair value of agave plants (FY23 YTD: \$3.4 million).

Normalised EBITDA has been adjusted to exclude discontinued and non-recurring expenditure. The balance of **\$6.5 million** is inclusive of:

- Labour - **\$1.7 million** - reflecting actual labour cost of vacated roles not replaced during FY23 YTD;
- Non-labour expenditure - **\$3.9 million** – reflecting expenditure across sales, marketing, operations and corporate functions resulting from business activity changes and rightsizing spend. An additional **\$0.9 million** of expenditure recognised directly in the balance sheet has been discontinued in FY23 YTD; and

<sup>1</sup> Gross margin is disclosed on a cash basis reflecting adjustments to exclude depreciation and whisky liquid cost from the Cost of goods sold.

<sup>2</sup> Gross margin – net excise reflects the calculation of Gross margin relative to Revenue net of excise.

<sup>3</sup> Normalised controllable expenditure representing costs below the Variable contribution margin line to EBITDA exclusive of discontinued and non-recurring expenditure.

- Other - **\$0.9 million** – representing other costs, largely corporate related, assessed to be non-recurring in nature.

Further commentary in relation to the Company's revenue performance has been set out later in this report.

### Cash flow reconciliation

The Company's unaudited cash flow for FY23 YTD is summarised in Table 2.

Table 2: FY23 YTD cash flow reconciliation

\$ million	FY23			
	Q1	Q2	Q3	YTD
Operating				
Business investment	(2.1)	(3.1)	(1.3)	(6.6)
Trading activities	(4.9)	(6.0)	0.7	(10.2)
Operating - total	(7.0)	(9.1)	(0.6)	(16.8)
Investing				
Business investment	(1.3)	(1.5)	(1.7)	(4.5)
Other – stay in business	(0.2)	(0.5)	(0.4)	(1.1)
Investing - total	(1.5)	(2.0)	(2.1)	(5.6)
<b>Operating and investing - total</b>	<b>(8.5)</b>	<b>(11.1)</b>	<b>(2.7)</b>	<b>(22.4)</b>
Financing	2.6	3.6	8.3	14.5
<b>Net</b>	<b>(6.0)</b>	<b>(7.5)</b>	<b>5.6</b>	<b>(7.9)</b>
<b>Closing cash balance</b>	<b>14.2</b>	<b>6.7</b>	<b>12.3</b>	<b>12.3</b>

### Trading activities

The Company's trading activity cash flow in FY23 Q3 predominantly reflects:

- curtailment of business expenditure;
- collection of trade receivables from the seasonally high position at 31 December 2022;
- a reduction in inventory holdings from 31 December 2022, that was abnormally high in advance of commencement of contract packaging in early 2023 for a multinational beverage producer; and
- other working capital measures.

### Business investment

Top Shelf has invested in three strategic growth drivers of the business during FY23 as summarised in Table 3.

Table 3: FY23 YTD business investment reconciliation

\$ million	FY23			
	Q1	Q2	Q3	YTD
Brand	1.4	2.7	0.8	4.9
Whisky	0.8	0.5	0.4	1.7
Australian Agave	1.3	1.5	1.8	4.5
<b>Business investment - total</b>	<b>3.5</b>	<b>4.6</b>	<b>3.0</b>	<b>11.1</b>

*Brand:* Building brand awareness and consumer engagement has been focus for the Company. This has included non-recurring brand launch sponsor partnerships and regional television media campaigns. Such brand investment activity is regularly evaluated by management and has been discontinued, paused or rightsized where deemed appropriate.

Top Shelf's brands continue to engage with consumers through the Australian Supercars, Queensland Maroons and high profile on-premise venues in Melbourne (FY23 Q4 expected investment is consistent with Q3).

*Whisky:* The Company has sufficient oak reserves for its maturation program for the outturn of 2023 and is managing its new make production program on a replenishment basis only in alignment with harvested volume (FY23 Q4 expected investment: \$0.2 million).

*Australian Agave:* The investment in Australian Agave is inclusive of agave agronomy operations at Eden Lassie and the development of a dedicated onsite agave distillery.

The Company has sufficient plant stock maturing in nursery and self-regenerating at the farm to halt third party plant stock purchases (Agave agronomy FY23 Q4 expected investment: \$0.3 million).

The agave distillery project has approximately expenditure of \$3.0 million remaining through until completion and commissioning in July – August 2023.

Investment in these growth drivers is subject to ongoing prudent review by management.

## **Financing**

In March 2023, the Company completed an institutional placement raising of **\$9.3 million** (\$10.0 million before transaction costs).

## **Available funding**

The Company's available funding as at 31 March 2023 was **\$22.3 million** consisting of cash reserves of \$12.3 million and an undrawn balance of \$10.0 million from the Company's debt facility with Longreach Credit <sup>4</sup>. As at 31 March 2023, the Company's \$45.0 million debt facility was drawn to \$35.0 million.

The Company's sale & leaseback transaction opportunity of its Australian Agave agronomy and production assets remains on track with guidance from advisor, Findex Corporate Finance (Aust) Ltd, as part the business funding strategy referenced in the Company's ASX announcement dated 27 February 2023.

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<sup>4</sup> Top Shelf's available funding reflects two \$5.0 million undrawn, conditional tranches (totalling \$10.0 million) in accordance with the amendment deed to the funding agreement with Longreach Credit Investors dated August 2022. The funding agreement has an asset borrowing base structure (inclusive of trade receivable, whisky and agave assets) which must exceed draw amounts of the facility. The second \$5.0 million tranche is conditional on achievement of an agreed revenue target and practical completion of the agave distillery project.

## Revenue

The Company delivered brand pro forma revenue of **\$24.8 million** in the twelve months to 31 March 2023 (LTM March 2023) representing growth of **90%** on the prior comparative period, LTM March 2022.

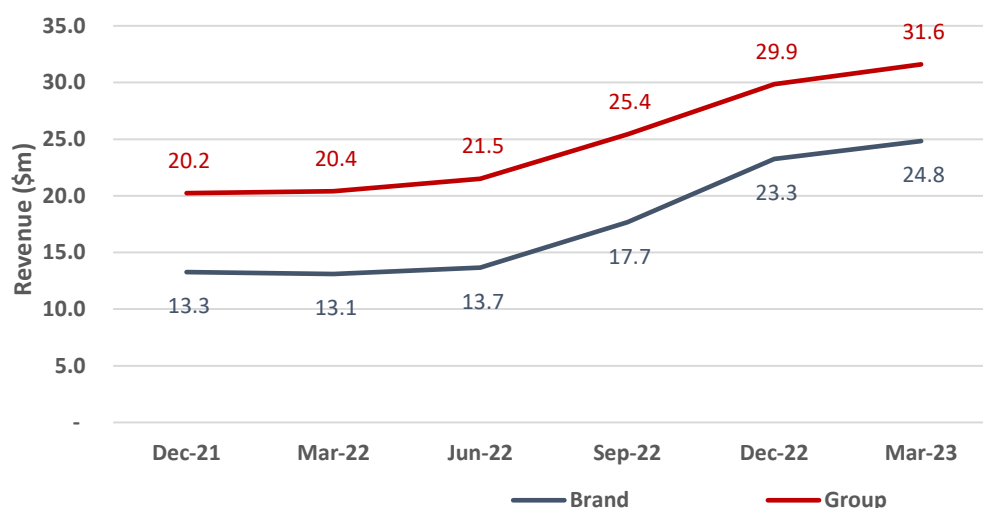
Brand pro forma unaudited revenue of **\$4.9 million** in FY23 Q3 reflected growth of **47%** in comparison to FY22 Q3. Branded revenue reflected continued performance of NED Australian Whisky and Grainshaker Australian Vodka in core channels – national independent wholesale, Coles Liquor Group and direct on premise customers – and completion of the summer festival and outdoor event season.

The Company has continued to prioritise distribution growth opportunities for NED Australian Whisky and Grainshaker Australian Vodka and expects to be able to provide expansion updates during the June quarter.

Top Shelf commenced contract packaging services for a multinational beverage producer in February 2023, producing over 100,000 cases in the third quarter. The Company expects to contract pack approximately 80,000 – 100,000 cases per month improving the operating efficiency and asset utilisation of Top Shelf's Campbellfield production site.

Top Shelf's pro forma unaudited revenue in the twelve months to 31 March 2023 was **\$31.6 million**, inclusive of brand sales and contract packaging services. The Company's LTM pro forma unaudited revenue to 31 March 2023 is illustrated in the chart below.

Chart 1: Pro forma unaudited revenue profile – last twelve months



**End**

*This announcement was approved by the Company's Executive Chairman Adem Karafili, on behalf of the Top Shelf Board.*

***For more information (investors and media):***

For further information, please visit our investor website <https://www.topshelfgroup.com.au/investors> or contact investor relations at [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 and Grainshaker Hand Made Australian Vodka. The Company has a track record of success creating high quality, premium Australian products and brands; each in its own way encapsulating a distinctive Aussie attitude, social experience and flavour profile.

The Company has expertise in the development and production of distilled spirits, undertakes a significant level 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 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 to a range of customers.

## Appendix 4C

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

Name of entity

Top Shelf International Holdings Ltd

ABN

22 164 175 535

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,174	27,155
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,892)	(20,383)
(c) advertising and marketing	(2,556)	(9,787)
(d) leased assets	-	-
(e) staff costs	(2,730)	(8,339)
(f) administration and corporate costs	(1,568)	(5,359)
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>(572)</b>	<b>(16,713)</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	(1,764)	(4,320)
(d) investments	-	-
(e) intellectual property	(18)	(126)
(f) other non-current assets	(342)	(1,175)

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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,124)</b>	<b>(5,622)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,000	10,000
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	(679)	(679)
3.5	Proceeds from borrowings	-	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(40)	(2,062)
3.8	Dividends paid	-	-
3.9	Other		
	Payment of lease liability principal – buildings and equipment	(82)	(244)
	Interest and other finance costs paid - borrowings	(693)	(1,929)
	Interest and other finance costs paid - leases	(188)	(568)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>8,318</b>	<b>14,518</b>



Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
<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	6,689	20,129
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(571)	(16,713)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,124)	(5,622)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,318	14,518
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>12,312</b>	<b>12,312</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	12,312	6,689
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,312</b>	<b>6,689</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	17
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 FY23.</p> <p>Top Shelf engaged Fairchild Advisory, a related party of Chief Executive Officer, Drew Fairchild (resigned 21<sup>st</sup> April 2023), in relation to the provision of health safety, environment and quality services. The Company has incurred fees of \$16,900 (excluding GST) in relation to these services.</p>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	45,000	35,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	45,000	35,000
7.5	<b>Unused financing facilities available at quarter end</b>		10,000
7.6	<p>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> <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 \$45.0 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.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(572)
8.2	Cash and cash equivalents at quarter end (item 4.6)	12,312
8.3	Unused finance facilities available at quarter end (item 7.5)	10,000
8.4	Total available funding (item 8.2 + item 8.3)	22,312
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	39.0
	<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: 28 April 2023

Authorised by: Adem Karafili, Executive Chairman  
(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.