



## Top Shelf International Holdings Ltd

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

**28 January 2022**

### **ASX ANNOUNCEMENT (ASX:TSI)**

#### **FY22 Q2 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 second quarter of FY22 in accordance with ASX listing rule 4.7C.**

#### **1. Highlights**

Top Shelf continued to build momentum in the second quarter of FY22 with the following highlights:

- FY22 second quarter (Q2) unaudited revenue of **\$7.7 million** as the eastern seaboard states rebounded strongly from four months of COVID-19 related lockdowns and with continued demand for the Company’s third party contract packaging services.
- The FY22 Q2 unaudited revenue result represented growth on the prior comparative period of FY21 Q2 of **74%**. The FY22 Q2 unaudited revenue result also reflected growth relative to FY22 Q1 of **56%**.
- Cash receipts for FY22 Q2 were **\$8.3 million** (FY21 Q2: \$4.2 million, an increase of **98%**; FY22 Q1: \$5.8 million, an increase of **43%**).
- Completion of a **\$35.0 million** capital raise to fund the development of Australia’s first integrated agave distillery at scale in north Queensland and Top Shelf’s brand acceleration and business performance initiatives. The distillery will have capacity to process, distil and package over 1.5 million bottles of agave spirit annually in addition to being a tourist drawcard for The Whitsundays region.
- Top Shelf’s investment in its maturing spirit inventory continued during FY22 Q2 with production of over 220,000 litres of whisky (@ 43% ABV) and the planting of an additional 55,000 agave plants at Eden Lassie. Total maturing spirit inventory (whisky and agave) reflected an equivalent net sales value of **\$322 million** as at 31 December 2021 (Whisky: \$137 million; Agave: \$185 million) representing an increase of **18%** above 30 June 2021<sup>1</sup>. Top Shelf has a substantial increase in whisky available to harvest over the next 12 months.

Top Shelf’s Chief Executive Drew Fairchild stated *“The rebound in November and December - following four months of rolling Covid lockdowns - to deliver revenue of \$7.7m in largely two months of trade is affirmation of our growing momentum and continued execution of the catalysts required to deliver on our strategic objectives.*

*“Growth of 74% on FY21 Q2 and a rebound of 56% on the first quarter of this year provides the Company with great momentum moving into 2022 and beyond. The penetration of Grainshaker Vodka, particularly in the festivals and events channels including the Australian Open, along with the upcoming maturing whisky harvest profile, provides Top Shelf with significant opportunity to accelerate growth in the second half of FY22.*

*Given the fragility of international supply chains, having made the investment in production capacity and now having access to both volume and quality of maturing spirit places Top Shelf in strong position to be in the right spot at the right time to take advantage of consumer demand for our Australian Spirit brands.”*

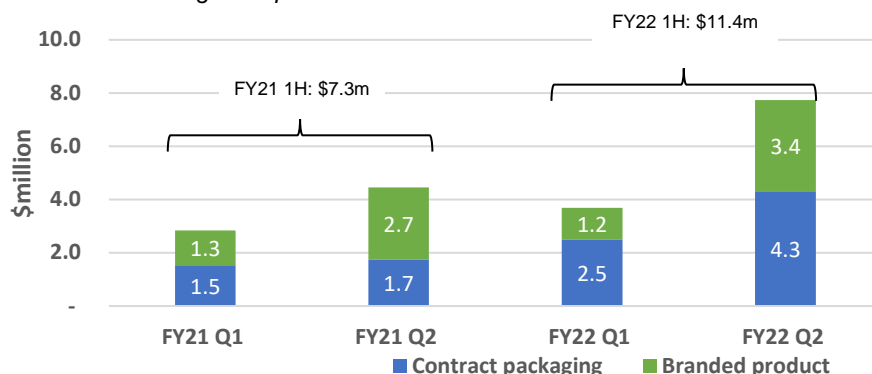
---

<sup>1</sup> Top Shelf plans to formally update its maturing spirit inventory valuation on an annual basis.

## 2.1. Revenue

- The Company's FY22 Q2 revenue profile in comparison to FY21 Q2 and FY22 Q1 is illustrated in the chart below:

Chart 1: Revenue growth profile

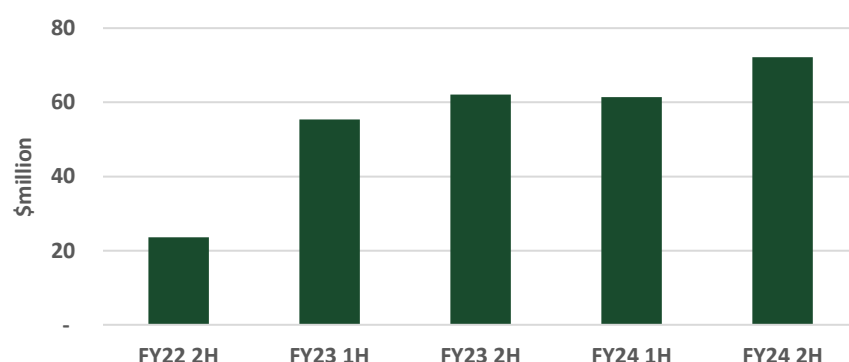


- Unaudited revenue of **\$7.7 million** in FY22 Q2 represented growth above the FY21 prior comparative period of **74%** and above FY22 Q1 of **56%**. The FY22 Q2 growth reflected:
  - Branded product revenue of **\$3.4 million** or growth of **56%** above FY22 Q1 notably due to strong demand from the on premise and festival sales channel, particularly in November and December as the eastern seaboard states rebounded strongly from four months of COVID-19 related lockdowns. Top Shelf achieved this branded product revenue result while waiting for mature whisky to be available at scale. The Company has access to both volume and quality of spirit, which underpins the growth objectives for the NED Whisky brand in the second half of FY22 and beyond; and
  - Third party contract packaging revenue of **\$4.3 million** or growth of **55%** above FY22 Q1 due to demand from the Company's portfolio of major retail and craft beverage customers. Top Shelf's canning and bottling facility in Campbellfield operated on a three shift, 24 / 5 basis during the November to December period to fulfill customer demand.

## 2.2. Maturing spirit inventory investment

- Top Shelf's ongoing investment in its maturing spirit inventory continued during FY22 Q2 and at 31 December 2021, the Company had over **1.9 million litres** of whisky under maturation (@ 43% ABV) and an equivalent of **2.2 million litres** of agave spirit (@ 43% ABV).
- The Company's total maturing spirit inventory (whisky and agave) reflected an equivalent net sales value of **\$322 million** as at 31 December 2021 (30 June 2021: \$272 million) reflecting an increase of 18% above 30 June 2021. Top Shelf's whisky under maturation represented net sales value of **\$137 million** (30 June 2021: \$111 million; 23% above 30 June 2021) and maturing agave plants at the Eden Lassie agave farm represented an equivalent net sales value of **\$185 million**. The maturing spirit inventory net sales value as at 31 December 2021 reflects the methodology set out in Top Shelf's spirit inventory presentation dated 22 July 2021 inclusive of the whisky and agave net sales values per litre. Top Shelf plans to formally update its maturing spirit inventory valuation on an annual basis.
- Top Shelf had limited available whisky for sale in the first and second quarters of FY22. The Company has reached a point reflective of the commissioning of the Campbellfield distillery in 2019 wherein the whisky available to harvest will increase substantially over the next 12 months. Chart 2 overleaf illustrates the available harvest profile of Top Shelf's whisky under maturation as at 31 December 2021. The profile illustrates an increase in available mature whisky of 135% in FY23 first half (1H) above FY22 second half (2H), and an increase of 206% by FY24 2H above FY22 2H.

Chart 2: Annualised run rate of whisky available for sale



### 2.3. Australian Agave NFT program

- As announced by the Company on 14 December 2021, Top Shelf released an Australian Agave NFT program enabling token holders to secure a unique and bespoke offering inclusive of providing access to spirit from the Company's very first agave harvest. The first release of 100 tokens sold out in a matter of days with each NFT selling for \$10,000. Token holders will receive 35 litres of Australian Agave spirit.
- The Australian Agave NFT program represents the first sales of Top Shelf's agave spirit, providing an indicator of the potential opportunity for this pioneering Australian spirit category. The program is also reflective of the Company's technology strategy in action, which has involved the development of proprietary technology infrastructure and knowledge to extend the offering to the Top Shelf brand portfolio.

### 2.4. 2021 Melbourne Royal Australian Distilled Spirit Awards

- In December 2021, Top Shelf received gold medals at the 2021 Melbourne Royal Australian Distilled Spirit Awards (ADSA) awarded to the super premium, limited batch NED Whisky Wanted Series Flair and Loyalty releases, and 7 other medals for the NED Whisky and Grainshaker Vodka brands. 2021 was the first year that NED Whisky was entered into the ADSA awards with the gold medals reflecting industry recognition of the innovation, skill and expertise of Top Shelf's distilling team.

### 2.5. Cash and borrowings

- The Company's cash balance as at 31 December 2021 was **\$38.7 million** with the Longreach Credit facility extension from \$15 million to **\$25 million** executed in October 2021 and fully drawn during December 2021.

## Cash Flow Update

### 3.1. Quarterly net cash flows

Table 1 below summarises Top Shelf's quarterly cash flows for the first and second quarters of FY22:

Table 1: Net cash flows quarterly profile

\$'m	FY22		
	Q1	Q2	2H
Operating activities	(3.8)	(5.8)	(9.6)
Investing activities	(0.8)	(0.8)	(1.6)
Financing activities	(0.4)	40.8	40.4
<b>Net cash flows</b>	<b>(4.9)</b>	<b>34.2</b>	<b>29.2</b>

### 3.2. Operating activities

The Company's FY22 Q2 operating cash flows of **\$5.8 million** included cash receipts of **\$8.3 million** (FY21 Q2: \$4.2 million, an increase of **98%**; FY22 Q1: \$5.8 million, an increase of **43%**) inclusive of the Australian Agave NFT sales, the operating component of the FY21 R&D refund (\$0.3 million) less operating cash out flows of \$14.4 million.

Operating activity cash flows in the first quarter included:

- Continued investment in whisky production (\$0.6 million) and incremental working capital reflecting the uplift in trading activity in the second quarter; and
- Sales & marketing expenditure (\$2.4 million) inclusive of the 2022 Australian Open, Grainshaker Vodka's marquee sponsorship event and ongoing brand, market activation and product development investment.
- Labour (\$2.5 million) reflecting Top Shelf's investment in all facets of the business with a priority on national sales and marketing reach, and digital and direct to consumer capability to position the Company for the next growth horizon.

### **3.3. Investing activities**

FY22 second quarter investing activity cash flows of **\$0.8 million** were reflective of:

- Capital expenditure of \$1.3 million inclusive of:
  - Recurring oak barrel expenditure (\$0.6 million); and
  - Project expenditure to complete The Distiller consumer experience in Northcote, Melbourne (\$0.2 million) and preliminary expenditure on the agave distillery project (\$0.1 million).
- Recurring agave biological asset development expenditure (\$0.4 million)
- Capital expenditure and agave biological asset development expenditure is disclosed net of the investing activity component of the FY21 R&D refund received in November 2021 (\$0.9 million).

### **3.4. Financing activities**

The financing activity cash flows of **\$40.8 million** during FY22 Q2 reflected:

- Completion of the capital raise transaction (\$32.8 million (net of transaction costs)).
- Extension of the Company's debt facility (\$8.6 million (net of transaction costs)); less
- Debt facility and asset lease interest and principal payments (\$0.6 million).

## **4. Related party transactions**

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

Top Shelf engaged Fairchild Advisory, a related party of Chief Executive Officer, Drew Fairchild, in relation to the provision of health safety, environment and quality services. The Company has incurred fees of \$14,100 (excluding GST) in relation to these services.

**End**

*This announcement was approved by the Company's Chief Executive Officer Drew Fairchild, 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 (03) 8317 9990.

Media enquiries, please contact Matt Slade on +61 409 916 474.

***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

Quarter ended ("current quarter")

22 164 175 535

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers (incl. GST)	8,277	13,939
1.2 Payments (incl. GST) for		
(a) research and development	-	-
(b) product manufacturing and operating costs <sup>1</sup>	(7,062)	(11,688)
(c) advertising and marketing	(2,418)	(3,536)
(d) leased assets	-	-
(e) staff costs	(2,451)	(4,478)
(f) administration and corporate costs	(2,450)	(4,156)
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	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.8	Other (provide details if material)	-	-
1.9	<b>Net cash from / (used in) operating activities</b> Note 1: Product manufacturing and operating costs include investment in new make whisky inventory of \$[ ]m in the December quarter	(5,797)	(9,612)

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

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,331)	(1,610)
	(d) investments	-	-
	(e) intellectual property	(16)	(91)
	(f) other non-current assets (biological asset development)	(409)	(826)
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (R&D refund associated with capital activities)	922	922
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(834)</b>	<b>(1,606)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	35,000	35,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-



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

3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,226)	(2,226)
3.5	Proceeds from borrowings	10,000	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(1,400)	(1,400)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Payment of lease liability principal – buildings and equipment	(48)	(102)
	Interest and other finance costs - borrowings	(355)	(461)
	Interest and other finance costs - leases	(189)	(377)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>40,782</b>	<b>40,434</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	4,531	9,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,797)	(9,612)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(834)	(1,606)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	40,782	40,434
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>38,683</b>	<b>38,683</b>

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

<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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	38,683	4,531
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>38,683</b>	<b>4,531</b>

<b>6.</b>	<b>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	14
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>		

<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	25,000	25,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>25,000</b>	<b>25,000</b>

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

7.5	<b>Unused financing facilities available at quarter end</b>	-
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 interest rate is 7.25% provided the market capitalisation of Top Shelf exceeds \$75.0 million. The alternative interest rate is 10.0%. The maturity date of the facility is 15 December 2023.</p> <p>The Company executed an Amendment Deed with Longreach Credit Investors on 18 October 2021 to extend the facility from \$15.0 million to 25.0 million. The facility was fully drawn to \$25.0 million at 31 December 2021.</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)	(5,797)
8.2	Cash and cash equivalents at quarter end (item 4.6)	38,683
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	38,683
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	6.7
	<p><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></p>	
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	

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

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

*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: 28 January 2022

Authorised by: Drew Fairchild, Chief Executive Officer

(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.