



Top Shelf International Holdings Ltd

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

29 January 2021

ASX ANNOUNCEMENT (ASX:TSI)

31 December 2020 Quarterly Report and Appendix 4C

Top Shelf International Holdings Limited (“Top Shelf” or “the Company”), an Australian multi-branded spirits company and owner of NED Whisky and Grainshaker Vodka, provides an update for the second quarter of FY21 in accordance with ASX listing rule 4.7C.

Highlights

- Top Shelf completed a successful initial public offering (**‘IPO’**) and listing on the Australian Securities Exchange (**‘ASX’**) in December 2020 to raise \$47.2 million including a primary raise of \$35.0 million.
- The Company reported revenue in the second quarter of \$4.5 million (unaudited basis), an increase of 119% on the prior comparative period of FY20 Q2 (\$2.0m). Importantly, second quarter revenue reflected an increase of 57% on the first quarter of FY21 (\$2.8m). The quarter-on-quarter increase in revenue is attributed to the national rollout of the NED Whisky brand across the Independent Brands Australia (IBA) network of stores and the early sales success of the Grainshaker Vodka brand.
- In the first half of FY21, the Company reported revenue of \$7.3 million (unaudited basis) and remains on track to achieve the FY21 forecast revenue of \$20.0 million, increasing from \$7.7m in FY20.
- The success of national ranging with IBA has been demonstrated with November 2020 being the highest ever sales month for NED Whisky.
- Top Shelf continued to invest in NED Whisky inventory with 949,629 litres¹ on hand or the equivalent to over \$55.0 million in net sales value at maturation² relative to 545,000 litres and \$31.2 million respectively as at 30 June 2020.
- The Grainshaker Vodka brand was successfully launched on the 27th October 2020 and by 31 December 2020 was available for sale in over 200 on-premise venues and been listed with independent distribution networks: ALM, Paramount and Festival. Low calorie, low sugar ready to drink pre-mix cans were produced in mid-December and will be available from independent distributors from the 1st of February. The RTD's have been available at selected on-premise venues since production.
- As advised in an ASX announcement on 28 January 2021, Top Shelf has signed a Supply Rights and Partnership Agreement for Grainshaker Vodka with Tennis Australia for the Australian Open (AO) tournament from 2021 to 2023.
- Top Shelf completed the acquisition of the Eden Lassie agave farm in December 2020. As at 31 December 2020, 165,000 agave plants were planted at the Eden Lassie agave farm (30 June 2020: 50,000 plants). There are a further 244,000 nursery plants giving a total number of planted and nursery plants of 409,000, which is in line with the Company's FY21 forecast expectations.
- The Company's cash balance as at 31 December 2020 was \$16.1 million.

¹ Litres of whisky on hand at 40.0% ABV

² The litres of whisky on hand multiplied by the anticipated wholesale sales value per 700 mL bottle of \$40, is used by Top Shelf as an indicator of future wholesale revenue when the whisky has matured. The whisky maturation period is a minimum of two years.

- Top Shelf executed a secured financing facility agreement with Longreach Credit in December 2020 with a facility limit of \$15.0 million by 30 June 2021. As at 31 December 2020, the facility was drawn to \$7.0 million. The Company's borrowings to tangible asset ratio is 0.2, calculated using the book values of property, plant & equipment, inventory and agave plant assets.
- In addition to available cash funds of \$16.1 million as at 31 December 2020, Top Shelf will be able to draw an additional \$8.0 million between 1 January 2021 and 30 June 2021 from the secured financing facility reflecting total available funds of \$24.1 million.

Financial and Operational Update

During the second quarter ended 31 December 2020 and cumulatively for the first half of FY21, Top Shelf has continued to invest in business operations to enable the execution of its growth strategy. In the first half of FY21, the Company's net cash flows for the six month period were \$14.5 million reflected:

- Cash used in operating activities of \$5.7 million inclusive of:
 - continued investment in NED whisky inventory for maturation and, to a lesser extent, Grainshaker vodka inventory (\$2.4 million); and
 - brand development expenditure including the establishment of a dedicated Grainshaker Vodka brand and sales team (\$2.3 million).
- Cash invested in capital assets of the business of \$1.3 million inclusive of:
 - additional capital equipment at the Campbellfield distillery and storage capacity at the Somerton maturation facility in Melbourne, Victoria (\$0.7 million). The capital investment at the distillery has completed Top Shelf's investment to double whisky production with the commissioning of a second whisky lauter tun; and
 - ongoing research & development activities (\$0.3 million) and investment in agave plants at Eden Lassie agave farm (\$0.2 million).
- Net cash from financing activities of \$21.4 million inclusive of:
 - completion of the IPO in December 2020 and pre-IPO capital raising activities (\$31.3 million net of associated transaction costs);
 - repayment from borrowings (\$6.6 million) inclusive of the settlement of all shareholder loans and repayment of the former financing facility (\$10.0 million) with Longreach Credit net of the drawing of \$7.0 million from the new facility; and
 - final payments for the acquisition of the Eden Lassie Agave Farm (\$2.3 million).

Branded product

Top Shelf's branded product of NED Whisky and the recently launched Grainshaker Vodka demonstrated strong growth in the second quarter recording revenue of \$2.7 million (unaudited basis) an increase of 271% and 108% on the prior comparative periods (\$0.7 million) and FY21 first quarter (\$1.3 million) respectively.

NED Whisky:

The Company's flagship NED Whisky continues to benefit from its positioning in key independent retailers nationally.

The first addition, "Bravery", of a series of four limited release premium NED Whisky bottles was launched in December, demonstrating the Company's capacity to compete across the whisky value chain.

In the second quarter, the Campbellfield distillery produced 50,344 whisky litres-of-alcohol (LALs) reflecting a production volume increase of over 300% above the prior comparative period. The distillery is on track to double production and achieve FY21 production targets.

Grainshaker Vodka:

The launch of Grainshaker Vodka into the on-premise channel, which commenced in October 2020, continues to reveal strong support for the brand from consumers, bartenders and venue owners, as well as pull-through from customers. The Grainshaker Vodka wheat and rye variants were recently recognised with bronze awards at the 2020 Australian Distilled Spirit Awards.

Grainshaker Vodka is available in over 200 on-premises venues and has been further supported by the launch of the Grainshaker Vodka RTD range in December 2020, which is aligned with summer festival and event activation strategies.

Third party contract packaging

Demand for Top Shelf's third party contract packaging services continues to grow with second quarter revenue of \$1.7 million (unaudited basis) representing growth of 33% on the prior comparative period. The strong demand from national and boutique beverage customers provides further validation of the Company's state of the art canning and bottling facility in Campbellfield, Victoria.

Management team

Top Shelf has continued to invest in its leadership team during the second quarter with the appointment of a Chief Financial Officer and Grainshaker Vodka sales and marketing executives, including a Head of Sales and Brand and a National Account Manager. These appointments provide the Company with the necessary skills and experience to execute Top Shelf's growth strategy.

Top Shelf's Chief Executive Drew Fairchild stated "Top Shelf is focused on executing our growth plans in the second half of FY21 including :

- accelerating the market penetration of our portfolio of distinctive Australian spirits brands including major activation events for NED Whisky with the Australian Supercars Championship and the Australian Open for Grainshaker Vodka;
- the continued investment in the maturation of NED Whisky; and
- ongoing development of the Eden Lassie agave farm."

Top Shelf's FY21 first half results will be released to the ASX by Friday 26 February 2021.

IPO and ASX listing

Top Shelf successfully completed its IPO and ASX listing on 10 December 2020 with the capital raised being deployed to:

- further invest in sales and marketing initiatives to support the Company's growth strategies (including brand investment and sales labour costs);
- further invest in capital assets, including inventory and related storage assets and to fund completion of the acquisition of the Eden Lassie agave farm; and
- provide Top Shelf with balance sheet flexibility and to repay existing debt.

In accordance with ASX listing rule 4.7C.2, the actual use of funds from the IPO as at 31 December 2020 relative to the prospectus dated 12 November 2020 is set out in the table below. The actual use of funds below reflects invested expenditure for the six-month period ended 31 December 2020.

Use of funds	Forecast (\$m) (12 months)	Actual (\$m) (6 months)	Status
Payments to Selling Shareholders	12.2	12.2	Complete
Repayment of borrowings and shareholder loans	8.6	6.6 ³	Complete
Offer transaction costs	4.6	4.6	Near complete
Eden Lassie farm final acquisition payment, capital expenditure and agave plant investment	2.7	2.6	Ongoing ⁴
Sales & marketing (including brand investment and sales labour costs)	4.9	2.3	Ongoing
Inventory and related storage asset capital expenditure	4.8	2.8	Ongoing
General plant and equipment capital expenditure and R&D investment	0.9	0.5	Ongoing

³ In December 2020, a financing facility with Longreach Capital was drawn to \$7.0 million reflecting the actual borrowing base (as defined in the prospectus) of Top Shelf in comparison to an assumption of \$5.0 million. This variance is reflected in the actual repayment of borrowings and shareholder loans.

⁴ The final acquisition payment for the Eden Lassie agave farm of \$2.2 million was completed on 16 December 2020.

General working capital	8.5	-	Ongoing
Total	47.2	31.6	

Related party transactions

In accordance with ASX listing rule 4.7C.3, the following summarises the related party transactions of the Company in the second 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 \$32,500 (excluding GST) in relation to these services.

As referenced above in the IPO use of funds table, all shareholder loans were settled with the proceeds of the IPO in December 2020.

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 info@topshelfgroup.com.au or on (03) 8317 9990

About Top Shelf

Top Shelf is a Melbourne based producer and marketer of high-quality Australian spirit-based beverage brands, with an ambition to create high quality, authentic Aussie spirit brands, where each brand in its own distinctive way embodies an unmistakably Aussie taste, attitude and social experience.

Top Shelf has expertise in the development and production of distilled spirits, access to research and development expertise and modern, fully commissioned and operational fermentation, distillation and packaging facilities in Campbellfield, Victoria. In addition to distilling and manufacturing its own range of spirituous products, Top Shelf also provides canning, bottling and packaging services to a range of customers. Top Shelf operates a farm near Bowen in Queensland where it is planting agave plants to support an Australian Agave spirits business at scale.

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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Six months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers (incl. GST)	4,211	6,401
1.2 Payments (incl. GST) for		
(a) research and development	-	-
(b) product manufacturing and operating costs ¹	(4,318)	(6,094)
(c) advertising and marketing	(1,308)	(1,958)
(d) leased assets	-	-
(e) staff costs	(560)	(859)
(f) administration and corporate costs	(2,287)	(3,201)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
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	(4,262)	(5,710)
Note 1: Product manufacturing and operating costs include investment in inventory of \$1.2m in the Current quarter and \$2.4m in the six month Year to date period.		

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(406)	(680)
(d) investments	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Six months) \$A'000
	(e) intellectual property	(171)	(342)
	(f) other non-current assets (agave plants)	(149)	(233)
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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(727)	(1,255)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	35,000	35,952
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	(4,105)	(4,613)
3.5	Proceeds from borrowings	8,820	9,410
3.6	Repayment of borrowings	(15,016)	(15,018)
3.7	Transaction costs related to loans and borrowings	(967)	(967)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Payment of lease liability principal – Eden Lassie agave farm	(2,205)	(2,330)
	Payment of lease liability principal - other	(24)	(51)
	Interest and other finance costs - borrowings	(271)	(679)
	Interest and other finance costs - leases	(143)	(286)
3.10	Net cash from / (used in) financing activities	21,088	21,417

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Six months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8	1,656
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,262)	(5,710)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(727)	(1,255)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,088	21,417
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	16,108	16,108

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	16,108	8
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)	16,108	8

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	33
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>		

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	9,000	7,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	9,000	7,000
7.5	Unused financing facilities available at quarter end		2,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>Top Shelf International Holdings Ltd has a secured financing facility agreement arranged by Longreach Credit Investors Pty Ltd with AMAL Trustees Pty Ltd as trustee for the Longreach Direct Lending Fund.</p> <p>The interest rate is 7.25% provided the market capitalisation of Top Shelf exceeds \$75.0 million. The alternative interest rate is 10.0%.</p> <p>As at 31 December 2020, the facility limit was \$9.0 million increasing monthly by \$1.0 million to a maximum of \$15.0 million by June 2021.</p> <p>The maturity date of the facility is 15 December 2023.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,262)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,108
8.3	Unused finance facilities available at quarter end (item 7.5)	2,000
8.4	Total available funding (item 8.2 + item 8.3)	18,108
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.2
	<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	

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: 29 January 2021

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.