



## Top Shelf International Holdings Ltd

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

29 July 2022

### ASX ANNOUNCEMENT (ASX:TSI)

#### FY22 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 FY22 in accordance with ASX listing rule 4.7C.

#### 1. Highlights

<b>Brand off premise distribution points:</b> June 2022: 7,900 ↑ 221% vs. June 2021	<b>Revenue:</b> FY22: \$26.6m ↑ 39% vs. FY21	<b>Gross margin:</b> FY22: 27.0% ↑ 2.1% vs. FY21
<b>Gross cash receipts:</b> FY22: \$30.1m ↑ 82% vs. FY21	<b>Whisky under maturation:</b> June 2022: 2.0m litres (@ 43% ABV) ↑ 23% vs. June 2021	<b>Maturing agave spirit:</b> June 2022: 2.6m litres (@ 43% ABV) ↑ 25% vs. June 2021

- Available whisky to harvest, national ranging in Coles Liquor Group (Liquorland, First Choice and Vintage Cellars), and off premise distribution point growth has underpinned the Company’s FY22 Q4 pro forma unaudited revenue result of **\$8.5 million**, an increase of **24%** on the comparative FY21 Q4, and an increase of **28%** relative to FY22 Q3. The annual revenue result of **\$26.6 million**, on a pro forma unaudited basis, represents growth of **39%** above FY21.
- The Company has delivered stable gross margin across FY22 of **27%** (pro forma unaudited basis) (FY21: 24.9%) demonstrating the strength of Top Shelf’s brand and channel strategy that has achieved distribution growth and consistent margin performance.
- During the fourth quarter of FY22, Top Shelf has continued to invest in brand development, whisky maturation and agave agronomy in addition to the Australian Agave distillery project, which remains on time and on budget.

Top Shelf’s Chief Executive Drew Fairchild said “delivering on FY22 consensus forecast revenue is a major milestone given the impact of COVID and limited whisky supply. The ranging of NED Whisky and Grainshaker Vodka in Coles Liquor Group and the establishment of larger footprint in the independents has allowed Top Shelf to increase distribution points by over 200% during the financial year. In Q4 with access to plentiful mature whisky at an excellent grade, we drove branded product revenue growth up 71% on Q3.

*“The lofty aspirations we set ourselves in the belief our Australian Spirits Portfolio can compete and win against some of the largest well known brands in terms of rates of sale is materialising, our strategy is working.*

*“As we look to FY23, the momentum built from the performance of our brands in market will enable us to expand our product range in Liquorland, First Choice and Vintage Cellars from August and grow further in the independents. We will continue to invest in our postcode led go to market strategy, building more distribution points with a fully deployed field sales team, a powerful marketing mix (inclusive of regional TV and marquee sponsorships - the Australian Open and Australian Supercars) and commercialisation of our exciting innovation pipeline.*

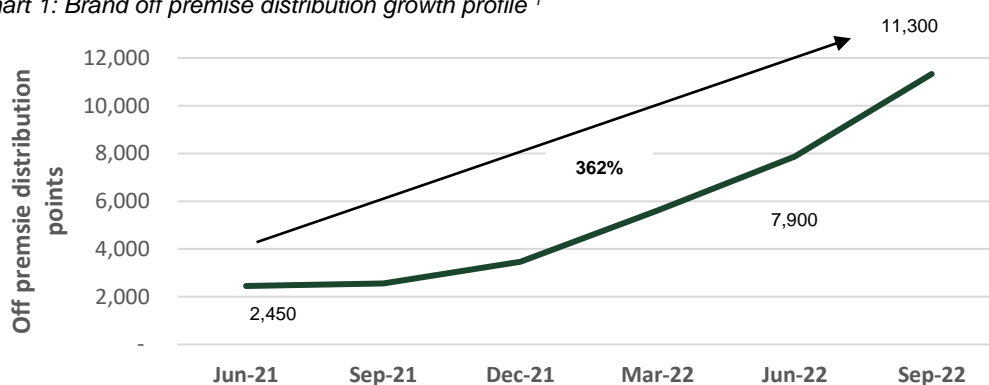
*“We will leverage the capability of our vertically integrated supply chain and access to ever larger whisky inventory to further expand distribution domestically and build the foundations for entering international markets.*

*“We have arrived with NED Whisky and Grainshaker Vodka. Our portfolio of premium Australian spirits brands is without peer and will be bolstered by the launch of an Australian Agave spirit brand in the coming year. We are now focused on in market execution.”*

This FY22 Q4 quarterly report and Appendix 4C should be read in conjunction with the Company’s ASX announcement “Brand Performance – Delivering on Strategy, dated 29 July 2022”.

## 2.1. Brand off premise distribution

Chart 1: Brand off premise distribution growth profile <sup>1</sup>



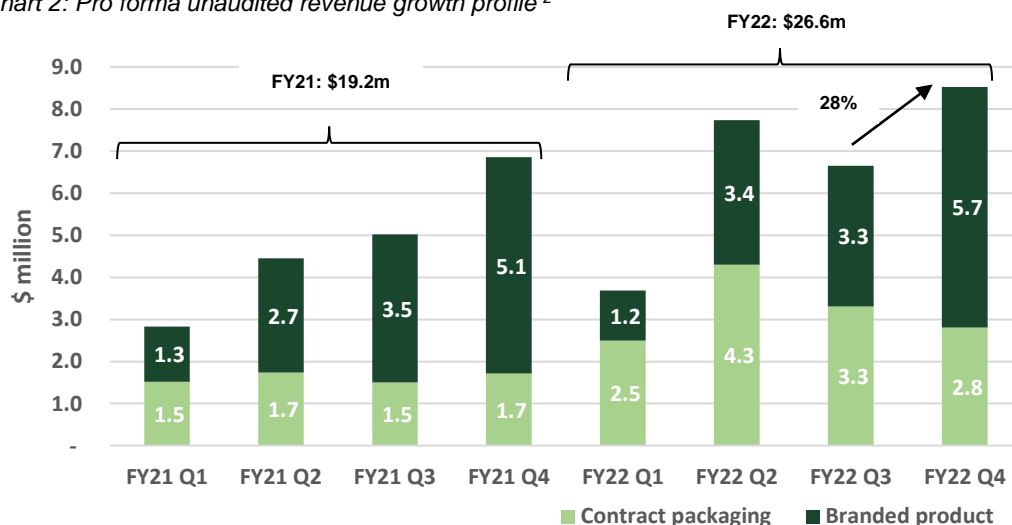
- The Company’s maturing whisky bank reached an inflection point in March 2022 with a step change in mature whisky available to harvest coinciding with the launch of Top Shelf’s national retail partnership with Coles Liquor Group (CLG). These factors have contributed to Top Shelf’s ability to grow its brand off premise distribution profile over the 12 month period to 30 June 2022.
- For further commentary on Top Shelf’s brand off premise distribution growth, refer the Company’s ASX announcement, “Brand Performance – Delivering on Strategy”.

<sup>1</sup> Top Shelf define distribution points as number of products in store multiplied by number of stores. Distribution growth estimate in FY23 Q1 to Sep-22 reflects new product ranging and store growth run-rate for existing product.

## 2.2. Revenue

- The Company's FY22 pro forma unaudited revenue profile by quarter in comparison to the prior comparative periods is illustrated in the chart below:

Chart 2: Pro forma unaudited revenue growth profile <sup>2</sup>



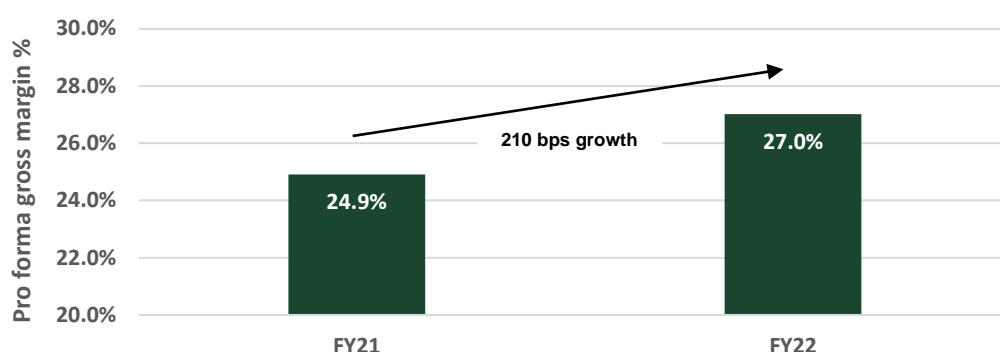
- Pro forma unaudited revenue of **\$8.5 million** in FY22 Q4 represented growth above the prior comparative period of **24%** and on a full year basis is **39%** above FY21.
- The FY22 Q4 result reflected:
  - Pro forma branded product revenue of **\$5.7 million** relative to \$5.1 million in FY21 Q4 reflected
    - unconstrained whisky supply through FY22 Q4 enabling increased supply of Top Shelf's NED Whisky bottle and RTD format product range, particularly to off premise independent customers;
    - commencement of NED Whisky and Grainshaker Vodka 700mL bottle product ranging with CLG and ongoing supply of the RTD product portfolio;
    - ongoing strong demand for Top Shelf's branded products, particularly Grainshaker Vodka, from the key Melbourne based venues whom with the Company has exclusive supply agreements; and
    - the international sale of NED Whisky to China through established relationships with local Chinese buyers.
  - Third party contract packaging revenue of **\$2.8 million** or growth of **64%** above FY21 Q4 reflected the expected seasonal profile into the cooler months with ongoing demand from the Company's portfolio of major retail and craft beverage customers. Importantly, new customers onboarded in FY22 Q4 increased Top Shelf's rolling average production run size contributing to improved facility performance.

<sup>2</sup> Top Shelf's pro forma unaudited revenue in FY22 Q4 is presented inclusive of a pro forma adjustment of \$1.1 million to reflect all domestic channel sales (inclusive of Coles Liquor Group) consistently on a gross excise basis (FY22 Q3 pro forma adjustment: \$0.2 million; FY21 comparative period pro forma adjustments: \$nil).

### 2.3. Gross margin

- Top Shelf's FY22 pro forma unaudited gross margin in comparison to FY21 is illustrated in the chart below:

Chart 3: Pro forma unaudited gross margin profile <sup>3</sup>



- The Company has focused on sustainable distribution growth to enable a stable gross margin profile across the FY22 period.
- Top Shelf's brand product channel portfolio strategy is of critical importance with festival and outdoor event channel seasonally influencing first half margin, and the Coles Liquor Group and international channels influencing margin in the second half of FY22.

### 2.4. Cash

- The Company's cash balance as at 30 June 2022 was **\$20.2 million** with the Longreach Credit facility fully drawn at **\$25 million**.

### 2.5. Maturing spirit inventory investment

- Top Shelf's ongoing investment in its maturing spirit inventory continued during FY22 Q4. At 30 June 2022 the Company had a total of **4.6 million litres** spirit volume in hand with just over **2.0 million litres** of whisky under maturation (@ 43% ABV) and an equivalent of **2.6 million litres** of agave spirit (@ 43% ABV). The equivalent agave spirit inventory is determined with reference to 483,000 agave plants in ground and an additional 208,000 plants in nursery at 30 June 2022.

### 2.6. Australian Agave project investment

- Top Shelf's priority business expansion project, the development of an agave distillery facility at Eden Lassie, continues to advance on budget and on time. In June 2022, construction of the agave distillery facility was approved by the Whitsunday Regional Council. By 30 June 2022, the Company had invested over \$1.5 million in the project inclusive of planning and preparation costs, and equipment purchases or long lead time item deposits.

<sup>3</sup> Top Shelf's pro forma unaudited gross margin is presented exclusive of contract packaging excise passthrough revenue. Excise passthrough revenue excluded from pro forma gross margin calculation: FY21: \$0.4 million; FY22: \$5.1 million.

## Cash Flow Update

### 3.1. Quarterly net cash flows

Table 1 below summarises Top Shelf's FY22 cash flows by quarter:

Table 1: Net cash flows quarterly profile

\$'m	FY22				
	Q1	Q2	Q3	Q4	FY
Operating activities	(3.7)	(5.7)	(5.4)	(7.5)	(22.3)
Investing activities	(0.8)	(0.9)	(2.4)	(1.7)	(5.7)
Financing activities	(0.3)	40.6	(0.7)	(0.7)	38.8
<b>Net cash flows</b>	<b>(4.9)</b>	<b>34.2</b>	<b>(8.5)</b>	<b>(10.0)</b>	<b>10.7</b>

### 3.2. Operating activities

The Company's FY22 Q4 operating cash flows of **\$7.5 million** in the fourth quarter included cash receipts of \$7.4 million offset by the following cash outflows;

- Branded product and contract packaging excise impost (recognised at the point of sale) (\$2.8 million);
- Sales activation and execution, and marketing support expenditure (\$2.9 million);
- Business investment expenditure (\$1.7 million) inclusive of Melbourne marquee venue partnerships, and Australian Supercars and Grove Racing team sponsorships (\$1.1m) and the agave distillery and brand development (\$0.4m);
- Group support function and listed company costs (\$1.1 million); and
- continued investment in new make whisky production (\$0.4 million).

### 3.3. Investing activities

FY22 fourth quarter investing activity cash flows of **\$1.7 million** primarily reflecting Australian Agave Project expenditure inclusive of agronomy activities, and distillery architectural and engineering planning costs, and equipment purchases.

### 3.4. Financing activities

The financing activity cash flows of **\$0.7 million** during FY22 Q4 reflected debt facility and asset lease interest and principal payments.

## 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 third 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 \$15,500 (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 +61 409 916 474.

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

Quarter ended ("current quarter")

22 164 175 535

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers (incl. GST)	7,418	30,076
1.2	Payments (incl. GST) for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs <sup>1</sup>	(6,598)	(25,508)
	(c) advertising and marketing	(2,859)	(8,446)
	(d) leased assets	-	-
	(e) staff costs	(2,381)	(9,694)
	(f) administration and corporate costs	(3,185)	(9,071)
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	60	368

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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: <ul style="list-style-type: none"> <li>investment in new make whisky inventory of \$0.4m in the June quarter and \$1.9m in FY22; and</li> <li>branded product and contract packaging excise impost (recognised at the point of sale) of \$2.8m in the June quarter and \$11.3m in FY22.</li> </ul>	(7,544)	(22,276)

<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	(1,221)	(4,809)
	(d) investments	-	-
	(e) intellectual property	(105)	(239)
	(f) other non-current assets (biological asset development)	(434)	(1,690)
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	60	60
	(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)	-	-

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

2.5	Other (R&D refund associated with capital activities)	-	922
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,700)</b>	<b>(5,755)</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
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	-	(2,367)
3.5	Proceeds from borrowings	-	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(1,400)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Payment of lease liability principal – buildings and equipment	(64)	(335)
	Interest and other finance costs - borrowings	(455)	(1,372)
	Interest and other finance costs - leases	(190)	(757)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(708)</b>	<b>38,771</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	30,158	9,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,544)	(22,276)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,700)	(5,755)

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

4.4	Net cash from / (used in) financing activities (item 3.10 above)	(708)	38,771
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>20,206</b>	<b>20,206</b>

5.	<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	20,206	30,158
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>20,206</b>	<b>30,158</b>

6.	<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	16
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.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<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	<b>Total financing facilities</b>	25,000	25,000
7.5	<b>Unused financing facilities available at quarter end</b>		-
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%. The facility matures in December 2023.</p> <p>The facility was fully drawn to \$25.0 million at 30 June 2022.</p>		

8.	<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)	(7,544)
8.2	Cash and cash equivalents at quarter end (item 4.6)	20,206
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	20,206
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.7
	<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:	
	<p>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>	

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

	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
<p><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></p>	

## 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 July 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

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

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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.