



Top Shelf International Holdings Ltd

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

14 December 2021

ASX ANNOUNCEMENT (ASX:TSI)

Annual General Meeting – Executive Chairman Address

FY21 was a transformational year for the company, not least of which was the successful completion of an IPO in December 2020.

We continued to prioritise an investment in growth throughout the year by building our asset base, spirits inventory and people.

This investment is all geared towards providing the platform to realise our ambition, which is the creation of a modern Australian spirits company that has all the hallmarks of a successful, traditional spirits business, but that uses new and emerging technology, innovation, and the agility we have built into our supply chain, to create brands and products that occupy a unique position in their respective categories.

Top Shelf has the largest single holding of maturing whisky in the country and with complete control of our production capacity, we have capacity to produce premium Australian spirits at scale.

The quality and capacity of our distilling operation and production facility is second to none. It's a facility that has been built for quality, scale and flexibility. Our asset base also includes the biggest Agave plantation outside of Mexico, which, when fully operational, will place TSI among the largest plant to bottle agave spirit companies in the world.

The combination of product quality, brand appeal, capacity to service demand, and the movement to support Australian products and companies, creates a position and differentiation for Top Shelf that is very difficult to match in the sector.

FY21 Performance

Despite the impact of COVID-19, in FY21 the company delivered pro forma revenue of \$20.0 million, representing achievement of the IPO forecast and growth of 160% on the prior comparative year.

Our revenue growth in FY19 as well as FY20 resulted in Top Shelf being named the fourth fastest growing company in Australia by the Australian Financial Review two weeks ago.

Our FY21 results attest to the continued growth of our portfolio of premium Australian spirit brands, the expansion of distribution channels both here and abroad, the strength of our vertically integrated operating platform and our investment in people.

The result was underpinned by growth in branded product revenue: from \$8.6 million in FY20 to \$12.7 million in FY21. The result reflected a number of factors, including:

- the increasing volume of Top Shelf's whisky maturation capability and quality, enabling the sales expansion of NED Whisky and introduction of The Wanted Series super premium product offering
- the national retail ranging of NED Whisky in the IBA network, inclusive of IGA Liquor, Cellarbrations and The Bottle-O retail banner groups, from September 2020
- The brand launch of Grainshaker Vodka in October 2020 and strong subsequent on-premise demand.

The company's gross margin of 23.9% in FY21 (against an IPO forecast of 22.8%) increased from 21.6% in the first half of FY21 to 25.2%.

The result was achieved due to the introduction of new products and expansion of the channel mix to include the commencement of international sales of branded product to China, supported by relationships with locally-based buyers.

With the recognition of the fair value gain on Top Shelf's agave plants, a FY21 pro forma EBITDA loss of \$6.1 million outperformed the IPO forecast of \$6.4 million.

At 30 June 2021, the Group had tangible assets of \$68.9 million inclusive of our whisky inventory recognised at cost. In October, the Company executed a facility extension with Longreach Credit to increase the secured financing facility agreement limit from \$15.0 million to \$25.0 million. The borrowing base was expanded to include the present value of Top Shelf's agave plant assets. We can report that this process has now been completed. Capital management and cost control, gross margin improvement and securing further distribution agreements to scale NED and Grainshaker remain critical priorities for management.

Brands

NED and Grainshaker are continuing to establish themselves as premium Australian spirit brands of quality and relevance, and continue to cut through in a competitive market.

Each were the fastest growing brands in their respective categories in FY21.

NED was the nation's fastest-growing whisky in both bottled and in ready-to-drink formats, while access to increased inventory in the second half of FY22 will provide further opportunities to accelerate penetration, especially in the retail and on-premise trade channels.

After launching in October 2020, Grainshaker's growth in its first year has positioned the brand to become Australia's vodka of choice.

We are now looking forward to a lockdown free summer, where Grainshaker is set to lead the rebound of festivals and events with a number of contracted agreements. The brand's penetration is highlighted by a two-year first pour agreement for both Grainshaker and NED with Arts Centre Melbourne venues, including all events at the Sidney Myer Music Bowl.

Pleasingly the brands are now consistently being recognised at Australian spirits competitions for their product quality. NED and Grainshaker have collected 21 medals at various competitions through the course of the 2021, including Gold Medals for each brand. These accolades provide enormous confidence as we seek to further scale both brands over the coming 12 months.

Our Australian Agave Project meanwhile is a unique opportunity that differentiates the company not just in Australia but around the world. We continue to be exceptionally pleased with how the project is progressing and look forward to sharing more in the very near future, particularly in relation to the build of the distillery and production facility, brand development and how our agritech initiatives are delivering incredible results at Australia's only agave spirit farm.

True to the company's philosophy, the farm employs technology, R&D and innovative agronomy methods. We have also recently recruited Trent Fraser, ex- Moët Hennessy Louis Vuitton (LVMH) executive, to lead the project.

When full operations are achieved we expect to be among the five largest "plant to bottle" producers of agave spirit anywhere in the world. Planning for a modern state-of-the-art distillery is well advanced and we anticipate commencement of construction of the distillery and associated infrastructure following planning and other approvals in 2022.

CEO Drew Fairchild will speak in more detail about the latest initiative tied to the project, the launch of an Australian Agave NFT. The NFT is a ground breaking project in every sense. No other spirits company is connecting bespoke distillation, the use of blockchain technology and cutting edge plant to bottle production in this way.

People

Critically throughout the course of FY21 we built the capability of the TSI team to deliver on our five-year ambition and beyond. The appointment of Trent Fraser as President to lead our Agave and International expansion was one of a number of key executive appointments across multiple business functions. We feel we have the key positions now in place to execute our strategy.

Industry Leadership

We have often spoken about the opportunity for not just Top Shelf but the entire Australian spirits industry to grow beyond its current size, both domestically and internationally.

Only 8% of spirits consumed in this country are Australian by provenance. When you consider Australian beer and wine are well above 70% each, you can see both the imbalance and the opportunity.

This opportunity has been amplified in recent months by the global supply chain issues that are impacting many categories, including premium imported spirits. Our distillation capacity and the increased inventory of mature whisky that will be available for harvest from mid 2022 has Top Shelf well placed to maximise any opportunities from prolonged supply chain disruptions.

Key among our priorities is to take a leadership role in helping to foster the ongoing growth of the Australian spirits industry and replicate the Australian wine industry's success in the 1980s and 1990s.

In FY21 I was invited to represent Top Shelf on the Board of the Spirits and Cocktails Association, the industry's peak advocacy group. This group contains the Australian heads of the global spirits companies including Diageo, Brown Forman, Beam Suntory, Bacardi and Pernod Ricard. Top Shelf is the only Australian company with a seat on

the Board and to have the opportunity to provide input into – and advocate – on issues affecting the broader industry is an important way for us to affect change for the benefit of all.

Elsewhere we have taken a seat on the management committee of the Australian Distillers Association, with Top Shelf Master Distiller Seb Reaburn joining the peak industry body for craft distillers in Australia. The ADA currently has over 350 members, across all States, Territories and overseas, and represents all distilleries.

The formal engagement with Spirits & Cocktails and the ADA are just the start of Top Shelf playing an increasingly important leadership role within Australian spirits.

Capital Raise and FY22

Finally, in October this year we completed a \$35m capital raise to fund and execute our near term growth objectives. Primarily the raise was completed to deliver against four key strategic pillars, these being, the:

1. delivery Australia's first branded agave spirit portfolio and integrated distillery and production facility to support \$100m net sales ambition
2. expansion of the route to market strategy for NED & Grainshaker
3. increasing efficiencies and utilisation across the supply chain including warehousing solutions to provide additional maturation capacity, and drive revenue and margin growth; and
4. building best in class digital and data technologies

Technology

To that end, TSI has taken a portfolio approach to developing the technology strategy for the company. The effective use of existing and emerging technologies is at the core of our plans to scale and ultimately unlock the opportunity for category leadership.

The first demonstration of this strategy is the Australian Agave NFT which was launched last week. Most significantly the NFT program represents the first pre-sales of our future 100% Australian agave spirit and provides a signal of the opportunity that exists in the creation of this category.

This morning we released an announcement to the market on the completion of the sales process for the first release of these NFTs.

Conclusion

As Drew will update in his presentation, we are looking forward to a strong FY22 second quarter result as the company rebounds from a challenging start to the financial year due to rolling Covid lockdowns in both Victoria and New South Wales and continued strong demand from our third party contract packaging customers.

We have secured a number of customer agreements, particularly in the events and festivals channels that will accelerate the penetration of Grainshaker in particular, but also provide opportunities for NED as mature inventory becomes available.

We are also confident with the progress of our international expansion and our ability to execute our international channel strategy. We have established a number of key partnerships, including being the first Australian spirits company to launch a dedicated Tmall store, that provide the platform for further amplification.

We look forward to the remainder of FY22 with confidence, providing the tools our brands need to succeed, whether that's via traditional distribution channels, leveraging the agility and capacity of our supply chain, or implementing emerging technologies to deliver growth and differentiation in the market.

Thank you

Before handing over to Drew, I thank the Top Shelf International Board and Staff for their ongoing commitment, drive and passion, as well their agility, to navigate the challenges of FY21 and emerge with a clear vision to build Australia's premier spirits company.

I also thank our shareholders for their confidence and ongoing support. You can take great confidence from our record of delivery and our investment to underpin the future success of the company.

Thank you.

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 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 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.