



Top Shelf International Holdings Ltd

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

31 October 2024

ASX ANNOUNCEMENT (ASX:TSI) - FY25 Q1 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 first quarter of FY25 in accordance with ASX listing rule 4.7C.

Update on voluntary suspension of trading

Top Shelf entered into voluntary suspension on 27 September 2024 and remains in suspension pending resolution of discussions with a number of parties regarding the Company’s debt and funding and pending the finalisation of the audited financial statements for FY24. The Company also continues to explore other potential transactions to address its operating needs and repayment of creditors and has engaged EY to explore some more recent opportunities.

Underlying EBITDA performance

Underlying EBITDA loss of **(\$2.6) million** in FY25 Q1 reflected an improvement of 14% (or **\$0.4 million**) on FY24 Q1, attributable to improved gross margin and cost reduction initiatives.

Non-recurring expenditure in FY25 Q1 predominantly reflected labour redundancy costs and non-recurring corporate project expenditure.

Operational commentary

Despite continued difficult trading conditions, particularly in the On-Premise channel, there have been positive momentum in some key areas;

- Endeavour Group sales volumes growing +36% compared to FY24 Q1.
- NED glass holding firm in Coles with sales volume increasing +8% over the past 6 months.
- New product development has been a key contributor, most notably NED Golden Bickie capturing the flavoured Whisky trend and NED 12% RTD range.
- Act of Treason continues to shine on the award circuit, adding both Melbourne and Sydney Spirits Shows to its Gold medal trophy cabinet. Gearing up for a robust summer period, which is focussed towards the All Aussie Margarita.

The Company’s existing arrangement with its major contract packaging customer is due to end on 31 December 2024. Top Shelf is currently reviewing its options with respect to ongoing contract packaging services.

Financing activities

The Company’s debt facility drawn position was **\$22.2 million** (30 June 2024: \$25.0 million) with cash reserves of **\$1.2 million** as at 30 September 2024. The Company made a debt principal repayment of \$2.8 million in July 2024.

The Company has recently entered into an amendment of its existing facility agreement with Longreach Credit Investors, which has added two new tranches of available debt (tranche B \$1.75 million and tranche C \$4.2 million), which are subject to conditions being met, at an interest rate of 20.0% per annum. There were drawdowns of \$2.65 million against tranche B and C in October 2024.

Sale and Leaseback Transaction will not proceed

The previously announced Sale and Leaseback of the Company’s Eden Lassie agave farm property (held by Top Shelf International Pty Ltd) will not proceed as planned, as certain conditions precedent were not satisfied,

including the security release. The Company and the buyer are in the process of formalising a deed of rescission. As a result, the \$500,000 deposit (which was held in trust by the Company's lawyers) has been refunded by the Company by agreement with the buyer.

ATO

Recovery actions have been taken by the ATO to recover an outstanding excise debt obligation of \$4.7 million. The Company continues to explore options to address the outstanding excise tax liability with the ATO. The Company is seeking resolution through an agreed payment plan with the ATO, which is intended to be aligned with and dependent on the outcome of discussions with parties regarding the Company's funding along with potential transactions (however, the Company cannot guarantee a favourable outcome in its negotiations with the ATO).

End

This announcement was approved by the Top Shelf Board of Directors.

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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 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, Grainshaker Hand Made Australian Vodka and Act of Treason Australian Agave. 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 and distillery operation 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 at its Campbellfield production site in Victoria.

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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")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,155	6,155
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,166)	(3,166)
(c) advertising and marketing	(1,150)	(1,150)
(d) leased assets	-	-
(e) staff costs	(1,813)	(1,813)
(f) administration and corporate costs	(1,428)	(1,428)
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,402)	(1,402)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	12	12
(d) investments	-	-
(e) intellectual property	(4)	(4)
(f) other non-current assets	(416)	(416)

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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)	-	-
2.6	Net cash from / (used in) investing activities	(409)	(409)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(29)	(29)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2,800)	(2,800)
3.7	Transaction costs related to loans and borrowings	(119)	(119)
3.8	Dividends paid	-	-
3.9	Other		
	Payment of lease liability principal – buildings and equipment	(141)	(141)
	Interest and other finance costs paid - borrowings	(711)	(711)
	Interest and other finance costs paid - leases	(181)	(181)
3.10	Net cash from / (used in) financing activities	(3,980)	(3,980)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,957	6,957
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,402)	(1,402)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(409)	(409)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,980)	(3,980)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,166	1,166

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	1,166	6,957
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)	1,166	6,957

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	-
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>		

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	22,200	22,200
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	22,200	22,200
7.5	Unused financing facilities available at quarter end		-
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 facility has a maturity date of 15 December 2025 and the facility interest rate as at 30 September is 15.0% per annum (interest of 12.25% per annum is payable in cash and payment in kind interest of 2.75%). The facility has a minimum cash reserve requirement of \$2.0 million. A Deed of Forbearance was entered into under which the lender has agreed not to enforce its rights under the facility agreement in respect of certain historical defaults. The ongoing operation of the forbearance is subject to the satisfaction of certain conditions including ongoing compliance by Top Shelf with the terms of the facility agreement. The Company has recently entered into an amendment of its existing facility agreement with Longreach Credit Investors, which has added two new tranches of available debt (tranche B \$1.75 million and tranche C \$4.2 million), which are subject to conditions being met, at an interest rate of 20.0% per annum. There were drawdowns of \$2.65 million against tranche B and C in October 2024.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,402)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,166
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,166
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.8
	<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?	
	<p>Answer: The Company expects the current level of net operating cash flows to improve over the course of the financial year ending 30 June 2025 reflecting gross margin improvement and the run rate benefit of cost reduction initiatives implemented over the past 12 months.</p>	

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: Yes, the Company has and continues to explore various transactions to raise further cash to fund its operations (including raising additional capital, amendments to its existing debt facilities, and/or the sale of business assets or operations).

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: Yes, the Company expects to be able to continue its operations and to meet its business objectives on the basis that one or more of the potential transactions which are under consideration or negotiation will be consummated. The Company is continuing discussions with a number of parties regarding funding and other potential transactions to address its operating needs and repayment of creditors.

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: 31 October 2024

Authorised by: Top Shelf Board of Directors
(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.