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“WE THINK THERE IS A RISING TIDE”

AUSTRALIA HAS A WELL-ESTABLISHED REPUTATION FOR WINES AND BEERS, BUT FOR SPIRITS? NOT SO MUCH. *TOP SHELF INTERNATIONAL* CO-FOUNDER AND MANAGING DIRECTOR **DREW FAIRCHILD** IS HELL-BENT ON CHANGING THAT.

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Daring, strong and Australian are the words Top Shelf International (TSI) uses to describe its NED Whisky. Sitting somewhere between a bourbon and a scotch, this rich amber liquid formally launched in 2019 to positive reviews. It may not be the first or only Aussie whisky, but it could be the one to take on the global giants, according to Co-Founder and Managing Director Drew Fairchild.

TSI in fact launched the NED brand on Australia Day 2015 when it burst onto the ready-to-serve scene with a pre-mixed whisky and cola canned drink. The company has gathered considerable momentum since then. In March, it reported revenue of A\$7.3 million for the first half of the financial year, an increase of 159 per cent on the previous corresponding period. In October last year, it unveiled its new

Grainshaker Vodka, while back in January 2020, it confirmed plans to produce an Australian Agave Spirit.

Australians are indeed drinking more spirits than ever before, with the number growing at a rapid rate. “Wine and beer in terms of percentage of sales are actually in decline,” Drew tells *The CEO Magazine*. “The Australian spirit industry is certainly growing, but only a fraction of the spirits consumed are produced here – currently eight per cent.

“If you look at the Australian wine industry and certainly beer in the 80s, at one point, they went through a similar sort of journey to build that offering and we certainly see the same opportunity for spirits to be able to achieve that.”

With so many big spirit brands around the world, why has it taken so long for Australia to get in on the action? There’s a simple reason, according to Drew. Dark spirit

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makes up a significant proportion of the overall spirits in the market, but it comes with its challenges. Primarily, the ageing process involved in its production.

“The challenge with making a spirit, laying it down, waiting for it to mature is that the cost is quite significant,” Drew explains. “I think that issue of time and capital has been the key limiting factor in terms of why the Australian spirit industry hasn’t built as rapidly as others to date.”

Ensuring the quality of the product is high is a priority, of course, and TSI has worked with craft experts to deliver an easy-drinking drop. But what really differentiates it from other players in the field is that since its inception, it was always targeting scale in order to be able to compete with the internationals.

“That was a key point of difference relative to others in the market. Although you’ve got some great producers of whisky that have won awards like Lark and Sullivans Cove, it was all about being able to have an offering at scale,” Drew says. “The need for skill in terms of raising and deploying capital has also been an impediment.” This is an area where his experience has certainly served him well. The company raised A\$47.2 million at its initial public offering in November, including a primary raise of A\$35 million.

For Drew, these recent wins are the culmination of a long process that has drawn on his extensive experience in the worlds of finance and investments. As Finance Director and CFO for Shell Australia, he worked on high-profile projects like the development and execution of the company’s alliance with supermarket giant Coles. He went on to hold CFO positions at Fulton Hogan and Cleanaway.

Along the way, he teamed up with Jason Redfern, who would become TSI’s Co-Founder and Head of Sales and Brand. Jason had extensive experience in licensing swimwear and, more recently, developing and distributing new products to the Australian and international liquor industries.

“Really, that’s the genesis for NED,” Drew reveals. “Jason had a conversation with the head of Woolworths liquor at the time, who basically said they couldn’t believe there wasn’t an Australian dark spirit to take on the likes of Jim Beam and Jack Daniel’s. And from that statement, NED was born.”

It started off as something of a side hustle. Although Drew saw immense market opportunity for an Australian spirit brand, he recognised that it would take time. So, while the ideas and the whisky were maturing, he helped orchestrate the management buy-out of the now ASX-listed company Damstra Technology, of which he is now a

Non-Executive Director. He also launched the energy fund Questus Energy, where he learned some valuable lessons about equity and return.

“It really wasn’t until two-and-a-half years ago that the company was demanding full-time attention,” Drew admits. “Until then, it was very much waiting for whisky to mature and trying to accelerate time as much as we could while working within those limitations.”

Putting alternative sources of revenue in place was crucial, so TSI offered a canning and bottling service at its Campbellfield site, enabling it to earn contract revenue and reinvest in its inventory.

NED Whisky sales are currently capped at A\$10 million per annum due to availability, with TSI selling everything it produces. Sales so far been made largely through independent channels such as Independent Brands Australia stores including IGA Liquor, Thirsty Camel and The Bottle-O.

“We haven’t had access to whisky in order to go into a Coles and Dan Murphy’s at this point in time, so we’ve really grown with the distribution channels that fit with our access to whisky,” Drew points out.

Meanwhile, he had also developed a strong relationship with Adem Karafili who worked at Swisse, first as CFO and then as Managing Director. Adem was able to share his experience around building both scale and brand. “When the time was right, we invited him to come and take on the Chair role,” he says.

With Adem’s help, TSI came up with Grainshaker, inspired by the runaway success of American corn-based vodka brand Tito’s. “Tito’s went from an unashamedly American-type brand proposition in terms of vodka, very different to the European stereotype, to the largest-selling spirit in the US in a relatively short period,” Drew explains.

Grainshaker Vodka launched in October 2020 with three grain-based varieties: rye, corn and wheat. “We wanted to tell a story about Australian grain, and the feedback has been that each of them holds their own against the leading brands, if not better,” he says.

Fortunately, with Grainshaker, the company is not restricted by the same ageing process as whisky. “What you make today, you can pretty much sell tomorrow,” Drew says. “Clearly, it takes some time to build up the distribution and go to market in order to do that, but the opportunity for us now, as the market recovers from COVID-19 and on-premise venues, pubs and clubs start to reopen, is to sell into those channels and grow the brand beyond retail outlets.”

Next on the agenda is the creation of Australia’s first agave spirit category and brand. Agave spirit is perhaps better known as tequila or mescal when produced inside the Mexican state of Jalisco and certain other municipalities. TSI’s new agave brand will be a “quick-sipper” that Drew hopes will change the way people think about tequila.

To bring its plan to life, TSI acquired the 400-hectare Queensland farm in December and now has 200,000 agave plants in the ground, with a further 200,000 in the nursery. But TSI is not stopping there. “When that farm is planted with a million plants, turning that agave production into spirit sales would put us in the top 25 agave spirit/tequila producers in the world,” Drew says excitedly. “It’s a significant asset that we’ll bring to market.” The company will unveil the new drink from a brand and product perspective later this year.

The farm has lots to offer from a sustainability perspective too, with the sheer volume of plants offering carbon sequestration benefits and exciting ideas brewing for the use of the excess biomass. Agave uses almost 70 per cent

less water than sugar cane and can produce up to 500 metric tonnes of biomass per hectare. “The opportunity around agave is not only the spirit itself, but what else you can actually use that biomass for, given it’s what can be considered a dry weather plant, which is very much attuned to Australian conditions,” Drew notes.

There are also opportunities around bioenergy production using the residual plant material, its use as stock feed and also its transformation into higher-value products such as natural plastics. Plans are already “well advanced” in the implementation of hydrogen and solar power on the farm as well, Drew reveals. On top of all that, the “unbelievable” location with the Whitsunday Islands in the background makes it a prime site for a tourism experience.

With solid foundations now firmly in place, it is time to get the word out about these dynamic Aussie brands. To build buzz around its whisky, TSI partnered with V8 Supercars team Kelly Racing last year to form the NED Racing Team in a multi-year deal. It has taken a similar tack with Grainshaker Vodka, signing up to a three-year sponsorship with the Australian Open tennis tournament to spread the word to its target audience. The pairings are in line with the company “formula”.

“In terms of development of world-class products, we’re associating with those world-class or certainly leading Australian events, whether that be around sport, music and what we call the gastronomy experience – those are the three dimensions to getting our brand out there,” Drew says.

Harnessing some of the factors that are driving the growth of spirits is core to TSI’s marketing strategy. These include the unisex appeal of spirits, as well as a resurgence in the popularity of cocktails. A burgeoning craft scene is also hitting the right spot with a younger demographic for whom experiences are also key, with many of the bigger brands missing the events that are on trend. A new wave of innovation in the spirits sector is stirring up interest further.

“When we look at our brand, it very much talks to each of these cues,” Drew stresses. “A key part of it is obviously our world-class product and indeed the brand itself, but it’s also the association in terms of how people feel when they consume that product.”

The ready-to-drink market remains a focus for the company, with this segment seeing growth upwards of 30 per cent year on year. TSI has installed a small still as well as a vodka distillery at Welcome to Thornbury, an experience centre with more than one million visitors each year.

To bring a company this far with little knowledge of alcohol production or building an alcohol brand is no small task. How has Drew pulled it off? “It’s certainly been a learning curve throughout in terms of understanding alcohol, and in some ways continues to be so, but one of the great

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things that I was able to bring to the table was people and relationships,” he reflects.

In order to round out the company’s skill set, Drew actively sought investors not just for their financial help, but also for their capabilities in a range of areas including insurance, scaling of brands or the alcohol sector itself to name a few.

“To get where we are today, we really needed shareholders who were prepared to contribute something other than just a chequebook to make it possible, and so leveraging those skills, particularly around marketing and the supply chain, was really what allowed us to get to the stage where we could go from a smaller private company to raising more significant capital.”

As the company has evolved, those relationships have had to change too. “Of course, that creates some challenges when some people who were very much involved from the get-go in terms of brand development or sourcing and deployment of capital, to have that conversation with them to say, ‘We’re now at a different stage of our journey and there’s a different skill set required,’” Drew confesses. “I think we’ve successfully navigated that now, but that’s been an interesting test of leadership.”

Of course, the COVID-19 pandemic has also affected the company’s performance. The impact was first felt by TSI when the Melbourne Grand Prix was cancelled in March 2020. The event was set to feature the second round of the Virgin Australia Supercars Championship in which TSI had a vested interest, thanks to the Kelly Racing sponsorship deal.

“That was certainly when it hit home that obviously the impact was going to be significant,” Drew recalls. “We were very fortunate in terms of working in food and beverage, and indeed that we were able to keep



trading throughout the pandemic, running our canning and bottling line and the distillery.”

Shortly after the gravity of the pandemic became clear, the decision was made to start producing sanitiser. “We were probably one of the few distilleries in the country, maybe even the world, that has the bottling line next to the distillery,” Drew says. “We were able to produce sanitiser when nobody could get any sanitiser across the country, particularly on the front line.”

That helped to “spike” TSI’s cash flow, but in a charitable move, the company also gave away 110,000 units of the product. “It was a great opportunity to expose the brand, but also the community dimension of the brand position,” he adds.

Looking forward, the next year looks promising for TSI. As more product matures and with the addition of a second

still, Drew predicts whisky sales will start to ramp up. The company has registered the trademarks internationally and has started building out the infrastructure to sell whisky and vodka into China. “There’s further work to do there but that’s certainly top of mind,” he reveals. “When we launch our agave spirit, we want to be selling it into both the Australian and the US market from the get-go.”

Drew is confident that TSI’s ambitious plans will benefit the Australian spirits industry as a whole. “In many ways, we don’t really see ourselves in competition with the other Australian producers – we think there is a rising tide and we can all be successful here by building the whole Australian spirits category,” he remarks. “When you walk into a Dan Murphy’s and they have an international and Australian wine section – we’d love to see the same thing from an Australian spirits perspective too.” ■