

# Chief Executive's Review

I am pleased to present another set of strong annual results for Edrington, which have been achieved despite the post-Covid spirits boom coming to an abrupt end during this reporting period.

The year was one of two halves – an exceptionally strong first six months followed by a much slower second half. The changing dynamic was driven primarily by weaker demand as consumer confidence and spending power declined in response to rising prices and interest rates in many countries, as well as uncertainty about the future caused by a range of issues including conflict in Ukraine and the Middle East. The impact was exacerbated by trade destocking to meet the lower level of demand and to mitigate the higher cost of financing inventories.

Despite these challenges, Edrington achieved 11% growth in core revenue and a 16% increase in core contribution over the previous year. The higher rate of growth in core contribution reflects an increasing proportion of sales from higher value, more profitable products in line with our strategy.

This year's results continue a trend of strong growth, with Edrington increasing its core contribution by 87% over four years from 2019/20, despite doubling our brand investment in the same period. This achievement reflects the success of our ultra-premium strategy, and especially of The Macallan.

A key element of the Company's success is our commitment to investing in our assets and capabilities across our brands and operations. Our long-term policy of substantial brand investment has generated strong equity in our key brands, supporting their resilience in challenging times.

## Brands and Markets

Our leading brand, The Macallan, had another excellent year. We continue to see impressive work by our teams around the world who bring the brand to life for customers and consumers.

The brand delivered robust growth in key markets across Asia Pacific and particularly in Greater China. Our EMEIA region, encompassing Europe, the Middle East, India and Africa, performed well, whilst markets in the Americas were most affected by weaker consumer demand.

The Macallan's new range for travel retail, and particularly for airports, the Colour Collection, has delivered positive early results. Celebrations to mark The Macallan's 200-year anniversary have begun with a partnership with Cirque du Soleil, and the bicentenary will see The Macallan release a range of special editions and communication campaigns to highlight its unique blend of craftsmanship and creativity.

Our other ultra-premium Single Malts, The Glenrothes and Highland Park, have been affected by the drop in consumer demand last year, particularly as this has coincided with their repositioning programmes and our strategic decision to discontinue lower value expressions. We are confident that the brands' new ultra-premium positioning will resonate with consumers in the coming years.

Brugal continues to make good progress towards its goal of becoming a leading ultra-premium rum brand. The brand's core premium expression, Brugal 1888 has been joined by two new ultra-premium products this year, Colección Visionaria and Maestro Reserva. Both new expressions showcase Brugal's unwavering pursuit of excellence and innovation in rum-making.

The Famous Grouse increased contribution again this year, continuing to outperform a challenging category and maintain its leadership positions in key markets.

## Sustainability and Responsibility

The Corporate Sustainability and Responsibility section of this report outlines our progress in four key areas: protecting the environment, promoting responsible alcohol consumption, helping our people thrive, and giving back to our communities.

We have made further progress in environmental sustainability and Edrington has once again met its emission reduction target this year. We have made significant investments in the sustainability of our operations, including new technology at The Glenrothes to capture and reuse heat. Major projects are underway at Highland Park and Brugal, and work will soon begin to provide solar energy at The Macallan distillery.

Beyond our own operations, we continue to work with our suppliers to reduce the environmental impact at every stage of our supply chain from raw materials to the consumer. As we make progress towards our goal of reaching Net Zero by 2045, sustainability considerations will play an increasing role in how we select business partners.

## People

Edrington is committed to remain an excellent employer that can attract and retain a talented and diverse workforce and invest in its skills to deliver our business strategy.

We support our employees in giving back to their communities, through paid volunteer days, and by triple-matching funds raised for charities. These initiatives have contributed to our recent high employee engagement score, once again placing Edrington in the top quartile of businesses worldwide for engagement.

We have continued to narrow our gender pay gap, with a consistent and sustained decrease in our mean and median pay differential. I am also encouraged that we have exceeded our target for women in senior leadership positions, reaching 40%, though I recognise there is much more to do here and across many aspects of diversity.

## Outlook

It is difficult to forecast confidently in an environment of significant economic and geopolitical volatility. Our sense is that tougher trading conditions will remain for this coming financial year. Whatever the backdrop, I believe that Edrington's ultra-premium strategy will continue to serve the business well, including generating results among the best in the industry. I am confident that the Company is well positioned to deliver further success in coming years.



**Scott McCroskie**

Chief Executive

24 June 2024