

Financial Review

Statutory Key Performance Indicators

	2024	2023	vs. 2023
Revenue	£1,334.3m	£1,276.8m	5%
Earnings before interest and tax	£441.0m	£424.7m	4%
Profit before taxation	£406.9m	£405.1m	0%
Profit for the financial year attributable to owner	£164.0m	£181.8m	(10)%
Total equity	£1,234.6m	£1,215.4m	2%

Management Key Performance Indicators

	2024	2023	vs. 2023
Core revenue*	£1,165.2m	£1,045.7m	11%
Brand investment*	£262.1m	£225.9m	16%
Core contribution*	£454.8m	£392.1m	16%
EBITDA (pre-exceptional)*	£483.5m	£442.2m	9%
Earnings per share	£2.80	£2.68	4%
Free cash flow*	£111.0m	£123.1m	(10)%
Net debt/EBITDA	1.5	1.3	
Dividend per share	55.0p	53.0p	

CORE REVENUE

Total revenue from our sales of continuing Edrington branded products on a constant currency basis.

BRAND INVESTMENT

Marketing expenditure on our core brands on a constant currency basis.

CORE CONTRIBUTION

Profits from our branded sales and distribution after the deduction of overheads on a constant currency basis.

EBITDA (PRE-EXCEPTIONAL)

Earnings before the deduction of interest, tax, depreciation, amortisation and exceptional items.

EARNINGS PER SHARE

Profit for the financial year attributable to the owner excluding exceptional items divided by the weighted average shares in issue during the year.

FREE CASH FLOW

Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and exceptional items.

NET DEBT/EBITDA

The ratio of bank and private placement debt after deduction of cash balances, to reported earnings before interest, tax, depreciation and amortisation.

DIVIDEND PER SHARE

The total dividend paid per share for the financial year.

* A reconciliation of constant currency measures, free cash flow and EBITDA is provided at Note 34 to the accounts.

**FINANCIAL REVIEW
(CONTINUED)****Group Financial Performance Overview**

Our strong performance this year reflects our ongoing focus on the ultra-premium category, and the sustained high levels of investment behind our brands and people, which drives increased consumer demand and the growth of our business.

Core revenue and core contribution grew by 11% and 16% respectively on the previous year, with particularly strong growth in the first six months of the year. The second half of the year reflected the significant reduction in consumer and customer confidence that was experienced by the whole industry. Pre-exceptional profit before tax was flat versus the prior year with the strong performance of the underlying business being offset by stronger sterling and higher interest costs. Our retained profit for the financial year, before exceptional items, declined by 1% and included the impact of a higher UK corporation tax rate.

We have continued to increase investment in the business through capital expenditure for both the quality and capacity of our operations, along with strategic investments in our sherry cask supply chain through the purchase of Vasyma SL, a cooperage in Jerez and an investment in Coopers Oak LLC, an American oak supplier in the US. In addition, the Group returned funds to shareholders through a share buyback totalling £80m, in addition to the £220m of share buybacks in the prior financial year.

**Group Financial Performance
(reported on a constant currency basis)****CORE REVENUE**

Core revenue grew by 11% to £1,165m, with a particularly impressive performance from The Macallan. Our strategy of generating consumer demand for our prestige products continues to drive superior growth with an improvement in the mix of our products sold.

BRAND INVESTMENT

Brand investment is a critical factor driving the ongoing growth of Edrington, supporting brand equity and engaging and educating consumers. Once again, we have activated record levels of investment during the year, focussing on high quality and creative marketing campaigns, innovative collaborations, consumer education and experiences, and the launch of outstanding new products. Our total brand investment of £262m was up 16% on the previous year, more than doubling in the last four years, and representing a re-investment level of 22% of core revenue. This will help fuel growth in the coming years.

CORE CONTRIBUTION

Despite the ongoing cost challenges from inflation and a significant investment in additional headcount focused on consumer and trade education, it is particularly satisfying that core contribution grew 16% to £455m. This growth means that we have been able to maintain our operating margin percentage through an improved product mix and the execution of our revenue growth strategy.

The Macallan performance showed excellent year on year growth, with the continued focus on executional excellence in the on-trade driving consumer demand for the brand. The brand has delivered outstanding innovation through our ongoing partner collaborations and new product launches including Tales of The Macallan Two and Distil Your World Mexico.

In the Estate Brands business unit we have continued the strategic repositioning of Highland Park and The Glenrothes, which has resulted in a reduction in performance as we exit lower aged products from the brand portfolios. To support this strategic re-positioning we have upweighted our investment behind the brand building activities for both brands. Following the acquisition of a controlling stake of Wyoming Whiskey in March 2023 we have successfully integrated the brand into the Estate Brands business unit.

The Famous Grouse performed well, particularly in the brand's key markets where leadership positions are held. This reflects the ongoing health of the brand.

The Brugal business unit continues to deliver impressive results, with robust year on year growth. This is driven by innovation and consumer demand for the brand particularly in The Dominican Republic. It has been an exceptional year of double-digit growth for Brugal 1888, and successful launches of further ultra-premium rum expressions, Maestro Reserva and Colección Visionaria.

Our growth was strong across the regions of Asia Pacific, EMEA and The Dominican Republic. In the Americas growth was impacted by the downturn in consumer and customer demand seen across the industry. In Global Travel Retail we have continued to build on the post pandemic recovery, with another year of excellent growth, complimented by the successful launch of The Macallan Colour Collection. The collection marks our return to age statement products within Global Travel Retail.

**FINANCIAL REVIEW
(CONTINUED)**
**Statutory results
(reported at actual currency rates)**

Statutory group revenue grew by 5% to £1,334m. The rate of growth is slower than our core revenue measurement of 11% due firstly to the impact of a stronger sterling versus the prior year and secondly due to lower non-core sales of third-party brands and bulk whisky.

Pre-exceptional profit before tax was flat at £411m with the strong performance of the underlying business being offset by higher interest costs.

Profits attributable to Edrington shareholders (before exceptional items) decreased by 1% to £166m. The profit for the financial year after exceptional items fell by 10% to £164m.

EXCEPTIONAL ITEMS

In March 2024 it was announced that Edrington UK would exit the distribution of third-party products in the UK market, resulting in a material reduction in the size of this business. The restructuring costs have been provided for within exceptional items.

In the prior year the Group entered into an agreement, alongside its joint venture partner Beam Suntory, to sell our investment in Maxxium Cyprus Limited and its Russian subsidiary, to the local management. Prior to the disposal we received a dividend from Maxxium Cyprus Limited of £10m and recognised a gain of £2m against the previous year impairment of our investment in the Maxxium Cyprus joint venture. The prior year exceptional item also includes a net gain of £6m as we took a further investment in Wyoming Whiskey to become majority owner.

After including these exceptional items, and after adjusting for non-controlling interests, profits attributable to Edrington shareholders decreased by 10% to £164m. The table below sets out the movement before and after exceptional items in the current and prior years to aid the understanding of their effect compared to the underlying trading performance.

Statutory results table adjusted for non-recurring items

	2024	2023	vs. 2023
Profit for the financial year - pre-exceptional items	£166.3m	£168.5m	(-1)%
Exceptional items	(£4.1m)	£17.4m	
Non-controlling interest and taxation on exceptional items	£1.8m	(£4.1m)	
Profit for the financial year	£164.0m	£181.8m	(-10)%

INTEREST

Net finance charges, totalling £34m, largely comprised interest costs on funding from the Group bank and US private placement debt. The increase is driven by an increase in average debt level year on year together with an increase in average interest rates.

Constituent elements of the interest charge

	2024	2023
Finance income	£12.4m	£7.7m
Finance costs	(£44.2m)	(£25.9m)
Non-qualifying cash flow hedge	-	(£0.1m)
Other finance costs	(£2.4m)	(£1.3m)
	(£34.2m)	(£19.6m)

**FINANCIAL REVIEW
(CONTINUED)****CASH FLOW AND FINANCIAL POSITION**

Our net debt at 31 March 2024 was £767m, an increase of £169m from 31 March 2023.

Operating cash flow reflects the underlying strong performance of the business with the small reduction year on year driven by higher tax payments. Net debt increased versus the prior year, after completing the £80m share buyback, together with our investments in our sherry cask supply chain through Vasyma SL and Coopers Oak LLC and laying down whisky stocks to support our future growth.

The Group is financed by both US private placement notes and bank debt. The consolidated group net debt to EBITDA ratio at 31 March 2024 was 1.5 times (2023: 1.3 times) and within the I887 Group, where the debt is principally held, we finished the year with a ratio of 2.1 times (2023: 2.1 times) which is comfortably within the limit of our debt covenants.

We maintained a robust financial position this year, total equity increased by £19m (2%) on the previous year. Total assets increased by £94m to £2,718m, primarily as a result of further investments in casks and maturing stock, as well as our investments in Vasyma SL and Coopers Oak LLC. Property, plant and equipment increased by £48m reflecting our cask purchases in the year. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £99m. Cash and other liquid resources decreased by £69m during the year reflecting these investments made in the business.

Total liabilities increased by £74m to £1,483m, primarily reflecting our increased borrowings.

POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group has obligations for three main defined benefit pension schemes for employees. Two of these have been closed since 2014 and the third scheme has been closed since 2015. As at the 31 March 2024, the Group had a surplus of £7m in relation to the post-employment benefit obligations of these schemes, as calculated in accordance with accounting standards. This is a decrease of £17m from the £24m asset recognised on 31 March 2023.

The present value of the schemes' liabilities decreased by £14m, principally due to changes in the mortality and discount rate assumptions. Further deficit repair contributions of £11m were made in the year.

While this surplus position reflects the required accounting treatment for the post-employment benefit obligations, on an actuarial basis, the defined benefit schemes are in deficit. At 31 March 2024, the deficit was valued at £18m.

DERIVATIVES AND FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange. The fair value of these instruments at 31 March 2024 is included in the Statement of Financial Position.

At the year-end there were assets of £9m (2023: £14m) and liabilities of £1m (2023:nil), principally reflecting the fair value of forward and option foreign exchange contracts outstanding as at the 31 March 2024.

SUMMARY

The Group has successfully mitigated the various external challenges during the year to deliver a strong financial performance and this has once again allowed us to increase our returns to shareholders through both the dividend and share buybacks this year.

The continued consumer demand for our brands, together with the further investments we have made in our marketing, assets and organisational capabilities, give us a business that is well placed to navigate ongoing volatility in the global economy.

Whilst the underlying business performance remains robust, it is clear that the accelerated growth associated with the post-Covid years is over. We will remain focused on executing our strategy in this more challenging trading environment.

**FINANCIAL REVIEW
(CONTINUED)**

Going Concern

To assess the appropriateness of adopting the going concern basis for the Group, the directors have reviewed the strategic and financial plan over the next three years. The underlying assumption continues to be that our operations, both in Scotland and Dominican Republic will remain open, and that our global supply chain continues to support the shipment of product to our markets.

The experience of the Covid-19 and other market volatility has given us the confidence that we have the ability to adapt quickly and decisively. With the support of our multiple stakeholders, we have the potential to flex the level of dividends and investment to manage our liquidity.

Our updated three-year plan shows core contribution continuing to grow each year.

The Group has reviewed a number of different scenarios of revenue decline, together with cost and cash savings, to assess the impact on the Group liquidity and our debt covenant conditions.

Based on a scenario showing a contribution decline of 10% from our plan, the business has the ability to remain within our lenders' covenant conditions through a reduction in the cost base and investment levels.

DEBT FACILITIES AND COVENANT TESTS

The scenario planning shows that there is adequate headroom within the debt facilities and that the covenant tests are met in each test period to 31 March 2026. The Group has two underlying financial covenants; one that measures net debt/EBITDA and the second EBITDA/net interest (banking covenant), EBIT/net interest (private placement covenant).

The results of these assessments were reviewed considering the financial position of the Group at 31 March 2024, the cost and cash mitigation measures available, and the access to ongoing funding facilities. Based on these assessments the Board has a reasonable expectation that the Group will be able to meet its financial obligations for the foreseeable future and has adequate resources to continue to operate for at least 12 months from the date of this annual report. The directors therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.

Principal Risks and Uncertainties

OUR APPROACH TO MANAGING RISK

The Board is responsible for risk management and the controls and compliance environment supported by the Executive Committee and the Audit Committee. The Audit Committee has direct oversight of the Group Risk Management Committee and the Assurance, Risk & Compliance function.

Edrington recognises that risks are inevitable in accomplishing our goals and ambitions and the Group's focus is on identifying, evaluating and managing financial and non-financial risks. It seeks to minimise exposure to unforeseen events and identified risks, allowing the business to focus on delivering its strategic objectives. During the year, we have continued to further embed the culture of risk management throughout the Group by actively promoting risk considerations through wider and deeper reviews at a market, functional and project level.

The Board regularly reviews the principal risks facing the Group including those that would impact its business model, future performance, reputation and solvency. A full review and assessment of principal risks was carried out in November 2023, allowing the Board to assess the Group's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. The assessment includes a review of the impact and likelihood of each risk, together with the mitigating controls in place. This includes detailed scenario planning for our most critical risks. Given the dynamic nature of Edrington's operating environment and external factors, the review of principal risks is performed by both the Executive Committee and the Board on an annual basis, and specific risk reviews are carried out on a quarterly basis at both the Audit Committee and the Group Risk Management Committee.

Risk categories are predominantly macroeconomic or operational in nature. Macroeconomic risks related to the external environment and the international markets in which Edrington operates, over which the Group has less control. Operational risks are more internally focused and include issues such as supply chain disruption, or a failure in business technology.

**FINANCIAL REVIEW
(CONTINUED)**

The environment in which Edrington operates is constantly evolving so the Group remains vigilant to new and emerging risks as well as previously downgraded risks that may increase. These are assessed on a timely basis and appropriate actions are taken where possible to mitigate the impact of these risks on the business.

During the year the Audit Committee assessed reports received from the internal audit teams and reviewed the actions in place to manage the key strategic risks. These have allowed the committee to assess the general control environment, identify control weaknesses and quantify the potential impact of associated risks.

The internal controls in place are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only therefore provide reasonable assurance against material misstatement or loss. The system includes both financial and non-financial controls and is regularly reviewed to ensure it remains robust and embedded in business processes to enable Edrington to continuously manage the relevant business risks.

OUR PRINCIPAL RISKS

Whilst the overall level of risk in our operating environment continues to be extensive across the different geographies in which Edrington operates, there has not been a significant increase in risk exposure during the year.

As part of our annual review of risk exposure and evolving risks, we have updated our assessment of principal risks as follows:

- Within the sustainability risk, Sustainability and Climate Change has been separated out into two risks. This allows for separate monitoring of the impact of increased regulatory requirements around sustainability compliance as well as the resilience of key raw materials to the changing climate conditions.
- The risk of supply chain disruption has been renamed to disruption to key supply chain operations as the Group continues to focus on mitigating delays and potential impacts to production.
- The risk relating to counterfeit products has been revised to focus on the impact of one significant incident rather than multiple smaller incidents. As a result, there is a potentially higher risk of reputational damage to the business, especially in relation to our prestige product lines.
- The pandemic risk has been updated to reflect “global event disruption” to cover a range of potential scenarios that could impact business operations. There has been no change to the risk rating from the previous year.

The table below provides details of our updated assessment of the principal risks for the business, including key risk drivers, risk outlooks, and current mitigating actions. The developments section provides details of actions taken in the last year to manage key risks effectively as they evolve. They will continue to be closely monitored as part of our structured risk management processes.

FINANCIAL REVIEW
(CONTINUED)

Risk and Risk Impact	Risk Mitigating Actions	Developments in 2023-2024
<p>Inter-state conflict & Protectionism</p> <p>RISK OUTLOOK: ↔</p> <p>Economic or political instability restricts market activity, affecting market access, demand or increased costs.</p>	<ul style="list-style-type: none"> • Continuous local and global monitoring of changes in economic, political and operational environments that could impact business performance. • Group level strategic analysis and scenario planning to support strategy delivery, risk management and avoid over-reliance on a single country or region. • Regular pricing, tax and customs reviews to enable a timely reaction to changes in legislation. 	<ul style="list-style-type: none"> • Scenario and contingency planning reviews have been performed based on current global events and potential international responses. • Consistent use of a screening tool to enable real-time monitoring of changes in sanctioned parties to ensure compliance with international regulations. • Alternative suppliers secured to mitigate the risk of supply chain disruption.
<p>Cyber Attack (significant incident)</p> <p>RISK OUTLOOK: ↔</p> <p>Continued development of cyber threats increases the risk of theft, failure or corruption of digital assets and/or key systems which could lead to business disruption, reputational damage and financial loss.</p>	<ul style="list-style-type: none"> • Group-wide cyber risk management processes and policies, including the restricted use of any generative AI systems. • Regular review of effectiveness measures including vulnerability management monitoring, penetration testing and testing measures. • Annual cyber security review in line with National Cyber Security Principles. 	<ul style="list-style-type: none"> • New cyber awareness and training platform has been rolled out. • We have reviewed and updated our incident response manual. • The Operation Technology plan has been enhanced to ensure adequate systems and securities in place.
<p>Misuse of Personal Data</p> <p>RISK OUTLOOK: ↔</p> <p>Inadequate management of personal data could lead to reputational damage, penalties, and financial loss.</p>	<ul style="list-style-type: none"> • Reviews of consumer data, with safeguards developed to ensure ongoing compliance. • Enhanced data privacy measures, including brand and market specific data privacy policies, and revised data processing agreements. • IT security measures are regularly reviewed, including data encryption and contractual protections with key third party data processors. 	<ul style="list-style-type: none"> • The Group's annual mandatory data privacy training has been refreshed and issued to all employees with the creation of a new consumer data privacy module for the next financial year. • A full Group data mapping exercise has been completed. • An information classification policy has been finalised and is currently being piloted. • Our data incident procedures continue to be developed and monitored.

FINANCIAL REVIEW
(CONTINUED)

Risk and Risk Impact	Risk Mitigating Actions	Developments in 2023-2024
<p>Disruption to Key Supply Operations</p> <p>RISK OUTLOOK: ↔</p> <p>Our ability to maintain the continuity of our supply chain is hindered due to the availability of suitable raw materials, constraints in logistic operations and shipment of finished goods leading to revenue loss.</p>	<ul style="list-style-type: none"> Proactive collaborative business forecasting provides insight into demand requirements that allow for real-time management of potential shortages and overall management of inventory levels across the group. Ongoing relationship management of key vendors and continuous review of raw material quality and availability. Ongoing review of stockholding levels of both raw materials and finished goods to mitigate the impact of disruption. 	<ul style="list-style-type: none"> The new Macallan bottling line has increased capacity and capability as well as providing a contingency for existing lines. A review of contingency bottling arrangements has been completed to secure additional sources of capacity. A supplier resilience program has been initiated with the primary focus on building material supply contingency through dual sourcing of critical packaging materials where appropriate.
<p>Resilience of Key Raw Materials</p> <p>RISK OUTLOOK: ↑</p> <p>Our ability to secure the appropriate quality and quantity of core raw materials due to environmental concerns, climate change and industry demands.</p>	<ul style="list-style-type: none"> We have established long term contracts with key raw material suppliers in line with projected manufacturing requirements. Strategic vertical acquisitions to secure access to key raw materials Ongoing reviews of the quality and sourcing of our raw materials are performed prior to manufacturing. 	<ul style="list-style-type: none"> A Vulnerability Assessment of key raw materials was completed, including deep dive reviews of the impact of global warming. We have worked to eliminate non-essential packaging materials. Glass weight reduction plans are now in place for a number of our brands. Our investments in Grupo Estévez and Coopers Oak enable continuity in our Sherry and Wood supply.
<p>Counterfeit Products & Brand Protection (significant incident)</p> <p>RISK OUTLOOK: ↑</p> <p>Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a decline in sales volumes and/or market share.</p>	<ul style="list-style-type: none"> Ongoing monitoring of the principal exposures of our brands. Brand security education, surveillance and enforcement activities are performed to identify and address any potential counterfeit and/or refilling operations. Ongoing monitoring of global trademark applications, opposing those that infringe our rights. Implementation of Custom's Notices in conjunction with a programme of market inspections and raiding and shutting down of counterfeit/refilling operations in key countries. 	<ul style="list-style-type: none"> Ongoing developments in the detection, monitoring and reporting on counterfeit products. Joined Alliance Against Counterfeit Spirits (AACS) in China to work more closely with peer brands on investigations, raids and government lobbying. Continuing development of product security features

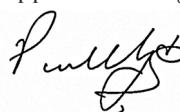
FINANCIAL REVIEW
(CONTINUED)

Risk and Risk Impact	Risk Mitigating Actions	Developments in 2023-2024
<p>Tightened restrictions on alcohol sales</p> <p>RISK OUTLOOK: ↔</p> <p>Tighter restrictions on alcohol promotion, sales and/or consumption may limit market access resulting in loss of revenue.</p>	<ul style="list-style-type: none"> • Membership of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms. • Annual review of our policies, communications, and requirements, including Code of Conduct and Marketing Code. • Edrington's policies and campaigns are reviewed annually by the Marketing Code Committee. 	<ul style="list-style-type: none"> • We continue to partner with relevant organisations, including the Scotch Whisky Association, spiritsEUROPE, and other trade organisations, to monitor potential restrictions. • Continued reviews of restrictions across all geographies are performed to enable proactive monitoring of any changes.
<p>Sustainability: Regulatory Compliance & Adverse Weather</p> <p>RISK OUTLOOK: ↔</p> <p>Global warming results in adverse weather conditions, increased risk of wildfire, flooding, sea level rises or other events that cause significant operational disruption.</p> <p>Increased regulatory requirements for environmental reporting and greater expectations for businesses to reduce contributions to climate change increases costs and complexity in operations and could lead to reputational impacts for any misleading information published.</p>	<ul style="list-style-type: none"> • Sustainability related KPIs have been defined and assigned across the different Business Units to ensure requirements are built into their strategic objectives. • Sustainability risk assessments are reviewed regularly to ensure risks are managed at both a local and Group level. • Climate change scenario completed in prior year with results included in prior year report and TCFD reporting in 2022/23 accounts. • LRQA audits every site every 2 years as well as 2 yearly internal audits. 	<ul style="list-style-type: none"> • Regulation tracking is now in place and coordinated with the business for action planning. • A refresh of the annual sustainability training has been completed for targeted employees. • A review of sustainability targets and associated metrics in line with CFD recommendations has been performed to reflect mitigating actions for identified key climate risks. These risks are detailed in the Corporate Sustainability and Responsibility Report.
<p>Global Event Disruption</p> <p>RISK OUTLOOK: ↔</p> <p>A new global event that results in government-imposed restrictions to travel, trading, and human interaction, which could have a negative effect on business operations, trading, or logistic activities.</p>	<ul style="list-style-type: none"> • Scenario planning carried out to ensure business continuity plans remain relevant and supportive of our operations. • Strategic increased stockholding levels support challenges to distribution should there be supply chain disruptions. 	<ul style="list-style-type: none"> • Continued monitoring. • Annual reviews and stress testing of potential disruptive events performed during the year. • Deep dive reviews on our response to global events in line with learnings

RISK OUTLOOK LEGEND FROM PRIOR YEAR:

- ↑ Increased
- ↔ Stayed the Same
- ↓ Reduced

Approved and signed on behalf of the Board.



Paul A Hyde
Chief Financial Officer
24 June 2024