BUNZL

News Release

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ANNUAL RESULTS ANNOUNCEMENT
Strong 2023 results: record operating margin and successful year for acquisitions

Bunzl plc, the specialist international distribution and services Group, today publishes its annual results for the year ended 31 December 2023.

Financial results	2023	2022	Growth as reported	Growth at constant exchange◊
Revenue	**£11,797.1m**	£12,039.5m	(2.0)%	(1.9)%
Adjusted operating profit*	**£944.2m**	£885.9m	6.6%	6.2%
Adjusted profit before income tax*	**£853.7m**	£818.0m	4.4%	3.4%
Adjusted earnings per share*	**191.1p**	184.3p	3.7%	2.7%
Dividend for the year∆	**68.3p**	62.7p	8.9%	

Statutory results			
Operating profit	**£789.1m**	£701.6m	12.5%
Profit before income tax	**£698.6m**	£634.6m	10.1%
Basic earnings per share	**157.1p**	141.7p	10.9%

Highlights include:

- Revenue declined by 1.9% at constant exchange rates and by 0.4% excluding the UK healthcare disposal≠; revenue remains significantly ahead of 2019
- Adjusted operating profit* increased by 6.2% at constant exchange rates, with growth of 7.6% excluding the UK healthcare disposal≠; reported operating profit rose by 12.5%
- Operating margin increased from 7.4% to 8.0%
- Adjusted earnings per share* increased by 2.7% at constant exchange rates; reported basic earnings per share increased by 10.9%
- Continued strong free cash flow* driven by cash conversion of 96%
- 31st consecutive year of annual dividend growth; total dividend per share growth of 8.9%
- 19 acquisitions agreed in 2023, with a committed spend of £468 million; two acquisitions announced today
- Net debt to EBITDA*† of 1.1 times provides substantial headroom for acquisitions and other capital allocation options
- Maintaining our 2024 profit guidance published in our pre-close statement

Commenting on today's results, Frank van Zanten, Chief Executive Officer of Bunzl, said:
"I am proud of the Group's performance during 2023; the efforts of Bunzl colleagues around the world have resulted in a strong profit performance for the Group, underpinned by a record operating margin of 8.0%. Over the year we saw overall good outcomes on tendering activity reflecting the strength of our value-added proposition, including our sustainability expertise and digital capabilities.

We agreed 19 acquisitions in the year, taking our total committed acquisition spend to £1.7 billion over the last four years. Despite the significant acquisition spend, we ended 2023 with a net debt to EBITDA of 1.1 times, providing the Group with substantial capacity to self-fund further acquisitions. Our pipeline remains active, with two additional acquisitions announced today. Firstly, Nisbets, a well-established, high quality, own brand focused omnichannel distributor of catering equipment and consumables that operates in the UK and Ireland, Northern Europe, and Australasia. Secondly, Pamark Group; an anchor acquisition for us in Finland, bringing the total number of countries we operate in to 33. Return on invested capital has remained strong at 15.5%, demonstrating our continued track record of acquisition discipline.

Bunzl's consistent, compounding model drives both growth and resilience, and the progress we have made in recent years, combined with the strength of our financial position, means that we have a stronger platform than ever to drive market share, consolidate fragmented markets and continue to extend our successful track record for creating long term sustainable value."

* Alternative performance measure (see Note 2).
◊ Growth at constant exchange rates is calculated by comparing the 2023 results to the 2022 results retranslated at the average exchange rates used for 2023.
† At average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants.
∆ The Board is recommending a 2023 final dividend of 50.1p per share. Including the 2023 interim dividend per share of 18.2p the total dividend per share of 68.3p represents an 8.9% increase compared to the 2022 total dividend per share.
≠ The Group disposed of its UK healthcare business in December 2022.

2023 performance highlights:

Underlying revenue growth*ǂ contribution	2023
Base business♯	(1.5)%
Covid-19 related sales	(1.4)%
Group total	(2.9)%

Underlying revenue growth*ǂ by sector	2023
Cleaning & Hygiene, Safety and Healthcare	(1)%
Grocery and other	2%
Foodservice and Retail	(8)%

- Following Bunzl's strong performance in recent years, the Group's revenue was resilient in 2023. At constant exchange rates and excluding the UK healthcare disposal, total revenue declined by 0.4%; Group revenue is c.28% higher than in 2019
- Group underlying revenue declined by 2.9%, with a 1.5% impact due to a decline in base business sales and a 1.4% impact due to the decline in Covid-19 related sales
- Covid-19 related sales continued to normalise over the year and are now broadly in line with pre-pandemic levels
- The base business was impacted by volume loss in our North America foodservice redistribution business due to deflationary pressure increasing price competition, post-pandemic normalisation trends, and a reduced level of inflation benefit
- Group revenue was supported by 2.5% growth from the incremental impact of acquisitions, partially offset by the 1.5% negative impact to revenue from the UK healthcare disposal in December 2022⌂

2023 strategic progress

- Operating margin was supported by good margin management, including increasing penetration of own brands, higher margin acquisitions, and some one-off benefits in the second half of the year
- 19 acquisitions agreed during 2023, across multiple sectors and geographies, including our first entry into Poland. Strong acquisition momentum maintained into 2024 with the acquisitions of Nisbets, which is based in the UK and Pamark Group, our anchor acquisition in Finland, bringing the total number of countries we operate in to 33
- 24 warehouse relocations and consolidations along with further investments into digital solutions and automation, continued to drive operating efficiencies
- Continued development of sustainability offering to support customers' transition to alternative products
- Processed 72% of orders digitally (69% in 2022), supporting customer retention and enhancing operational efficiency

Business area highlights:

	Revenue (£m)		Growth at constant exchange*◊	Underlying revenue growth*ǂ	Operating profit* (£m)		Growth at constant exchange*◊	Operating margin*	
	2023	2022			**2023**	2022		**2023**	2022
North America	**6,973.5**	7,366.0	**(5.3)%**	(5.6)%	**528.0**	511.5	2.9%	**7.6%**	6.9%
Continental Europe	**2,354.9**	2,173.4	**8.4%**	1.0%	**224.7**	195.1	14.1%	**9.5%**	9.0%
UK & Ireland	**1,365.5**	1,442.5	**(5.4)%**	6.1%	**103.4**	95.3	8.4%	**7.6%**	6.6%
Rest of the World	**1,103.2**	1,057.6	**5.7%**	(3.2)%	**119.6**	111.7	7.5%	**10.8%**	10.6%

North America (59% of revenue and 54% of adjusted operating profit*†)

- Underlying revenue decline was driven by volume weakness in the foodservice redistribution business, a reduction in retail revenues from planned strategic actions, and a decline in Covid-19 related product sales, partly offset by a slight product cost inflation benefit in the base business during the year
- Strong operating margin increase supported by good margin management, including strong growth in own brands
- Moderating operating cost inflation driven by wage inflation that was closer to more typical levels. Property inflation remains high, but was partially offset by fuel and freight rates declining meaningfully

Continental Europe (20% of revenue and 23% of adjusted operating profit*†)

- Underlying revenue growth driven by the benefit of product cost inflation, partially offset by volume weakness which impacted trading in most markets and a reduction in Covid-19 related sales
- Overall revenue growth was driven by the positive contributions from acquisitions and slight organic revenue growth
- Strong operating margin increase driven by good margin management, and a focus on improving the business in Turkey given the hyperinflationary environment

UK & Ireland (12% of revenue and 11% of adjusted operating profit*†)

- Good underlying revenue growth driven by strong product cost inflation, alongside continued recovery in certain markets, particularly grocery, foodservice and cleaning & hygiene, partly offset by volume weakness in some markets
- Strong operating margin increase supported by underlying sales growth, increased own brand penetration and good margin management
- Excluding the impact of acquisitions and the UK healthcare disposal, adjusted operating profit* increased by 21.2%

Rest of the World (9% of revenue and 12% of adjusted operating profit*†)

- Revenue growth at constant exchange rates is driven by acquisitions. The decline in underlying revenue is caused by further normalisation of Covid-19 related product sales, largely in Asia Pacific, reflecting the non-repeat of some larger orders that were fulfilled in the prior year
- Our Latin America business was impacted by lower selling prices resulting from reduced inbound freight costs, weaker demand in our foodservice and specialty footwear businesses, and currency movements during the year
- Small operating margin increase driven by acquisitions

* Alternative performance measure which excludes charges for customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges and the profit or loss on disposal of businesses and any associated tax, where relevant. None of these items relate to the trading performance of the business. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group. Further details of these alternative performance measures are set out in Note 2. Unless otherwise stated operating margin in this review refers to adjusted operating profit as a percentage of revenue.
◊ Growth at constant exchange rates is calculated by comparing the 2023 results to the results for 2022 retranslated at the average exchange rates used for 2023.
ł Underlying revenue is a measure of revenue over comparative periods at constant exchange rates, excluding the incremental impact of acquisitions and disposals and adjusted for differences in trading days between periods as well as for growth delivered in excess of 26% per annum in hyperinflationary economies.
♯ Base business defined as underlying revenue excluding the top Covid-19 related products (including, masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection).
⌂ In addition to underlying revenue change of (2.9)% and acquisition growth of 2.5%, growth at constant exchange was impacted negatively by 1.5% due to the disposal of the UK healthcare business in 2022. There was minimal impact from growth in excess of 26% per annum in hyperinflationary economies.
† Based on adjusted operating profit and before corporate costs (see Note 3).

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Note: A live webcast of today's presentation to analysts will be available on www.bunzl.com commencing at 9.30 am.

CHAIRMAN'S STATEMENT

Bunzl has had another successful year, delivering good adjusted operating profit growth and making further strategic progress across the business, including surpassing the milestone of £5 billion of committed acquisition spend since 2004, and extending its track record of consecutive annual dividend growth to 31 years.

At constant exchange rates, revenue in 2023 declined by 1.9% (2.0% at actual exchange rates) and declined by 0.4% compared to the prior year excluding the disposal of the UK healthcare business. Adjusted operating profit grew by 6.2% at constant exchange rates (6.6% at actual exchange rates), with 7.6% growth excluding the disposal. An operating margin of 8.0% was supported by good margin management, including increasing penetration of own brands, higher margin acquisitions, operational efficiencies and inventory driven one-off benefits in the second half of 2023. At constant exchange rates, adjusted operating profit was 46.3% higher than the comparable period in 2019, and is equivalent to a c.10% Compound Annual Growth Rate ('CAGR') over that period. This performance gives me continued confidence in the Group's ability to continue to deliver long term growth, supported by the agility of our people, the diversification of our portfolio, the strength of our culture and our dedication to customer service.

Strategic priorities

We continue to pursue a strategy of developing the business through a combination of organic growth, operational improvements and acquisition-led growth. The Group agreed 19 acquisitions in the year, across 11 countries and five sectors, highlighting the breadth of Bunzl's consolidation opportunities. This included the Group's first acquisition in Poland, Safety First, one of the country's largest distributors of personal protection equipment ('PPE'). This anchor acquisition provides a good platform from which to develop Bunzl's operations in this attractive market. Total committed spend for the year was £468 million, resulting in a total committed spend of £1.7 billion over the last four years. Bunzl's acquisition momentum has continued into 2024, with the announcement of two new acquisitions today, Nisbets and Pamark Group. Nisbets is a well-established, high quality and own brand focused omnichannel distributor of catering equipment and consumables that operates in the UK and Ireland, Northern Europe, and Australasia. The second acquisition is our anchor acquisition in Finland, a leading distributor called Pamark. This takes the number of countries in which we operate to 33. Bunzl's depth of opportunity is significant and further consolidation of the Group's fragmented end markets is a key growth opportunity. The continued sector and geographic expansion further enhances our available acquisition opportunities.

Bunzl's operating companies have continued to develop their value-added services to customers, supporting organic growth, customer retention, and margin opportunities. Alongside our sustainability and digital capabilities, developing innovative, own brand ranges is an area that continues to strengthen Bunzl's competitive advantage, with penetration today at c.25% of Group revenue. We also continue to collaborate with our strategic third-party branded suppliers, to provide unparalleled choice for our customers. The proportion of total Group revenue attributable to non-packaging products or packaging made from alternative materials remained high at 85%, while 72% of customer orders were received digitally. The Group also continues to drive operational efficiencies, including further warehouse relocations and consolidations which partially offsets property cost inflation, as well as making further investments into automation. Bunzl ended the year with a net debt to EBITDA of 1.1 times, providing substantial headroom for further self-funded acquisitions and other capital allocation options.

People and culture

Bunzl's most important asset is its people, who remain committed to providing customers with a reliable and value-added service. People continue to find Bunzl a fulfilling place to work, as demonstrated by the results from the Group's participation in the external 'Great Place to Work' scheme in 2023. After an initial trial in Continental Europe in 2022, the Group opened up the scheme more broadly in 2023. Around 75% of our operating companies that participated were accredited by the 'Great Place to Work' programme. We also continued to accelerate our diversity and inclusion agenda to ensure that we have a working environment which supports individual well-being, growth and career progression. In 2023, the percentage of women within our senior leadership team of 506 leaders (defined as those receiving long term incentives) was 22%. This is an increase of two percentage points compared to the equivalent population in 2022.

Shareholder returns

The Board is recommending a final dividend of 50.1p, 10.4% higher than the prior year, resulting in a full year dividend of 68.3p. This represents an 8.9% increase in the total dividend compared to 2022 and is Bunzl's 31st consecutive year of annual dividend growth. The Group remains committed to ensuring sustainable dividend growth.

Since 2004, Bunzl has returned £2.2 billion to shareholders through dividends and has committed over £5 billion to self-funded acquisitions to support a growth strategy that has delivered an adjusted earnings per share CAGR of c.10% over that period and achieved a return on invested capital of 15.5% in 2023.

Governance

Vanda Murray joined the Board in February 2015 and is currently the Chair of the Remuneration Committee and the Senior Independent Director. She has served on the Board for just over nine years and her term of office will end after the 2024 AGM. Vanda's independent advice and significant contribution to the Board's deliberations over the years have been greatly appreciated and she will leave with our best wishes. A robust recruitment process for a new non-executive director is now underway and an announcement will be released in due course, once a suitable candidate has been identified.

On the 1st of March 2023, Jacky Simmonds was appointed as a non-executive director of the Group. She has significant knowledge and experience of working in international and listed companies, and across all aspects of HR, with particular expertise in employee engagement, talent and succession planning. The proportion of female directors on the Board is now 44%, while representation on our Executive Committee remains at 40%.

Vanda will be succeeded as Chair of the Remuneration Committee by Jacky, and Pam Kirby will succeed her as the Board's new Senior Independent Director. The timing of the changes allows for a meaningful handover period with Vanda as part of a planned succession.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

The Group delivered a strong operating margin in 2023, despite revenue performance being impacted by a reducing benefit from inflation, volume loss in the North America foodservice redistribution business, and some post-pandemic related normalisation trends. I am proud of the success our teams have had with margin management initiatives which have contributed to the margin performance, such as increasing the penetration of our own brand products, and continued strategic focus on operational efficiencies.

We have achieved overall good outcomes from the elevated number of customer tenders we have seen following a period of reduced activity, which is testament to the strong value proposition we provide our customers, supported by the strength of our supply chain. While the Group's financial strength had enabled our teams to invest in inventory during the supply chain disruption over the last few years, as this has eased, our teams have also demonstrated a strong commitment to operational discipline, delivering a meaningful reduction in inventory days towards 2019 levels, particularly in the first half of the year. I am also very pleased with the continued success of our acquisition strategy, including surpassing the milestone of £5 billion of committed spend since 2004.

Our performance in 2023 continues to highlight the strength of Bunzl's compounding growth strategy and this strengthens my confidence in the Group's medium term outlook. Our organic revenue growth will continue to be supported by investments in our value-added proposition, and a net inflationary environment is potentially a further medium term support. Furthermore, we continue to see substantial opportunities for consolidation of our fragmented markets, and the Group has achieved a step-change in the level of committed acquisition spend in recent years. The expansion of our footprint resulting from acquisitions continues to enhance the number of future opportunities available through our locally driven approach to sourcing acquisitions.

Operating performance

With approximately 90% of adjusted operating profit generated outside the UK, profits and earnings were positively impacted between 0% and 3% by currency translation in 2023. The commentary below is stated at constant exchange rates unless otherwise highlighted. Performance in 2023 also reflects the disposal of our UK healthcare business in December 2022, which had revenue of £176 million in 2022.

Over 2023, revenue declined by 1.9% (2.0% at actual exchange rates) to £11,797.1 million. Within this, acquisition growth of 2.5% was offset by underlying revenue decline of 2.9% and the impact of the UK healthcare business disposal in December 2022 which impacted revenue by 1.5%. Within the underlying revenue decline of 2.9%, the decline in Covid-19 related sales impacted underlying revenue by 1.4%, with Covid-19 related sales now broadly in line with 2019 levels. The base business contributed 1.5% of the decline, driven by volume loss in the North America foodservice redistribution business due to deflationary pressure increasing price competition, post-pandemic normalisation trends, as well as a reducing benefit from inflation. Furthermore, volumes were impacted by planned strategic actions in the North America retail business to focus on more profitable customers and the decision to transition ownership of customer specific inventory to certain customers, as well as some volume weakness in Continental Europe and UK & Ireland.

In recent years, the Group has managed inflation on paper, plastics and chemicals well, and successfully implemented product cost driven selling price increases. Over the year, the benefit of inflation continued to reduce, with some deflation in the final quarter, particularly in North America, which was no longer fully offset by inflation benefit elsewhere. While other regions saw lagged inflation compared to North America, all regions experienced a reducing benefit over the course of the year. During the year, we achieved good overall outcomes from the elevated number of customer tenders, following reduced activity during the pandemic. We saw moderating operating cost inflation in North America with wage inflation back to more typical levels. Property cost inflation linked to lease renewals remained high, but was partially offset by fuel and freight rates declining meaningfully. Wage inflation in UK & Ireland and Continental Europe increased over the year but was manageable.

The foodservice and retail businesses combined saw underlying revenue decline by 8% compared to the prior year. There was volume weakness in North America foodservice due to deflationary pressure increasing price competition, which alongside process changes in the business to drive more own brand penetration, resulted in lower volumes. We also saw an impact to volumes from post-pandemic normalisation trends, driven by a reduction in takeaway packaging sales as dining habits have continued to shift following the pandemic, and customer destocking activity early in the first half. The retail sector saw a decline in revenues, mainly in North America, as a result of planned strategic actions to focus on more profitable customers and transitioning ownership of customer specific inventory to certain customers.

In addition, there was a reduction in Covid-19 related sales in most business areas. Total underlying revenue in the grocery and other sectors grew by 2%, driven by further year-on-year inflation benefit. Overall, total underlying revenue in the healthcare, safety and cleaning & hygiene sectors declined by 1% year-on-year, with an impact from lower Covid-19 related sales. Our safety base businesses have seen a slight decline, with continued recovery in some business areas offset by normalising Covid-19 related sales. Increased infrastructure spend in North America is a potential medium term support for our safety business. The cleaning & hygiene sector saw some growth over the year, mainly due to acquisitions and inflation benefits in UK & Ireland and Continental Europe.

Adjusted operating profit was £944.2 million, an increase of 6.2% (6.6% at actual exchange rates), and operating margin increased to 8.0% compared to 7.4% in the prior year. The Group's operating margin was supported by good margin management, including increasing penetration of own brands, higher margin acquisitions, operational efficiencies, and inventory driven one-off benefits in the second half of 2023. Operating margins remain substantially higher compared with the 6.9% achieved in 2019, at constant exchange rates. Of the 110bps increase, around half is driven by margins attributable to acquisitions made over that period. Excluding the UK healthcare disposal, adjusted operating profit grew by 7.6%. Reported operating profit was £789.1 million, an increase of 11.0% (12.5% at actual exchange rates), reflecting the 6.2% increase in adjusted operating profit (at constant exchange rates) and a reduction in customer relationships, brands and technology amortisation and acquisition related items compared to the prior year.

Adjusted profit before income tax was £853.7 million, an increase of 3.4% (4.4% increase at actual exchange rates). Adjusted profit before income tax was impacted by a £27.2 million increase in net finance expense, at constant exchange rates, to £90.5 million, driven by increases in interest rates and fair value movements on interest rate derivatives, partly offset by lower average debt during the year. Reported profit before income tax was £698.6 million, an increase of 7.8% (10.1% at actual exchange rates).

The effective tax rate of 25.0% was higher than the 24.6% in the prior year, reflecting the UK corporate tax increase. This will also have a further impact next year, so the effective tax rate is expected to be around 26% in 2024. Adjusted earnings per share were 191.1p, an increase of 2.7% (3.7% at actual exchange rates). Reported basic earnings per share were 157.1p, an increase of 8.2% (10.9% at actual exchange rates).

The Group's cash generation continues to be strong, with 96% cash conversion (operating cash flow as a percentage of lease adjusted operating profit) ahead of our 90% target, and £643.5 million free cash flow generated. The level of cash generated remains strong, but a higher cash outflow relating to income tax and interest paid resulted in free cash flow declining 8.8% at actual exchange rates compared to 2022. The strength of our underlying free cash flow generation continues to enable our investment in the business, progressive dividends and acquisitions.

The Group ended the year with net debt, excluding lease liabilities, of £1,085.5 million compared to £1,160.1 million in December 2022. Net debt to EBITDA, calculated at average exchange rates and in accordance with the Group's external debt covenants, which are based on historical accounting standards, was 1.1 times compared to 1.2 times at the end of 2022. This provides the Group with substantial capacity to fund further acquisitions and to consider other potential capital allocation options.

The structure of recent acquisitions, with increasing earn outs and options to be exercised to buy out minorities in future years, gives rise to both deferred consideration payable and future contingent consideration. At the end of the year, a deferred consideration payable of £175.6 million was held on our balance sheet compared to £139.9 million at the end of 2022; deferred consideration is not included within the Group's external debt covenant definition. The total amount of deferred and contingent consideration relating to acquisitions was £258.8 million at the end of the year compared to £216.2 million at the end of 2022. The incremental leverage from deferred and contingent consideration expected to be paid was c.0.2 times.

Return on average operating capital increased moderately to 46.1% compared to 43.0% at 31 December 2022, mainly due to higher returns in the underlying business driven by an increase in operating margin. Return on invested capital was 15.5% compared to 15.0% at 31 December 2022, similarly due to higher returns in the underlying business driven by an increase in operating profit.

Organic growth and operational efficiency

We remain committed to delivering growth through our consistent compounding strategy, which focuses on organic growth, operational efficiency and acquisitions. Our colleagues have continued to focus on increasing digital sales, which accounted for 72% of orders over 2023 compared to 69% in 2022. We also continue to provide our customers with innovative products and services, including those within our strong sustainability offering, which enhance our competitive advantage supporting the overall good outcome of recent tenders.

Our continued focus on operational efficiencies included the consolidation of 13 warehouses and the relocation of 11 warehouses, as well as continuing to implement new technologies and automation that drive more efficient processes.

Acquisitions

Over the year, Bunzl agreed 19 acquisitions with a total committed spend of £468 million, adding estimated annualised revenue of £325 million. These acquisitions, which span 11 countries and five sectors, further expanding our customer reach, strategic capabilities, geographic and sector diversification and highlight the breadth of our consolidation opportunities. We are pleased with the acquisition of Safety First, one of the largest distributors of PPE in Poland. This is our first acquisition in Poland, providing access to a potential market of more than 38 million people. Following this acquisition, there are significant opportunities for Bunzl to grow in this market. Bunzl continued to expand its digital capabilities with the acquisitions of specialist online distributors in Germany (Arbeitsschutz-Express) and the Netherlands (EcoTools.nl). Bunzl also completed three acquisitions in Brazil, adding a further c.£124 million of annualised revenue in a country in which we have grown revenue CAGR by 17% since 2019, with plenty of further opportunities for growth.

Overall, acquisitions made during the year have enhanced the Group's digital capabilities and expanded our geographic coverage, own brand ranges and expertise.

Acquisition*	Completion	Description
Capital Paper	January 2023	Distributor of foodservice packaging and consumables, cleaning & hygiene supplies, and industrial packaging products in Canada, with revenue of CAD 26 million (c.£16 million) in 2022
Arbeitsschutz-Express	April 2023	Online distributor of workwear and PPE in Germany, which generated EUR 41 million (c.£35 million) of revenue in 2022
Dimasa	April 2023	Distributor of cleaning & hygiene products in the Andalusia region of Spain, with revenue of EUR 4 million (c.£3 million) in 2022
Irudek Group	April 2023	Distributor of safety and PPE in Spain, specialising in fall protection equipment, with revenue of EUR 17 million (c.£15 million) in 2022
EHM	June 2023	Distributor of a wide range of PPE products in the UK, with revenue in 2022 of £18 million
La Cartuja Complementos Hostelería	June 2023	Foodservice and hospitality equipment provider in Spain, with revenue of EUR 5 million (c.£4 million) in 2022

EcoTools.nl	July 2023	High growth Netherlands based specialist online distributor of tool accessories and industrial consumables to customers across the Benelux region. In 2022, the business generated revenue of EUR 20 million (c.£17 million) with very high double digit margins
Leal Equipamentos de Proteção	August 2023	A specialised high margin safety distributor in Brazil with a strong own brand portfolio, which generated revenue of BRL 216 million (c.£34 million) in 2022
Groveko	August 2023	Distributor of cleaning & hygiene products in the Netherlands with both a traditional cleaning & hygiene product offering, as well as robotic and smart cleaning solutions. The business generated revenue of EUR 23 million (c.£20 million) in 2022
PackPro	August 2023	Distributor of packaging solutions to a diverse customer base, including food processor and industrial customers in Canada. In 2022 the business generated revenue of CAD 33 million (c.£20 million)
Pittman Traffic & Safety Equipment**	August 2023	Distributor of safety and asset protection solutions in Ireland and the UK, such as bollards, speed bumps and workplace barriers, with revenue in 2022 of EUR 7 million (c.£6 million)
FlexPost	October 2023	A higher margin distributor of flexible signposts and bollards in North America with a strong own brand portfolio. FlexPost generated revenue of USD 4 million (c.£3 million) in 2022 and follows other recent acquisitions focused on asset protection solutions
Safety First	November 2023	One of the largest distributors of PPE in Poland to a range of end markets. This is Bunzl's anchor acquisition into Poland, with revenue generated in 2022 of PLN 121 million (c.£22 million)
Grupo Lanlimp	November 2023	A market leading distributor of cleaning & hygiene products in Brazil, with revenue of BRL 210 million (c.£33 million) in 2022
Melbourne Cleaning Supplies	November 2023	A distributor of cleaning & hygiene supplies in Australia. This acquisition expands our customer proposition and complements our existing businesses. In 2022, the business generated revenue of AUD 18 million (c.£10 million)
Miracle Sanitation Supply	December 2023	A cleaning & hygiene distributor in the Canadian province of Manitoba, which strengthens Bunzl's presence in the region. The business generated CAD 11 million revenue in 2022 (c.£7 million)
CT Group	December 2023	A higher margin distributor of surgical and medical devices and provider of value-added logistics services to health providers in Brazil, with revenue of BRL 269 million (c.£42 million) in 2022

*In addition to the above acquisitions, two small acquisitions were agreed in 2023 with a combined revenue of c.£4 million in 2022.

**The acquisition supports the expansion of our North America based McCue business and is therefore reported as part of the North America business area.

The strength of the Group's cash conversion and balance sheet continues to enable the Group to fund further acquisitions, largely through cash generated in the year. This ongoing strength has supported the self-funding of one of Bunzl's most successful acquisition periods. Over the last four years combined committed spend on acquisitions was approximately £1.7 billion.

Bunzl ended 2023 with net debt to EBITDA of 1.1 times, providing the Group with substantial capacity to self-fund further acquisitions. Our pipeline is active, and we see significant opportunities for continued acquisition growth in our existing markets where we have opportunity to increase our presence, as well as potential to expand into new markets.

Today, Bunzl announces the acquisitions of Nisbets and Pamark Group. Nisbets is a leading omnichannel distributor of catering equipment and consumables in the UK and Ireland, Northern Europe, and Australasia. This is a high quality business that will complement the Group's existing businesses in the catering distribution sector. Their extensive range of own brand products are a good addition to our portfolio and their digital marketing and sales capabilities will complement other online-focused businesses within the Group. Pamark is Bunzl's first acquisition in Finland, bringing the Group's operations to a total of 33 countries. It is a leading distributor that provides us with opportunities to expand in multiple end markets, including cleaning & hygiene, healthcare, foodservice and safety.

Capital allocation

Our capital allocation priorities remain unchanged and focused on the following: to reinvest our cash into the business to support organic growth and operational efficiencies; to pay a progressive dividend; to self-fund value accretive acquisitions; and to distribute excess cash. Our framework favours the first three methods of investment, with £2.2 billion of cash distributed to shareholders through dividends and £5.2 billion committed acquisition spend between 2004 and 2023, while maintaining a good return on invested capital of 15.5% (2022: 15.0%). With the strength of Bunzl's performance in recent years resulting in a comfortable leverage position compared to a net debt to EBITDA target of 2.0 to 2.5 times, there is significant financial headroom remaining to commit to self-funded value accretive acquisitions in our active pipeline of attractive opportunities. The Board is committed to an efficient balance sheet which supports investment into the business and maintains flexibility for value accretive acquisitions, and also continually assesses the appropriateness of the return of excess capital to shareholders.

Equitable and sustainable growth

Sustainability remains a key strategic priority, and the Group is committed to helping lead the transition to a more sustainable and equitable future by continuing to direct our efforts into the four key areas where we believe we can make the greatest positive contribution: providing alternative packaging solutions; ensuring responsible supply chains; investing in our people; and taking action on climate change.

The Group remains focused on transitioning customers to packaging that is better suited to a circular economy, with revenue from packaging made from alternative materials accounting for 55% of the Group's total packaging sales. The proportion of total Group revenue attributable to non-packaging products or packaging made from alternative materials remained high at 85%, with a further 10% of the Group's revenue attributable to single-use plastic consumables which are likely to transition to products made from alternative materials. We continue to increase our competitive advantage by sourcing innovative products, including from within our own brand portfolio, as well as with our expert advice, data tools and investments in our supplier auditing programme.

We have made good progress towards our 2030 scope 1 and 2 carbon emissions reduction targets that were approved by the Science Based Targets initiative ('SBTi') in 2022. Currently we are progressing well to achieve our target of a 27.5% absolute emissions reduction and becoming 50% more carbon efficient by 2030, having reduced absolute emissions by 18% and become 30% more carbon efficient against a 2019 baseline. We continue to aim to be net zero by 2050 at the latest, inclusive of scope 3 emissions. We believe that long term net zero targets need to be aligned with climate science and as such we have followed the SBTi's Net Zero Standard to develop our transition plan, which details how we will achieve our 2050 net zero commitment. As with our near term carbon reduction targets, we have submitted our net zero transition plan for approval with the SBTi.

The Group continues to carry out ethical and quality audits of its suppliers. In 2023, 1,022 of these audits were completed through our Shanghai based Global Supply Chain Solutions team. The majority took place in Asia, as this is the most significant high risk sourcing market for Bunzl by spend, but audits were also performed in other high risk regions. In total, c.96% of our overall purchasing spend today is either purchases from low risk regions or with assessed or compliant suppliers in high risk regions, or on other non-product related costs.

Our people strategy also continues to drive strong engagement, as indicated by 75% of our operating companies that participated in the 'Great Place to Work' programme becoming accredited. We continue to see encouraging retention levels across the Group and good progress was made on our diversity plans.

Prospects

We are maintaining our 2024 profit guidance published in our pre-close statement[1].

Following a slower than expected start to the year in North America, we now expect to deliver slight revenue growth in 2024, at constant exchange rates, driven by acquisitions announced in 2023; with underlying revenue, which is organic revenue adjusted for trading days, declining slightly. Group operating margin is now expected to be slightly below 2023.

Looking ahead, the Group's longer term prospects remain attractive, with the Group committed to its proven and consistent strategy which supports Bunzl's continued track record of value creation. Organic growth, is supported by new business opportunities, continual product innovation, sustainability expertise, and the Group's daily focus on becoming more efficient. Our acquisition growth is driven by our position as the leading operator of scale in highly fragmented markets, with a strong balance sheet and demonstrable track record of our ability to consolidate. We believe the merits of joining the Bunzl family have only been strengthened as a result of the pandemic and supply chain disruptions, and this is reflected in our recent acquisition success. We have an active pipeline of acquisition opportunities in our existing markets, supplemented by potential acquisitions in new geographies and adjacent sectors. Our capital allocation and portfolio optimisation discipline ensures we are investing to drive a strong return.

BUSINESS AREA REVIEW

North America

	2023 £m	**2022 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**6,973.5**	**7,366.0**	(5.3)%	(5.6)%
Adjusted operating profit*	**528.0**	**511.5**	2.9%	
Operating margin*	**7.6%**	**6.9%**		

* Alternative performance measure (see Note 2)

In North America, revenue declined 5.3% to £6,973.5 million, with underlying revenue declining by 5.6%. The benefit of a significant new business win in our processor segment in the second half of 2022 and modest growth from current year acquisitions was more than offset by volume loss in the foodservice redistribution business. In retail, revenue was also impacted by planned strategic actions to focus on more profitable customers and transitioning ownership of customer specific inventory to certain customers. Finally, we saw a further decline in Covid-19 related product sales, driven by the return to historical price levels of disposable glove categories. Despite the revenue decline, adjusted operating profit improved by 2.9%, to £528.0 million with operating margin increasing to 7.6%, up from 6.9% in the prior year. This was primarily driven by margin management initiatives and strong growth in own brands, particularly in our grocery and foodservice segments, which more than offset moderating operating cost inflation, driven by wage inflation being at a more typical level. Property cost inflation linked to lease renewals remained high, but was partially offset by fuel and freight rates declining meaningfully.

Our business which supports the US grocery sector, declined modestly as we experienced reducing inflation benefit and some price deflation towards the end of the year, primarily driven by the carrier bag and disposable glove categories. Strong margin management, as well as strong growth in own brands, drove overall improvement in operating margin and adjusted operating profit. Our convenience store sector declined moderately.

[1] The guidance does not include the acquisitions announced today

Our foodservice redistribution business declined. Deflationary pressure increased price competition, which alongside process changes in the business, to drive more own brand penetration, resulted in lower volumes. We also saw an impact on volumes from post-pandemic normalisation trends, as a result of a reduction in takeaway packaging sales as dining habits have continued to shift following the pandemic and customer destocking activity early in the first half. Our food processor sector grew modestly, as the favourable impact of a large customer win in Q3 2022 more than offset continued temporary market weakness in the segment. Our businesses serving the agriculture sector saw revenues decline significantly due to the flooding in California in the first half of 2023 and year-on-year price deflation as a result of the normalisation of supply chains.

Our cleaning & hygiene business declined moderately, as year-on-year product costs reduced, along with Covid-19 related sales and the impact from continued high levels of remote working.

Revenue in our retail supplies business declined following planned strategic actions taken to focus on more profitable customers, transitioning ownership of customer specific inventory to certain customers, and some lost business. However, adjusted operating profit declined only modestly, amidst a favourable mix shift toward higher margin packaging and value added services, increased own brands and well-controlled operating costs.

Our safety business revenue declined, due to a reduction in Covid-19 related sales, although operating margins and operating profit improved as a result of good margin management as supply chains stabilised and strong growth in our asset protection business.

Finally, our business in Canada experienced slight revenue growth, with Covid-19 related sales decreases offset by growth driven by the 2023 acquisitions of Capital Paper and PackPro, with operating profit improved due to increased product margins and well controlled operating costs.

Continental Europe

	2023 £m	**2022 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**2,354.9**	**2,173.4**	8.4%	1.0%
Adjusted operating profit*	**224.7**	**195.1**	14.1%	
Operating margin*	**9.5%**	**9.0%**		

* Alternative performance measure (see Note 2)

Revenue in Continental Europe grew by 8.4% to £2,354.9 million, primarily driven by the benefit of acquisitions. Underlying revenue grew by 1.0%, with the support of product cost inflation partially offset by volume weakness in most markets and the decline in Covid-19 related sales.

Adjusted operating profit increased by 14.1% to £224.7 million, with operating margin increasing from 9.0% to 9.5% driven by good margin management, and a focus on improving our businesses in Turkey to drive profitability in a hyperinflationary environment. Overall revenue and adjusted operating profit growth were mainly driven by the positive contributions from acquisitions made in 2022 and throughout 2023 and good margin management.

In France, there was some revenue growth in our cleaning & hygiene businesses. Good growth with foodservice and healthcare customers and a benefit from product inflation was largely offset by the expected decline in Covid-19 related sales and reduced activity with public sector customers. Our safety business saw a significant reduction in sales of Covid-19 related products, as well as an impact from reduced public sector activity, but successfully moved to a new IT platform enabling more efficient digital tools to be used to support its operations. The foodservice specific businesses have grown sales, supported by inflation.

In the Netherlands, there was very strong growth in our foodservice business, driven by hotel, travel and leisure customers, and also in our non-food retail business, where we had a number of new business wins. We saw some volume weakness in other sectors, with the prior year benefitting very strongly from the reduction in Covid-19 restrictions and deflation impacting our e-commerce fulfilment businesses. Our grocery and e-commerce fulfilment businesses successfully consolidated a number of warehouses into a new facility in the second half of the year. In Belgium, our cleaning & hygiene businesses have grown moderately with contract cleaning and catering customers. In Germany, growth has been driven by our foodservice business, which has grown significantly across all sectors but with hotel customers in particular, and has also launched a new web platform targeting smaller customers.

In Denmark, we have seen a slight decline in our foodservice business as inflation benefits were more than offset by a reduction in Covid-19 related product sales. Revenues in our safety business have grown very strongly due to increased activities from customers in the renewable energy and pharmaceutical sectors.

Sales in Spain saw very strong growth, driven by an acquisition and good organic growth despite a reduction in Covid-19 related sales and reduced activities with industrial packaging customers. Our safety end user and redistribution businesses were impacted by the reduction of Covid-19 related sales but still delivered growth overall with increased volumes in the base business. Our online healthcare business has grown strongly on the back of improved pricing management and better inventory availability.

In Turkey, volumes have declined as we focus on business that can be profitable in a hyperinflationary environment, while in Israel, where we have two small businesses, sales have declined significantly since the start of the Gaza conflict.

In all other countries we have seen a decline in foodservice aided by inflation and volume growth but partially offset by lower Covid-19 related sales. We have continued to increase the percentage of digital orders from customers and have launched a number of new webshops, supporting improved customer retention and enhancing the efficiency of our business. Our digital capabilities have also been enhanced through recent acquisitions (Arbeitsschutz-Express and EcoTools.nl) and the introduction of digital and demand management tools.

UK & Ireland

	2023 £m	**2022 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**1,365.5**	**1,442.5**	(5.4)%	6.1%
Adjusted operating profit*	**103.4**	**95.3**	8.4%	
Operating margin*	**7.6%**	**6.6%**		

* Alternative performance measure (see Note 2)

In UK & Ireland, revenue declined by 5.4% as a result of the disposal of the UK healthcare business. Excluding the impact of acquisitions and last year's disposal of the UK healthcare business, underlying revenue increased by 6.1%. This growth was driven by strong product cost inflation, alongside continued recovery in certain markets, in particular grocery, foodservice and cleaning & hygiene. This positive sales growth, supported by a continual focus on developing own brands and good margin management, delivered a significant increase in operating margin which improved from 6.6% to 7.6%, with adjusted operating profit increasing by 8.4% to £103.4 million, and by 21.2% excluding acquisitions and the UK healthcare disposal.

Our cleaning & hygiene and care businesses continued to grow with the full year effect of new customer wins and category additions. The benefit of inflation reduced in the second half of the year, reflecting the timing of price increases in the equivalent period last year. Our carbon forecasting tools alongside the introduction of many environmentally friendly products have enabled our customers to further improve upon their own climate targets. The launch of some new labour-saving cleaning technologies has also allowed our customers to invest for the future. Within our care businesses we have also seen growth with the onboarding of some large exclusive supplier contracts that launched in the second half of the year.

Our safety businesses grew despite a reduction in government infrastructure spending and the slowdown in house building, as a result of new wins in the transport and building materials sectors. Work continues in developing a strong sustainable range of own brand products as demand in this area grows. The business has continued to invest in new operationally efficient locations to deliver outstanding levels of service to customers alongside an increasing shift towards buying online.

Our grocery and non-food retail businesses saw slight growth from more business with existing customers and the securing of a large new category from an existing grocery customer. We continued to invest in improving our sourcing credentials and expanded our work with sister companies to provide pick and pack services in-house to enhance the levels of service available. We saw some new customer wins in our national online packaging business leveraging our ability to source globally delivered cost-effective solutions. Our other packaging businesses achieved good outcomes on customer tenders to secure long term contracts with many existing customers, despite the deflationary environment.

Our foodservice businesses saw a softening of demand as the cost-of-living issues coincided with high cost inflation in both food supplies and labour. Despite this trend, these businesses delivered strong growth as a result of good customer tender retention and new customer wins, with customers impressed with our sustainability offering, including our ability to provide sustainable product alternatives. The quality of our data has also allowed us to work closely with customers as they seek to reduce their impact on the climate and their emissions. Increased focus on developing more cost-effective and sustainable own brands is also making an impact as sales of these products continued to improve.

Our businesses in Ireland continued to see good growth, driven by increasing business with existing customers and by securing new customers. We have continued to invest in developing our operations with the introduction of new warehouse management systems, which have further enhanced our service following the recent launch of innovative inventory management technology. Data provides us with valuable insights into our customers' purchasing habits, which allows us to recommend valuable and sustainable delivery solutions to support a growing need to reduce carbon emissions. The launch of several new own brand and sustainable product ranges has landed well with customers seeking stronger environmental solutions for the future.

Rest of the World

	2023 £m	**2022 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**1,103.2**	**1,057.6**	5.7%	(3.2)%
Adjusted operating profit*	**119.6**	**111.7**	7.5%	
Operating margin*	**10.8%**	**10.6%**		

* Alternative performance measure (see Note 2)

In Rest of the World, revenue increased by 5.7% to £1,103.2 million, driven by acquisitions, with underlying revenue declining by 3.2%, caused by further normalisation of Covid-19 related product sales, largely in Asia Pacific, reflecting the non-repeat of some large orders that were fulfilled in the prior year. The Latin America businesses were also impacted by lower selling prices resulting from reduced inbound freight costs and currency movements over the year. Overall, the Rest of the World's adjusted operating profit increased by 7.5% to £119.6 million with operating margin increasing from 10.6% to 10.8%, driven by acquisitions.

In Brazil, our safety businesses experienced some organic sales growth and strong margins as market conditions remained stable. Our healthcare businesses had mixed results with difficult trading in our private label import business as prices post-pandemic continued to normalise, contrasting with strong performances from our more technical branded medical distributors. Our hygiene and foodservice businesses saw lower sales due to increased competitive pressure, but in both cases margins increased. Our safety, hygiene and healthcare presence in Brazil has been significantly bolstered by three new acquisitions completed during the year.

In Chile, our safety businesses saw mixed results. Our full-range PPE business experienced good organic growth and improved margins while our specialty footwear business saw more difficult trading due to weaker demand in the retail channel. Our foodservice business also declined due to weaker consumer demand across the country and higher competition, although profitability is still well ahead of 2019.

Our largest business in Asia Pacific, Bunzl Australia and New Zealand, experienced a temporary decline in healthcare revenue in the first half of the year as both the government and private sectors utilised excess Covid-19 related inventory. However, the business experienced very strong growth in cleaning & hygiene and has continued developing specialisation in its core market sectors, which has resulted in a strong pipeline of new business. The acquisition of Melbourne Cleaning Supplies in November 2023 further strengthened our cleaning & hygiene businesses.

Our Australian speciality healthcare business was impacted by reduced government and private spending, as these customers continue to utilise inventory procured during the pandemic, but remained focused on delivering improvements in its supply chain and continued exploring potential new opportunities.

Our Australian safety business realised sales growth in its underlying business, benefitting from several new business wins in its direct to end user division. However, this was offset by a reduction in Covid-19 related product sales and customers reducing their inventory holdings in our redistribution division. Our emergency services business had a very strong finish to the year, securing several key government orders in the fire and rescue segment.

In New Zealand, our MedTech and specialist healthcare businesses had strong results for the year as demand returned in the public health sector. Both businesses benefitted from improved supply chains and a strong portfolio of brands that are well supported in our specialist segments.

FINANCIAL REVIEW

As in previous years this review refers to a number of alternative performance measures which management uses to assess the performance of the Group. Details of the Group's alternative performance measures are set out in Note 2.

Currency translation

Currency translation has had a small positive impact on the Group's reported profits, increasing the reported profit growth rates by between 0% and 3%. This positive exchange impact to profit is primarily due to the weakening of sterling against the euro and Brazilian real, partly offset by the strengthening of sterling against the Australian dollar and Canadian dollar. The US dollar average exchange rates remained in line with last year.

Average exchange rates	**2023**	2022
US$	**1.24**	1.24
Euro	**1.15**	1.17
Canadian$	**1.68**	1.61
Brazilian real	**6.21**	6.38
Australian$	**1.87**	1.78

Closing exchange rates	**2023**	2022
US$	**1.27**	1.20
Euro	**1.15**	1.13
Canadian$	**1.68**	1.63
Brazilian real	**6.19**	6.35
Australian$	**1.87**	1.77

Revenue

Revenue decreased to £11,797.1 million (2022: £12,039.5 million), a decrease of 1.9% at constant exchange rates (down 2.0% at actual exchange rates), due to an underlying decline of 2.9% and impact from the disposal of the UK Healthcare business at the end of 2022 reducing revenue by 1.5% partly offset by acquisitions adding 2.5%. The underlying decline was impacted by a decline in Covid-19 related sales, which are now broadly in line with 2019 levels, volume loss in the North America foodservice redistribution business due to deflationary pressure increasing price competition, post-pandemic normalisation trends, as well as a reducing benefit from inflation. Furthermore, volumes were impacted by planned strategic actions in the North America retail business to focus on more profitable customers and the decision to transition ownership of customer specific inventory to certain customers, as well as some volume weakness in Continental Europe and UK & Ireland.

Movement in revenue	**£m**
2022 revenue	12,039.5
Currency translation	(17.9)
Disposal of business	(176.1)
Excess growth in hyperinflationary economies	5.8
Underlying decline	(347.7)
Acquisitions	293.5
2023 revenue	**11,797.1**

Operating profit

Adjusted operating profit was £944.2 million (2022: £885.9 million), an increase of 6.2% at constant exchange rates and 6.6% at actual exchange rates. At both constant and actual exchange rates operating margin increased to 8.0% from 7.4% in 2022. The operating margin of 8.0% was supported by good margin management, including increasing penetration of own brands, higher margin acquisitions made, operational efficiencies and inventory driven one-off benefits in the second half of 2023.

During 2023, the Group has seen a net utilisation of approximately £25 million in trade receivables and slow moving inventory provisions. Usage of these provisions, including some releases to profit, exceeded net charges to increase the provisions. In addition, the Group has seen some utilisation of the residual provisions set up in prior years as a result of market price movements on certain Covid-19 products; the remaining market price risk on these products is no longer significant.

Movement in adjusted operating profit	**£m**
2022 adjusted operating profit	885.9
Currency translation	3.2
Disposal of business	(11.9)
Decrease in hyperinflation accounting adjustments	2.5
2023 growth	64.5
2023 adjusted operating profit	**944.2**

Operating profit was £789.1 million (2022: £701.6 million), an increase of 11.0% at constant exchange rates and 12.5% at actual exchange rates.

Movement in operating profit	**£m**
2022 operating profit	701.6
Currency translation	9.1
Disposal of business	(11.6)
Decrease in hyperinflation accounting adjustments and impairment	11.1
Growth in adjusted operating profit	64.5
Net decrease in customer relationships, brands and technology amortisation and acquisition related items excluding impairment	14.4
2023 operating profit	**789.1**

Customer relationships, brands and technology amortisation and acquisition related items are excluded from the calculation of adjusted operating profit as they do not relate to the trading performance of the business. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating adjusted operating profit and other alternative performance measures by which management assess the performance of the Group.

Net finance expense

The net finance expense for the year was £90.5 million, an increase of £27.2 million at constant exchange rates (up £22.6 million at actual exchange rates), mainly due to increases in interest rates and fair value movements on interest rate derivatives, partly offset by lower average debt during the year.

Profit before income tax

Adjusted profit before income tax was £853.7 million (2022: £818.0 million), up 3.4% at constant exchange rates (up 4.4% at actual exchange rates), due to the growth in adjusted operating profit partly offset by the increase in net finance expense. Profit before income tax was £698.6 million (2022: £634.6 million), an increase of 7.8% at constant exchange rates (up 10.1% at actual exchange rates).

Taxation

The Group's tax strategy is to comply with tax laws in all countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay the appropriate level of tax where it does business. No companies are established in tax havens or other countries for tax purposes where the Group does not have an operational presence and the Group's de-centralised operational structure means that the level of intragroup trading transactions is very low. The Group does not use intragroup transfer prices to shift profit into low tax jurisdictions. The Group's tax strategy has been approved by the Board and tax risks are reviewed by the Audit Committee. In accordance with UK legislation, the strategy is published on the Bunzl plc website within the Corporate governance section.

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 25.0% (2022: 24.6%) and the reported tax rate on statutory profit was 24.7% (2022: 25.2%). The effective tax rate for 2023 is higher than for 2022 primarily due to the increase in the UK statutory tax rate from 19% to 25% from April 2023. The Group's effective tax rate is expected to increase to be around 26% in 2024.

The Group is within the scope of the OECD Pillar Two model rules which take effect from 1 January 2024. Most countries in which the Group operates are expected to report an effective tax rate in excess of 15% and therefore to qualify for a safe harbour exemption such that no top-up tax should apply. In countries where this is not the case there is the potential for Pillar Two taxes to apply, but these are not expected to be material.

Earnings per share

Profit after tax increased to £526.2 million (2022: £474.4 million), up 8.2% and an increase of £40.1 million at constant exchange rates (up 10.9% at actual exchange rates), due to a £50.3 million increase in profit before income tax, partly offset by a £10.2 million increase in the tax charge at constant exchange rates. Profit after tax for the year bears an £11.0 million adverse impact from hyperinflation accounting adjustments (2022: £21.2 million adverse impact and a £13.0 million hyperinflation accounting related impairment charge to the customer relationships assets in the Group's businesses in Turkey partly offset by a tax credit of £2.5 million related to the impairment charge).

Adjusted profit after tax was £640.3 million (2022: £616.8 million), up 2.8% and an increase of £17.6 million at constant exchange rates (up 3.8% at actual exchange rates), due to a £27.9 million increase in adjusted profit before income tax, partly offset by a £10.3 million increase in the tax on adjusted profit before income tax at constant exchange rates. Adjusted profit before income tax for the year bears an £11.0 million adverse impact from hyperinflation accounting adjustments (2022: £19.4 million adverse impact).

The weighted average number of shares in issue increased to 335.0 million from 334.7 million in 2022 due to employee share option exercises partly offset by share purchases into the employee benefit trust.

Basic earnings per share were 157.1p (2022: 141.7p), up 8.2% at constant exchange rates (up 10.9% at actual exchange rates). Adjusted earnings per share were 191.1p (2022: 184.3p), an increase of 2.7% at constant exchange rates (up 3.7% at actual exchange rates).

Movement in basic earnings per share	**Pence**
2022 basic earnings per share	141.7
Currency translation	3.5
Increase in adjusted profit before income tax excluding hyperinflation accounting adjustments	6.1
Decrease in adjusting items	3.1
Decrease in hyperinflation accounting adjustments and impairment	2.1
Decrease in reported tax rate	0.7
Increase in weighted average number of shares	(0.1)
2023 basic earnings per share	**157.1**

Movement in adjusted earnings per share	**Pence**
2022 adjusted earnings per share	184.3
Currency translation	1.7
Increase in adjusted profit before income tax excluding hyperinflation accounting adjustments	6.1
Movement in hyperinflation accounting adjustments	-
Increase in effective tax rate	(0.8)
Increase in weighted average number of shares	(0.2)
2023 adjusted earnings per share	**191.1**

Dividends

An analysis of dividends per share for the years to which they relate is shown below:

	2023	2022	Growth
Interim dividend (p)	**18.2**	17.3	5.2%
Final dividend (p)	**50.1**	45.4	10.4%
Total dividend (p)	**68.3**	62.7	8.9%
Dividend cover (times)	**2.8**	2.9	

The Company's practice is to pay a progressive dividend, delivering year-on-year increases. The Board is proposing a 2023 final dividend of 50.1p, an increase of 10.4% on the amount paid in relation to the 2022 final dividend. The 2023 total dividend of 68.3p is 8.9% higher than the 2022 total dividend.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group's long term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2023, Bunzl has sustained 31 years of consecutive annual dividend growth to shareholders.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in Note 19 (Principal risks and uncertainties). The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2023 Bunzl plc had sufficient distributable reserves to cover more than six years of dividends at the levels of those delivered in 2023, which is expected to be approximately £230 million.

Acquisitions

The Group completed 20 acquisitions during the year ended 31 December 2023 with a total committed spend of £470.3 million. Excluding the acquisition of GRC, which was agreed in 2022 but completed on 1 January 2023, total committed spend on acquisitions agreed and completed during the year was £467.5 million. The estimated annualised revenue and adjusted operating profit of the acquisitions agreed during the year were £325 million and £51 million, respectively.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	281.9
Goodwill	130.6
Consideration	412.5
Satisfied by:	
cash consideration	343.0
deferred consideration	69.5
	412.5
Contingent payments relating to retention of former owners	59.5
Net cash acquired	(19.8)
Transaction costs and expenses	18.1
Total committed spend in respect of acquisitions completed in the current year	**470.3**
Spend on acquisition committed at prior year end but completed in the current year	(2.8)
Total committed spend in respect of acquisitions agreed in the current year	**467.5**

The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	343.0
Net cash acquired	(19.8)
Deferred consideration payments	14.5
Net cash outflow on purchase of businesses	337.7
Cash outflow from acquisition related items*	36.9
Total cash outflow in respect of acquisitions	**374.6**

* Acquisition related items comprise £18.1 million of transaction costs and expenses paid and £18.8 million of payments relating to retention of former owners.

Cash flow

A summary of the cash flow for the year is shown below:

	2023 £m	2022 £m
Cash generated from operations†	**1,129.5**	1,145.8
Payment of lease liabilities	**(188.0)**	(175.1)
Net capital expenditure	**(56.2)**	(45.7)
Operating cash flow†	**885.3**	925.0
Net interest paid excluding interest on lease liabilities	**(53.2)**	(45.7)
Income tax paid	**(188.6)**	(173.6)
Free cash flow	**643.5**	705.7
Dividends paid	**(209.7)**	(190.5)
Net payments relating to employee share schemes	**(23.7)**	(31.9)
Net cash inflow before acquisitions and disposals	**410.1**	483.3
Acquisitions◊	**(374.6)**	(264.2)
Disposals	**-**	49.9
Net cash inflow on net debt excluding lease liabilities	**35.5**	269.0

† Before acquisition related items.
◊ Including acquisition related items.

The Group's free cash flow of £643.5 million was £62.2 million lower than in 2022, due to the decrease in operating cash flow of £39.7 million, a £15.0 million higher cash outflow relating to tax, and an increase in net interest paid excluding interest on lease liabilities of £7.5 million. The Group's free cash flow was used to finance an acquisition cash outflow of £374.6 million (2022: £264.2 million), dividend payments of £209.7 million in respect of 2022 (2022: £190.5 million in respect of 2021) and net payments of £23.7 million (2022: net payments of £31.9 million) relating to employee share schemes. Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 96% (2022: 107%).

	2023 £m	2022 £m
Operating cash flow	**885.3**	925.0
Adjusted operating profit	**944.2**	885.9
Add back depreciation of right-of-use assets	**166.1**	151.1
Deduct payment of lease liabilities	**(188.0)**	(175.1)
Lease adjusted operating profit	**922.3**	861.9
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**96%**	107%

Net debt

Net debt excluding lease liabilities decreased by £74.6 million during the year to £1,085.5 million (2022: £1,160.1 million), due to a net cash inflow of £35.5 million, a £38.4 million decrease due to currency translation and a non-cash decrease in debt of £0.7 million. Net debt including lease liabilities was £1,750.0 million (2022: £1,730.0 million).

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.1 times (2022: 1.2 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.5 times (2022: 1.5 times).

Balance sheet

Summary balance sheet at 31 December:

	2023 £m	2022 £m
Intangible assets	**3,242.1**	3,093.9
Right-of-use-assets	**616.3**	529.6
Property, plant and equipment	**159.4**	137.2
Working capital	**1,158.1**	1,096.6
Deferred consideration	**(175.6)**	(139.9)
Other net liabilities	**(333.4)**	(306.4)
	4,666.9	4,411.0
Net pension surplus	**49.4**	39.9
Net debt excluding lease liabilities	**(1,085.5)**	(1,160.1)
Lease liabilities	**(664.5)**	(569.9)
Equity	**2,966.3**	2,720.9
Return on average operating capital	**46.1%**	43.0%
Return on invested capital	**15.5%**	15.0%

Return on average operating capital increased to 46.1% from 43.0% in 2022 mainly due to higher returns in the underlying business driven by an increase in operating margin. Return on invested capital was 15.5% compared to 15.0% in 2022, similarly due to higher returns in the underlying business driven by an increase in operating profit.

Intangible assets increased by £148.2 million to £3,242.1 million due to intangible assets arising on acquisitions in the year of £372.0 million, a net increase from hyperinflation adjustments of £8.8 million and software additions of £15.5 million, partly offset by an amortisation charge of £145.0 million and a decrease from currency translation of £103.1 million.

Right-of-use assets increased by £86.7 million to £616.3 million due to additional right-of-use assets from new leases during the year of £136.7 million, an increase from remeasurement adjustments of £119.8 million and an increase from acquisitions of £16.2 million, partly offset by a depreciation charge of £166.1 million and a decrease from currency translation of £19.9 million.

Working capital increased from the prior year end by £61.5 million to £1,158.1 million driven by an increase of £61.2 million from acquisitions and an underlying increase of £28.4 million as shown in the cash flow statement, partly offset by a decrease from currency translation of £43.9 million.

Deferred consideration increased by £35.7 million to £175.6 million due to £69.5 million of deferred consideration recognised on current year acquisitions, partly offset by deferred consideration and retention payments of £30.0 million, a credit from adjustments to previously estimated earn outs net of charges relating to the retention of former owners of £1.4 million and a decrease from currency translation of £2.4 million. Including expected future payments which are contingent on the continued retention of former owners of businesses acquired of £83.2m, total deferred and contingent consideration at 31 December 2023 was £258.8m (2022: £216.2m).

The Group’s net pension surplus of £49.4 million at 31 December 2023 has increased by £9.5 million from the net pension surplus of £39.9 million at 31 December 2022, largely due to cash contributions of £6.9 million.

Shareholders’ equity increased by £245.4 million during the year to £2,966.3 million.

Movement in shareholders’ equity	**£m**
Shareholders’ equity at 31 December 2022	2,720.9
Currency (net of tax)	(97.0)
Profit for the year	526.2
Dividends	(209.7)
Hyperinflation accounting adjustments	21.6
Actuarial gain on pension schemes (net of tax)	2.8
Share based payments (net of tax)	20.8
Employee share schemes (net of tax)	(19.3)
Shareholders’ equity at 31 December 2023	**2,966.3**

Capital management

The Group’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group funds its operations through a mixture of shareholders’ equity and bank and capital market borrowings. The Group’s funding strategy is to maintain an investment grade credit rating and the Company’s current credit rating with Standard & Poor’s is BBB+. All borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have a range of maturities, are competitively priced and meet the demands of the business over time. There were no changes to the Group’s approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are periodically reviewed by the Board. Controls over exposure changes and transaction authenticity are in place.

During the year, the Group’s USD interest rate swaps and committed USD bank facility, which previously referenced the discontinued USD LIBOR, have been renegotiated to reference SOFR, the new USD benchmark. This has not had an impact on the financial results for the year ended 31 December 2023.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal financial covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the year ended 31 December 2023 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards. The US private placement notes ('USPPs') issued in March 2022 contain a clause whereby upon maturity of the previously issued USPPs, the latest maturity being in 2028, the principal financial covenants referred to above will no longer apply. In addition, the principle financial covenants were removed from the Group's committed bank facilities in 2022.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. At 31 December 2023 the nominal value of US private placement notes outstanding was £917.5 million (2022: £1,126.4 million) with maturities ranging from 2024 to 2032. At 31 December 2023 the available committed bank facilities totalled £852.6 million (2022: £963.6 million) of which none (2022: none) was drawn down, providing headroom of £852.6 million (2022: £963.6 million). During 2023, £365 million of bank facilities were signed with maturities between 2026 to 2028. The Group expects to make repayments in the 18 month period from the date of these financial statements to the end of 30 June 2025 of approximately £302 million relating to maturing USPPs. In addition, the current intention is that the £300 million Senior Bond maturing in 2025 will be refinanced in the capital markets before maturity.

Going concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. In reaching this conclusion, the directors noted the Group's strong cash performance in the year, the substantial funding available to the Group as described above and the resilience of the Group to a range of severe but plausible downside scenarios. Further details are set out in Note 1.

Consolidated income statement
for the year ended 31 December 2023

	Notes	**2023 £m**	2022 £m
Revenue	3	**11,797.1**	12,039.5
Operating profit	3	**789.1**	701.6
Finance income	4	**60.4**	22.3
Finance expense	4	**(150.9)**	(90.2)
Disposal of business	9	**-**	0.9
Profit before income tax		**698.6**	634.6
Income tax	5	**(172.4)**	(160.2)
Profit for the year attributable to the Company's equity holders		**526.2**	474.4
Earnings per share attributable to the Company's equity holders			
Basic	7	**157.1p**	141.7p
Diluted	7	**156.0p**	140.7p
Dividend per share	6	**68.3p**	62.7p

Alternative performance measures†			
Operating profit	3	**789.1**	701.6
Adjusted for:			
Customer relationships, brands and technology amortisation	3	**135.6**	128.4
Acquisition related items	3	**19.5**	55.9
Adjusted operating profit		**944.2**	885.9
Finance income	4	**60.4**	22.3
Finance expense	4	**(150.9)**	(90.2)
Adjusted profit before income tax		**853.7**	818.0
Tax on adjusted profit	5	**(213.4)**	(201.2)
Adjusted profit for the year		**640.3**	616.8
Adjusted earnings per share	7	**191.1p**	184.3p

† See Note 2 for further details of the alternative performance measures.

Consolidated statement of comprehensive income
for the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year	**526.2**	474.4
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit pension schemes	**2.9**	6.9
(Loss)/gain recognised in cash flow hedge reserve	**(2.3)**	10.3
Tax on items that will not be reclassified to profit or loss	**0.5**	(4.0)
Total items that will not be reclassified to profit or loss	**1.1**	13.2
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences on foreign operations	**(126.9)**	232.9
Gain/(loss) taken to equity as a result of effective net investment hedges	**31.4**	(38.2)
Tax on items that may be reclassified to profit or loss	**(0.5)**	0.3
Total items that may be reclassified subsequently to profit or loss	**(96.0)**	195.0
Other comprehensive (expense)/income for the year	**(94.9)**	208.2
Total comprehensive income attributable to the Company's equity holders	**431.3**	682.6

Consolidated balance sheet
at 31 December 2023

	Notes	**2023 £m**	2022 £m
Assets			
Property, plant and equipment		**159.4**	137.2
Right-of-use assets	10	**616.3**	529.6
Intangible assets	11	**3,242.1**	3,093.9
Defined benefit pension assets		**69.0**	60.5
Derivative financial assets		**0.1**	-
Deferred tax assets		**14.2**	4.0
Total non-current assets		**4,101.1**	3,825.2
Inventories		**1,621.1**	1,748.6
Trade and other receivables		**1,578.5**	1,557.4
Income tax receivable		**8.7**	12.6
Derivative financial assets		**11.7**	19.0
Cash and cash equivalents	14	**1,426.1**	1,504.0
Total current assets		**4,646.1**	4,841.6
Total assets		**8,747.2**	8,666.8
Equity			
Share capital		**108.6**	108.5
Share premium		**205.2**	199.4
Translation reserve		**(170.2)**	(74.2)
Other reserves		**16.7**	17.7
Retained earnings		**2,806.0**	2,469.5
Total equity attributable to the Company's equity holders		**2,966.3**	2,720.9
Liabilities			
Interest bearing loans and borrowings	14	**1,417.1**	1,574.0
Defined benefit pension liabilities		**19.6**	20.6
Other payables		**176.1**	117.2
Income tax payable		**0.5**	1.1
Provisions		**75.8**	50.5
Lease liabilities	13	**512.4**	424.0
Derivative financial liabilities		**78.7**	100.5
Deferred tax liabilities		**190.1**	192.7
Total non-current liabilities		**2,470.3**	2,480.6
Bank overdrafts	14	**874.2**	825.9
Interest bearing loans and borrowings	14	**130.0**	161.0
Trade and other payables		**2,071.6**	2,249.4
Income tax payable		**47.0**	40.6
Provisions		**10.0**	24.2
Lease liabilities	13	**152.1**	145.9
Derivative financial liabilities		**25.7**	18.3
Total current liabilities		**3,310.6**	3,465.3
Total liabilities		**5,780.9**	5,945.9
Total equity and liabilities		**8,747.2**	8,666.8

Consolidated statement of changes in equity
for the year ended 31 December 2023

	Share capital £m	**Share premium £m**	**Translation reserve £m**	**Other reserves◊ £m**	**Retained earnings† £m**	**Total equity £m**
At 31 December 2022	**108.5**	**199.4**	**(74.2)**	**17.7**	**2,469.5**	**2,720.9**
Profit for the year					**526.2**	**526.2**
Actuarial gain on defined benefit pension schemes					**2.9**	**2.9**
Foreign currency translation differences on foreign operations			**(126.9)**			**(126.9)**
Gain taken to equity as a result of effective net investment hedges			**31.4**			**31.4**
Loss recognised in cash flow hedge reserve				**(2.3)**		**(2.3)**
Income tax charge on other comprehensive expense			**(0.5)**	**0.6**	**(0.1)**	**-**
Total comprehensive income			**(96.0)**	**(1.7)**	**529.0**	**431.3**
2022 interim dividend					**(57.9)**	**(57.9)**
2022 final dividend					**(151.8)**	**(151.8)**
Movement from cash flow hedge reserve to inventory (net of tax)				**0.7**		**0.7**
Hyperinflation accounting adjustments[1]					**21.6**	**21.6**
Issue of share capital	**0.1**	**5.8**				**5.9**
Employee trust shares					**(25.2)**	**(25.2)**
Share based payments (net of tax)					**20.8**	**20.8**
At 31 December 2023	**108.6**	**205.2**	**(170.2)**	**16.7**	**2,806.0**	**2,966.3**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 31 December 2021	108.4	194.2	(269.2)	19.0	2,151.5	2,203.9
Adjustment to 2021 closing equity in respect of hyperinflation in Turkey[1]					12.6	12.6
Restated equity at 1 January 2022	108.4	194.2	(269.2)	19.0	2,164.1	2,216.5
Profit for the year					474.4	474.4
Actuarial gain on defined benefit pension schemes					6.9	6.9
Foreign currency translation differences on foreign operations			232.9			232.9
Loss taken to equity as a result of effective net investment hedges			(38.2)			(38.2)
Gain recognised in cash flow hedge reserve				10.3		10.3
Income tax charge on other comprehensive income			0.3	(2.6)	(1.4)	(3.7)
Total comprehensive income			195.0	7.7	479.9	682.6
2021 interim dividend					(54.3)	(54.3)
2021 final dividend					(136.2)	(136.2)
Movement from cash flow hedge reserve to inventory (net of tax)				(9.0)		(9.0)
Hyperinflation accounting adjustments[1]					34.9	34.9
Issue of share capital	0.1	5.2				5.3
Employee trust shares					(34.2)	(34.2)
Share based payments (net of tax)					15.3	15.3
At 31 December 2022	108.5	199.4	(74.2)	17.7	2,469.5	2,720.9

[1]During 2022, IAS 29 'Financial Reporting in Hyperinflationary Economies' became applicable for entities with a functional currency of the Turkish Lira. Following this, the results of the Group's businesses in Turkey, along with its business in Argentina which has been subject to hyperinflation accounting since 2018, have been adjusted for the effects of inflation in accordance with IAS 29. See Note 1 for further details.

◊ Other reserves comprise merger reserve of £2.5m (2022: £2.5m), capital redemption reserve of £16.1m (2022: £16.1m) and a negative cash flow hedge reserve of £1.9m (2022: negative £0.9m).

† Retained earnings comprise earnings of £2,876.9m (2022: £2,532.9m), offset by own shares of £70.9m (2022: £63.4m).

Consolidated cash flow statement
for the year ended 31 December 2023

	Notes	**2023 £m**	2022 £m
Cash flow from operating activities			
Profit before income tax		**698.6**	634.6
Adjusted for:			
net finance expense	4	**90.5**	67.9
customer relationships, brands and technology amortisation		**135.6**	128.4
acquisition related items	3	**19.5**	55.9
disposal of business	9	**-**	(0.9)
Adjusted operating profit		**944.2**	885.9
Adjustments:			
depreciation and software amortisation	16	**207.2**	189.5
other non-cash items	16	**6.5**	15.9
working capital movement	16	**(28.4)**	54.5
Cash generated from operations before acquisition related items		**1,129.5**	1,145.8
Cash outflow from acquisition related items	8	**(36.9)**	(20.6)
Income tax paid		**(188.6)**	(173.6)
Cash inflow from operating activities		**904.0**	951.6
Cash flow from investing activities			
Interest received		**54.4**	16.2
Purchase of property, plant and equipment and software		**(58.3)**	(46.7)
Sale of property, plant and equipment		**2.1**	1.0
Purchase of businesses	8	**(337.7)**	(243.6)
Disposal of business	9	**-**	49.9
Cash outflow from investing activities		**(339.5)**	(223.2)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(107.6)**	(61.9)
Dividends paid		**(209.7)**	(190.5)
Increase in borrowings		**-**	346.4
Repayment of borrowings		**(159.5)**	(131.8)
Receipts/(payments) on settlement of foreign exchange contracts		**21.6**	(86.2)
Payment of lease liabilities – principal	13	**(159.4)**	(153.1)
Payment of lease liabilities – interest	13	**(28.6)**	(22.0)
Proceeds from issue of ordinary shares to settle share options		**5.9**	5.3
Proceeds from exercise of market purchase share options		**46.8**	36.8
Purchase of employee trust shares		**(76.4)**	(74.0)
Cash outflow from financing activities		**(666.9)**	(331.0)
(Decrease)/increase in cash, cash equivalents and overdrafts		**(102.4)**	397.4
Cash, cash equivalents and overdrafts at start of year		**678.1**	225.3
(Decrease)/increase in cash, cash equivalents and overdrafts		**(102.4)**	397.4
Currency translation		**(23.8)**	55.4
Cash, cash equivalents and overdrafts at end of year	14	**551.9**	678.1

Consolidated cash flow statement (continued)
for the year ended 31 December 2023

Alternative performance measures†	Notes	2023 £m	2022 £m
Cash generated from operations before acquisition related items		**1,129.5**	1,145.8
Purchase of property, plant and equipment and software		**(58.3)**	(46.7)
Sale of property, plant and equipment		**2.1**	1.0
Payment of lease liabilities	13	**(188.0)**	(175.1)
Operating cash flow		**885.3**	925.0
Adjusted operating profit		**944.2**	885.9
Add back depreciation of right-of-use assets	10	**166.1**	151.1
Deduct payment of lease liabilities	13	**(188.0)**	(175.1)
Lease adjusted operating profit		**922.3**	861.9
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**96%**	107%
Operating cash flow		**885.3**	925.0
Net interest paid excluding interest on lease liabilities		**(53.2)**	(45.7)
Income tax paid		**(188.6)**	(173.6)
Free cash flow		**643.5**	705.7

† See Note 2 for further details of the alternative performance measures.

Notes

1. Basis of preparation and accounting policies

a) Basis of accounting

The consolidated financial statements for the year ended 31 December 2023 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with UK-adopted International Accounting Standards ('IASs') in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply fully with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value.

Bunzl plc's 2023 Annual Report will be published in March 2024. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2023 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 24 April 2024. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

The comparative figures for the year ended 31 December 2022 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

(i) Going Concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

In reaching this conclusion, the directors noted the Group's strong operating cash flow performance in the year and the substantial funding available to the Group as described in the Financial review. The directors also considered a range of different forecast scenarios for the 18 month period from the date of these financial statements to the end of June 2025 starting with a base case projection derived from the Group's 2024 Budget excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of severe but plausible downside scenarios was factored into the directors' considerations through two levels of stress testing against the base case projection.

These severe but plausible downside scenarios included the following assumptions:

- A 15% reduction in adjusted operating profit from the potential for adverse impacts from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 10% increase in working capital
- A 25% reduction in adjusted operating profit from a more severe impact from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 20% increase in working capital

In addition, the Group has carried out reverse stress tests against the base case to determine the level of performance that would result in a breach of financial covenants. In order for a breach of covenants to occur during the 18 month period to the end of June 2025 the Group would need to experience a reduction in EBITDA of over 65% compared to the base case.

In the first two stress tests it was found that the Group was resilient and in particular it remained in compliance with the relevant financial covenants. The conditions required to create the reverse stress test scenario were so severe that they were considered to be implausible. The directors are therefore satisfied that the Group's forecasts, which take into account reasonably possible changes in trading performance, show that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore the going concern basis of preparation continues to be appropriate.

(ii) Impact of Hyperinflation on the financial statements at 31 December 2023

The Group's financial statements include the results and financial position of its Turkish and Argentinian operations restated to the measuring unit current at the end of the year, with hyperinflationary gains and losses in respect of monetary items being reported in finance expense. Comparative amounts presented in the financial statements have not been restated. The inflation rates used by the Group are the official rates published by the Turkish Statistical Institute and the Argentine Federation of Professional Councils of Economic Sciences. The movement in the publicly available official price index for the year ended 31 December 2023 was an increase of 65% (2022: increase of 64%) in Turkey and an increase of 210% (2022: increase of 95%) in Argentina.

IAS 29 requires that the income statement is adjusted for inflation in the year and translated at the year end foreign exchange rates and that non-monetary assets and liabilities on the balance sheet are inflated to reflect the change in

1. Basis of preparation and accounting policies (continued)

purchasing power caused by inflation from the date of initial recognition. For the year ended 31 December 2023, this resulted in an increase in goodwill of £8.4m (2022: £16.4m) and a net increase in other intangibles of £0.4m (2022: £12.3m before impairment charges). The impacts on other non-monetary assets and liabilities were immaterial. The impact to retained earnings during the year was a gain of £21.6m (2022: gain of £47.5m). The total impact to the Consolidated income statement during the year was a charge of £11.0m (2022: £21.2m) to profit after tax from hyperinflation accounting adjustments, comprising a £9.5m adverse impact (2022: £18.7m adverse impact) on adjusted profit before tax, increased customer relationships amortisation of £0.2m (2022: £1.8m) and an increased tax charge of £1.3m (2022: £0.7m).

When applying IAS 29 on an ongoing basis, comparatives in a stable currency are not restated with the translation effect presented within other comprehensive income during the year, and the effect of inflating opening balances to the measuring unit current at the end of the reporting period presented as a change in equity.

b) Newly adopted accounting policies

There are no new standards or amendments to existing standards that are effective that have had a material impact on the Group, nor does the Group anticipate any new or revised standards and interpretations that are effective from 1 January 2024 and beyond to have a material impact on its consolidated results or financial position.

2. Alternative performance measures

In addition to the various performance measures defined under IFRS, the Group reports a number of other measures that are designed to assist with the understanding of the underlying performance of the Group and its businesses. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice ('GAAP') and are therefore known as 'alternative performance measures'. Accordingly, these measures, which are not designed to be a substitute for any of the IFRS measures of performance, may not be directly comparable with other companies' alternative performance measures. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliation to equivalent IFRS measures are shown and defined in the table below:

Underlying revenue growth	Revenue excluding the incremental impact of acquisitions and disposals compared to revenue in prior years at constant exchange, adjusted for differences in trading days between years and adjusted to exclude growth in excess of 26% per annum in hyperinflationary economies (reconciled in the Financial Review)
Adjusted operating profit	Operating profit before customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables)
Adjusted profit for the year	Profit for the year before customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and the associated tax (reconciled in the following tables)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 5)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following tables and in Note 7)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 7)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Free cash flow	Operating cash flow after deducting payments for income tax and net interest excluding interest on lease liabilities (as shown in the Consolidated cash flow statement)
Lease adjusted operating profit	Adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion	Operating cash flow as a percentage of lease adjusted operating profit (as shown in the Consolidated cash flow statement)
Working capital	Inventories and trade and other receivables less trade and other payables, excluding non-operating related receivables, non-operating related payables (including those relating to acquisition payments) and dividends payable (reconciled in Note 12)

2. Alternative performance measures (continued)

Return on average operating capital	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, right-of-use assets, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships, brands and technology amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
Dividend cover	The ratio of adjusted earnings per share to the total dividend per share
EBITDA	Adjusted operating profit on a historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposal of businesses
Net debt excluding lease liabilities	Net debt excluding the carrying value of lease liabilities (reconciled in Note 14)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for prior years at the average rates for the year ended 31 December 2023 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2023 and 2022 can be found in the Financial review.

The definition of 'Dividend cover' has been added to the list of alternative performance measures in the year. All other alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2022. The amendments to the list of alternative performance measures and an assessment of the relevance of the existing alternative performance measures, were agreed with the Audit Committee.

A number of the alternative performance measures listed above exclude the charge for customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and any associated tax, where relevant.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs, customer relationships asset impairment charges, goodwill impairment charges and interest on acquisition related income tax. Customer relationships, brands and technology amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The non-recurring pension scheme charges relate to non-recurring charges arising from the Group's participation in a number of defined benefit pension schemes. In the year ended 31 December 2023 and the year ended 31 December 2022 there were no non-recurring pension scheme charges. Disposal of business relates to the profit on disposal of the Group's UK Healthcare division in the year ended 31 December 2022. None of these items relate to the trading performance of the business. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group. However, it should be noted that they do exclude charges that nevertheless do impact the Group's cash flow and GAAP financial performance.

2. Alternative performance measures (continued)

Reconciliation of alternative performance measures to IFRS measures

The principal profit related alternative performance measures, being adjusted operating profit, adjusted profit before income tax, adjusted profit for the year and adjusted earnings per share, are reconciled to the most directly reconcilable statutory measures in the tables below:

Year ended 31 December 2023

		Adjusting items				
	Alternative performance measures £m	**Customer relationships, brands and technology amortisation £m**	**Acquisition related items £m**	**Disposal of business £m**	**Statutory measures £m**	
Adjusted operating profit	**944.2**	**(135.6)**	**(19.5)**		**789.1**	**Operating profit**
Finance income	**60.4**				**60.4**	Finance income
Finance expense	**(150.9)**				**(150.9)**	Finance expense
Adjusted profit before income tax	**853.7**	**(135.6)**	**(19.5)**	**-**	**698.6**	**Profit before income tax**
Tax on adjusted profit	**(213.4)**	**36.7**	**4.3**	**-**	**(172.4)**	Income tax
Adjusted profit for the year	**640.3**	**(98.9)**	**(15.2)**	**-**	**526.2**	**Profit for the year**
Adjusted earnings per share	**191.1p**	**(29.5)p**	**(4.5)p**	**-**	**157.1p**	**Basic earnings per share**

Year ended 31 December 2022

		Adjusting items				
	Alternative performance measures £m	Customer relationships, brands and technology amortisation £m	Acquisition related items £m	Disposal of business £m	Statutory measures £m	
Adjusted operating profit	885.9	(128.4)	(55.9)		701.6	Operating profit
Finance income	22.3				22.3	Finance income
Finance expense	(90.2)				(90.2)	Finance expense
Disposal of business	-			0.9	0.9	Disposal of business
Adjusted profit before income tax	818.0	(128.4)	(55.9)	0.9	634.6	Profit before income tax
Tax on adjusted profit	(201.2)	34.7	6.3	-	(160.2)	Income tax
Adjusted profit for the year	616.8	(93.7)	(49.6)	0.9	474.4	Profit for the year
Adjusted earnings per share	184.3p	(28.0)p	(14.8)p	0.2p	141.7p	Basic earnings per share

3. Segment analysis

The Group results are reported as four business areas based on geographical regions which are reviewed regularly by the Company's chief operating decision maker, the Board of directors. The principal results reviewed for each business area are revenue and adjusted operating profit.

Year ended 31 December 2023

	North America £m	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**6,973.5**	**2,354.9**	**1,365.5**	**1,103.2**		**11,797.1**
Adjusted operating profit/(loss)	**528.0**	**224.7**	**103.4**	**119.6**	**(31.5)**	**944.2**
Customer relationships, brands and technology amortisation	**(57.1)**	**(43.7)**	**(11.1)**	**(23.7)**		**(135.6)**
Acquisition related items	**(5.5)**	**(0.3)**	**(3.1)**	**(10.6)**		**(19.5)**
Operating profit/(loss)	**465.4**	**180.7**	**89.2**	**85.3**	**(31.5)**	**789.1**
Finance income						**60.4**
Finance expense						**(150.9)**
Disposal of business						**-**
Profit before income tax						**698.6**
Adjusted profit before income tax						**853.7**
Income tax						**(172.4)**
Profit for the year						**526.2**
Operating margin	**7.6%**	**9.5%**	**7.6%**	**10.8%**		**8.0%**
Return on average operating capital	**49.6%**	**45.4%**	**65.5%**	**35.5%**		**46.1%**
Purchase of property, plant and equipment	**12.3**	**13.5**	**8.7**	**8.1**	**0.2**	**42.8**
Depreciation of property, plant and equipment	**12.0**	**10.3**	**4.7**	**4.6**	**0.1**	**31.7**
Additions to right-of-use assets	**34.0**	**41.5**	**42.4**	**18.8**	**-**	**136.7**
Depreciation of right-of-use assets	**83.4**	**38.9**	**24.3**	**18.8**	**0.7**	**166.1**
Purchase of software	**3.1**	**8.7**	**2.4**	**1.0**	**0.3**	**15.5**
Software amortisation	**3.4**	**2.7**	**2.1**	**0.9**	**0.3**	**9.4**

Year ended 31 December 2022

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	7,366.0	2,173.4	1,442.5	1,057.6		12,039.5
Adjusted operating profit/(loss)	511.5	195.1	95.3	111.7	(27.7)	885.9
Customer relationships, brands and technology amortisation	(57.3)	(40.6)	(11.0)	(19.5)		(128.4)
Acquisition related items	(15.8)	(27.5)	(7.4)	(5.2)		(55.9)
Operating profit/(loss)	438.4	127.0	76.9	87.0	(27.7)	701.6
Finance income						22.3
Finance expense						(90.2)
Disposal of business						0.9
Profit before income tax						634.6
Adjusted profit before income tax						818.0
Income tax						(160.2)
Profit for the year						474.4
Operating margin	6.9%	9.0%	6.6%	10.6%		7.4%
Return on average operating capital	45.4%	43.7%	52.2%	35.3%		43.0%
Purchase of property, plant and equipment	13.0	9.7	5.9	5.8	0.3	34.7
Depreciation of property, plant and equipment	11.3	9.1	4.8	4.3	0.1	29.6
Additions to right-of-use assets	65.8	15.3	18.9	23.3	-	123.3
Depreciation of right-of-use assets	74.7	33.6	23.8	18.4	0.6	151.1
Purchase of software	3.1	5.2	2.6	0.9	0.2	12.0
Software amortisation	3.7	2.2	1.6	1.1	0.2	8.8

3. Segment analysis (continued)

Acquisition related items	2023 £m	2022 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**37.3**	24.9
Transaction costs and expenses	**18.1**	10.9
Adjustments to previously estimated earn outs	**(35.9)**	7.1
	19.5	42.9
Customer relationships impairment charges (Note 11)	**-**	13.0
	19.5	55.9

4. Finance income/(expense)

	2023 £m	2022 £m
Interest on cash and cash equivalents	**40.3**	10.5
Interest income from foreign exchange contracts	**16.0**	9.2
Net interest income on defined benefit pension schemes in surplus	**3.2**	1.2
Other finance income	**0.9**	1.4
Finance income	**60.4**	22.3
Interest on loans and overdrafts	**(106.7)**	(58.5)
Lease interest expense	**(28.6)**	(22.0)
Interest expense from foreign exchange contracts	**(1.5)**	(0.8)
Net interest expense on defined benefit pension schemes in deficit	**(1.0)**	(0.8)
Fair value (loss)/gain on US private placement notes and senior bond in a hedge relationship	**(24.4)**	83.2
Fair value gain/(loss) on interest rate swaps in a hedge relationship	**21.8**	(79.2)
Foreign exchange (loss)/gain on intercompany funding	**(41.1)**	126.7
Foreign exchange gain/(loss) on external debt and foreign exchange forward contracts	**40.5**	(126.7)
Interest related to income tax	**(0.1)**	(0.5)
Monetary loss from hyperinflation accounting[1]	**(7.2)**	(10.7)
Other finance expense	**(2.6)**	(0.9)
Finance expense	**(150.9)**	(90.2)
Net finance expense	**(90.5)**	(67.9)

[1]See Note 1 for further details.

The foreign exchange loss on intercompany funding arises as a result of the retranslation of foreign currency intercompany loans. This loss on intercompany funding is substantially matched by the foreign exchange gain on external debt and foreign exchange forward contracts not in a hedge relationship which minimises the foreign currency exposure in the income statement.

5. Income tax

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the year of 23.5% (2022: 19.0%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2023 £m	2022 £m
Profit before income tax	**698.6**	634.6
Weighted average rate	**25.2%**	24.6%
Tax charge at weighted average rate	**176.0**	156.1
Effects of:		
non-deductible expenditure	**0.5**	8.9
impact of intercompany finance	**1.2**	(2.0)
change in tax rates	**(0.7)**	0.4
hyperinflation accounting adjustments	**3.8**	4.7
prior year adjustments	**(7.0)**	(7.7)
other current year items	**(1.4)**	(0.2)
Income tax on profit	**172.4**	160.2

5. Income tax (continued)

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 2) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below.

	2023 £m	2022 £m
Income tax on profit	**172.4**	160.2
Tax associated with adjusting items	**41.0**	41.0
Tax on adjusted profit	**213.4**	201.2
Profit before income tax	**698.6**	634.6
Adjusting items	**155.1**	183.4
Adjusted profit before income tax	**853.7**	818.0
Reported tax rate	**24.7%**	25.2%
Effective tax rate	**25.0%**	24.6%

6. Dividends

Total dividends for the years in which they are recognised are:

	2023 £m	2022 £m
2021 interim		54.3
2021 final		136.2
2022 interim	**57.9**	
2022 final	**151.8**	
Total	**209.7**	190.5

Total dividends per share for the year to which they relate are:

	Per share	
	2023	2022
Interim	**18.2p**	17.3p
Final	**50.1p**	45.4p
Total	**68.3p**	62.7p

The 2023 interim dividend of 18.2p per share was paid on 3 January 2024 and comprised £61.0m of cash. The 2023 final dividend of 50.1p per share will be paid on 2 July 2024 to shareholders on the register at the close of business on 17 May 2024. The 2023 final dividend will comprise approximately £168m of cash.

7. Earnings per share

	2023 £m	2022 £m
Profit for the year	**526.2**	474.4
Adjusted for:		
customer relationships, brands and technology amortisation	**135.6**	128.4
acquisition related items	**19.5**	55.9
profit on disposal of business	**-**	(0.9)
tax credit on adjusting items	**(41.0)**	(41.0)
Adjusted profit for the year	**640.3**	616.8

	2023	2022
Basic weighted average number of ordinary shares in issue (million)	**335.0**	334.7
Dilutive effect of employee share plans (million)	**2.2**	2.5
Diluted weighted average number of ordinary shares (million)	**337.2**	337.2

Basic earnings per share	**157.1p**	141.7p
Adjustment	**34.0p**	42.6p
Adjusted earnings per share	**191.1p**	184.3p
Diluted basic earnings per share	**156.0p**	140.7p
Adjustment	**33.9p**	42.2p
Adjusted diluted earnings per share	**189.9p**	182.9p

8. Acquisitions

2023

Summary details of the businesses acquired during the year ended 31 December 2023 are shown in the table below:

Business	Sector	Country	Acquisition date 2023	Percentage of share capital acquired	Annualised revenue £m
GRC	Healthcare	Australia	1 January	100%	**4.4**
Capital Paper	Foodservice	Canada	31 January	100%	**16.0**
Arbeitsschutz-Express	Safety	Germany	3 April	66%	**33.1**
Dimasa	Cleaning & Hygiene	Spain	28 April	100%	**3.1**
Irudek	Safety	Spain	28 April	75%	**16.7**
EHM	Safety	UK	5 June	100%	**19.5**
La Cartuja Complementos Hostelería	Foodservice	Spain	30 June	100%	**4.4**
EcoTools.nl	Other	Netherlands	31 July	100%	**17.8**
Leal Equipamentos de Proteção	Safety	Brazil	1 August	100%	**33.1**
PackPro	Foodservice	Canada	10 August	85%	**20.1**
Groveko	Cleaning & Hygiene	Netherlands	11 August	93.75%	**21.0**
Pittman Traffic & Safety Equipment*	Safety	Ireland	28 August	100%	**6.2**
FlexPost	Safety	USA	31 October	100%	**3.0**
Grupo Lanlimp	Cleaning & Hygiene	Brazil	1 November	70%	**37.8**
Melbourne Cleaning Supplies	Cleaning & Hygiene	Australia	6 November	100%	**9.7**
Safety First	Safety	Poland	30 November	65%	**24.9**
Miracle Sanitation Supply	Cleaning & Hygiene	Canada	1 December	100%	**7.6**
CT Group	Healthcare	Brazil	1 December	100%	**47.8**
Others**				100%	**3.3**
Acquisitions completed in the current year					**329.5**
GRC	Healthcare	Australia	1 January	100%	**(4.4)**
Acquisitions agreed in the current year					**325.1**

*The acquisition supports the expansion of our North America based McCue business and is therefore reported as part of the North America business area.
**Others includes two small acquisitions agreed in 2023.

There were no individually significant acquisitions in 2023. A summary of the effect of acquisitions in 2023 and 2022 is shown below:

	2023 £m	2022 £m
Customer relationships	**229.5**	107.7
Brands	**10.6**	11.6
Technology	**-**	9.1
Property, plant and equipment and software	**16.6**	4.8
Right-of-use assets	**16.2**	21.5
Inventories	**44.7**	44.9
Trade and other receivables	**57.0**	27.0
Trade and other payables	**(40.5)**	(30.9)
Net cash/(overdrafts)	**19.8**	(6.8)
Provisions	**(26.2)**	(7.9)
Lease liabilities	**(16.2)**	(21.5)
Derivative assets	**-**	0.4
Income tax payable and deferred tax liabilities	**(29.6)**	(31.3)
Fair value of net assets acquired	**281.9**	128.6
Goodwill	**130.6**	106.6
Consideration	**412.5**	235.2
Satisfied by:		
cash consideration	**343.0**	180.6
deferred consideration	**69.5**	54.6
	412.5	235.2

8. Acquisitions (continued)

	2023 £m	2022 £m
Contingent payments relating to retention of former owners	**59.5**	66.4
Net (cash)/overdrafts acquired	**(19.8)**	6.8
Transaction costs and expenses	**18.1**	10.9
Total committed spend in respect of acquisitions completed in the year	**470.3**	319.3
Spend on acquisitions committed but not completed at the year end	**-**	2.9
Spend on acquisitions committed at prior year but not completed in the current year	**(2.8)**	-
Total committed spend in respect of acquisitions agreed in the year	**467.5**	322.2

The net cash outflow in the year in respect of acquisitions comprised:

	2023 Total £m	2022 Total £m
Cash consideration	**343.0**	180.6
Net (cash)/ overdrafts acquired	**(19.8)**	6.8
Deferred consideration payments	**14.5**	56.2
Net cash outflow from purchase of businesses	**337.7**	243.6
Transaction costs and expenses paid	**18.1**	11.0
Payments relating to retention of former owners	**18.8**	9.6
Cash outflow from acquisition related items	**36.9**	20.6
Total cash outflow in respect of acquisitions	**374.6**	264.2

Acquisitions completed in the year ended 31 December 2023 contributed £120.5m (2022: £115.8m) to the Group's revenue, £16.1m (2022: £9.5m) to the Group's adjusted operating profit and £8.7m (2022: £5.9m) to the Group's operating profit for the year ended 31 December 2023.

The estimated contributions from acquisitions completed and agreed during the year to the results of the Group for the year if such acquisitions had been made at the beginning of the year, are as follows:

	2023 £m	2022 £m
Revenue	**325.1**	299.0
Adjusted operating profit	**51.4**	29.3

Deferred consideration

The table below gives further details of the Group's deferred consideration liabilities:

	2023 £m	2022 £m
Minority options	**124.7**	92.4
Earn outs	**36.9**	39.3
Deferred consideration held at fair value	**161.6**	131.7
Other	**14.0**	8.2
Total deferred consideration	**175.6**	139.9
Current	**32.3**	42.0
Non-current	**143.3**	97.9
Total deferred consideration	**175.6**	139.9

Including expected future payments which are contingent on the continued retention of former owners of businesses acquired of £83.2m (2022: £76.3m), total deferred and contingent consideration at 31 December 2023 is £258.8m (2022: £216.2m).

8. Acquisitions (continued)

2022

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2022 are shown in the table below:

Business	Sector	Country	Acquisition date 2022	Percentage of share capital acquired	Annualised revenue £m
USL	Healthcare	New Zealand	31 May	90%	56.0
Hygi.de	Cleaning & Hygiene	Germany	11 July	75%	94.3
AFL Groep	Other	Netherlands	20 July	90%	18.1
London Catering & Hygiene Solutions	Cleaning & Hygiene	UK	29 July	100%	5.4
Containit	Safety	Australia	1 August	80%	12.9
Corsul Group	Safety	Brazil	2 September	100%	42.3
Enviropack	Foodservice	UK	13 October	85%	6.9
VM Footwear	Safety	Czech Republic	31 October	70%	14.2
PM Pack	Foodservice	Denmark	30 November	70%	16.3
Toomac Ophthalmic & Solutions	Healthcare	New Zealand	2 December	100%	6.6
Grupo R. Queralto	Healthcare	Spain	21 December	85%	23.3
Acquisitions completed in 2022					296.3
GRC	Healthcare	Australia	1 January 2023	100%	2.7
Acquisitions agreed in 2022					299.0

9. Disposal of business

The Group did not dispose of any businesses during the year ended 31 December 2023. Disposal of business in the year ended 31 December 2022 related to the UK Healthcare division, a business that was no longer considered to be a strategic fit within the portfolio of the Group’s businesses. The disposal was completed on 19 December 2022.

10. Right-of-use assets

2023	**Property £m**	**Motor Vehicles £m**	**Equipment £m**	**Total £m**
Net book value at beginning of year	**439.6**	**63.3**	**26.7**	**529.6**
Acquisitions (Note 8)	**15.9**	**0.3**	**-**	**16.2**
Additions	**87.5**	**37.1**	**12.1**	**136.7**
Depreciation charge in the year	**(125.1)**	**(30.0)**	**(11.0)**	**(166.1)**
Remeasurement adjustments	**118.6**	**0.4**	**0.8**	**119.8**
Currency translation	**(16.5)**	**(2.3)**	**(1.1)**	**(19.9)**
Net book value at 31 December 2023	**520.0**	**68.8**	**27.5**	**616.3**

2022	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	366.4	57.8	24.1	448.3
Acquisitions (Note 8)	20.9	0.3	0.3	21.5
Disposal of business (Note 9)	(1.5)	(0.2)	-	(1.7)
Additions	84.2	28.1	11.0	123.3
Depreciation charge in the year	(111.7)	(28.6)	(10.8)	(151.1)
Remeasurement adjustments	54.7	1.9	-	56.6
Currency translation	26.6	4.0	2.1	32.7
Net book value at 31 December 2022	439.6	63.3	26.7	529.6

11. Intangible assets

Year ended 31 December 2023

	Goodwill £m	**Customer relationships £m**	**Brands £m**	**Technology £m**	**Software £m**	**Total £m**
Cost						
Beginning of year	**1,944.4**	**2,349.0**	**39.7**	**9.5**	**107.4**	**4,450.0**
Acquisitions (Note 8)	**130.6**	**229.5**	**10.6**	**-**	**1.3**	**372.0**
Adjustment for hyperinflation accounting[1]	**8.4**	**1.6**	**-**	**-**	**-**	**10.0**
Additions					**15.5**	**15.5**
Disposals					**(4.6)**	**(4.6)**
Currency translation	**(62.7)**	**(85.6)**	**(1.8)**	**(0.2)**	**(2.8)**	**(153.1)**
End of year	**2,020.7**	**2,494.5**	**48.5**	**9.3**	**116.8**	**4,689.8**
Accumulated amortisation and impairment						
Beginning of year	**12.8**	**1,258.1**	**4.8**	**0.4**	**80.0**	**1,356.1**
Amortisation charge in year		**130.2**	**4.0**	**1.4**	**9.4**	**145.0**
Adjustment for hyperinflation accounting[1]	**-**	**1.2**	**-**	**-**	**-**	**1.2**
Disposals					**(4.6)**	**(4.6)**
Currency translation	**(1.0)**	**(45.8)**	**(1.4)**	**-**	**(1.8)**	**(50.0)**
End of year	**11.8**	**1,343.7**	**7.4**	**1.8**	**83.0**	**1,447.7**
Net book value at 31 December 2023	**2,008.9**	**1,150.8**	**41.1**	**7.5**	**33.8**	**3,242.1**

Year ended 31 December 2022

	Goodwill £m	Customer relationships £m	Brands £m	Technology £m	Software £m	Total £m
Cost						
At 31 December 2021	1,710.9	2,055.2	25.0	-	90.2	3,881.3
Adjustment to opening balances in respect of hyperinflation in Turkey[1]	6.7	10.0	-	-	-	16.7
Restated as at 1 January 2022	1,717.6	2,065.2	25.0	-	90.2	3,898.0
Acquisitions (Note 8)	106.6	107.7	11.6	9.1	0.7	235.7
Disposal of business (Note 9)	(17.0)	(5.1)	-	-	(0.8)	(22.9)
Adjustment for hyperinflation accounting[1]	9.7	13.5	-	-	-	23.2
Additions					12.0	12.0
Disposals					(3.4)	(3.4)
Currency translation	127.5	167.7	3.1	0.4	8.7	307.4
End of year	1,944.4	2,349.0	39.7	9.5	107.4	4,450.0
Accumulated amortisation and impairment						
At 31 December 2021	12.4	1,033.2	1.0	-	67.9	1,114.5
Adjustment to opening balances in respect of hyperinflation in Turkey[1]	-	4.4	-	-	-	4.4
Restated as at 1 January 2022	12.4	1,037.6	1.0	-	67.9	1,118.9
Amortisation charge in the year	-	124.8	3.2	0.4	8.8	137.2
Impairment charge in the year	-	13.0	-	-	-	13.0
Disposal of business (Note 9)	-	(2.9)	-	-	(0.6)	(3.5)
Adjustment for hyperinflation accounting[1]	-	6.8	-	-	-	6.8
Disposals					(3.4)	(3.4)
Currency translation	0.4	78.8	0.6	-	7.3	87.1
End of year	12.8	1,258.1	4.8	0.4	80.0	1,356.1
Net book value at 31 December 2022	1,931.6	1,090.9	34.9	9.1	27.4	3,093.9

[1] See Note 1 for further details.

Goodwill, customer relationships, brands and technology intangible assets have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 8.

12. Working capital

	2023 £m	2022 £m
Inventories	**1,621.1**	1,748.6
Trade and other receivables	**1,578.5**	1,557.4
Trade and other payables – current	**(2,071.6)**	(2,249.4)
Add back net non-trading related receivables and payables	**30.1**	40.0
	1,158.1	1,096.6

See Note 16 for the cash flow impact of movements in working capital which exclude the impact from foreign exchange movements, acquisitions and the disposal of business.

13. Lease liabilities

The Group leases certain property, plant, equipment and vehicles under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. Details of the Group's right-of-use assets recognised under these lease agreements are shown in note 10.

Movement in lease liabilities	2023 £m	2022 £m
Beginning of year	**569.9**	488.7
Acquisitions (Note 8)	**16.2**	21.5
Disposal of business (Note 9)	**-**	(2.1)
New leases	**136.7**	123.3
Interest charge in the year	**28.6**	22.0
Payment of lease liabilities	**(188.0)**	(175.1)
Remeasurement adjustments	**122.1**	56.6
Currency translation	**(21.0)**	35.0
End of year	**664.5**	569.9
Ageing of lease liabilities:		
Current lease liabilities	**152.1**	145.9
Non-current lease liabilities	**512.4**	424.0
End of year	**664.5**	569.9

14. Cash, cash equivalents and overdrafts and net debt

	2023 £m	2022 £m
Cash at bank and in hand	**1,377.1**	1,504.0
Money market funds	**49.0**	-
Cash and cash equivalents	**1,426.1**	1,504.0
Bank overdrafts	**(874.2)**	(825.9)
Cash, cash equivalents and overdrafts	**551.9**	678.1
Interest bearing loans and borrowings - current liabilities	**(130.0)**	(161.0)
Interest bearing loans and borrowings - non-current liabilities	**(1,417.1)**	(1,574.0)
Derivatives managing the interest rate risk and currency profile of the debt	**(90.3)**	(103.2)
Net debt excluding lease liabilities	**(1,085.5)**	(1,160.1)
Lease liabilities	**(664.5)**	(569.9)
Net debt including lease liabilities	**(1,750.0)**	(1,730.0)

The cash at bank and in hand and bank overdrafts amounts included in the table above include the amounts associated with the Group's cash pool. The cash pool enables the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right of set-off of balances within the cash pool which is an enforceable right. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2023 £m	2022 £m
Cash at bank and in hand net of amounts in the cash pool	**520.8**	700.5
Money market funds	**49.0**	-
Bank overdrafts net of amounts in the cash pool	**(17.9)**	(22.4)
Cash, cash equivalents and overdrafts	**551.9**	678.1

15. Movement in net debt

2023	**Cash, cash equivalents and overdrafts £m**	**Interest bearing loans and borrowings £m**	**Derivatives £m**	**Net debt £m**
Beginning of year excluding lease liabilities	**678.1**	**(1,735.0)**	**(103.2)**	**(1,160.1)**
Cash flow excluding movements in other components of net debt	**143.1**	**-**	**-**	**143.1**
Interest paid excluding interest on lease liabilities	**(107.6)**	**-**	**-**	**(107.6)**
Repayment of borrowings	**(159.5)**	**159.5**	**-**	**-**
Receipts on settlement of foreign exchange contracts	**21.6**	**-**	**(21.6)**	**-**
Net cash (outflow)/ inflow	**(102.4)**	**159.5**	**(21.6)**	**35.5**
Non-cash movement in debt	**-**	**(20.8)**	**21.5**	**0.7**
Realised gains on foreign exchange contracts	**-**	**-**	**21.6**	**21.6**
Currency translation	**(23.8)**	**49.2**	**(8.6)**	**16.8**
End of year excluding lease liabilities	**551.9**	**(1,547.1)**	**(90.3)**	**(1,085.5)**
Lease liabilities	**-**	**(664.5)**	**-**	**(664.5)**
End of year including lease liabilities	**551.9**	**(2,211.6)**	**(90.3)**	**(1,750.0)**

2022	Cash, cash equivalents and overdrafts £m	Interest bearing loans and borrowings £m	Derivatives £m	Net debt £m
Beginning of year excluding lease liabilities	225.3	(1,545.6)	(17.1)	(1,337.4)
Cash flow excluding movements in other components of net debt	330.9	-	-	330.9
Interest paid excluding interest on lease liabilities	(61.9)	-	-	(61.9)
Increase in borrowings	346.4	(346.4)	-	-
Repayment of borrowings	(131.8)	131.8	-	-
Payments on settlement of foreign exchange contracts	(86.2)	-	86.2	-
Net cash inflow/(outflow)	397.4	(214.6)	86.2	269.0
Non-cash movement in debt	-	87.4	(79.2)	8.2
Realised losses on foreign exchange contracts	-	-	(86.2)	(86.2)
Currency translation	55.4	(62.2)	(6.9)	(13.7)
End of year excluding lease liabilities	678.1	(1,735.0)	(103.2)	(1,160.1)
Lease liabilities	-	(569.9)	-	(569.9)
End of year including lease liabilities	678.1	(2,304.9)	(103.2)	(1,730.0)

16. Cash flow from operating activities

The tables below give further details on the adjustments for depreciation and software amortisation, other non-cash items and the working capital movement shown in the Consolidated cash flow statement.

Depreciation and software amortisation	**2023 £m**	2022 £m
Depreciation of right-of-use assets	**166.1**	151.1
Other depreciation and software amortisation	**41.1**	38.4
	207.2	189.5

Other non-cash items	**2023 £m**	2022 £m
Share based payments	**15.4**	14.1
Provisions	**(13.1)**	(3.9)
Retirement benefit obligations	**(3.5)**	(3.9)
Hyperinflation accounting adjustments	**2.1**	8.0
Other	**5.6**	1.6
	6.5	15.9

Working capital movement	**2023 £m**	2022 £m
Decrease/(increase) in inventories	**108.1**	(118.7)
Increase in trade and other receivables	**(9.9)**	(13.0)
(Decrease)/increase in trade and other payables	**(126.6)**	186.2
	(28.4)	54.5

17. Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no transactions with those related parties during the year ended 31 December 2023 that have materially affected the financial position or performance of the Group during this period. All transactions with subsidiaries are eliminated on consolidation.

18. Post balance sheet event

On 26 February 2024, Bunzl signed an agreement to acquire an 80% stake in Nisbets and associated entities for an initial consideration of £339m. The purchase price will be settled in cash. Founded in 1983 by Andrew Nisbet, Nisbets is a highly respected omni-channel distributor of catering equipment and consumables in the UK & Ireland, Northern Europe and Australasia, offering an extensive product range including a wide range of own-brand products to foodservice customers. It has over 1,800 employees and an experienced management team that will remain with the Group post-acquisition, with Andrew Nisbet acting as a non-executive director and the family continuing to hold a minority interest in Nisbets. For the year ended 31 December 2023, Nisbet generated revenue of £498m with a profit before interest, tax, amortisation and exceptional items of £35.5m and total gross assets of £242m, based on unaudited management accounts. An additional earn-out amount may be payable based on Nisbets' financial performance in 2024. The transaction includes put / call options that enable Bunzl to acquire the remaining 20% stake in the future, subject to certain conditions.

19. Principal risks and uncertainties

The Group operates in six core market sectors in 33 countries which exposes it to risks and uncertainties, many of which are not fully within the Group's control. The risks summarised below represent the principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks. However, these risks do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive.

In addition, the Group's financial performance is partially dependent on general global economic conditions, the deterioration of which could have an adverse effect on the Group's business and results of operations. Although this is not considered by the Board to be a specific principal risk in its own right, many of the risks referred to below could themselves be impacted by the economic environment prevailing in the Group's markets from time to time.

The risks are presented by category of risk (Strategic, Operational and Financial) and are not presented in order of probability or impact. The relevant component of the Group's strategy that each risk impacts is also noted:

O - Organic growth
A - Acquisition growth
M - Operating model improvements
S - Sustainability

The nature and type of the principal risks and uncertainties affecting the Group are considered to be unchanged compared to the 2022 Annual Report.

Monitoring risks
The Board reviews each risk and assesses the gross impact, applying the hypothetical assumption that there are no mitigating controls in place, the net impact after mitigating controls and the probability to set the Group's mitigation priorities. The register of principal risks and uncertainties was updated following review by the Executive Committee and approval by the Board.

Emerging risks
In addition to the principal risks faced by the Group, there are risks which are more uncertain in nature and difficult to assess or that have the potential to develop and increase in severity over time.

One such risk is that due to ongoing and new geopolitical conflicts arising in 2023, market shortages or other adverse events in the supply chain impacting the sourcing and delivery of our products emerged as a risk that may impact Bunzl's operations. Failure to supply and deliver the required volumes could adversely impact revenue, profit, and customer relationships. Management will continue to monitor this risk and the impact on operations and any other uncertainties that may impact Bunzl's operations.

As part of the ongoing risk management processes, the Board closely monitors all emerging risks that have the potential to increase in significance and affect the performance of the Group and its ability to meet its strategic objectives.

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Strategic risks			
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates • Unforeseen changes in the competitive landscape could also occur, such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers • Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers • The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices	• The Group's large sales force connected with customers to help them understand the range of products available to meet their needs • The Group continued to invest in technology to streamline customers' experience • The Group continued to develop its sustainable product assortment and tools to assist customers in meeting their sustainability goals

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	**Description of risk and how it might affect the Group's prospects**	**How the risk is managed or mitigated**	**Developments in 2023**
Strategic risks (cont.)			
2. Financial collapse of either a large customer and/or a significant number of small customers Revenue and profits are reduced as the Group loses customers **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O	• An unexpected insolvency of either a large customer or a significant number of small customers, particularly within the retail and foodservice sectors, could lead to a sudden reduction in revenue and profits, including the cost of impairing any irrecoverable receivables balances, as well as operating margin erosion due to under-used capacity • The Group's revenue and profits may be affected as well as receivables and inventory (if customer specific inventory is held)	• The Group monitors significant developments in relationships with key customers, including credit checks and limits set for each customer • Delegation of authority limits mean that there is oversight of all material customer contracts at business area and local level	• In 2023 the Group did not encounter material insolvencies of either a large customer or a significant number of smaller customers. However, this remains a significant risk given the potential for global economic downturn • In 2023, provisions relating to the Group's credit exposure from customers remained broadly unchanged

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Strategic risks (cont.)			
3. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions **Risk owner:** CEO and Business Area Heads **Change to risk level:** Increasing **Included in viability statement:** Yes O, M	• In the event of a reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors or customers, indexed or cost plus contracts may require the Group to pass on such cost reductions to customers, resulting in a reduction in the Group's revenue and profits • Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs	• In 2023 the Group experienced a higher level of price volatility compared to recent years. During the second half of 2023, the Group began experiencing product cost deflation, particularly in North America. The outlook for product costs, however, remains uncertain

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Strategic risks (cont.)			
4. Cost inflation Profits are reduced due to the Group's inability to pass on product or operating cost increases **Risk owner:** CEO and Business Area Heads **Change to risk level:** Decreasing **Included in viability statement:** Yes O, M	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices • The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility • The Group will, where possible, pass on price increases from its suppliers to its customers • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs	• The Group experienced significant product cost inflation in recent years. Selling prices to customers were continually evaluated and updated to ensure that profitability levels were at least maintained • The Group's ongoing focus on own brand product development was an important part of the discussion with customers about price increases • Overall, the Group was very successful in passing on product cost inflation, which has eased considerably during 2023 • Inflation in operating costs remained elevated in 2023, but has started to normalise during the year • To mitigate the operating costs increases the Group drives efficiencies by consolidating facilities and implementing IT systems and solutions to improve productivity

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Strategic risks (cont.)			
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes A	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having announced 214 acquisitions since 2004 • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth	• The Group maintains a large acquisition database which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts • The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl	• The acquisition pipeline is closely monitored with continued research of any available opportunities for investment • During 2023, the Group's committed acquisition spend was £468 million and the pipeline remains active

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Strategic risks (cont.)			
6. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, A	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof • The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities • The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management	• The acquisition pipeline is reviewed by Exco, and for any new acquisitions that are proposed, the Board reviews the potential acquisition in detail • The CEO and the CFO review the performance of all acquisitions with business area management teams on a quarterly basis • Internal Audit reviews acquisitions within 12 to 18 months of the sale • The Board reviews performance of recent acquisitions annually. In 2023, the Board reviewed the principal acquisitions made in 2021 and noted that performance was in line with expectations

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Strategic risks (cont.)			
7. Sustainability driven market changes Revenue and profits are reduced due to the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, S	• New legislation introduced outside Europe and the UK in countries where Bunzl operates mirrors (and in some cases goes further than) the legislation previously introduced in Europe and the UK. The scope of new legislation tends to cover a wider range of products than that previously introduced. Legislation related to packaging still remains extremely fragmented across different regions • Some legislation seeking to restrict the use of plastics has been challenged and overturned in Court. However, it can be expected that the legislation will be reintroduced in some form and as such it is not anticipated that there will be a widespread removal of the legislative measures already in place across the Group • Consumer sentiment and customer targets are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for renewable, recyclable or reusable alternatives • The Group's revenue and profits could be reduced if it is unable to offer packaging and products made from alternative materials that will replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences, for example a move to more reusable packaging	• Bunzl is well positioned to support its customers with the legislative complexity thanks to its material agnostic position and network strength, allowing it to deliver the right products across large multi-site customer operations • Bunzl's scale and unique position at the centre of the supply chain, supported by expert sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are recyclable, compostable, biodegradable or reusable • The Group has access to an extensive supply chain of product and packaging manufacturers who are innovating the range of products they produce to satisfy the increased focus on sustainability. This means the Group can offer the broadest possible range of products whether in response to legislative changes, consumer preference driven changes or a desire to offer market-leading products to the Group's customers • The Group has access to the proprietary data on the packaging and products our customers need. That coupled with the Group's detailed product knowledge and data on customer product usage, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies	• The majority of the Group's businesses in the retail, foodservice and grocery sectors now employ material footprint tools that explain how legislation will impact the products and packaging a customer uses, while promoting the alternatives we have in our ranges • In response to a larger number of customers setting increasingly ambitious targets for their packaging, the Group has continued to strengthen its expert sustainability teams who train customers on incoming legislation, hold customer forums where they showcase the latest products, and support customers to report effectively against their goals and participation in industry-leading external schemes such as the New Plastics Economy and B-Corp certification • The Group continued to expand and introduced new ranges of own brand products made from alternative materials

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Operational risks			
8. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack **Risk owner:** CIO **Change to risk level:** No change **Included in viability statement:** Yes O, M	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group Chief Information Officer and Chief Information Security Officer coordinate activity in this area	• The Group continued to improve cyber security and data privacy governance, architecture, and controls, along with increasing awareness of both cyber security and data privacy across the Group • Investments were made in modern cyber security technologies that address current and emerging threats while improving operational processes and procedures • The Group focused on improving cyber security and data privacy due diligence processes during the acquisition process, along with improving security posture for acquired companies
Financial risks			
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** Yes O, A, M	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends	• The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term	• The availability of funding to the Group remains strong • During 2023, £365m of bank facilities were signed with maturities between 2026 and 2028. The group expects to extend and finance additional bank facilities during 2024. There is £130m of debt maturing in the next 12 months which can be repaid from free cash flow. The group maintains a BBB+ rating from S&P and therefore access to the Eurobond public market

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Financial risks (cont.)			
10. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** No O, A, M	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group's financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations	• In 2023 currency translation had a small positive impact on the Group's reported profits, increasing the reported profit growth rates by between 0% and 3% • The Group's results are reviewed at constant exchange rates to show the underlying performance of the Group excluding the currency translation impact

19. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2023
Financial risks (cont.)			
11. Climate change Change in temperature and climate conditions that causes business disruption and economic loss for the Group **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** No O, M, S	• Certain markets and regions are increasingly affected by extreme weather (e.g. suppliers and customers in areas impacted by wildfires and flooding) which could impact the Group's commercial strategy • Failing to align with our customers' ambitions could lead to reputational damage and loss of sales • The Group may face increased indirect costs from carbon intensive products where carbon prices increase and no suitable substitute materials exist	• Bunzl's supply chain flexibility and lack of fixed manufacturing assets provide operational resilience to the physical impacts of climate change. Our established business continuity planning has helped to ensure continued service to customers in cases of weather-related disruptions, such as hurricanes in North America and the Australian wildfires • Setting emissions reduction targets to decarbonise our operations and those of the supply chain helps to ensure our activities meet or exceed customer expectations • The ability to pass through any increased costs of products in our supply chain (for example due to carbon pricing mechanisms) to our customers • Bunzl assesses and monitors the impact of climate change on GDP at the regional level, the impact of carbon pricing on total supply chain carbon dioxide emissions, and the trajectory of the reduction of carbon emissions over time based on data from the Network for Greening the Financial System (NGFS)	• The Group's modelling of the impact of climate change has been updated to include the latest data available from the Network for Greening the Financial System (NGFS) • The Group has re-evaluated the different transition scenarios in light of COP27 and other commitments by leading nations and has concluded that there should be no changes made to the likelihood of the scenarios

20. Forward-looking statements

This announcement contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

21. Responsibility statements

The Annual Report, which includes the financial statements, complies with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce an annual financial report.

Each of the directors, whose names and functions are set out in the 2023 Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, 'Reduced Disclosure Framework', give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Frank van Zanten
Chief Executive Officer
26 February 2024

Richard Howes
Chief Financial Officer