BUNZL

ANNUAL RESULTS 2013

February 2014

AGENDA

PHILIP ROGERSON, CHAIRMAN: WELCOME

BRIAN MAY, FD: FINANCIAL RESULTS

MICHAEL RONEY, CEO: BUSINESS REVIEW

Q&A

HIGHLIGHTS

Excellent set of results

Consistent and proven strategy

£295m spent on 11 acquisitions

Adjusted earnings per share up 15%*

Dividend up 15%

* *At constant exchange rates, before intangible amortisation and acquisition related costs and disposal of business*

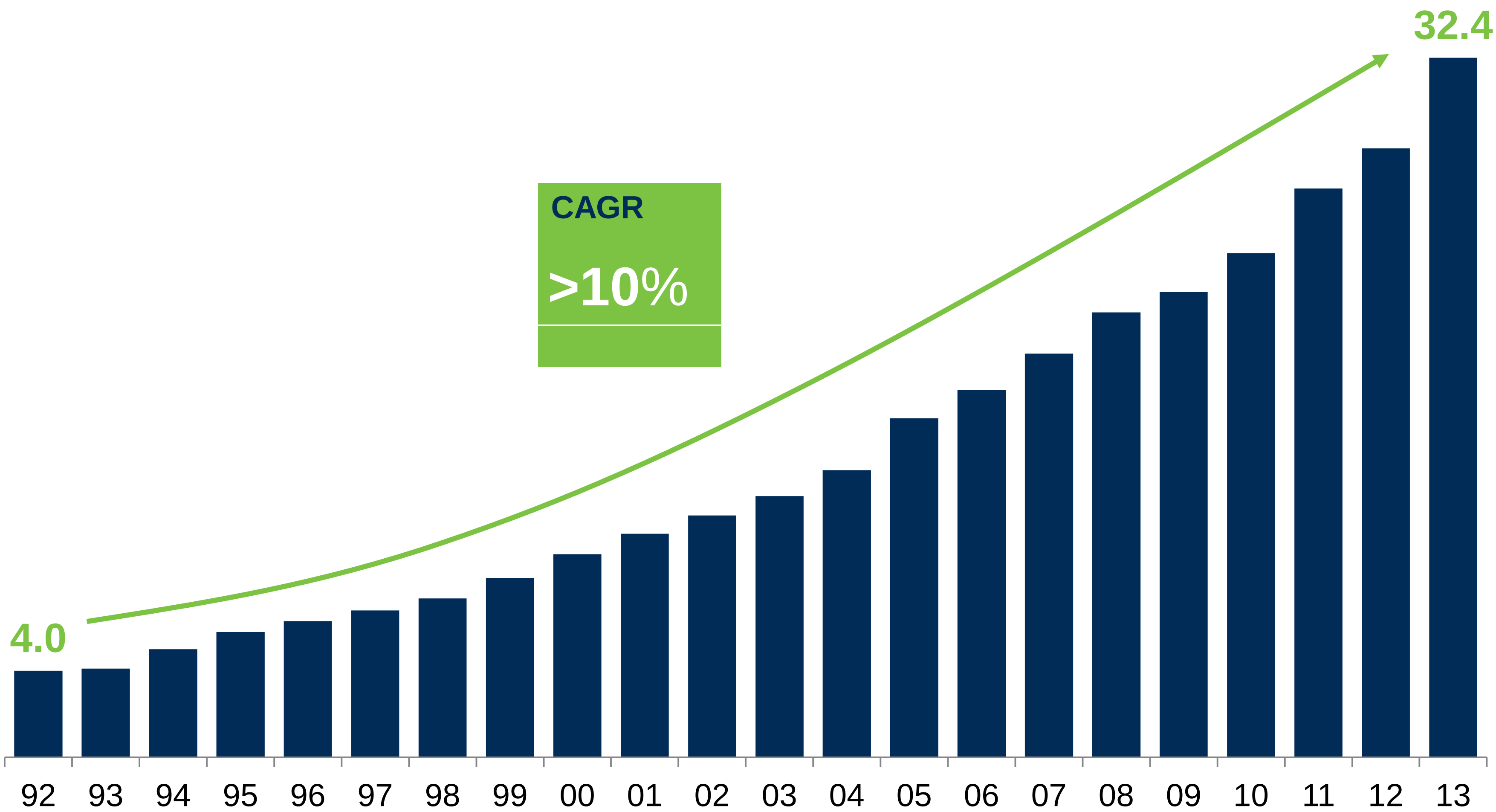
BRIAN MAY, FD: FINANCIAL RESULTS

INCOME STATEMENT

£m	2013	2012†	Growth % Reported	Growth % Constant Exchange
Revenue	**6,097.7**	5,359.2	14	12
Operating profit*	**414.4**	352.4	18	16
Net finance cost	**(42.2)**	(34.0)		
Profit before tax**	**372.2**	318.4	17	16
Operating margin* (%)	**6.8**	6.6		
Effective tax rate (%)	**27.9**	27.7		
Adjusted earnings per share** (p)	**82.4**	70.6	17	15
Dividend per share (p)	**32.4**	28.2	15	

** Before intangible amortisation and acquisition related costs*
*** Before intangible amortisation and acquisition related costs and disposal of business*
† Restated on adoption of IAS19 (revised 2011) – See Appendix 2

DIVIDEND PER SHARE (P)



Consistently strong dividend growth

BALANCE SHEET

£m	2013	2012†
Intangibles	**1,456.9**	1,340.6
Tangibles	**118.8**	111.1
Working capital	**520.3**	493.8
Other liabilities	**(261.6)**	(246.4)
	1,834.4	1,699.1
Pension deficit	**(45.0)**	(75.5)
Net debt*	**(849.5)**	(738.1)
Equity	**939.9**	885.5
Net debt/EBITDA (x)	**1.8**	1.8
Return on average operating capital (%)	**56.9**	56.5

** See Appendix 3*
† Revised on adjustment to provisional fair values on acquisitions made in 2012

Intangibles

- Addition of £208.5m from acquisitions, partially offset by amortisation and foreign exchange

Working capital

- Increase from acquisitions
- Underlying working capital 3% lower

Pension deficit

- Decrease due to strong investment returns and higher discount rates

Net Debt

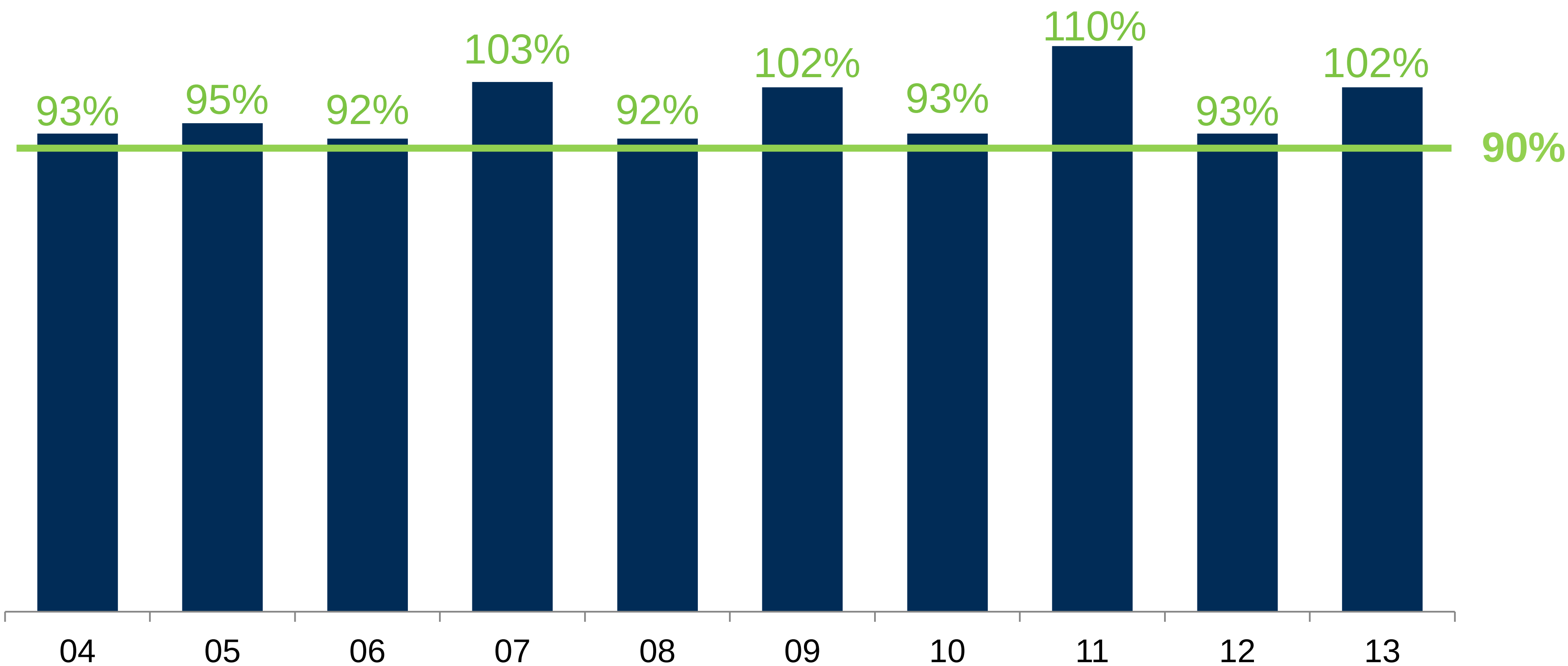
- Increase of only £111.4m despite acquisition cash outflow of £279.9m

CASH FLOW

£m	2013	2012
Operating cash flow*	**421.1**	328.9
Interest	**(39.0)**	(30.6)
Tax	**(80.3)**	(63.6)
Free cash flow	**301.8**	234.7
Dividends	**(91.8)**	(85.7)
Acquisitions	**(279.9)**	(254.7)
Employee share schemes	**(43.3)**	(3.7)
Net cash flow	**(113.2)**	(109.4)
Operating cash flow to operating profit†	**102%**	93%

** See Appendix 5*
† Before intangible amortisation and acquisition related costs

CASH CONVERSION*



Average cash conversion* 98%

** Operating cash flow before acquisition related costs to operating profit before intangible amortisation and acquisition related costs*
04-05 continuing operations only

FINANCIAL SUMMARY

Revenue and Operating profit

Revenue
▲12%†

Operating profit*
▲16%†

Operating margin*
▲20bps

Capital management and Cash flow

ROACE of
56.9%
▲40bps

Cash conversion♦
102%

Acquisition spend
£280m

EPS and Dividend

Adjusted EPS**
▲15%†

Dividend per share
▲15%

† At constant exchange rates
** Before intangible amortisation and acquisition related costs*
*** Before intangible amortisation and acquisition related costs and disposal of business*
♦ Operating cash flow before acquisition related costs to operating profit before intangible amortisation and acquisition related costs

USES OF CASH 2004 - 2013

Dividends

£656m

- CAGR >10% p.a.
- Stable dividend cover – c.2.5x

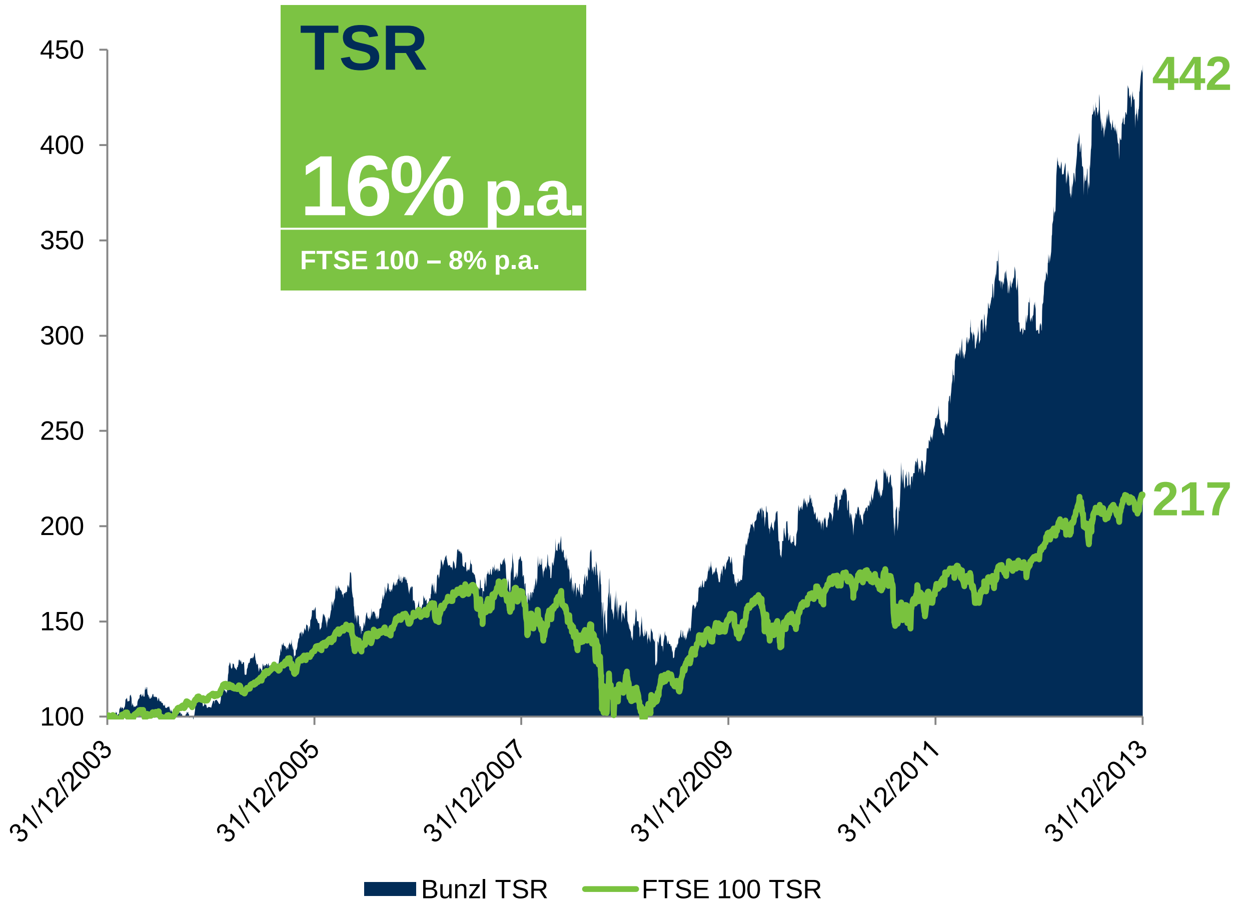
Acquisition spend

£1.7bn

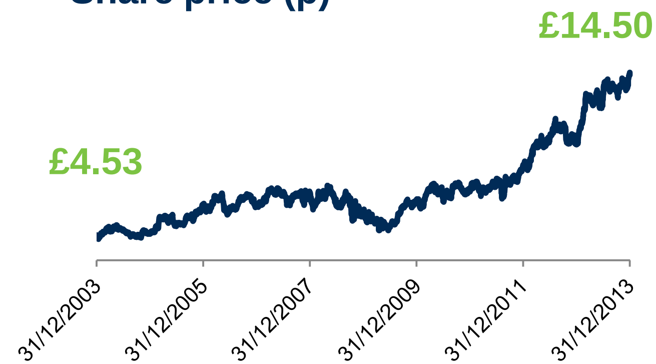
- >80 acquisitions
- Self funded

Strong cash flow = Growing dividend + Acquisitions

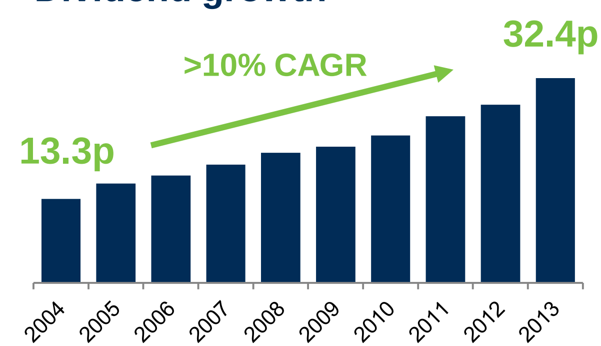
TOTAL SHAREHOLDER RETURN



Share price (p)



Dividend growth

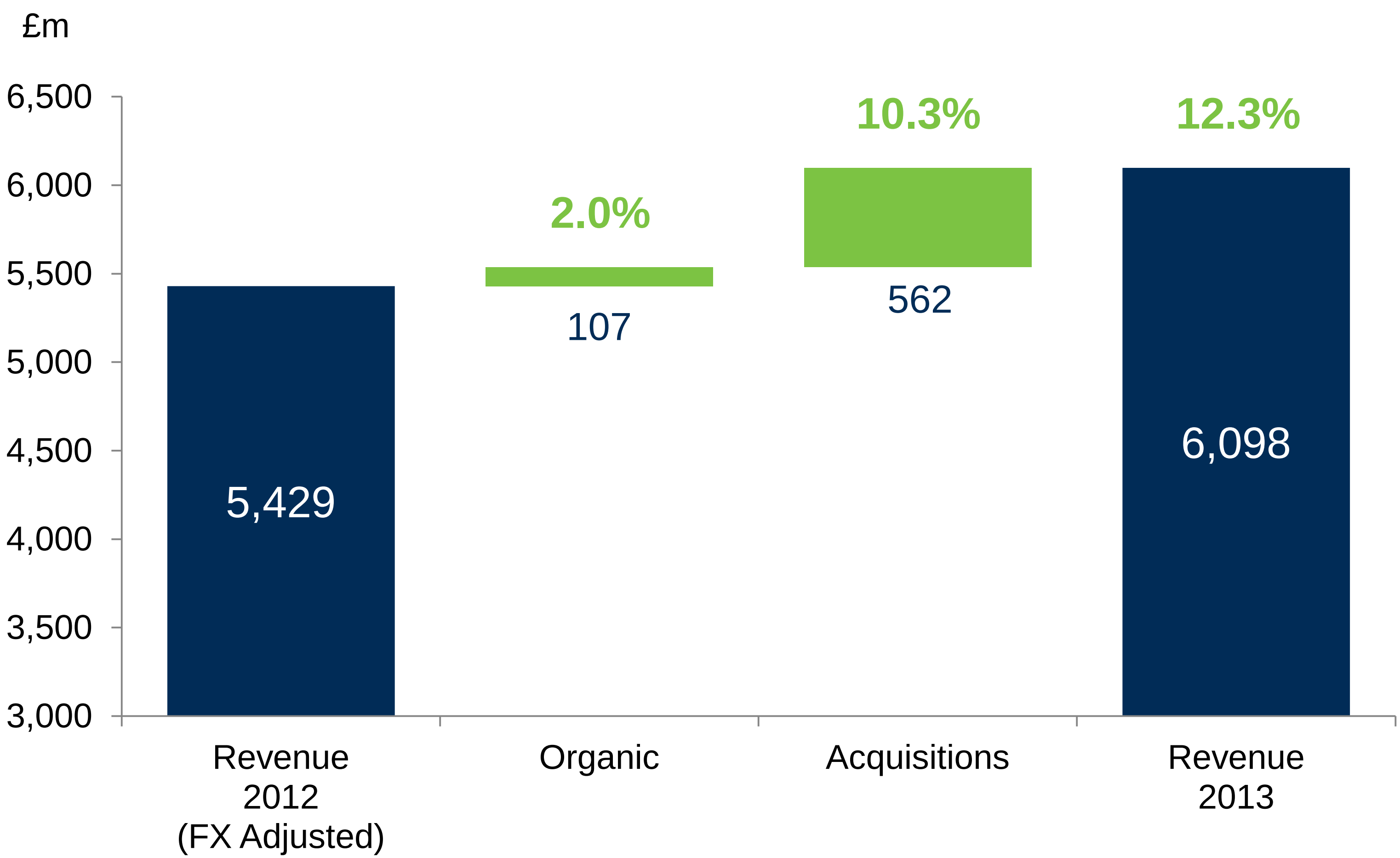


MICHAEL RONEY, CEO: BUSINESS REVIEW

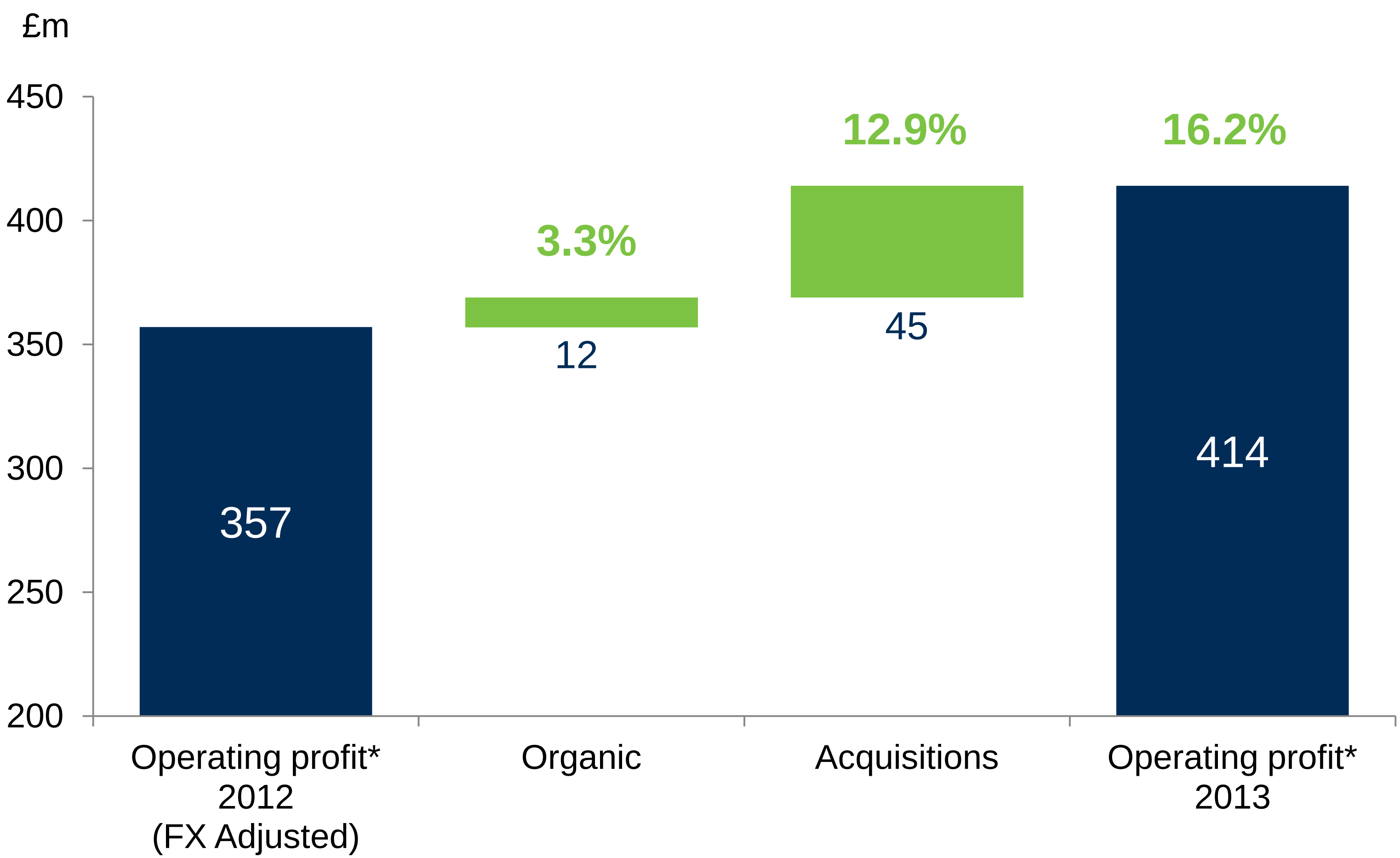
BUSINESS REVIEW

1. OPERATIONS REVIEW
2. STRATEGY
3. PROSPECTS

REVENUE GROWTH BRIDGE

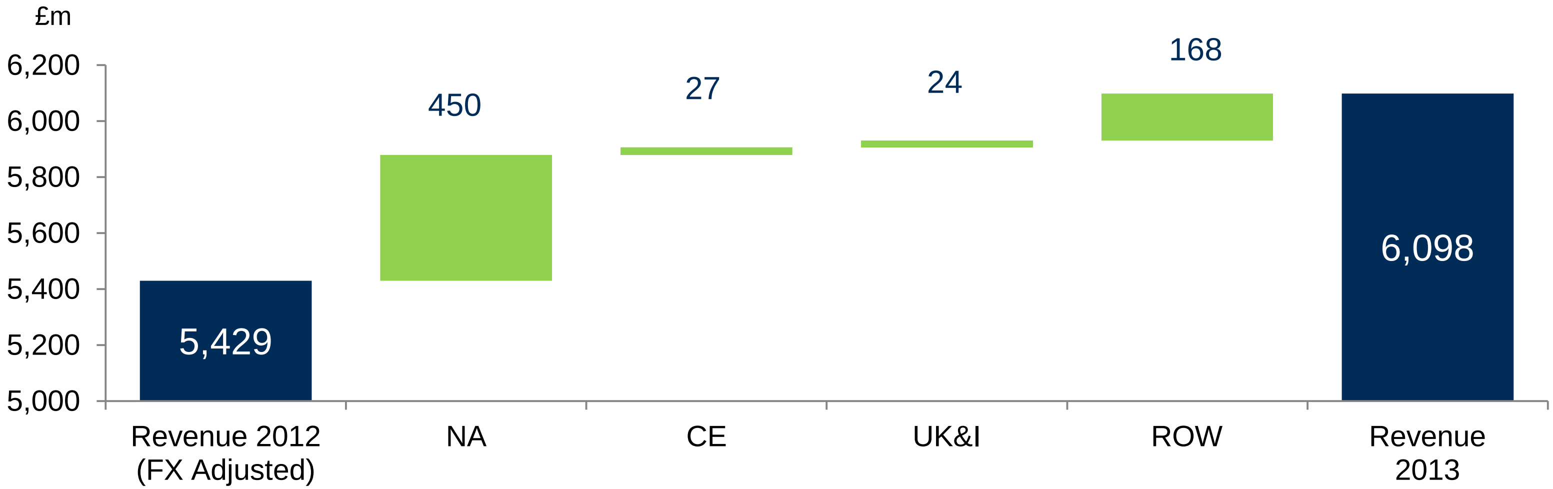


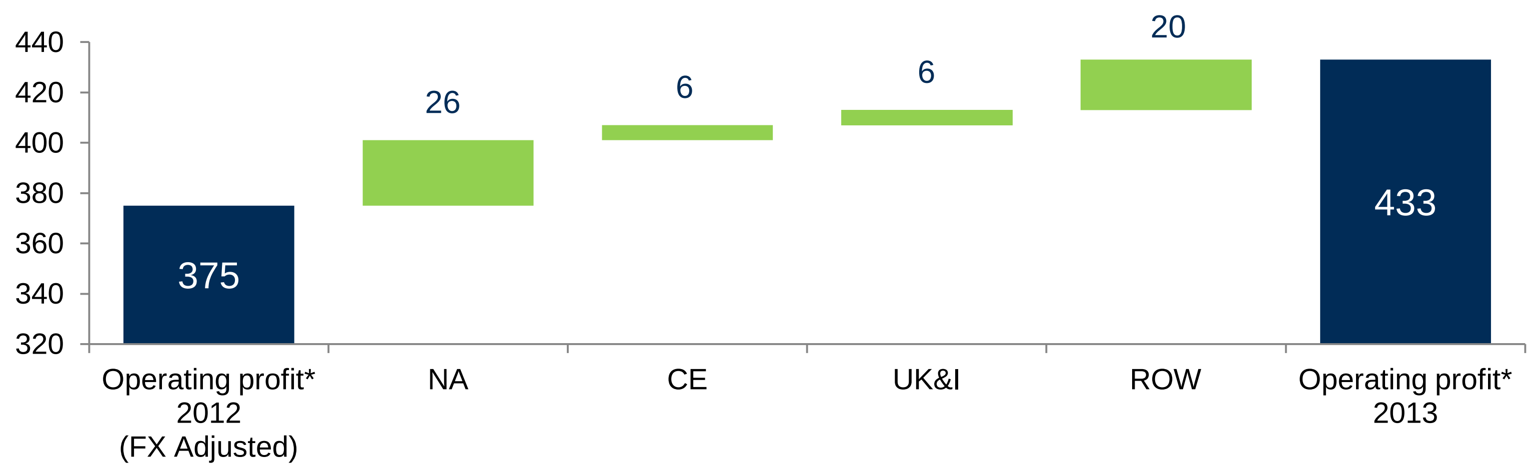
OPERATING PROFIT* GROWTH



Before intangible amortisation and acquisition related costs

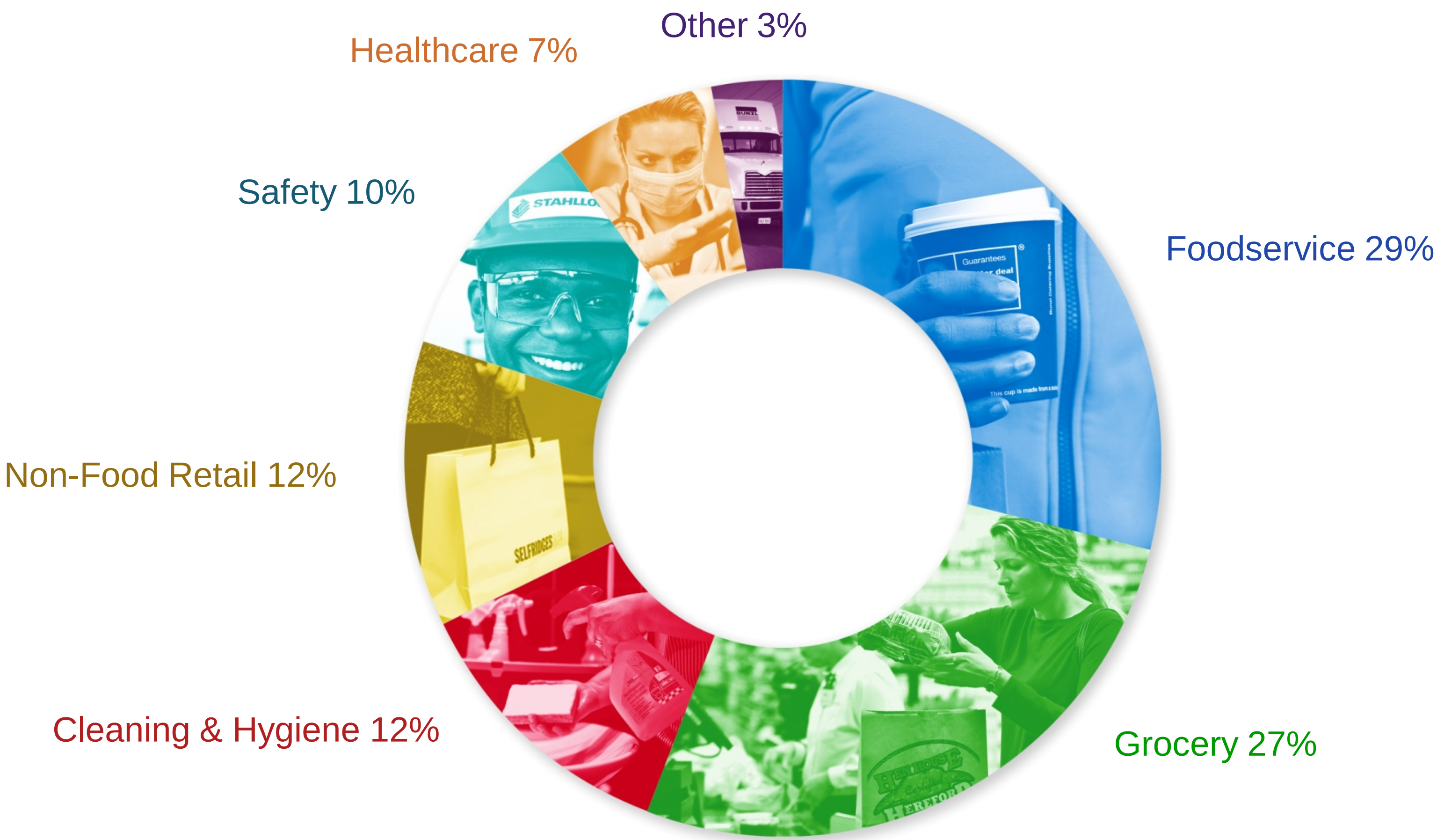
BROAD BASED GROWTH





Before intangible amortisation and acquisition related costs and corporate costs

2013 REVENUE BY CUSTOMER MARKETS

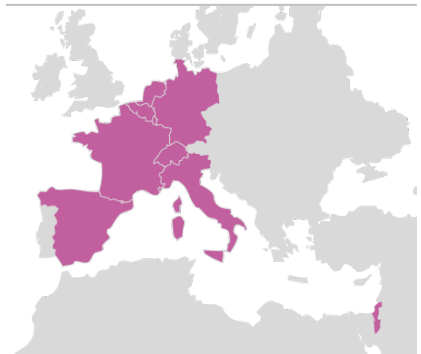


c.75% resilient – Grocery, Foodservice, C&H, Healthcare

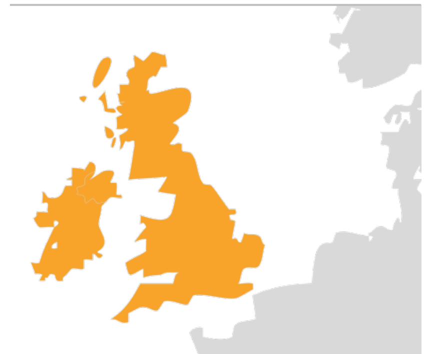
BUSINESS AREA ANALYSIS

Diversified by geography

NORTH AMERICA
55% Revenue
49% Operating profit*



CONTINENTAL EUROPE
19% Revenue
22% Operating profit*



UK & IRELAND
17% Revenue
17% Operating profit*

REST OF WORLD
9% Revenue
12% Operating profit*

* *Before intangible amortisation and acquisition related costs and corporate costs*

OVERVIEW

Excellent overall performance

- North America – strong growth led by acquisitions
- Continental Europe – good progress in a tough economic environment
- UK & Ireland – operating margin* returns to 7.0% - first time since 2008
- Rest of the World – 65%† growth in operating profit*

** Before intangible amortisation and acquisition related costs*
† At constant exchange rates

NORTH AMERICA

£m	2013	2012	Growth % Reported	Growth % Constant Exchange
Revenue	**3,401.7**	2,905.8	17	15
Operating profit*	**213.6**	184.6	16	14
Margin*	**6.3%**	6.4%		
Return on operating capital	**61.2%**	64.4%		

- Good organic revenue growth
- Impact from six 2012 acquisitions and three 2013 acquisitions
- Steady growth in grocery and food processor sectors
- Expansion of non-food retail despite slow growth in US retail sales
- Increased breadth of imported private label offering

** Before intangible amortisation and acquisition related costs*

CONTINENTAL EUROPE

£m	2013	2012	Growth % Reported	Growth % Constant Exchange
Revenue	**1,151.5**	1,079.4	7	2
Operating profit*	**97.0**	87.5	11	6
Margin*	**8.4%**	8.1%		
Return on operating capital	**47.5%**	42.4%		

- Revenue and profit growth against background of challenging economies
- France
  - Increased profit in Hygiene from gross margin and operating cost improvements
  - Good sales and profit growth in PPE business
- Benelux
  - Stable profit in Netherlands but strong growth in PPE
  - Strong profit growth in Belgium
- Improved results in Spain, driven by exports in PPE business
- Significant improvement in Central Europe

** Before intangible amortisation and acquisition related costs*

UK & IRELAND

£m	2013	2012	Growth % Reported	Growth % Constant Exchange
Revenue	**1,018.5**	992.1	3	2
Operating profit*	**71.6**	65.2	10	10
Margin*	**7.0%**	6.6%		
Return on operating capital	**98.8%**	86.5%		

- Good progress in all market sectors
- Operating margin returns to 7.0%
- Growth in cleaning and hygiene, safety and retail
- Own brand initiatives in hospitality partially offset pressure on sales
- Recovery and improving performance in Ireland

** Before intangible amortisation and acquisition related costs*

REST OF THE WORLD

£m	2013	2012	Growth % Reported	Growth % Constant Exchange
Revenue	**526.0**	381.9	38	47
Operating profit*	**51.2**	33.2	54	65
Margin*	**9.7%**	8.7%		
Return on operating capital	**47.1%**	54.5%		

- Australasia
  - Focus on efficiencies in weak economic environment
  - Entry into safety market with Jeminex acquisition
- Latin America
  - Substantial growth in revenue and operating profit
  - Strong performance in safety in Brazil
  - Vicsa integrating well
  - Entry into new markets through Labor Import and Espomega

** Before intangible amortisation and acquisition related costs*

PROVEN STRATEGY

Acquisition growth
Since 2004 we have announced more than 80 acquisitions, spending a total of £1.7bn at EBIT multiples of between 6-8x

GDP+ organic growth
Customers are able to outsource to Bunzl the purchasing, consolidation and delivery of a broad range of products, thereby enabling them to achieve efficiencies and savings

Operating model efficiencies
We constantly strive to make our business more efficient and environmentally friendly

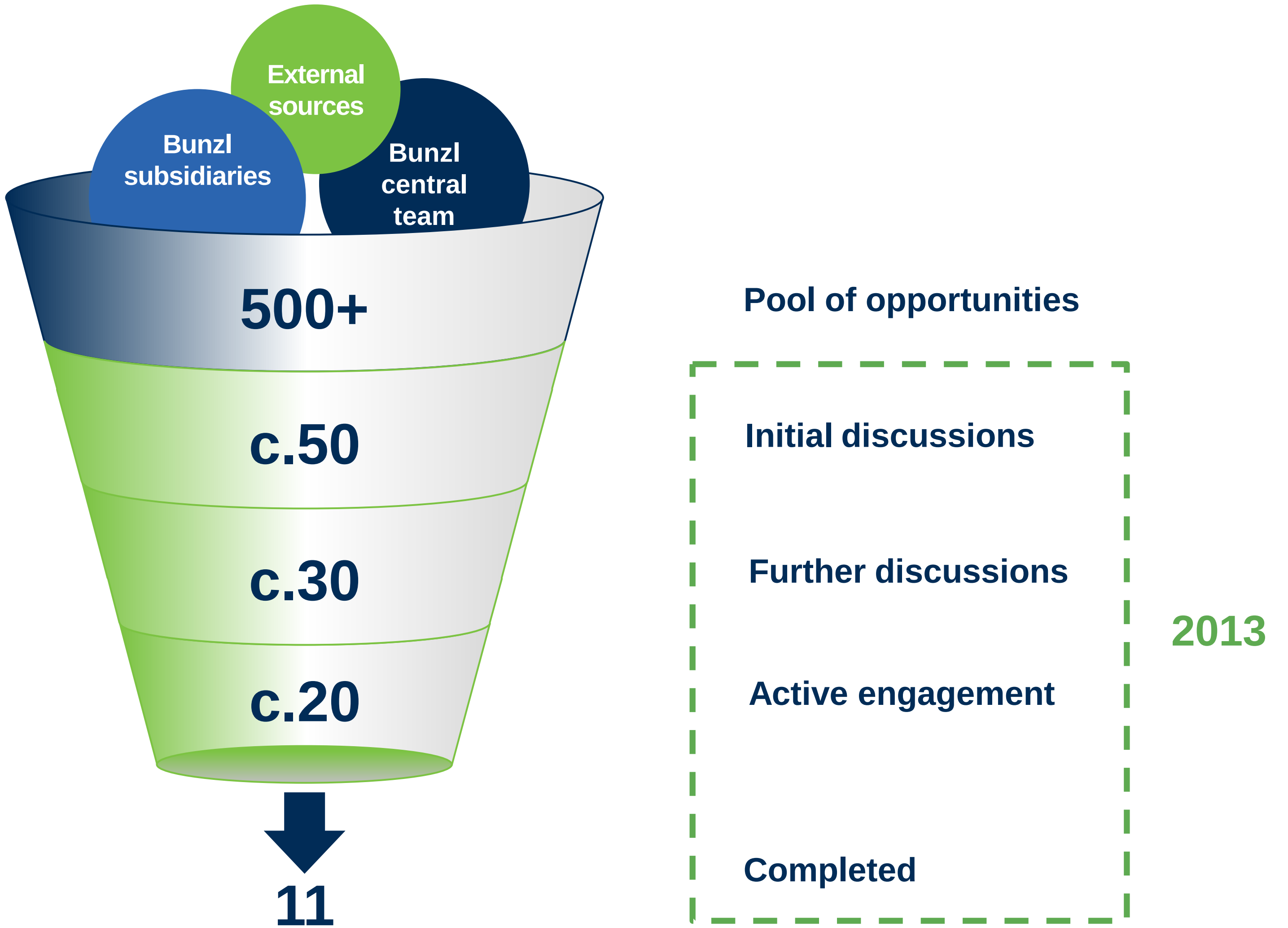
ROIC
17.9%

High ROIC despite significant acquisition spend

KEY COMPETITIVE ADVANTAGES

- Choice of customer sectors
- Decentralised management model
- Expertise in making acquisitions
- Alignment of management incentives
- Ex-owners stay with Bunzl
- Global sourcing

ACQUISITION ACTIVITY



ACQUISITION GROWTH – 2013

Business	Acquired	Country	Sector	Revenue*
McNeil Surgical	January	Australia	Healthcare	£10m
Labor Import	March	Brazil	Healthcare	£15m
MDA	March	UK	Non-food retail	£23m
BIS (Jeminex)	April	Australia	Safety	£98m
TFS	July	UK	Non-food retail	£9m
Espomega	August	Mexico	Safety	£27m
ProEpta	September	Mexico	Foodservice	£18m
Wesclean	November	Canada	Cleaning & hygiene	£40m
pka Klöcker	November	Germany	Safety	£5m
De Santis	December	Brazil	Safety	£5m
SAS Safety	December	USA	Safety	£31m

Annualised revenue of £281 million

* *Annualised and converted at average exchange rates*

ACQUISITION REVENUE – TRACK RECORD

£m	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
North America	115	198	103	15	-	-	35	7	410	89
Continental Europe	301	61	7	100	52	-	115	96	23	5
UK & Ireland	-	2	267	110	39	27	-	39	16	32
Rest of the World	14	9	9	-	60	-	4	62	69	155
Group	430	270	386	225	151	27	154	204	518	281

04-05 continuing operations only

Leading spend in year

Acquisitions across all business areas

ACQUISITION GROWTH – TRACK RECORD

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of acquisitions	7	7	9	8	7	2	9	10	13	**11**
Committed acquisition spend (£m)	302	129	162	197	123	6	126	185	277	**295**
Annualised acquisition revenue (£m)	430	270	386	225	151	27	154	204	518	**281**

04-05 continuing operations only

Average acquisition spend of £252 million in last three years

WHY INVEST IN BUNZL?

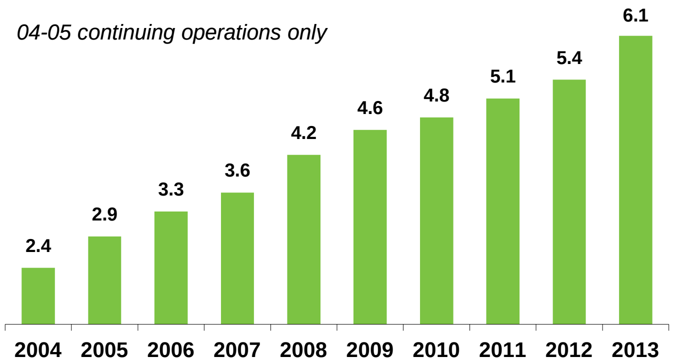
“

…. because Bunzl is the leader in the market with consistently good growth, stable operating margins, a very high return on operating capital and it turns on average more than 90% of the operating profit into cash which can be reinvested at a rate well in excess of the cost of capital

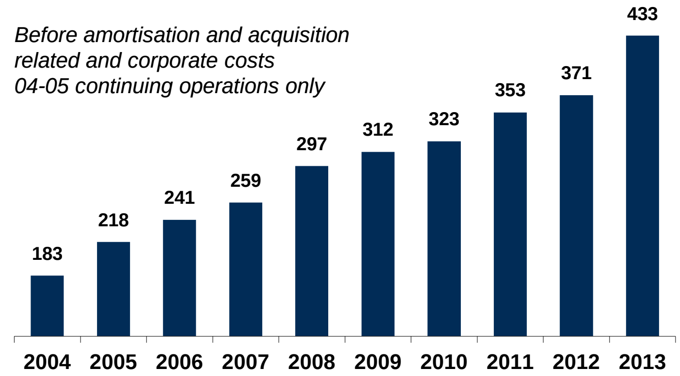
”

FINANCIAL TRACK RECORD

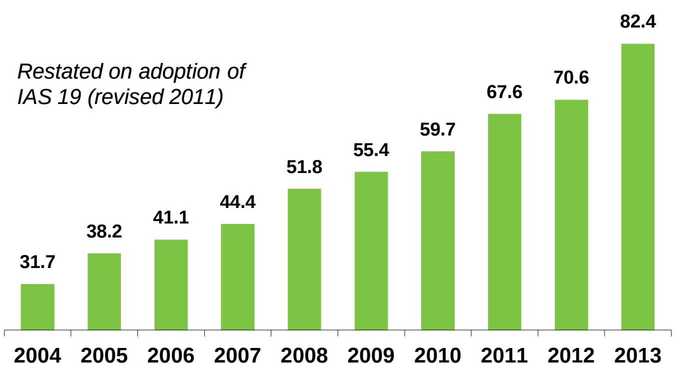
Revenue (£bn)



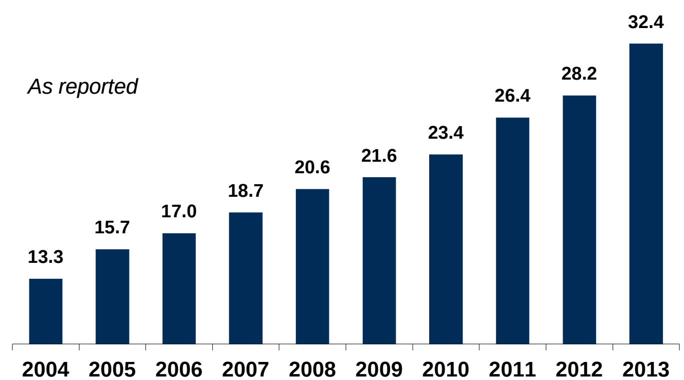
Operating profit (£m)



Adjusted eps (p)



Dividend per share (p)



All CAGRs greater than 10%

PROSPECTS

Overall	▪ Good performance expected for 2014 ▪ Potential negative translation impact
North America	▪ Good growth from organic revenue and 2013 acquisitions
Continental Europe	▪ Continued growth despite sluggish economic environment
UK & Ireland	▪ Sales growth with margin stability
Rest of World	▪ Significant increase in revenue and profit
Acquisitions	▪ Promising pipeline, further acquisitions expected

APPENDICES

APPENDIX 1 – EXCHANGE RATES

	2013	**2012**
Average rate		
US $	**1.56**	1.59
Euro	**1.18**	1.23
Australian $	**1.62**	1.53
Canadian $	**1.61**	1.58
Brazilian Real	**3.38**	3.10
Closing rate		
US $	**1.66**	1.63
Euro	**1.20**	1.23
Australian $	**1.85**	1.57
Canadian $	**1.76**	1.62
Brazilian Real	**3.91**	3.33

APPENDIX 2 – IMPACT OF CHANGES TO IAS 19

£m	Profit before tax*	Tax on profit*	Profit after tax*	Adjusted eps* (p)
2012 before restatement	323.9	(89.7)	234.2	71.8
Restatement	(5.5)	1.5	(4.0)	(1.2)
2012 after restatement	318.4	(88.2)	230.2	70.6

** Before intangible amortisation and acquisition related costs and disposal of business*

APPENDIX 3 – NET DEBT

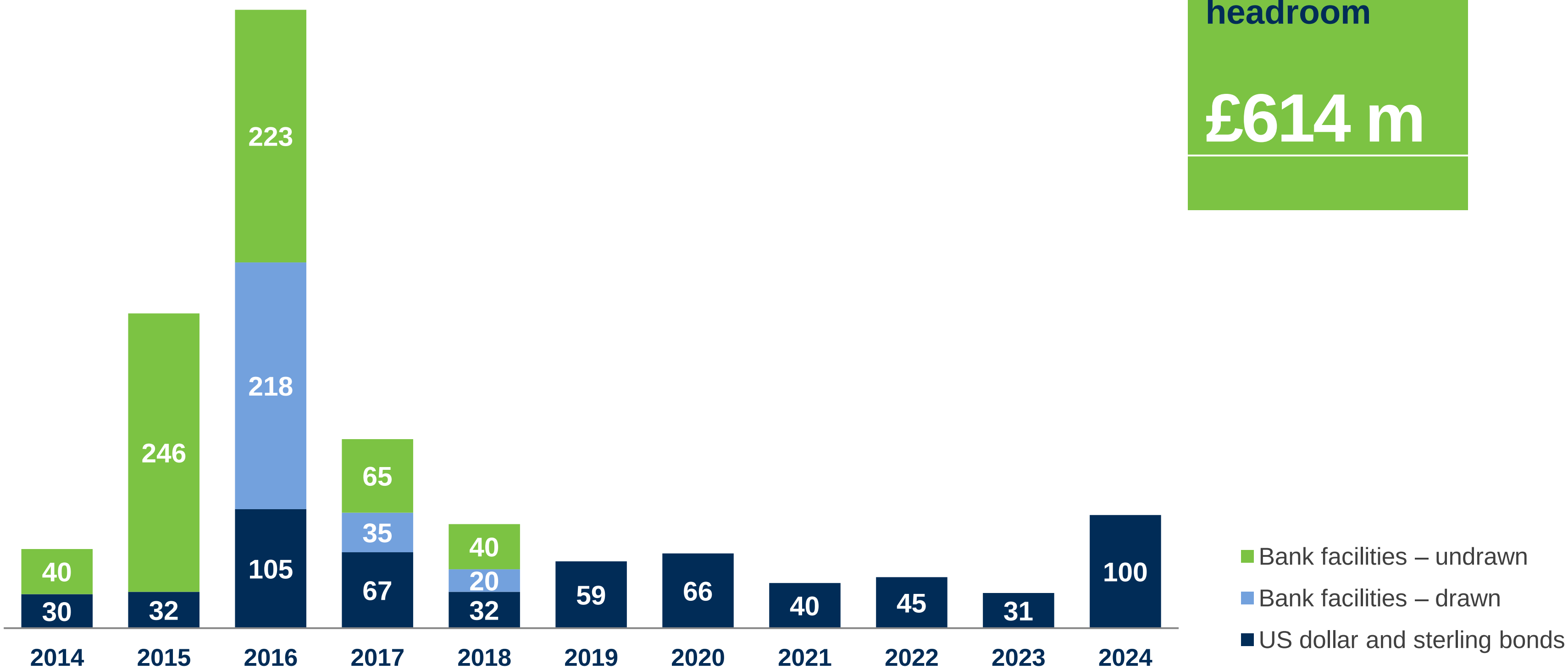
£m	2013	2012
Opening net debt	(738.1)	(652.9)
Net cash outflow	(113.2)	(109.4)
Currency inflow	1.8	24.2
Closing net debt	(849.5)	(738.1)

APPENDIX 4 - FINANCING

Committed facilities maturity profile (£m)

Funding headroom

£614 m



APPENDIX 5 – CASH FLOW

£m	2013	2012
Operating profit*	**414.4**	352.4
Depreciation	**25.9**	23.0
Working capital movement	**16.8**	(22.4)
Other	**(10.7)**	(3.9)
Cash flow from operations	**446.4**	349.1
Net capital expenditure	**(25.3)**	(20.2)
Operating cash flow**	**421.1**	328.9
Operating cash flow** to operating profit*	**102%**	93%

* *Before intangible amortisation and acquisition related costs*
** *Before acquisition related costs*

APPENDIX 6 – HISTORICAL DATA

£m	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	2,439	2,924	3,333	3,582	4,177	4,649	4,830	5,109	5,359	6,098
Operating profit*	169	203	226	243	281	296	307	336	352	414
Margin* (%)	6.9	7.0	6.8	6.8	6.7	6.4	6.4	6.6	6.6	6.8

** Before intangible amortisation and acquisition related costs*
04-05 Continuing operations only

APPENDIX 7 – VALUE PROPOSITION

- In-house procurement and self distribution is costly
- Bunzl applies its resources and expertise to reduce or eliminate many of the “hidden” costs of in-house procurement and self distribution
- The benefits to customers are a lower cost of doing business and reduced working capital

APPENDIX 8 - BUSINESS MODEL

One-stop-shop for non-food consumables

Suppliers

Individual ranges

Bunzl

Consolidated offer

Customers

- FOODSERVICE
- GROCERY
- CLEANING & HYGIENE
- NON-FOOD RETAIL
- SAFETY
- HEALTHCARE

- Global suppliers
- Low cost sources
- Commodities
- Own brands

- International warehousing & distribution infrastructure
- Consolidation
- Supply chain management
- Range of delivery options

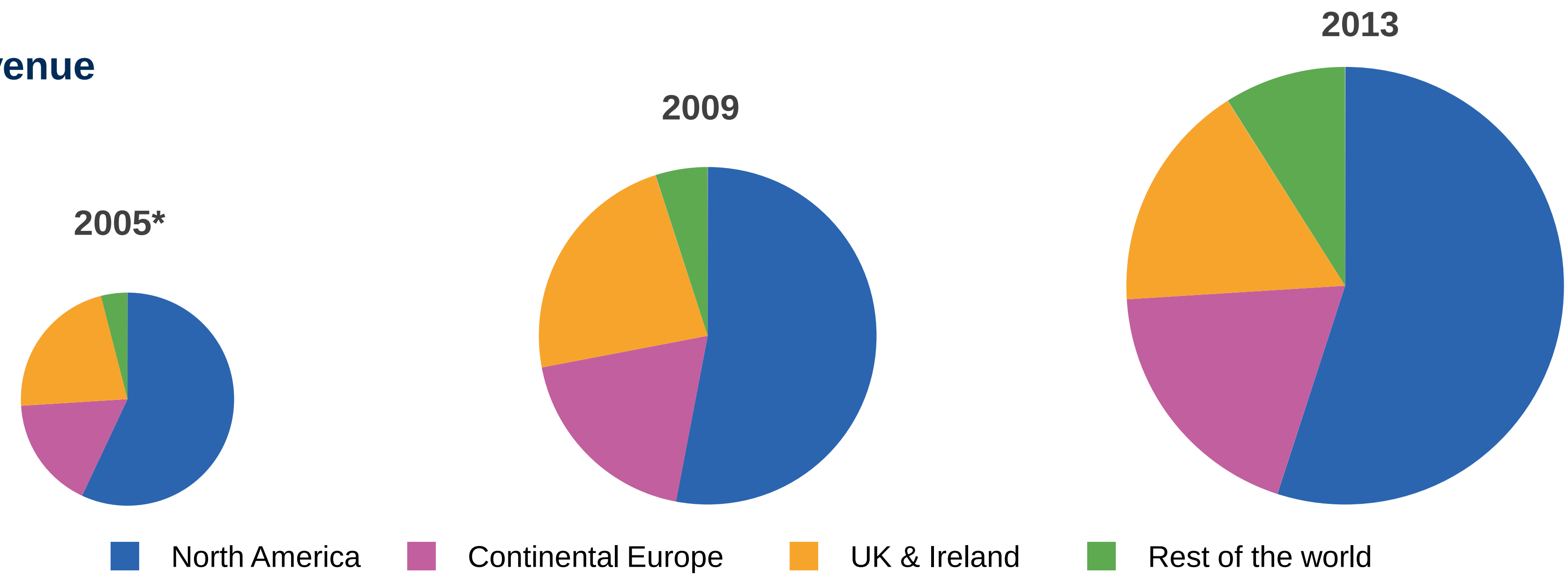
APPENDIX 9 – KEY ACQUISITION PARAMETERS

B2B	Goods not for resale	Consolidated product offering (“one-stop-shop”)
Sectors with growth	Fragmented customer base	Further market consolidation and synergies
Small % of total customer spend	Opportunity for “own label” products	Attractive financial returns (ROIC, ROACE)

APPENDIX 10 - GEOGRAPHIC EXPANSION TIMELINE

1997*	2003*	2005*	2008	2013
7 countries	12 countries	18 countries	23 countries	27 countries

Revenue



** Continuing operations only*

APPENDIX 11 – ACQUISITION GROWTH LATIN AMERICA

2008 to 2010 – Brazil market entry

- Protcap – Entry into safety market
- AM Supply – Expansion in safety

2011 – Expansion in Brazil

- Ideal – Entry into cleaning and hygiene market
- Danny – Expansion in safety market

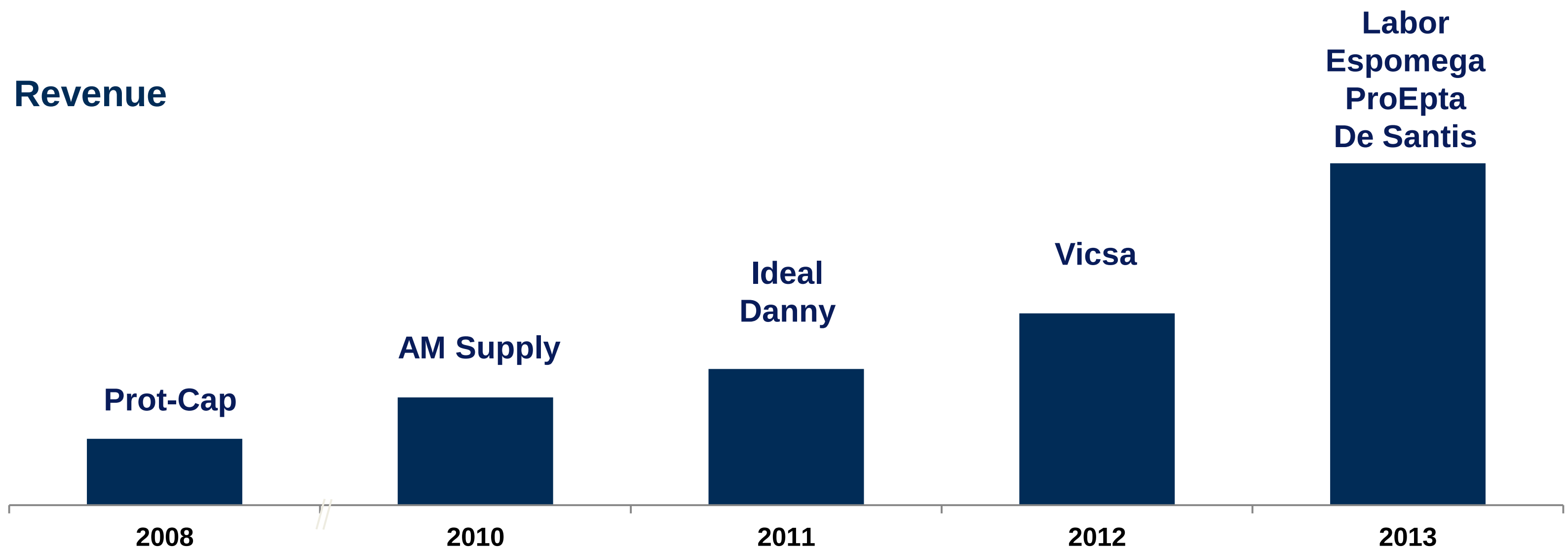
2012 – Expansion outside Brazil

- Vicsa – Entry into safety market in Chile, Colombia, Peru, Argentina and Mexico and expansion in Brazil

2013 – Further expansion

- Labor – Entry into healthcare market in Brazil
- Espomega – Major expansion in safety market in Mexico
- ProEpta – Entry into catering equipment market in Mexico
- De Santis – Expansion in safety market

APPENDIX 12 – ACQUISITION GROWTH LATIN AMERICA



	2008	2010	2011	2012	2013
Safety	✓	✓	✓	✓	✓
Cleaning & Hygiene			✓	✓	✓
Foodservice					✓
Healthcare					✓
Retail					

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