



BUNZL PLC BUSINESS CASE

May 2012





Bunzl is a focused and successful Group providing outsourcing solutions and value added distribution across the Americas, Europe and Australasia



Business Overview

Sales channel

- Business to business distribution
- £5.1bn revenue in 2011

Products

- Wide range of non-food consumable products

Sourcing

- From leading brand manufacturers
- Own brands and unbranded products
- Sourcing centre in Shanghai – no own manufacturing

Footprint

- More than 11,500 employees
- International diversification: 23 countries, 4 continents

Key Facts

- UK plc headquartered in London
- Listed on LSE; FTSE 100; Support Services sector

Financials

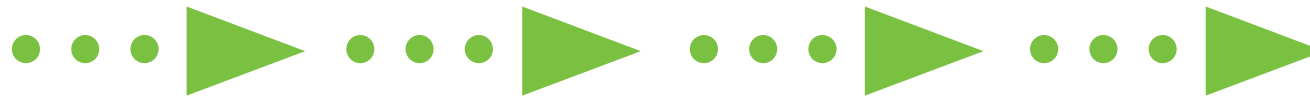
- Revenue growth (CAGR 04-11): 10%
- Operating profit growth* (CAGR 04-11): 10%
- Average annual cash conversion† (04-11): 98%

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

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



Benefits to Customers: Supply Chain



Supported by an integrated I.T. platform

- Self distribution is costly
- Bunzl applies its resources and expertise to reduce or eliminate many of the ‘hidden’ costs of self-distribution
- The benefits to customers are a lower cost of doing business and reduced working capital



Outsourcing adds value to the customer



Market Environment

Growing market sectors

- Exposed to growing sectors e.g.
 - Foodservice – away from home
 - Cleaning & Hygiene – away from home
 - Healthcare – demographics
 - Safety – increased legislation

Outsourcing trend

- Customers and manufacturers focusing on their core business

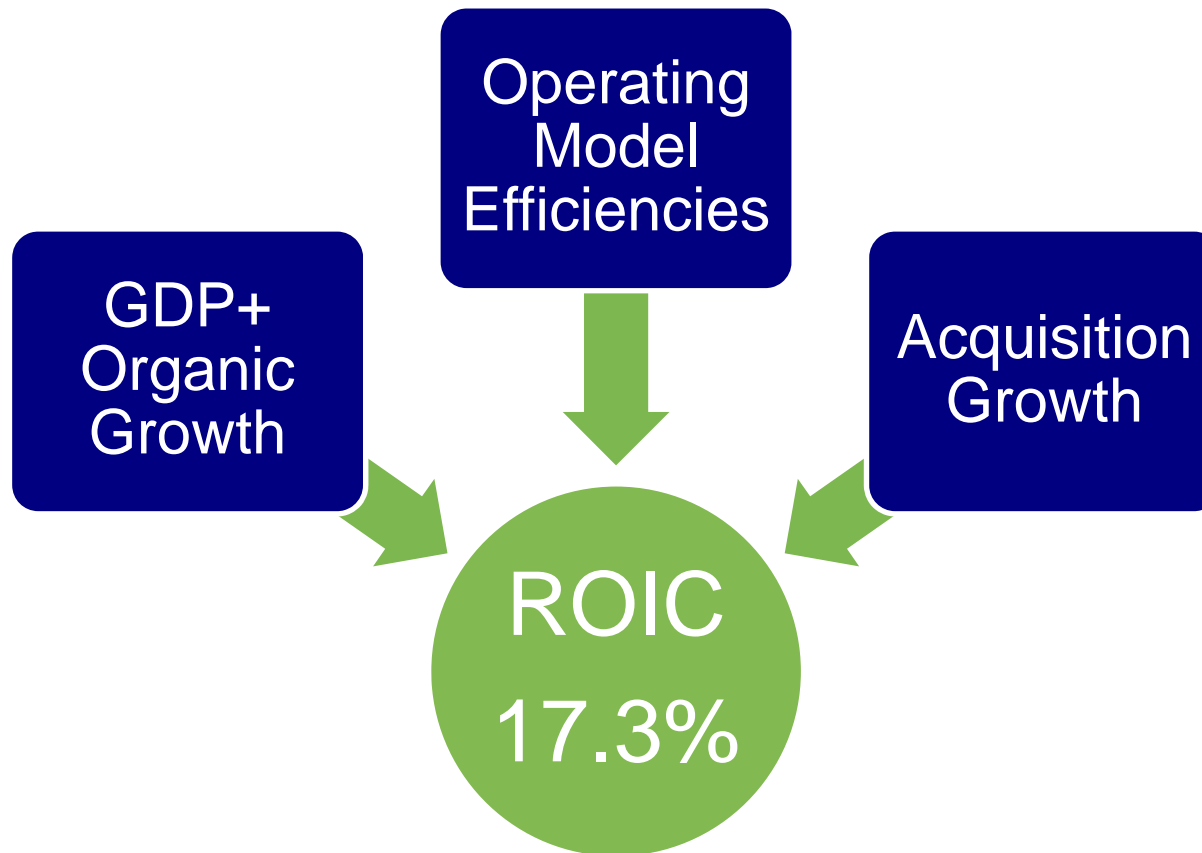
Fragmented markets

- No one does what we do, on our scale and across our international markets
- Bunzl's national distribution networks

Customer base

- Strong customer base
- Working with national and international leaders
- Aligned with customer growth

Multiple growth drivers



Consistent and proven strategy



Strategy Building Blocks



A platform for growth

Suppliers



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

Individual ranges



Bunzl



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

Consolidated offer



Customers



Grocery

Foodservice

Cleaning & Hygiene

Safety

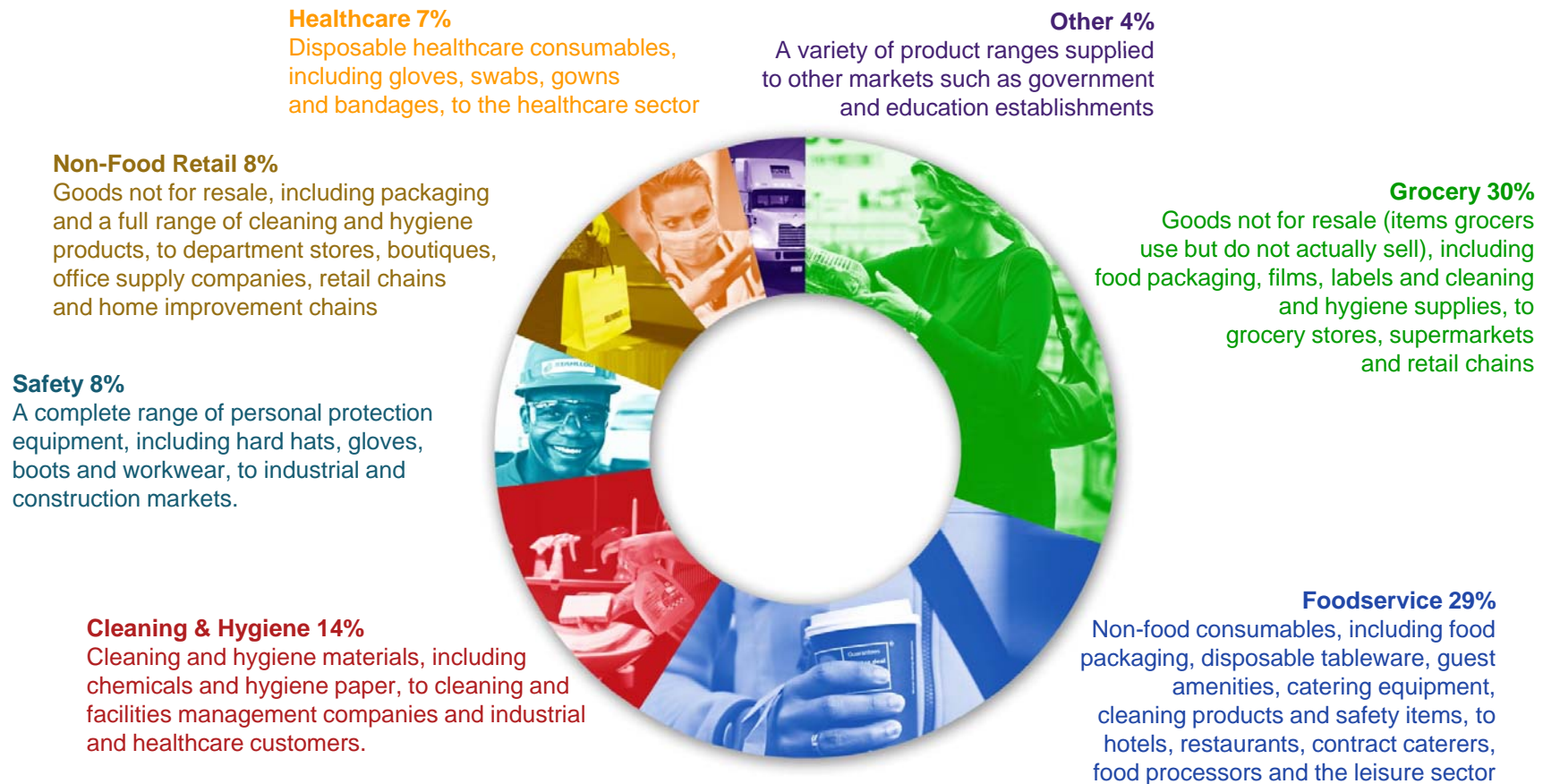
Non-Food Retail

Healthcare

One stop shop for non-food consumables



Attractive Markets Portfolio



Diversified by customer markets – 80% resilient



Typical Products

Grocery



Foodservice



Cleaning & Hygiene



Safety



Non-Food Retail



Healthcare

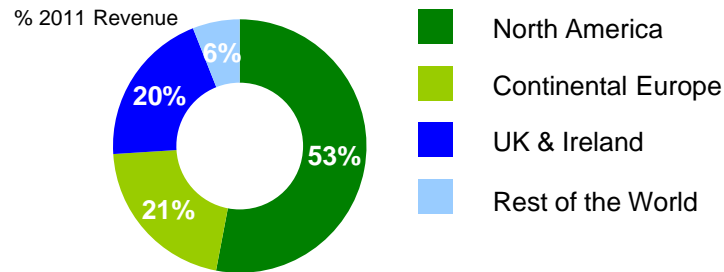




Balanced Business Portfolio



Geographic balance



Regional diversification

- Our markets are at different stages of maturity
- National footprints
- International brands and local products

Customer markets balance

- 6 market sectors with numerous sub-sectors
- Products and markets - specialist distributors
- Direct to customer or through a sub-distributor

Diversified by geography and sector



Decentralised operational structure

- Hands on management with clear customer focus
- Full P&L responsibility
- Aligned incentive measurement with profit and ROCE

Expanding and investing

- Majority of capex spend - IT systems and warehouse facilities
- Sound IT and systems strategy e.g. warehouse management, order systems, vehicle routing
- Expanding and modernising warehousing facilities

Sharing best practice

Preferred suppliers



Sourcing



Own brands
Commodities
Low cost sources
Eco-friendly products





Acquisition Strategy

Key attributes

- Financial returns
- In resilient and growth markets
- Business to business
- Consolidated 'not-for-resale' product offering
- Similar model – no manufacturing
- Fragmented customer base
- Strong local management
- Scope for further consolidation

Acquisition types

- Bolt-on – existing geography and market
 - Extending product range
 - Consolidating markets
- Anchor – new geography or market
 - Entering new geographies
 - Entering new markets

Extracting value

- Purchasing synergies
- Warehouse & distribution efficiencies
- Back office integration
- Customer overlays
- Product range extensions
- Sharing best practice
- Investments in infrastructure

Acquired businesses continue to feel 'local'



Acquisition Track Record

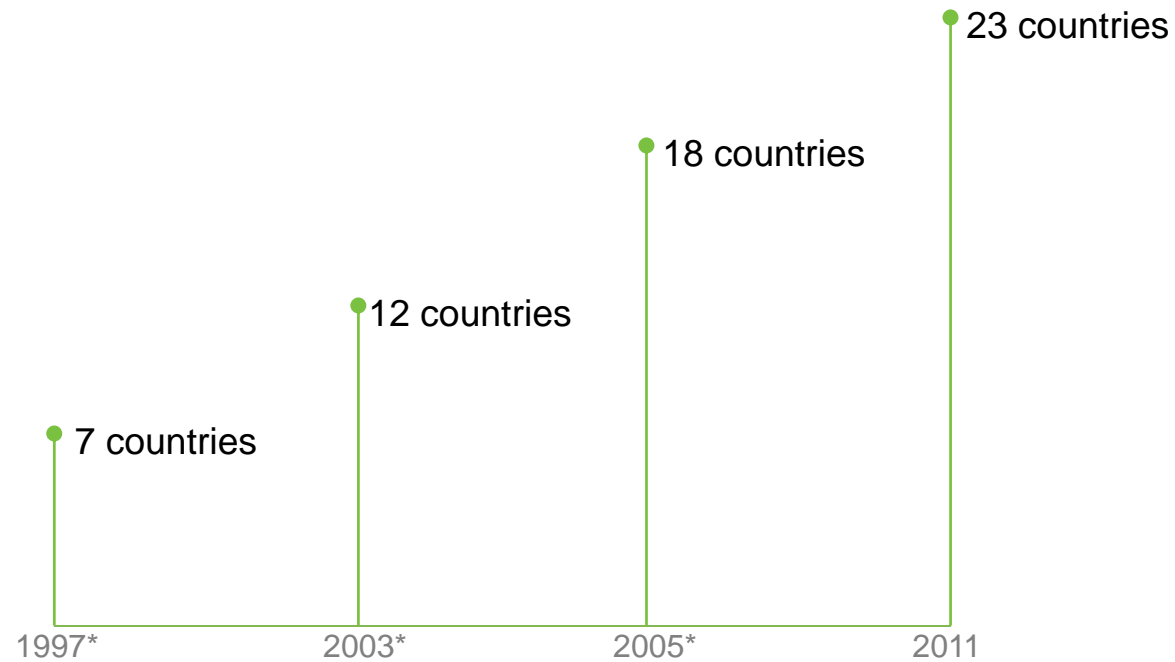
	2004	2005	2006	2007	2008	2009	2010	2011
Number of Acquisitions	7	7	9	8	7	2	9	10
Acquisition Spend (£m)	302	129	162	197	123	6	126	185
Annualised Acquisition Revenue (£m)	430	270	386	225	151	27	154	204

2004-2005 continuing operations only

Average acquisition spend £154m p.a.



Geographic Expansion



* Continuing operations



Experienced Management



Michael Roney
Chief Executive



Brian May
Finance Director



Patrick Larmon
Executive Director

Experienced executive directors and management team



Strong Financial Discipline

High return on capital

- Return on operating capital avg. 56% last 5 years
- Return on invested capital avg. 17.5% last 5 years

Strong balance sheet

- Net debt/EBITDA 1.7x year end 2011

Low working capital requirements

- Working capital to sales at 9% in 2011

Low capex

- Average of £22m p.a. over past 3 years

High free cash flow yield

- Operating cash flow to operating profit* average of 98% over past 8 years

Uniform financial reporting system

- Across all geographies

Growing dividend stream

- Dividend per share CAGR of 10% over past 10 years

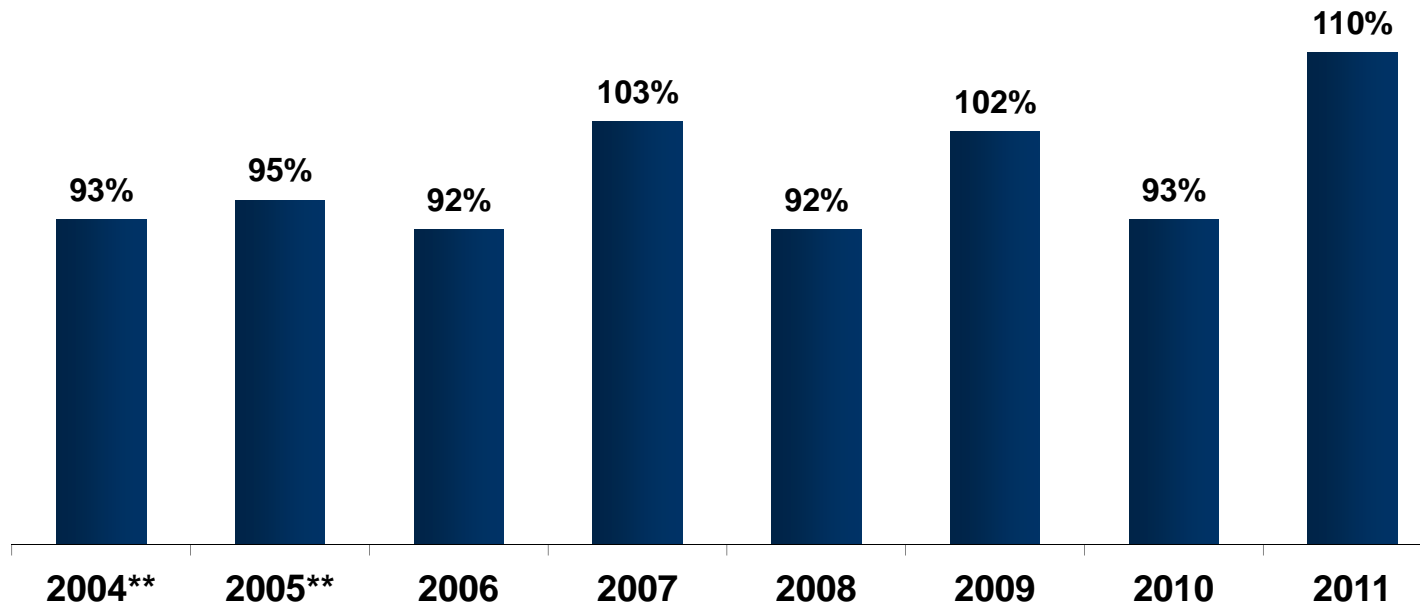
Strong financial model

**Before intangible amortisation and acquisition related costs*



Strong Financial Discipline

Average Cash Conversion* 98%



**Operating cash flow after capex to operating profit before intangible amortisation and acquisition related costs*

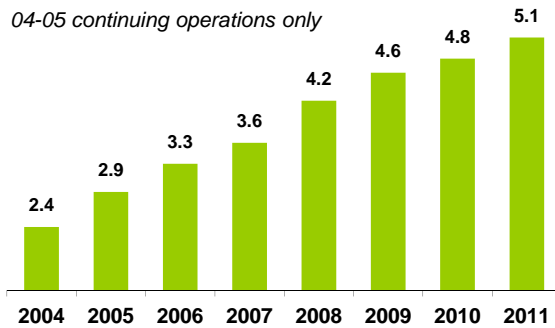
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Strong cash conversion

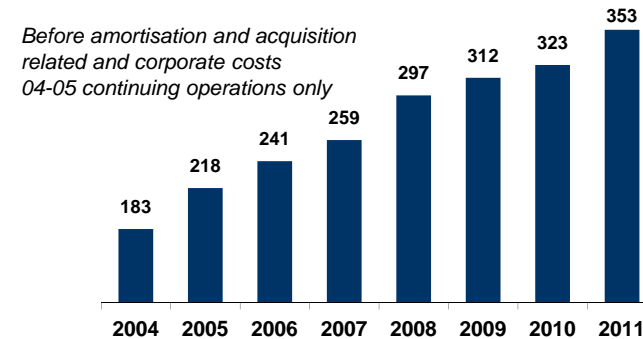


Financial Track Record

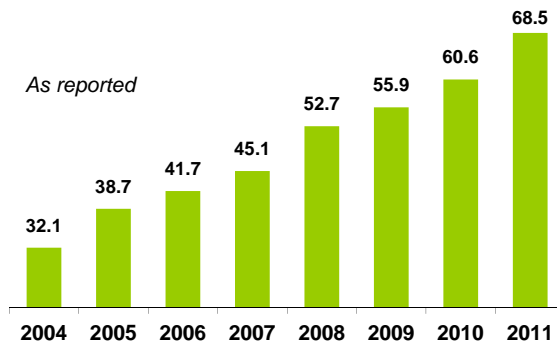
Revenue (£bn)



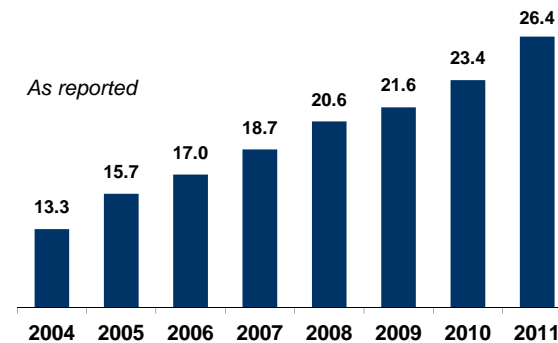
Operating profit (£m)



Adjusted eps (p)



Dividend per share (p)



All CAGRs greater than 10%



Business Case Summary

Clear strategy for growth

- Entering new markets/product groups
- Expansion/penetration of established markets
- Strong operational focus

Strong business model

- Clear value added for customer and suppliers
- Recurring revenues
- 'Big in the middle'

Attractive markets

- Resilient and growing markets
- Multiple growth drivers
- Fragmented with opportunity to consolidate

Balanced portfolio

- Product diversification
- Geographical presence
- Independence from customers and suppliers

Robust financial performance

- Consistent revenue and earnings growth
- High cash generation
- Cash reinvested at high return on capital
- Strong and growing dividend stream

Attractive business model



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