A strong performance, reaching a significant dividend milestone

Frank van Zanten
Chief Executive Officer

Overview

The very strong results we have achieved once again demonstrate Bunzl's operational and financial resilience. Our people have been instrumental to our success, with our teams working hard to pass through price increases, while also successfully managing supply chain disruption so that our customers can continue to rely on us to deliver the essential products and solutions they need. Our capabilities in the face of disruption continue to be recognised by customers, and have supported some new business wins over the year. I am very pleased that our acquisition strategy continues to complement the organic growth of the business, with the range and breadth of acquisitions made this year highlighting our opportunities to consolidate across the diversified end markets and regions in which we operate. Over the year we also concluded negotiations with our largest customer by revenue, securing improved structural terms and extending this long-standing partnership. Furthermore, the strength and success of the Group's long term strategy has enabled Bunzl to reach a milestone of 30 years of consecutive annual dividend increases.

Operating performance

With approximately 90% of adjusted operating profit generated outside the UK, profits and earnings were positively impacted between 6% and 7% by currency translation over the period. The commentary below is stated at constant exchange rates unless otherwise highlighted.

In 2022 revenue increased by 9.8% (17.1% at actual exchange rates) to £12,039.5 million. Within this, underlying revenue growth was 6.6%, while acquisitions contributed revenue growth of 3.1%. Our disposal of the UK healthcare business in December 2022 impacted revenue by 0.1%, while excess growth in hyperinflationary economies, largely in Turkey, contributed a small increase of 0.2%.

Underlying revenue growth of 6.6% during the year was driven by very strong growth of the base business, which benefited the Group's underlying revenue growth by 11.6% and was driven by very strong inflation in addition to the benefit of volume recovery in Continental Europe and UK & Ireland earlier in the year. This was partially offset by the expected reduction in sales of the top Covid-19 related products, which contributed an underlying revenue decrease of 5.0%.

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Covid-19 related sales have returned to a more typical level, being c.£200 million greater than in 2019 on an underlying basis, and significantly lower than the peak of Covid-19 related sales in 2020.

With both product cost inflation, as well as continued post-pandemic recovery of the base business in Continental Europe and UK & Ireland earlier in the year, the foodservice and retail sectors combined delivered underlying revenue growth of 13% compared to the prior year, despite the decline in Covid-19 related sales. Similarly, total underlying revenue in the grocery and other sectors grew by 9%, driven by product cost inflation. Overall, total underlying revenue in the cleaning & hygiene, safety and healthcare sectors declined by 3% year-on-year due to lower Covid-19 related sales, but remained 6% higher than in 2019, benefiting from Covid-19 related sales remaining higher than in 2019 and good growth delivered in the healthcare sector. Our healthcare base businesses are performing well, with the growing backlog of elective surgeries expected to remain a tailwind. The base business in safety started to see some improvement as supply chain and labour shortages have started to ease for customers; we expect the safety business to benefit from increased infrastructure spend in the medium term. The cleaning & hygiene sector, whilst continuing to be impacted by work from home trends which have hampered the base business recovery, benefited from inflation and saw some improvement in office-based activity towards the end of the year.

The Group has managed inflation on plastics, paper and chemicals well and successfully implemented selling price increases. While inflation trends remained strong to the end of the year, product cost inflation had started to annualise in North America in the second half of the year and inflation in other regions, which had lagged North America, also started to see some annualisation towards the end of the year. Over 2022, tender activity remained below pre-pandemic levels, with this expected to pick up going forward.

Although we experienced operating cost inflation over the year, this has been more than offset by revenue growth driven by implementation of price increases related to product cost inflation, and achieving further operational efficiencies. Operating cost inflation in North America has been high, driven by fuel and freight costs, despite some support from fuel surcharges, as well as wage inflation and property inflation linked to lease renewals. However, wage rates, which rose particularly strongly in 2021, saw their year-on-year impact moderate over the course of the year, and exited the year closer to more typical historical levels of inflation. While wage inflation remained more benign in Continental Europe over 2022, this is starting to increase, although it is expected to be significantly less than the inflation we had experienced in North America. Driving operational efficiencies is a core component of our compounding strategy and is particularly

Inflation

- Successful management of product cost inflation through implementing price increases was strongly supportive to our growth in 2022
- Operating cost inflation more than offset by revenue growth driven by product cost inflation, and operational efficiencies
- Inflation dynamics somewhat supportive to operating margin

Robust performance

11.1%[1]
adjusted operating profit[2] growth year-on-year

12
acquisitions in 2022

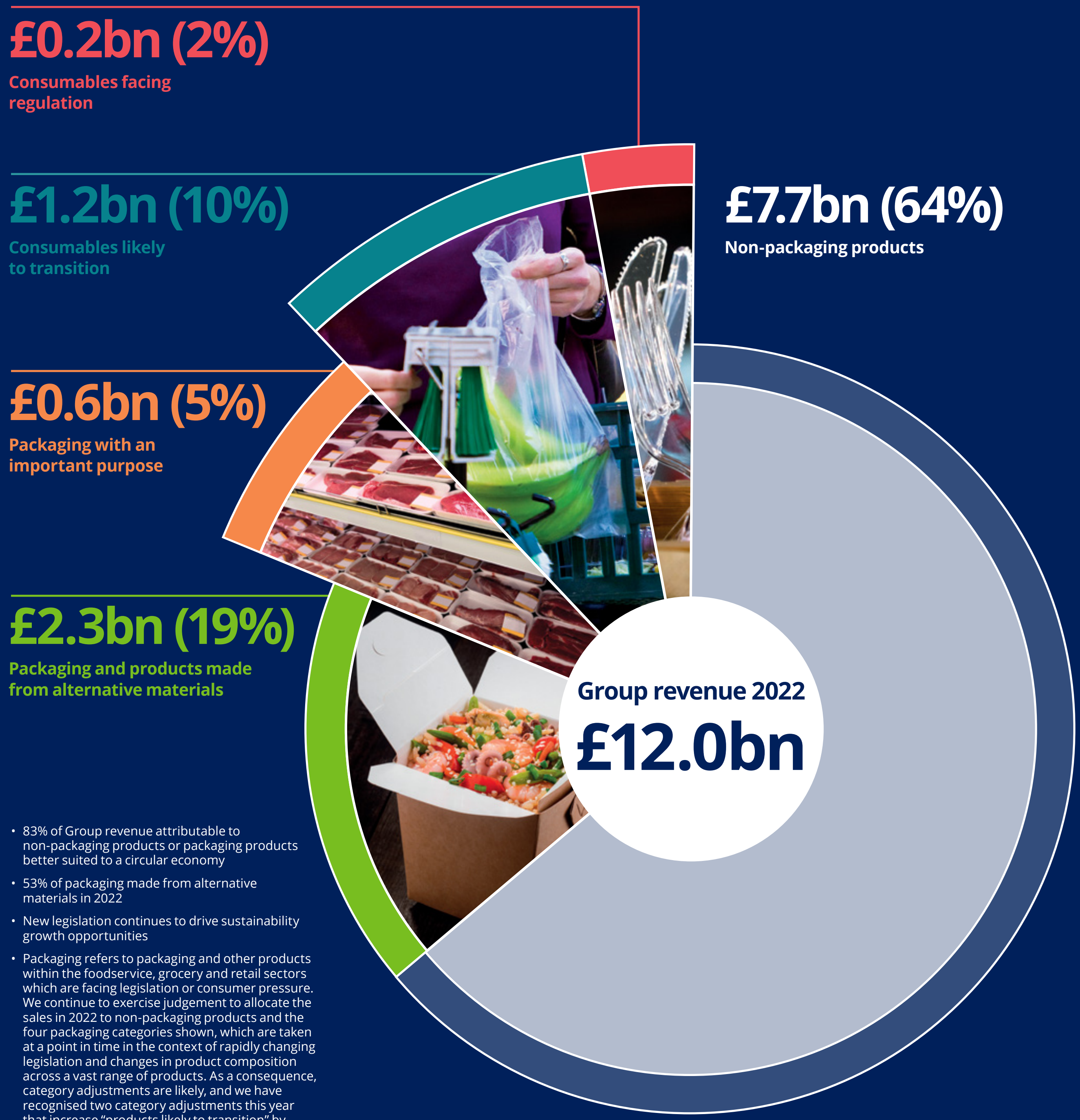
10.0%
dividend per share growth, celebrating our 30th consecutive year of annual dividend growth

69%
of orders placed digitally

83%
of Group revenue attributable to non-packaging products or packaging[3] made from alternative materials

1 At constant exchange rates.
2 Alternative performance measure – see Note 3, page 178.
3 Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. See page 240 for further detail.

Only 2% of revenue generated from consumables facing regulation



- 83% of Group revenue attributable to non-packaging products or packaging products better suited to a circular economy
- 53% of packaging made from alternative materials in 2022
- New legislation continues to drive sustainability growth opportunities
- Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. We continue to exercise judgement to allocate the sales in 2022 to non-packaging products and the four packaging categories shown, which are taken at a point in time in the context of rapidly changing legislation and changes in product composition across a vast range of products. As a consequence, category adjustments are likely, and we have recognised two category adjustments this year that increase "products likely to transition" by £0.2bn, with corresponding reductions of £0.1bn in "packaging with an important purpose" and "products made from alternative materials", which would also have applied last year. More information on our packaging categories, and limitations with respect to the product data and related disclosures, are set out in the ESG Appendix on page 240

FOR MORE INFORMATION SEE PAGES 240 AND 241

important during periods of higher operating cost inflation. Overall, combined with the positive contribution that product cost inflation has made to revenue, inflation dynamics have been somewhat supportive to margins.

Adjusted operating profit was £885.9 million, an increase of 11.1% (17.7% at actual exchange rates), and operating margin increased to 7.4% compared to 7.3% in the prior year, remaining well ahead of historical levels. Within this margin movement, inflation trends and acquisitions more than offset the dilutive impact: of (i) reduced Covid-19 related sales, which are largely own brand or unbranded; (ii) a recovery in typically lower margin sectors within our base business; and (iii) the impact of hyperinflation accounting in Turkey. Reported operating profit was £701.6 million, an increase of 6.0% (12.6% at actual exchange rates), reflecting the 11.1% increase in adjusted operating profit and an increase in customer relationships, brands and technology amortisation and acquisition related items due to acquisition activity over the last 12 months.

Adjusted profit before income tax was £818.0 million, an increase of 10.5% (17.2% at actual exchange rates) due to the growth in adjusted operating profit. The £10.3 million increase in net finance expense, at constant exchange rates, to £67.9 million largely reflected a non-cash charge of £10.7 million from hyperinflation accounting primarily related to operations in Turkey. In total, hyperinflation accounting has impacted adjusted profit before income tax by £18.7 million pounds. The Group expects a net finance expense in 2023 of £90 million to £95 million, predominantly reflecting the non-repeat of financial derivative benefit and higher interest rates on the floating portion of Bunzl's Group debt. Reported profit before income tax was £634.6 million, an increase of 5.0% (11.6% at actual exchange rates).

The effective tax rate of 24.6% was higher than the 22.3% in the prior year, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. The effective tax rate is expected to be between 25.0% and 25.5% in 2023, reflective of the UK corporate tax increase. Adjusted earnings per share were 184.3p, an increase of 7.0% (13.4% at actual exchange rates), and basic earnings per share were 141.7p, an increase of 0.5% (6.8% at actual exchange rates).

The Group's cash generation continues to be strong, with £705.7 million of free cash flow generated, representing 34% growth at actual exchange rates compared to the comparable period in 2021. The level of cash generation reflects strong underlying cash generation, but also an improvement in working capital in the second half of the year, enabled by easing supply chain constraints. The strength of our underlying free cash flow generation continues to enable our investment in the business and acquisitions. Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) over the period was 107%. The Group ended the period with net debt, excluding lease liabilities, of £1,160.1 million compared to £1,337.4 million in December 2021. 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 1.2 times compared to 1.6 times at the end of 2021. This provides substantial headroom for further acquisitions. Net debt in 2022 also benefited from disposal proceeds received through the sale of our UK healthcare business; excluding this benefit, net debt to EBITDA would have been 1.3 times. Due to the structure of recent acquisitions, with increasing earn-outs and options to be exercised to buy out minorities in future years, we hold deferred consideration payable on our balance sheet based on the expected earnings to be achieved by these businesses over the respective earn-out and option terms. At the end of the period, a liability of £139.9 million was held compared to £107.8 million at the end of 2021. This liability is not included within the Group's external debt covenant definition. In March the Group successfully completed a US private placement issue of US dollar 400 million which refinances near-term US private placement maturities, extending the Group debt maturity profile.

Return on average operating capital decreased slightly to 43.0% compared to 43.3% at 31 December 2021, driven by an adverse impact from currency. Return on invested capital was 15.0% compared to 15.1% at 31 December 2021, with an adverse impact from currency translation and acquisitions partly offset by higher returns in the underlying business. Return on average operating capital and return on invested capital both remain significantly higher than in December 2019, with 36.9% and 13.6% respectively achieved at the end of 2019.

Digital investments support our consistent strategy

We aim to ensure it is easy and efficient for our customers to work with us

Customer experience

Enhancing customer retention

- Remove pain points
- Self-service solutions
- Fast and easy interaction with Bunzl (B2C feel)

Operational efficiency

Delivering excellent service levels

- Process automation
- Flexible systems
- Scalable tools

Data and analytics

Creating value through the right insights

- Dynamic dashboards for fact-driven decisions
- Predict and prescribe
- New business solutions

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 provide our customers with innovative products and services, with a growing sustainability offering being a particular focus. Furthermore, digital sales accounted for 69% of orders over 2022 compared to 67% in 2021 and 62% in 2019, with penetration above this level in the latter part of the year following the acquisition of hygi.de, a digital business. Our continued focus on operational efficiencies included the consolidation of 10 warehouses and the relocation of five warehouses, as well as the further implementation of technologies and automation that drive more efficient processes.

Acquisitions

In 2022 Bunzl signed 12 acquisitions with total committed spend of £322 million, adding estimated annualised revenue of £299 million. 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.

The high quality acquisitions we made in 2022, spanning 9 countries and 5 sectors, further expand our customer reach and strategic capabilities, as well as geographic and sector diversification. Within this Bunzl acquired hygi.de, a fast growing online distributor in Germany, which materially increased Bunzl's presence in this high potential market, establishing a platform which we are already building upon with the acquisition of Arbeitsschutz-Express, announced today. Furthermore, we have continued to acquire businesses in the specialist healthcare sector in Australia and New Zealand, an attractive end market which we have been expanding into over the last few years and where we see continued opportunity. Acquisitions made during the year have also enhanced the Group's digital capabilities and expanded our own brand and sustainability related product ranges and expertise.

During 2022, Bunzl sold its UK healthcare division, which in 2021 generated £216 million of revenue. This decision reflected Bunzl's commitment to ensuring optimal capital allocation across the Group.

Bunzl ended 2022 with net debt to EBITDA of 1.2 times, providing the Group with substantial capacity to 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.

In January 2023, Bunzl completed the acquisition of Capital Paper, a distributor of foodservice packaging and consumables, cleaning & hygiene supplies, and industrial packaging products in Canada. The acquisition of Capital Paper strongly complements our existing business in Canada and in 2022 generated revenue of CAD 26 million (c.£16 million).

Acquisition	Description
USL Completed: May 2022	New Zealand distributor of medical consumables to the healthcare sector, including hospitals, aged care, and community health services, with revenue of NZD114 million (c.£59 million) in 2021
hygi.de Completed: July 2022	Leading and fast-growing online distributor of cleaning and hygiene products in Germany to a fragmented customer base, with revenue of EUR107 million (c.£92 million) in 2021
AFL Groep Completed: July 2022	Distributor of logistics and warehouse related supplies to customers in the Benelux region, with revenue of EUR19 million (c.£16 million) in 2021
London Catering & Hygiene Solutions Completed: July 2022	Distributor of catering supplies and cleaning and hygiene products in the UK with revenue of £5 million in the 12 months to May 2022
Containit Completed: August 2022	Fast-growing distributor of warehouse storage solutions to the resource and defence sectors in Australia, with revenue of AUD17 million (c.£9 million) in 2021
Corsul Group Completed: September 2022	Leading distributor of personal protective equipment ('PPE') in the south of Brazil, with revenue of BRL260 million (c.£35 million) in 2021
Enviropack Completed: October 2022	Online distributor of reusable, recyclable and compostable packaging products to foodservice customers in the UK, with revenue of c.£7 million in the 12 months to August 2022.
VM Footwear Completed: October 2022	Distributor of PPE based in the Czech Republic, specialising in own brand footwear throughout Central and Eastern Europe, with revenue of CZK366 million (c.£13 million) in the 12 months to June 2022
PM Pack Completed: November 2022	Distributor of packaging products in Denmark to food processor customers, with revenue of DKK142 million (c.£16 million) in the 12 months to September 2022
Toomac Ophthalmic & Solutions Completed: December 2022	Distributor of ophthalmology products in New Zealand with revenue of NZD11 million (c.£6 million) in the 12 months to March 2022
Grupo R. Queralto Completed: December 2022	Online distributor of healthcare products based in Spain, with a strong own brand portfolio and revenue of EUR27 million (c.£23 million) in 2022
GRC Completed: January 2023	Distributor of innovative medical technology devices in Australia, with revenue of AUD4 million (c.£3 million) in the 12 months to June 2022

In February 2023, Bunzl also entered into an agreement to acquire Arbeitsschutz-Express, a fast-growing online distributor of workwear and PPE in Germany, which generated EUR 41 million (c.£35 million) of revenue in 2022. This acquisition, combined with hygi.de, will more than double our presence in the market, with significant further opportunity remaining.

Our capital allocation priorities are to: reinvest our cash into the business to support organic growth and operational efficiencies; pay a progressive dividend; and self-fund value accretive acquisitions. Whilst our framework favours these three methods of investment, with £2.0 billion of cash distributed to shareholders through dividends and £4.7 billion committed acquisition spend since 2004, and a return on invested capital of 15.0%, if leverage continues to consistently fall, the Board would consider other mechanisms for distributing excess cash to shareholders.

Equitable and sustainable growth

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. As we have previously laid out, sustainability is a key strategic priority, and we have directed our efforts into 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 continues to focus on transitioning customers to packaging that is better suited to a circular economy, with revenue from packaging made from alternative materials accounting for 53% 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 83%, with the Group continuing to have very limited exposure to single-use plastic consumables where some volume reduction is possible. Our strength in sourcing innovative products, including from within our own brand portfolio, as well as our expert advice, data tools and supply chain investments, are increasingly competitive advantages for Bunzl.

Our climate change commitments

Today

- SBTi[1] approved targets with Scope 3 emissions included

Tomorrow

- Scope 1 and 2: 50% more carbon efficient by 2030[2] equivalent to a 27.5% absolute reduction
- Scope 3: 79% of suppliers to have science based targets by 2027

Beyond

- Net zero[3] by 2050 at the latest, inclusive of Scope 3 emissions

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C

RACE TO ZERO

WE MEAN BUSINESS COALITION

1 SBTi = Science Based Targets initiative.
2 Scope 1 and 2 emissions, against a 2019 base line.
3 Scope 1, 2 and 3 emissions.

READ MORE: SUSTAINABILITY PAGE 56

Over the year we completed an exercise to calculate our Scope 3 emissions in detail for the first time, allowing Bunzl to set a new target for carbon reduction in its supply chain. This, along with our Scope 1 and 2 emissions reduction targets, were approved by the Science Based Targets initiative ('SBTi'). We continue to aim to be net zero by 2050 at the latest, inclusive of Scope 3 emissions. Since 2019 we have reduced our absolute carbon emissions (Scope 1 and 2) by 15% and are on track to reach our target of a 27.5% reduction by 2030.

The Group completed 930 ethical and quality audits through our Shanghai based Global Supply Chain Solutions team, which is responsible for auditing our suppliers. These audits largely occurred in Asia, the most significant high risk sourcing market for Bunzl by spend, but have expanded to include other high-risk regions. In total, c.96% of our purchasing spend today is either in low risk regions, 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 our latest employee engagement scores, with encouraging retention levels across the Group in a climate of much tighter labour markets in many parts of the world. Furthermore, we have made pleasing progress on our diversity plans. With our support of communities inherent to our locally driven business model, across our Group, businesses have been donating essential products to help with the relief efforts in Ukraine and its neighbouring countries, and are coordinating product donations after the recent earthquakes in Turkey and Syria. In total the Group has donated £250,000 to Disasters Emergency Committee Appeals, through the British Red Cross, to support the aid needed across both catastrophes.

Prospects

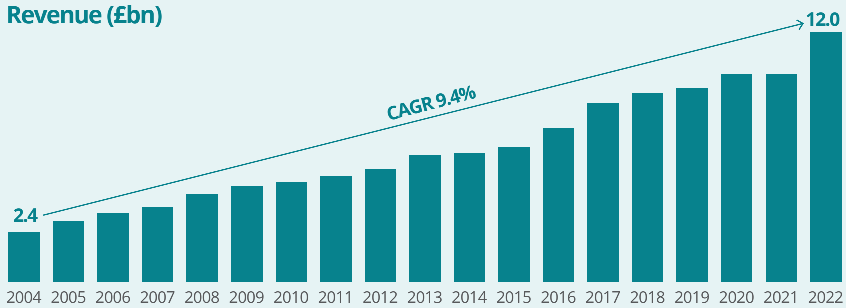
While we see continued uncertainty relating to the macroeconomic environment, our 2023 guidance remains unchanged from that published in our pre-close statement on 21 December 2022. At constant exchange rates the Group expects revenue in 2023 to be slightly higher than in 2022, driven by both organic growth and announced acquisitions, and partially offset by a small impact from the UK healthcare disposal. We expect Group adjusted operating profit in 2023 to be resilient, with operating margin slightly higher than historical levels. Adjusted earnings per share is expected to be moderately lower year-on-year due to higher interest rates and an increased effective tax rate.

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, which is driven by activity in our markets, is further supported by new business opportunities, continual product innovation, 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 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 good return. We believe the merits of businesses joining Bunzl have only been further evidenced as a result of the pandemic and supply chain disruptions, and this is reflected in our recent acquisition success and the conversations we are having with a number of acquisition targets.

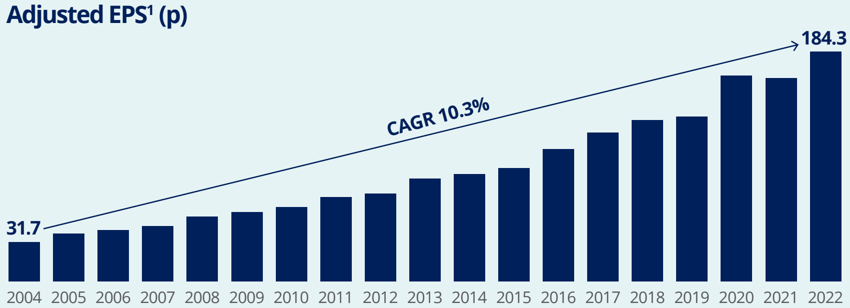
Frank van Zanten
Chief Executive Officer
27 February 2023

Proven track record

Revenue (£bn)



Adjusted EPS[1] (p)



1 Alternative performance measure (see Note 3 to the consolidated financial statements on page 178).

Our leadership team

Leaders from across the Group meet regularly to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.

BOARD OF DIRECTORS PAGE 100

The leadership team

Members of the Executive Committee

Frank van Zanten
Chief Executive Officer

Diana Breeze
Director of Group Human Resources

Richard Howes
Chief Financial Officer

Suzanne Jefferies
General Counsel and Company Secretary

Andrew Mooney
Director of Corporate Development

Jim McCool
Chief Executive Officer, North America

Andrew Tedbury
Managing Director, UK & Ireland

Alberto Grau
Managing Director, Continental Europe

Jonathan Taylor
Managing Director, Latin America

Kim Hetherington
Managing Director, Asia Pacific

Mark Jordan
Group Chief Information Officer