

Bunzl Plc Sponsored ADR (BZLFY-US)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

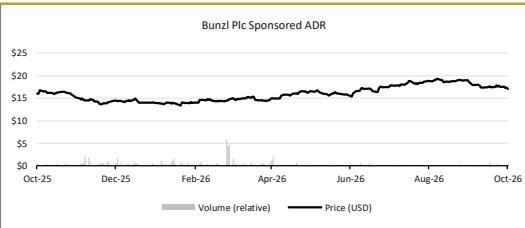
Analyst: Zach Spellman Recommendation: BUY As of: 10/02/2026

Value Fit 8 / 10

Philosophy Fit 4 / 5

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	9.1% vs 6.5% → Above ke
Change in performance — ΔROIC	-0.1 pts, FY2026E vs FY2025A → Declining
Lifecycle phase	Phase IV — high expectations, declining
Valuation gap — target vs. price	+11.4% → Price below our value



BUSINESS DESCRIPTION

Bunzl Plc provides distribution and outsourcing services. The firm supplies non-food products operating primarily in the foodservice, grocery, cleaning and safety, non-food retail and healthcare markets. It also supply consumable products such as food packaging, disposable tableware and catering equipment, cleaning and hygiene supplies, guest amenities, personal protection equipment, packaging and healthcare consumables to various customer markets including grocery, foodservice, cleaning and hygiene, safety, non-food retail and healthcare. The firm offers supply services,

INVESTMENT THESIS

Bunzl, the largest value-added distributor of essential consumables, earns returns well above its cost of capital, but returns faded in 2024 and 2025 (company ROIC fell from 14.8% to 13.0%) when North America Distribution execution broke. The multiple fell to about 14x forward adjusted earnings, below its 15x to 18x history, so the market has priced in the fade. The fund's case for a high-return company that is fading is one that reverses the fade by investing without adding much leverage, bought at a discount. Bunzl fits: the fix is coming through margins and asset efficiency (North America recovery, warehouse consolidation and own brand, self-funded bolt-ons), and H1 2026 adjusted margin rose 30bp to 7.3%. We underwrite at consensus, which holds margins flat, so a margin recovery is upside that is not in our target.

MARKET SNAPSHOT

Current Price	\$17.06	Market Cap (\$B)	\$10.8	Beta	0.38
52-Week Range	\$13 – \$19	Inst. Ownership	83.6%	Insider Own.	3.4%
Shares Out. (mm)	649.2	Short Interest (% float)	n/a	Dividend Yield	2.6%
Consensus L-T Growth	2.5%	Payout Ratio	52.7%	Cost of Equity	6.5%
Price Target	\$19.00	Upside to Target	11.4%	Value Range	\$18 – \$19

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$19.20	12.6%	17.0x P/E
Equity DCF – terminal P/S	\$19.13	12.2%	0.7x P/S
Equity DCF – terminal P/B	\$19.31	13.2%	2.6x P/B
Equity DCF – constant growth	\$18.02	5.6%	2.0% g, 6.5% ke
Average of methods	\$18.92	10.9%	Equal-weighted
Analyst price target	\$19.00	11.4%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC -0.1 pts; price is 0.90x our average value	No
2. Investing through company cycles	Phase IV; EBIT margin 6.4% → 6.5%	Yes
3. Initial position sizing & risk limits	Inside ±7% stock band; scale in (OTC ADR); stop set at entry	Yes
4. Capital allocation discipline	Net debt/invested capital 36.2%; net debt/EBIT 3.2x	Yes
5. Identifiable catalysts & conservative underwriting	Catalysts: H2 margin, NA volumes, M&A. Underwritten at consensus	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 8 / 10

		Pass?
1. Catalyst / Investment Drivers		Yes
Driver 1: North America Recovery	North America (53% of revenue) drove the 2024-25 ROIC fade. Distribution lost share with local foodservice redistributors after a centralized sales and operations model was rolled out, own brand conversion fell short, and the region's adjusted margin dropped from 7.9% to 7.0% in 2025. Leadership changes, local pricing control and restored service brought volume growth back in H1 2026, with Distribution margin up. Consensus, which our model matches, has the Group EBIT margin at 6.3% in FY2026E and 6.5% in FY2028E with ROIC at 9.4%; a return toward 2024 margins is the main path to a wider EVA spread.	
Driver 2: Efficiency & Own Brand	Bunzl is improving EBIT/sales and asset turnover, the route the fund prefers over leverage. It consolidated 27 warehouses and relocated 9 in 2025 (14 and 5 in 2024), including cutting its largest French business from 15 warehouses to six by 2026, and is investing in warehouse automation. Own brand, whose shortfall in North America hurt 2025 margins, rose to about 30% of Group revenue from 28%, and 76% of orders now come in digitally. Consensus holds margins flat, so these gains are not in our numbers.	
Driver 3: Bolt-Ons Through the Cycle	Bunzl keeps investing at the trough, the behavior the fund looks for. It averaged about £300m a year of bolt-ons from 2020 to 2025 and funds them from free cash flow (£579m in 2025) inside a 2.0x to 2.5x leverage target, with adjusted net debt/EBITDA at 1.8x. Deal spend slowed to £132m in 2025 and under £20m in H1 2026 on macro uncertainty, but management expects 2026 activity ahead of 2025. Bolt-ons typically earn year-one ROIC above WACC, and acquisitions net of disposals added 2.9% to 2025 revenue.	
What does management say?	Guidance raised at H1 (Sept 1, 2026): modest underlying revenue growth, operating margin broadly flat at about 7.6% (ex an £8m share-based payment credit), modest adjusted operating profit growth, £125m to £130m net finance expense and a 26% tax rate. Management calls 2026 the foundation for future profit growth, ranks bolt-on M&A ahead of buybacks for excess cash, and targets 2.0x to 2.5x leverage over the medium term.	

2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$0.98	\$0.96	\$0.93	\$0.99	\$1.04	\$1.11	
P/E at current price	17.5x	17.8x	18.3x	17.2x	16.4x	15.4x	
Peer median P/E (FactSet, subject excl.)	26.2x	FY2026E P/E vs. peer median		(34%)			
3. Low Price / Cash Flow							No
FCFE / share	-\$0.25	\$0.06	\$0.03	\$0.52	\$0.81	\$0.78	
Price / FCFE	NM	NM	NM	33.1x	21.0x	21.9x	
Peer median P/CF (FactSet, subject excl.)	18.8x	Price / FCFE (today) vs. peer median		n/a			
4. Low Price / Book Value							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$5.64	\$5.22	\$5.78	\$6.07	\$6.27	\$6.67	
Price / Book	3.0x	3.3x	3.0x	2.8x	2.7x	2.6x	
ROE (EOY book)	17.3%	18.3%	16.1%	16.3%	16.6%	16.6%	
Peer median P/B (FactSet, subject excl.)	9.5x	Price / book (today) vs. peer median		(69%)			

Bunzl Plc Sponsored ADR (BZLFY-US) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	3,934	4,663	3,894	3,994	4,194	4,194	
Net debt (\$mm)	2,116	2,868	3,168	3,340	3,454	3,449	
Total debt / equity (gross)	104.0%	133.6%	103.8%	102.9%	107.3%	101.8%	
Total debt / assets (gross)	34.5%	38.3%	33.0%	32.9%	33.8%	33.0%	
Net debt / invested capital	24.4%	31.0%	36.2%	37.2%	37.5%	36.6%	
Net debt / EBIT	2.1x	2.7x	3.2x	3.3x	3.3x	3.1x	
Tax rate	25.9%	Book equity (\$mm)		3,751	BBB+ (\$&P); PwC; pension surplus		
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	(1.1%)	2.6%	3.7%	3.8%	1.7%	2.4%	
EBIT margin	6.8%	6.9%	6.4%	6.3%	6.4%	6.5%	
EPS growth	11.8%	(2.1%)	(2.5%)	6.2%	5.1%	6.7%	
7. Business Strategy & Segment Mix							Yes
Strategy							
Compounding model: organic growth, operating efficiency (warehouse consolidation, automation, 76% of orders digital) and self-funded bolt-on M&A in fragmented markets, with excess cash returned. About 150 local operating companies sell a one-stop range of low-cost, business-critical consumables; own brand is about 30% of revenue. Sector mix (FY25): foodservice 31%, grocery 24%, safety 15%, cleaning & hygiene 11%, retail 8%, healthcare 7%, other 4%.							
Segment / geography mix							
FY25 revenue: North America 53%, Continental Europe 21%, UK & Ireland 16%, Rest of World 10%							
8. Capable Management & Insider Ownership							No
Insider ownership	3.4%	Inst. ownership		83.6%	Buybacks, % of NOPAT (FY1E)		66.2%
Insiders own 3.4%. CEO Frank van Zanten (in role since 2016) owns about 365k shares outright under a 350%-of-salary holding rule, so alignment rests mainly on pay design. Management made leadership changes in North America and restored service levels within about a year of the 2025 miss.							
Insider activity / governance							
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	9.1%	Cost of equity (ke)		6.5%	EVA spread (ROIC – ke)		2.6%
Price target / upside	\$19.00	11.4%		Value / share range (low–high)		\$18 – \$19	
10. Uses of Capital — allocation discipline							Yes
Reinvests 40% of NOPAT in FY2026E, pays 45% as dividends and 21% in buybacks (£500m program); debt covers the gap, inside the 2.0x to 2.5x target.							
VALUE FIT SCORE — criteria met							8 / 10

FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	14,664	15,048	15,611	16,201	16,478	16,878	2.9%
Gross margin	14.4%	15.2%	15.0%	15.0%	15.0%	15.0%	
EBIT	999	1,043	996	1,025	1,049	1,099	1.9%
Net income	654	639	605	633	649	686	1.0%
EPS (basic)	\$0.98	\$0.96	\$0.93	\$0.99	\$1.04	\$1.11	2.6%
Dividend / share	\$0.39	\$0.44	\$0.49	\$0.53	\$0.55	\$0.58	
FCFE / share	-\$0.25	\$0.06	\$0.03	\$0.52	\$0.81	\$0.78	(225.9%)
Invested capital	8,663	9,240	8,757	8,989	9,217	9,428	1.7%
ROIC	11.0%	10.4%	9.2%	9.1%	9.2%	9.4%	
NOPAT margin	5.1%	5.2%	4.7%	4.7%	4.7%	4.8%	
Sales / NWC	10.79x	10.89x	9.76x	9.77x	9.77x	9.77x	
Sales / NFA	2.67x	2.48x	2.43x	2.43x	2.43x	2.43x	
Sales / invested capital (ex cash)	2.14x	2.02x	1.94x	1.94x	1.94x	1.94x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	753	776	738	759	777	813	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	88.9%	74.3%	50.0%	32.1%	14.7%	20.3%	46.7%
Working capital (Δ NWC)	19.9%	3.0%	29.4%	7.9%	3.7%	5.0%	11.5%
Dividends	34.6%	37.6%	43.2%	44.7%	44.2%	44.1%	41.4%
Share buybacks	(15.3%)	82.2%	3.5%	21.5%	35.8%	14.3%	23.7%
Debt repaid (neg. = borrowing)	(22.3%)	(93.9%)	104.1%	(13.2%)	(25.8%)	–	(8.5%)
Cash & securities build	1.2%	(3.0%)	(144.7%)	(9.5%)	11.1%	0.6%	(24.1%)
Interest & other (residual)	(7.0%)	(0.2%)	14.6%	16.5%	16.4%	15.6%	9.3%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	108.7%	77.3%	79.4%	40.0%	18.3%	25.3%	58.2%
Dividends + buybacks, % of NOPAT	19.3%	119.8%	46.7%	66.2%	80.0%	58.4%	65.1%

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
BZLFY-US	Bunzl Plc Sponsored ADR	16.8x	0.7x	2.9x	8.6x	12.3x
GWW-US	W.W. Grainger, Inc.	32.5x	3.2x	14.6x	27.8x	18.9x
ACH-US	Accendra Health Inc		0.0x			13.2x
MSM-US	MSC Industrial Direct Co., Inc. Class A	31.1x	1.8x	5.1x	23.5x	17.5x
SY-YUS	Sysco Corporation	21.3x	0.4x	14.0x	14.2x	14.2x
ELIS-FR	Elis SA	12.8x	1.1x	1.3x	3.8x	16.2x
Median	Peer median (subject excluded)	26.2x	1.1x	9.5x	18.8x	16.2x
BZLFY-US	Subject, at current price	18.3x	0.7x	3.0x	NM	14.3x
Premium / (discount) to peer median		(30%)	(34%)	(69%)	n/a	(12%)

Note: BZLFY-US appears in its own peer list (AutoTearSheet-5Page/DI4:DI9). It is excluded from the median, but replace that slot with a real peer to use all six.

KEY RISKS	
1.	North America relapse. Distribution is the largest business and the 2025 miss was self-inflicted. If redistributor share losses resume or grocery customers push back on price, even the flat 6.4% FY2027E EBIT margin in our consensus model is at risk. Watch North America underlying growth and Distribution margin each half.
2.	Inflation reverses. Management says part of the H1 2026 margin gain came from temporary inflation effects, while France cleaning & hygiene and Brazil have been in deflation. Input costs are already off their June peaks, which could take the H1 gain back.
3.	Deal flow, FX and liquidity. Growth depends on bolt-ons at sensible prices, and under £20m was committed in H1 2026. Bunzl reports in sterling, so a stronger pound cuts USD earnings, and BZLFY is an OTC Level 1 ADR with thinner liquidity than the London line.
Exit discipline. Sell if adjusted operating margin guidance falls below 7.5%, if leverage goes above 2.5x adjusted net debt/EBITDA, if ROIC drops below the 6.5% cost of equity, or if the position breaches the fund's sector-relative drawdown limit.	