



Wednesday 2nd June 2008

DAILY COMPANY NOTE — CRH See page 2 for full details

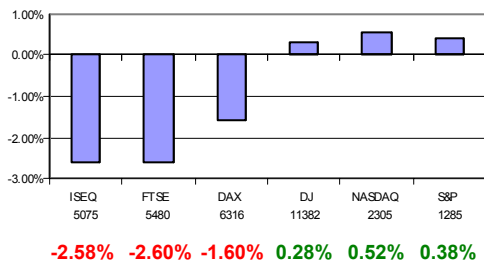
Daily Market Comment

Yesterday's Summary : With both UK and euro zone PMI data declining to contraction levels and Irish consumer sentiment in June falling to the lowest level on record, it was another dismal day for Irish shares as the ISEQ closed 2.58% lower at 5,075.36. The financials had another very weak day as investor sentiment appeared still to be suffering from the Standard & Poor's outlook downgrade. Irish Life & Permanent was the worst performer, plunging another 5.8% to €6.22, while AIB and Anglo Irish Bank fell 3% to €9.50 and 2.2% to €5.82 respectively. Bank of Ireland suffered a 2.2% decline to finish the day at €5.40.

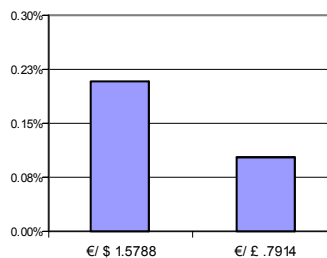
Overnight News: Japan's Nikkei 225 ended down 1.3% at 13,286.37, as investors took profits from early gains amid lingering worries about the U.S. economy. In China, the Shanghai Composite Index closed flat, up 0.12 points at 2,651.73, with the market pressured by continued interest rate hike speculation. The Australian S&P/ASX 200 index lost 0.9% to finish at 5,094.8.

Breaking News : Taylor Wimpey has fallen over 50% in early trading as the UK house builder, in a trading statement issued this morning, said it hasn't been able to conclude a deal with investors to raise about £500m to shore up its balance sheet. Furthermore, it also announced plans to write down the value of its land bank and work in progress by about £660m. IAWS has reported the terms of a recommended acquisition of the entire issued and to be issued share capital of IAWS by Arysza, pursuant to the proposed merger of IAWS and Hiestand Holding. The anticipated timeline for the last day of dealings in IAWS shares will be the 20th August. Meanwhile, two of Europe's largest investment banks, UBS and Deutsche Bank, have moved to calm investors, by stating that they do not need to raise additional cash to cope with the global market crisis.

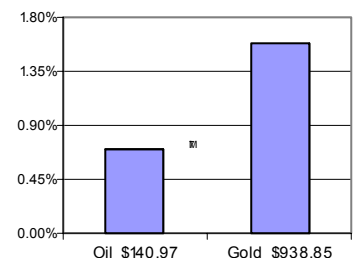
Equity Indices change on day



Currency daily % change



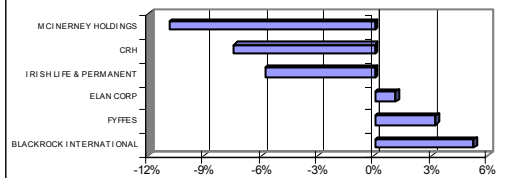
Oil/Gold daily % change



News

- "ERSI forecast increased market volatility - IL&P"-Irish Life & Permanent-(I.T)
- "IFG chief says overseas division will compensate for Irish housing slump"-(I.T)
- "Manufacturing sector shrinking as job losses loom"-(Irish Independent)
- "Four directors quit as troubled UBS forced to ring the changes"-(I.I)
- "Merkel backs ECB plan for rate hike as the Germans opt to save not spend"-(I.I)

ISEQ Performers/Losers 01/07/08



Market Themes and Movers

ISEQ under 5,000: Yesterday was another dismal day for the ISEQ, the Irish stock index closed down 134 points to finish at 5075. Significantly, the index dipped below the psychologically significant 5,000 level for the first time since 2004. The ISEQ's all time high is 10041 which it hit during intraday trading on the 21st of February 2007. Since then the Index has declined 50% as a result of credit market disruptions, property market woes and high oil prices. At time of writing the ISEQ is trading at 5,001, having hit 4,980 earlier in the session. Leading yesterday's decline were construction stocks such as CRH and Mclnerney, down 7% and 11% respectively. Financials were also weak with Irish Life and Permanent closing down 6%, Irish Life is now down over 70% since its high in early 2007. With recent projections from the ESRI of a recession in Ireland in 2008, the economic outlook has deteriorated, adding to market woes. Historically the best time to buy has been when there "is blood in the streets". While current levels may not represent the low for the ISEQ, there is certainly "blood in the streets".



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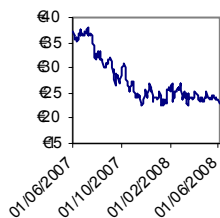
CRH

Stephen Taylor Buy
Target €25.00
Previous (06/05/08) €33.00
Current €15.60
ISEQ
Construction
Company Profile

CRH manufactures cement, concrete products, aggregates, asphalt, clay, bricks, chemical lime, security fencing products, roofing, insulation and other building materials. CRH operates in 19 countries, including Ireland, the US, Spain, Germany and the Netherlands.

Fundamental view

- This morning, CRH issued a cautious trading statement for the six month period ending 30/06/08. The company said that it expects to report a first half pre tax profit of €0.6bn down from €0.67bn last year. CRH pointed out that this forecast includes an adverse translation effect of €20m attributable to a weaker US dollar. The group's European business continues to remain resilient and CRH anticipates a 5% increase in first half operating profit boosted by strength in central and eastern Europe together with acquisition contributions more than offsetting declines in Ireland, UK and Spain. The US market continues to remain weak and CRH forecasts first half operating profit for 2008 to be down sharply to c. US\$0.3bn from US\$0.37bn last year, impacted by a difficult operating environment and also due to weak trading at its Americas Materials division which was particularly affected by exceptionally wet weather in May and June.
- In relation to the group's outlook for the full-year 2008, CRH expects pretax profit to show a 'high single digit percentage decline' when compared to last year's result of €1.9bn. This implies a likely outcome of c. €1.74bn which is c. 5% below current market expectations. The fall in EPS will be smaller due to the group's ongoing share buyback program and also an estimated 1% reduction in the company's tax rate to 23.5%. As a result, we expect EPS for 2008 to decline by 5% to €2.50. We also expect that the difficult operating environment to continue next year and expect no earnings growth from CRH during 2009.
- In addition to today's statement, CRH announced that it had spent €341m on deals during the first half of the year on top of the investments made in My Home Industries in May and acquisition of Ancon announced in April bringing total investment this year €700m. CRH's balance sheet remains solid and with continuing strong cash flow the group's rolling 12-month EBITDA/net interest cover is expected to remain comfortable at 9x versus 9.4x for 2007.

Statistics
Price Performance

Next catalyst

- The 10% decline in CRH's share price this morning looks excessive, however in today's market any company that lowers earnings expectations will be punished. While shares in CRH may remain under pressure in the short-term, we believe that CRH offers compelling long-term value. The company trades at a significant discount to its European and US peers. We feel that given the group's strong track record and strength of management, CRH will be able to get through this difficult operating environment. As a result we believe that CRH deserves to trade in line with its peer group at 10x 2009 forecasted EPS of €2.50 generating our new 12-month price target of €25.00. CRH's shares also offer an attractive current year dividend yield of c. 5%. CRH will release its interim results on 26/08/08.

Chart View: CRH

Primary Support: 15.50

Secondary Support: 14.85

Primary Resistance: 19.10

Secondary Resistance: 21.88

The long term technical outlook remains negative. Although with major historical support at 14.85, along with the relative strength indicator emerging from the oversold level, a mid term bounce in price is possible. However, with downside risk outweighing the upside, caution is necessary.

Profit by division


Europe 51%

US 49%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Bank of Ireland Asset Mgt.	5.03%	CRH	6.2	6.2	0.00%
Capital Guardian Trust	4.96%	Lafarge	8.4	7.3	14.52%
Fidelity Invt. International	3.13%	Holcim	8.2	7.6	7.89%
Irish life Invt. Managers	3.07%	Vulcan Materials	16.3	13.9	17.27%
Capital World Invesotrs	2.80%	Martin Marietta	16.1	14.1	14.18%
Shares Outstanding	535.68m				

Share Data		Financial Data	2007	2008e	2009e
Current Price (p)	15.60	Revenue (€m)	20,992	21,200	21,820
Mkt Cap (€m)	9,273	PBT (€m)	1,904	1,750	1,800
Reuters	CRH.I	EPS (€)	2.62	2.50	2.50
Bloomberg	CRH ID	P/E(x)	5.95	6.24	6.24
Sector	Construction	DPS (€)	0.68	0.76	0.81
CEO	Liam O'Mahony	Dividend Yield	4.36%	4.87%	5.19%
CFO	Myles Lee				
Website	www.crh.ie				





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