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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6646 ↑	70	1.06%	11.0	7.23%
FTSE 100	5344 ↑	27	0.51%	13.5	11.02%
DAX 30	4923 ↓	-7	-0.13%	15.0	15.66%
DOW	10407 ↓	-33	-0.32%	19.5	-3.49%
NASDAQ	2114 ↓	-6	-0.29%	15.6	1.20%
S&P	1203 ↓	-4	-0.35%	21.0	-0.76%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2026	0.6814	140.5100
Dollar	1.2026	1.0000	1.7645	116.8400
Sterling	0.6814	1.7645	1.0000	206.2000
Yen	140.5100	116.8400	206.2000	1.0000
Oil (Nymex)	59.8500			

This Week's Research  
HBOS

Today's Research  
CRH

## Breaking News

### Fed raises rates again

The Federal Reserve on Tuesday raised U.S. interest rates to the highest in four years. The central bank's policy-setting committee raised rates for the 12th time in a row by a quarter of a percentage point, to 4.00 percent, in line with market expectations. The Fed said high energy costs could add to inflationary pressures in the economy but added that longer-term inflation expectations were contained. The Fed said monetary policy remained accommodative, suggesting it had room to raise rates further, but kept its vow to do so at a "measured" pace.

### IWP says restructuring talks are ongoing

IWP said 'difficult discussions' regarding a restructuring of its debt and capital structure are ongoing and it expects to be granted an extension from the lenders of the waiver of any existing covenant breaches to Nov 30 2005. The company said it has received two restructuring proposals from parties other than the lenders 'which could not be progressed as they were conditional, among other things, on the lenders accepting a significant write down of debt'. The board reiterated that any restructuring of the company's debt and capital structure is likely to result in a significant dilution of value for the company's shareholders.

### Danske Bank profits boosted by Irish acquisitions

Danish bank Danske Bank has reported Q3 net profits of just over €1.2 billion, up 44% on the same period last year. Danske Bank's income for the first nine months of this year rose by 24%, with its operations in the Republic and the North accounting for a third of this, while lending was 34% ahead. Danske said the integration of National Irish Bank and Northern Bank was going according to plan, and the movement of all systems and products to the group's IT platform was expected to be completed by Easter.

## Business Press

- Funds in Dublin top \$1 trillion (IT)
- IMSG opts for London listing (IT)
- McLaughlin ups stake in Elan (II)
- Villa shares up on 'Irish bid' speculation (II)

## CRH (€21.59) Increased acquisition spend Stuart Draper

- **Earnings boost** : One of the main reasons for our continued bullishness towards CRH this year was the belief that there would be an increased acquisition spend in H2 2005 that would facilitate some upward revisions to 2006 earnings forecasts. Following the 3 US deals just announced, we feel confident that our 2006 eps forecast of €1.92 will be achieved, as the latest deals should boost 2006 group eps by c.2%.
- **US deals** : The 3 US deals just announced are for a combined consideration of €344m, made up of assumed debt of €301m plus deferred payments of €43m. Even though the EV / 2004 EBITDA multiple paid of 7.9x would appear quite a full price, CRH is expecting a much improved EBITDA this year, as well as significant cost synergies from the deals, to significantly improve this multiple in 2006. Given the group's experience and track record of successfully executing such integration, such claims are highly credible.
- **Cost synergies** : Given that to date since the end of June, CRH had spent a total of €190m on acquisitions, these latest deals represent a significant acceleration of the group's 2005 acquisition spend. In Minnesota, CRH has acquired Southern Minnesota Construction, the leading aggregates and asphalt supplier in the south-central region of the state. The geographic synergies which this deal provides with CRH's existing Iowa business should help generate some significant cost savings.
- **Dollar strengthening** : CRH has also acquired the Mountain Companies of eastern Kentucky / southwest Virginia, as well as 50% of Bizzack Inc, Mountain's heavy construction affiliate. Another recent positive market dynamic for CRH is the strengthening of the US dollar versus the Euro, with almost 50% of group earnings US dollar denominated. The ongoing consolidation within the cement sector also provides a support for the CRH share price over the next 12 months.
- **Price increases** : Concerning the more important second half of the year, CRH is expecting to continue to benefit from strong markets at its US operations and price increases, offset to some extent by higher energy costs.
- **Sector consolidation** : We continue to be of the view that a multiple of 13x forward earnings is achievable for CRH, given the multiple range of 14x to 16x forward earnings at which deals are continuing to take place in the cement sector, and the group's historic average forward multiple of c.14x. As a result, our current 12 month price target for CRH of €25 (16% further upside), is based on 13x 2006 eps of €1.92 : **BUY**.

## Investment Press— Lex

- **BAA: Bombs, strikes, gloomy shoppers**. BAA, the UK airport operator, has brushed them all off. Passenger numbers in the last six months were up and so were revenues, including from retail operations.



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