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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8623	↑ 151	1.78%	14.1	-8.34%
FTSE 100	6309	↑ 120	1.93%	13.2	1.41%
DAX 30	7514	↑ 69	0.93%	14.2	13.90%
DOW	13504	↑ 36	0.26%	15.2	8.35%
NASDAQ	2562	↑ 14	0.56%	26.1	6.06%
S&P	1477	↑ 9	0.62%	15.9	4.12%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3730	0.6801	163.6100
Dollar	1.3730	1.0000	2.0178	119.1300
Sterling	0.6801	2.0178	1.0000	240.4700
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	72.4200			

**This Week's Research**

**Today's Research  
CRH**

**Breaking News**

**CRH (€31.82) Peer results show European growth Stuart Draper Target : €40 (21/06/07 ; previously €37, issued 21/02/07)**

- Peer results : This week, CRH's European peers, HeidelbergCement (HC) and Dycherhoff, both announced strong H1 2007 results. Dycherhoff reported 51% growth in H1 operating profit, driven by 65% growth in its Western European operations and 75% growth in its Eastern European operations. HC reported 28.5% growth in H1 operating profit on a like for like basis, helped by 13% life for like growth in its Europe-Central Asia business. These results show that the patterns of recent months of strong cement / aggregates markets in both the developed markets of Western Europe and in the emerging markets of Eastern Europe, remain intact.
- Further M&A : The other sector dynamic which has held constant in recent months is M&A, with the latest deal being this week's sale by HC of its dry mortar business, Maxit, to Saint Gobain for €2.125 bn, representing an EV/EBITDA multiple of 10.5x. This multiple is in line with the 10x to 12x EV/EBITDA range at which peer deals within the heavy building materials sector have taken place this year. The planned sale of Tarmac by Anglo American, as well as the further disposals post the acquisitions of Hanson, Rinker and Florida Rock, should result in further industry led sector M&A during H2 2007.
- Peer valuations : Such continued corporate activity has caused the valuations of CRH's peers to move higher this year. In June, HC acquired the sole remaining heavy building materials company in UK ownership, Hanson, for £11 per share in cash, representing an EV / 2006 EBITDA multiple of 12x and a pe ratio of 17.7x 2008 eps of 62p. In response to these peer valuations, we increased our 12 month price target for CRH to €40 (26% upside), based on 15x consensus 2008 eps of €2.68.
- Earnings growth : CRH completed €2.1 bn of acquisitions during the 12 months ended 31/12/06, including its largest ever deal, the \$1.3 bn APAC acquisition. As increased synergies from these deals start to feed into group earnings in 2008, further earnings growth of c.10% should be generated. Only c.8% of CRH's total group operating profit is exposed to the US new housing market, which continues to remain weak. Following the 16% fall in the CRH share price in the last month, the shares are now trading at 11.4x consensus 2008 eps of €2.78. In the event of CRH being involved in this further sector consolidation, it has a track record of doing so in a disciplined manner that ensures the continuation of strong eps growth for shareholders : **BUY**.

**Breaking News**

**Friends Provident reports 12% growth in the UK market**

Friends Provident said today that total life and pension new business was £3.43bn, up from £3.03bn, on the back of 12% growth in the UK market and on 16% growth in the international life and pension sales. The company also said that the deal to merge with Resolution will make the combined company well-placed to participate in further consolidation in industry. It said the merged company, to be named Friends Financial, will generate new business capability and cash flow, as well as a growing dividend income. Under the all-share deal, Friends Provident shareholders would own 49.1% of the merged company while Resolution shareholders would own the other 50.9%.

**Royal & Sun Alliance results beat expectations**

Royal & Sun Alliance posted H1 profits today that were above market expectations and said its cost-cutting programme was ahead of schedule. The company made an operating profit of £403m, compared with forecasts of £349.7m. RSA said it had achieved its annualised savings target of £130m ahead of schedule and announced a further £70m in cost cuts by the middle of 2008. The fresh savings would involve 700 job losses, 500 of which will come in its UK business. The company's underwriting profit fell to £144m from £171m, hit by claims from the floods in Britain, which RSA said would cost it a total of £120m. Of this cost, 65 million pounds from the July floods will fall in the second half.

**Vodafone decides not to sell part of its Verizon stake**

Vodafone today dispelled speculation around its operations in the United States, saying it would not sell part of it stake in its US Verizon Wireless joint-venture to business partner Verizon Communications. Some investors have recently been critical of how much value the unit delivers to shareholders. Vodafone said it had decided not to exercise its rights to sell up to a \$10bn stake in US's second largest mobile phone operator to Verizon Communications, which owns the remaining 55% stake in the company. Vodafone recently faced criticism from activist shareholder, which called for a spin-off, or issue of a tracking stock for the company's stake in Verizon Wireless.

**Business Press**

- Brewer blames weather for poor beer sales (IT)
- Standard Life's Irish sales rise 96% (IT)
- Booming Bulmers piles pressure on Magners (II)
- Developer Carroll has a 17.64% holding in ICG (II)

**Investment Press**

- Virgin's US takeoff: Virgin America's entry to the domestic air-line industry has suffered interminable delays at the hands of regulators.

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