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Contact Details:

Email : [research@dsl.ie](mailto:research@dsl.ie)  
[info@dsl.ie](mailto:info@dsl.ie)

Tel : +353 1 633 3800  
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7577	↓ -90	-1.18%	11.0	2.90%
FTSE 100	5672	↓ -4	-0.07%	13.5	0.94%
DAX 30	5666	↑ 13	0.24%	15.0	4.77%
DOW	11128	↓ -77	-0.69%	19.5	3.20%
NASDAQ	2180	↓ -15	-0.70%	15.6	-1.13%
S&P	1262	↓ -9	-0.67%	21.0	1.35%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2823	0.6785	142.2100
Dollar	1.2823	1.0000	1.8898	110.9000
Sterling	0.6785	1.8898	1.0000	209.5400
Yen	142.2100	110.9000	209.5400	1.0000
Oil (Nymex)	69.4500			

## This Week's Research

DCC  
Apple  
AIB  
Sterling Energy

## Today's Research

CRH

## Today's Recommendation

CRH (€25.70) Earnings headwinds could persist Stuart Draper

- Recent sell-off : With CRH's share price having fallen by 12% since the start of the month, it is very tempting to chase market consensus and upgrade our current NEUTRAL recommendation to BUY. However, unlike some of the other quality Irish companies which have been sold off in recent days, CRH may face some earnings headwinds over the coming months which could limit significant near term share price upside from current levels.
- Energy costs : CRH's materials divisions, both in the US and Europe, and its distribution divisions, which together account for c.two thirds of group earnings are affected by higher energy costs. The major energy consumers in the materials divisions are the cement businesses, where every \$15 per tonne increase in the asphalt price, increases costs by c.\$18m. Given the price increases which CRH passed on to its customers last year, there may be limited additional scope to do so in 2006.
- US housing : Recent data from the US residential construction sector, to which c.one third of CRH's US revenue is exposed, has indicated that a significant slowdown has started to take hold in recent months. US new home starts in April fell by 7.4% on its annualised March 2006 level and new housing permits fell by 5.4% on its annualised March 2006 level. A significant slowdown in the US housing market could also limit the scope for earnings upgrades over the coming months.
- Dollar weakness : With c.50% of group earnings US dollar denominated, the c.7% weakening of the dollar versus the Euro over the past two months could also limit the scope for earnings upgrades and share price upside over the coming months. One of the main reasons for our BUY recommendation on CRH until February 2006 was that an increased acquisition spend would facilitate some upward revisions to 2006 earnings forecasts. However, over the last 6 months, the consensus 2006 adjusted eps forecast has already risen by c.8% to €2.08.
- Fairly valued : Our view that a multiple of 13x forward earnings is a fair rating for CRH, given the multiple range of 14x to 16x forward earnings at which deals have recently taken place in the cement sector. This would generate a 12 month price target of €27 (5% upside), based on 13x consensus 2006 eps of €2.08. Therefore, further significant share price upside from current levels would require further earnings upgrades, which may be limited near term as a result of the energy costs, US housing and US dollar headwinds explained above : NEUTRAL.

## Breaking News

### BA FY profits up 27 percent

British Airways has reported better than expected FY results this morning, with profits up 27 percent. The airline also raised its forecasts for this year as higher ticket prices and demand for flights offsets soaring fuel costs. The airline also said its short-haul business was profitable for the first time in ten years as it tackled competition from low-cost carriers by cutting ticket prices. But it said fuel costs would rise further this year, as expected, and yields would ease. BA predicted a 5-6 percent rise in revenue in the current year, up from a previous forecast of 4-5 percent, due to higher fuel surcharges and strong demand for flights. However, fuel costs are expected to rise 600 million pounds this year following a surge in oil prices.

### BNP Paribas reports record Q1 results

BNP Paribas became the latest French bank to report a record first-quarter profit today as higher revenues at its investment banking division drove a surge in earnings that beat forecasts. BNP Paribas said net profit rose 17 percent from a year ago to €2.01bn. Revenues rose 22 percent to €6.82bn, while the gross operating profit increased 20 percent to 2.96 billion euros, beating forecasts of €1.57bn. BNP Paribas said all its main activities contributed to its profit growth, although its corporate and investment banking division led the way with a 49 percent rise in profit.

### Prudential asset management presentation

Prudential said today that the momentum seen in 2005 has continued into the first quarter of 2006 and with increasing trends towards open architecture, greater product portability and greater transparency, Prudential's asset management businesses are well positioned for further profitable growth. M&G's net flows were up 38% on the first quarter in 2005 and in Asia net flows were up almost 150% on the first quarter in 2005, Prudential said. In the first quarter of 2006 total asset management profits across the group were GBP58 million, the company said. Yesterday Prudential said conditions in the unsecured lending market remained difficult in the first quarter of 2006 but was confident of the group's profitable growth prospects.

## Business Press

- Newcourt buys Cork-based tech firm Interaction (IT)
- Glencar's losses expand (IT)
- Results point to longer bull run (Paddy Power) (IT)

## Investment Press

- BoE monetary policy: Viewed by some as having a state-of-the-art monetary policy framework, the BoE's implementation of interest rates was, until Thursday, archaic. Very short-term interest rates, which ideally should sit at the Bank's target rate, were volatile compared to other countries. The new regime aims to solve this problem.



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Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland.

Tel : +353 1 633 3800  
Tel : +353 21 422 2122

Fax : +353 1 677 7044  
Fax : +353 21 422 2123

Email : [info@dsl.ie](mailto:info@dsl.ie)  
Email : [cork@dsl.ie](mailto:cork@dsl.ie)

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