



June 21, 2007

Contact Details:

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

Tel : +353 1 633 3800  
info@dsl.ie Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9665 ↑	69	0.72%	14.1	2.73%
FTSE 100	6649 ↓	-1	-0.01%	13.2	6.89%
DAX 30	8090 ↑	57	0.71%	14.2	22.64%
DOW	13489 ↓	-146	-1.07%	15.2	8.23%
NASDAQ	2600 ↓	-27	-1.02%	26.1	7.65%
S&P	1513 ↓	-21	-1.36%	15.9	6.67%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3388	0.6718	165.4300
Dollar	1.3388	1.0000	1.9914	123.6200
Sterling	0.6718	1.9914	1.0000	246.1600
Interest Rates (%)	3.7500	5.2500	5.5000	0.4800
Oil (Nymex)	68.1900			

## This Week's Research

Glanbia  
Metro Baltic  
Ericsson

## Today's Research

CRH

## Today's Recommendation

**CRH (€37.65) Sector M&A justifies further upside** Stuart Draper  
Target : €40 (21/06/07 ; previously €37, issued 21/02/07)

- Further M&A : There was further M&A in the heavy building materials sector this week, with the sale by Home Depot of its wholesale distribution business for \$10.3 bn to private equity. The business provides products to professional builders, and based on last year's EBITDA of €994m, the sale price represents an EV / EBITDA multiple of 10.4x. Such a 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.
- Peer valuations : This week, Egyptian billionaire, Nassef Sawaris, also disclosed that his investment company, NNS Holdings, had accumulated a 9.7% stake in US building materials group, Martin Marietta, having recently built a stake in Texas Industries, a building materials company with operations in Texas and California. Such continued corporate activity has caused the valuations of CRH's peers to move higher, and as a result, we now move our CRH price target multiple slightly higher from 14x to 15x, which generates our new 12 month price target of €40 (6% further upside), which is based on 15x consensus 2008 eps of €2.68. When combined with a current year dividend yield of c.2%, this provides sufficient further upside to justify a BUY recommendation and to justify keeping CRH on our Dolmen Dozen list of top stock picks for Q3 2007.
- Hanson takeover : Last month, Germany's largest cement maker, HeidelbergCement, acquired the sole remaining heavy building materials company in UK ownership, Hanson, for £11 per share in cash. Given that this takeover price represented an EV / 2006 EBITDA multiple of 12x and a pe ratio of 17.7x 2008 eps of 62p, a stand-alone 12 month price target for CRH based on 15x 2008 eps now appears achievable. The takeover brought consolidation to the European cement sector, which has helped re-rate valuations upwards closer to those of the US sector.
- 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 these deals start to feed into group earnings in 2007 and as increased synergies start to be generated in 2008, earnings growth of c.10% per annum should be generated over the next 2 years. Only c.8% of CRH's total group operating profit is exposed to the US new housing market, which remains weak currently : **BUY**.

## Breaking News

### Petroceltic announces full year 2006 results

Petroceltic reported a full year 2006 loss that widened to \$6.6m from \$2.4m in the previous year due to costs for its Donegal Well in Ireland. Revenue rose to \$1.26m from \$1m from royalty income on its Kinsale natural-gas fields. The company said it had \$33.4m in net cash at the end of 2006, up from \$19.5m a year earlier. Petroceltic said it plans an aggressive drilling campaign of up to five wells in Algeria for 2008, following the completion of seismic work. In Italy, prospects have been identified for drilling of exploration wells including a Migliancio oil field extension well and an Elsa 2 appraisal well. Elsewhere, in Tunisia where the group has received initial farm-in proposals and if approved would substantially fund a forward program, of up to three wells, commencing during 2007.

### Bradford & Bingley issues trading update

Bradford & Bingley issued a trading update wherein it said it expects pretax profit to be at the upper end of analysts' expectations range of £358m to £377m. The company said that prospects remain good for the second half of the year as demand continues to drive the buy-to-let market. The group said that net mortgage lending will almost double in the first half of the year compared with the same period last year and the bank's current pipeline of new loans is ahead of last year. Bradford & Bingley also pointed out that as expected, arrears levels are up slightly since the year-end, due to the recent successive interest rate rises, however overall arrears levels and credit losses remain within its expectations.

### Aviva announces bancassurance JV with Italian bank

Aviva has announced a bancassurance joint venture with Banco Popolare which will give the insurer access to more than 5 million potential customers through the third largest branch network in Italy with circa 2,200 branches. Under the terms of the agreement, Aviva will pay £250m in cash for the long-term bancassurance deal with Banco Popolare and 50% of the share capital of Novara Assicura, which will become Banco Popolare's non-life insurance subsidiary. The venture will have a minimum term of 10 years and thereafter will be renewable by mutual agreement for five years.

## Business Press

- DSG blames risks in Russia for abandoning Eldorado acquisition (FT)
- O'Reilly excited about new site (IT)
- Fresh twist in battle to control ICG (IE)

## Investment Press

- Subprime mortgage securities: Here is a mystery. The value of securities backed by sub prime mortgages has been in precipitous decline. But who is hurting? Sure, a hedge fund managed by Bear Stearns is in trouble, but Bear itself had minimal exposure.

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies. Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995.

DOLMEN SECURITIES → Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland.  
Theatre Court, Mallow Street, Limerick, Ireland

• Tel : +353 1 633 3800  
• Tel : +353 21 422 2122  
• Tel : +353 61 436 500

• Fax : +353 1 677 7044  
• Fax : +353 21 422 2123  
• Fax : +353 61 436 599

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



**Disclosures**

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgement as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995.

**Conflicts of Interest & Share Ownership Policy**

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

**Analyst Certification**

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Stuart Draper and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and Stephen Taylor is an equity analyst.

**For US Persons Only**

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.