DOLMEN STOCKBROKERS

Dolmen Daily

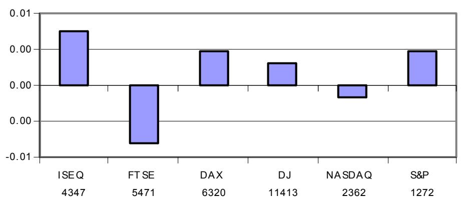
Wednesday 27th August 2008

DAILY COMPANY NOTE — CRH See page 2 for full details

Daily Market Comment

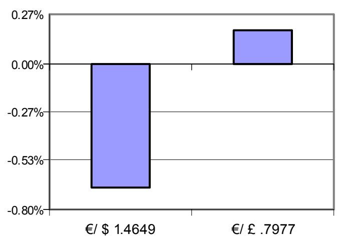
Yesterday's Summary : With better than expected US new housing data and despite oil rebounding to over $116 a barrel, the ISEQ closed 0.60% higher at 4,347.27. The financials underperformed the broader market as news that German business confidence fell more than expected in August undermined investor sentiment. AIB finished 0.24% lower at €8.13 and Bank of Ireland fell 2.45% to €5.17. With an interim management report that didn't disappoint, Kerry group added 1.42% to €19.27. Elan advanced more than 10% to €10.22 amid positive news relating to its Tysabri drug. CRH finished marginally lower, down 0.5% at €16.62.
Overnight News : Most US stocks ended higher Tuesday as a better than expected reading on consumer confidence helped offset concerns about Hurricane Gustav, which sent oil prices higher. The Dow Jones industrials rose 0.2%, to 11,412.87, the S&P 500 added 0.4%, to 1,271.51, while the Nasdaq composite index fell 0.2%, to 2,361.97.
Breaking News : Tullow Oil has reported that first half profits rose to £126m in the first six months of the year, up from £37m for same period last year. Chief Financial Officer Tom Hickey said the rise was mainly due to better prices for Tullow's oil and gas, while costs had generally been steady. Taylor Wimpey, the UK house builder, has posted a first half pre tax loss of £1.5bn, compared to a profit of £18.3m last year. Operating profit fell to £63.4m from £105m for the same period a year earlier, as the group cited a land bank write-down of £690m. Glanbia has announced adjusted earnings per share for the six months to the end of June rose to 15.74 cent from 12.45 cent last year. The Irish food company also said it is on track to deliver full year consensus expectation of mid – double digit growth of 14% to 15%. FBD Holdings has posted a 33% drop in first half operating earnings per share to 105.43 cent per share, down from 158.45 cent a year earlier.

Equity Indices change on day

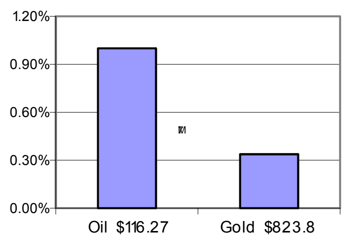


0.60% -0.63% 0.37% 0.23% -0.14% 0.37%

Currency daily % change



Oil/Gold daily % change



Irish Life & Permanent Interim Results

Irish Life and Permanent's results were in line with market expectations with EPS at 95.3c compared to 95c expected. Loan book growth has slowed significantly with the book increasing by 4% since the end of December to €41Bn. Life and investment new business is facing lower demand due to weak equity and property markets. Due to higher funding costs net interest margins (NIM) will fall to a range between 98 and 100bps for the full year. For 2008 management are guiding overall operating profit to be 10% lower than 2007.

Independent News & Media Interim Results

This morning INM reported results for the first half of 2008 and EPS was in line with consensus at 7.5c. The group announced an interim dividend of 4.57c, flat year on year and it believes full year consensus on profit is achievable. Operating profit for the half year in the UK and ROI fell by 35.6% and 3.9% respectively due to the slower advertising and weaker economic conditions. South Africa performed strongly with operating profit increasing by 31.5% helped by strong circulation and outdoor advertising revenues.

Kingspan Interim Results

Kingspan reported first half EPS that fell by 21% to 41.4c with revenue declining by 6.5% to €849.4m. The group's dividend remained on hold at 8c. Net debt fell to €194.2m from €246.7m last year and the group's interest cover remains strong at 18.0x. Kingspan reiterated that it expects earnings to delcine for the full-year 2008, however does expect to exceed the lower end of market expectations

Paddy Power Interim Results

This morning Paddypower reported its interim results for the period ending 30/06/08. The group reported H1 EPS of €0.823, a 17% increase over the same period in 2007. The company had a favorable set of sporting results in H1. Sporting results so far for H2 have been less favorable. As a result of this and increasing price competition by Paddypower, the company is lowering its full year guidance for 2008 from €82m to €75m, an increase of €3m over 2007.

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DAILY COMPANY NOTE 27/08/08

CRH

Stephen Taylor	Buy
Target:	€22.00
Previous:	€25.00
Current:	€16.66

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

- Yesterday, CRH reported interim results for the 6 month period ending 30/06/08. The group posted a 10% drop in pretax profit to €606m and in line with management guidance. Revenue of €9.7bn was broadly in line with the same period last year, while the group raised its dividend by 2.5% to 20.5c. In relation to the group's outlook for the rest of 2008, CRH expects full-year pretax profit to decline in line with the first half of the year's 10% fall which is slightly worse than its pervious guidance for a 'high single digit percentage decline' in pretax profit.

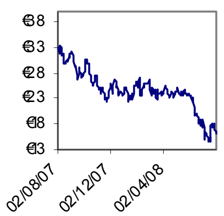
- CRH's European division continues to outperform the US although growth is slowing. Operating profit at the group's European operations grew by 4% to €515m and is expected to grow by low single digit percentage levels for the full-year boosted by continuing strong growth from Poland, Ukraine and an improving Portuguese market helping to offset declines in Ireland, Spain and the UK. In the US, CRH's operating profit declined by 18% for the first half of the year with the company expecting full-year operating profit to show a low-teen percentage decline when compared with 2007.

- CRH's balance sheet remains strong with EBITDA/net interest cover at 9x and well above the group's comfort level of 6x-6.5x and bank covenants of 4.5x. The group pointed out that it will not see acquisition spend for 2008 at the level seen in 2007 of €2.2bn, however it will look at acquisitions as they arise. CRH spent €700m on acquisitions during the first half of the year. In relation to the group's share buyback program, CRH disclosed that it had repurchased 16.5m shares at an average price of €23 since January and will continue with the program during the third and fourth quarter of the year. CRH has c. 10m of its shares left to repurchase.

- CRH continues to focus on targeted cost reductions in particular with labour savings appropriate to balance market demand, along with lower utilisation of bought-in services as volumes decline. Total net annualised cost savings since 2007 have amounted to €500m.

Statistics

Price Performance



Valuation

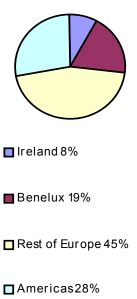
- CRH continues to trade at a discount to both its European and US peers. While there is no doubt that the company will face significant headwinds over the next year we feel that the CRH is well positioned operationally to whether this downturn. In light of this we believe that the group deserves to trade with an earnings multiple of 10x which is the basis for our 12-month price target of €22 based on forecasted 2009 EPS of €2.20. The group also offers an attractive dividend yield of c. 5%, with strong dividend cover of 3.5x expected for 2008.

Chart View: CRH

Support Primary: €15.91
Support Secondary: €13.90
Resistance Primary: €18.15
Resistance Secondary: €19.24

The long-term chart outlook has yet to turn positive for CRH and momentum indicators suggest that a sustainable rally in the near-term is unlikely. However, short-term trading opportunities on both the long and short sides continue to present themselves and price action is likely to remain choppy and volatile. On the downside a clean break of the €15.90 area would suggest a move back towards €14.00.

Profit by Geography



Major Shareholders	%
Capital Research	6.07%
BIAM	5.08%
UBS	4.95%
ILIM	3.09%
Shares Outstanding	538.7m

Peer Group Multiples. Company name	P/E 08	P/E 09	EPS Growth 08-09
CRH	7.0	7.6	-7.56%
Lafarge	8.0	7.8	2.56%
Holcim	8.15	7.89	3.30%
Vulcan Materials	26.0	24.2	7.23%
Martin Marietta	21.6	20.1	7.46%

Share Data	
Current Price (€)	16.66
Mkt Cap (€m)	8,890
Reuters	CRH.L
Bloomberg	CRH LN
Sector	Construction
CEO	Liam O'Mahony
CFO	Myles Lee
Website	www.crh.com

Financial Data	2007	2008e	2009e
Revenue (€m)	20,992	21,100	21,254
Pretax Profit (€m)	1,904	1,713	1,614
EPS ($)	2.62	2.38	2.20
P/E(x)	6.36	7.00	7.57
DPS ($)	0.68	0.76	0.78
Dividend Yield	4.08%	4.56%	4.68%

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