



August 28, 2007

Contact Details:

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

Tel : +353 1 633 3800  
[info@dsl.ie](mailto:info@dsl.ie) Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8413 ↑	86	1.03%	14.1	-10.58%
FTSE 100	6220 ↑	0	0.00%	13.2	-0.01%
DAX 30	7486 ↓	-21	-0.28%	14.2	13.48%
DOW	13322 ↓	-57	-0.42%	15.2	6.89%
NASDAQ	2561 ↓	-15	-0.60%	26.1	6.04%
S&P	1467 ↓	-13	-0.85%	15.9	3.42%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3665	0.6790	157.6200
Dollar	1.3665	1.0000	2.0128	115.3500
Sterling	0.6790	2.0128	1.0000	232.1600
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	71.9700			

This Week's Research  
 Cadbury Schweppes

Today's Research  
 CRH

### Breaking News

**CRH (€30.80) Strong H1 results announced Stuart Draper**  
**Target : €40 (21/06/07 ; previously €37, issued 21/02/07)**

- Results announced : This morning, CRH announced its results for the 6 months ended 30/06/07. Profit before tax and eps of €670m and 92.8c respectively were c.2% ahead of consensus forecasts of €660m and 90.8c, and were year on year increases of 27% and 26%. The interim dividend per share was increased by a stronger than expected 48% to 20c. The strong growth was driven by particularly strong 50% growth to €495m in European operating profit, with growth in US non-residential construction and infrastructure offsetting the impact of lower US residential activity. Only c.8% of CRH's group operating profit is exposed to US new housing.
- Earnings upgrade : These stronger than expected results, when combined with the group's upbeat outlook, provide the basis for an upgrade now of c.2% to the current consensus 2007 eps forecast from €2.54 to €2.58, representing year on year growth of 15%. In the event of CRH being involved in this further sector consolidation, such as Tarmac, it has a track record of doing so in a disciplined manner that ensures the continuation of strong eps growth for shareholders.
- Further M&A : The other sector dynamic which has held constant in recent months is M&A, with the latest major deal being the 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, and exposes the current under-valuation of CRH, which is now trading at an EV/EBITDA multiple of c.8x 2007 EBITDA of €2,782m. The planned sale of Tarmac by Anglo American, as well as the further disposals following 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 response to these peer valuations, we increased our 12 month share price target for CRH to €40 (30% upside) in June, which values the shares at 14.3x current consensus 2008 eps of €2.80.
- Acquisition 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 : **BUY**.

### Breaking News

#### Blackrock International Land releases interim results

Blackrock International Land reported a 4.3% increase in net assets to €230.4m for the first half of the year, while profit before tax came in at €12.2m. The group said that property sales in the period amounted to €27.5m. Blackrock commented that its existing portfolio has significant potential for growth and in addition it remains on target to achieve its previously stated medium term investment goal of gross property assets of €1bn by 2011. Blackrock pointed out that it has an extensive pipeline of potential transactions, principally commercial and investment properties. Areas of interest for the group include; Ireland, Scotland, and the greater London area. Potential opportunities for investment are also being pursued by the company in Continental Europe where prospects in several major cities are being evaluated.

#### US Existing Home Sales decline

Sales of existing home sales in the US for July fell for a fifth month by 0.2% to 5.75m units in the year, the slowest pace since November 2002. The median price of an existing home fell by 0.6% to \$228,900, while the inventory numbers climbed by 5.1% to 4.59m. At the current sales pace, that represented 9.6 months' worth, up from 9.1 months' worth at the end of the prior month. The Midwest accounted for all of the decline in sales falling by 2.2%, while sales were unchanged in the South. Prices rose by 1% in the Northeast and 1.8% in the West.

#### ECB comments that money supply is returning to normal

The ECB commented that money markets were returning to normal following the recent credit crunch caused by the US subprime market. The ECB pointed out that the gradual end of the credit squeeze meant it would now work to correct a cash surplus that developed on the markets due in part to its injection of more than €200bn in recent weeks. Meanwhile, ECB President, Jean-Claude Trichet added to the uncertainty surrounding monetary policy yesterday commenting that he would not commit to any interest rate moves before its upcoming policy meeting on 6<sup>th</sup> September. The market is still unsure whether the ECB will raise rates to 4.25% next week following recent turmoil in the debt market.

### Business Press

- Investors pump €2bn into green energy projects (IT)
- Vodafone launches mobile internet service (IT)
- Investors remain nervous about debt concern (FT)
- Carrefour managers held (IT)

### Investment Press

- Struggling C&C: Does it make sense to bottom fish in a cider vat? The shares of the troubled Irish beverage group are alluring for the investor looking for a stock with rebound potential.

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 2123  
 • 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 judgment 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, Carl Bourke and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and Carl Bourke & Stephen Taylor are equity analysts.

## **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.