DOLMEN DAILY

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8556 ↓	-32	-0.37%	11.0	16.18%
FTSE 100	6127 ↓	-34	-0.55%	12.4	9.04%
DAX 30	6258 ↓	-4	-0.07%	15.0	15.72%
DOW	12087 ↓	-4	-0.03%	19.5	12.09%
NASDAQ	2364 ↑	13	0.56%	15.6	7.18%
S&P	1378 ↑	1	0.04%	21.0	10.68%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2776	0.6697	149.5800
Dollar	1.2776	1.0000	1.9074	117.0700
Sterling	0.6697	1.9074	1.0000	223.3200
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	58.3600			

This Week's Research

Today's Research

CRH

Today's Recommendation

CRH (€27.45) Cemex deal highlights CRH value Stuart Draper
Target : €30 (05/07/06 ; previously €27, issued 19/05/06)

- Cemex takeover : Mexican cement group, Cemex, has announced a $12.8 bn takeover offer for Australia's Rinker Group, valuing Rinker at 14.4x forward earnings. Such a rating is in line with the 14x to 16x range at which deals in the cement sector have taken place in recent years, and highlights the attractions of CRH's current valuation of 11.7x forward eps, particularly given the Irish company's continued prospects for double digit earnings growth.
- Sector consolidating : The Cemex move is the latest in a series of recent takeovers in the sector, which included Cemex's $5.8 bn acquisition of RMC in 2005. This sector consolidation is supportive of valuations generally, and specifically may result in some further speculation surrounding Readymix. This was the case following Cemex's RMC acquisition, even though Redaymix's current $350m valuation, 63% of which is owned by Cemex, is small in the context of a $12.8 bn deal.
- Housing stabilising : The latest data from the US housing market showed that September new home sales increased by 5% month on month, to 1.075m units. This was better than the consensus forecast of 1.04m, helped by lower prices and lower mortgage payments. This is the second gain in the series in a row, the first time this has happened since March 2005, providing further evidence of a recent stabilisation in US housing, an important sentiment issue for the CRH share price.
- Infrastructure buoyant : The American Road & Transportation Builders Association's most recent quarterly survey of conditions showed particular strength in the airport and bridge sector, with 40% of CRH's US sales, infrastructure, and only c.10%, new housing. The recent $1.3 bn APAC acquisition facilitated an upgrade of c.3% to the group's 2007 eps forecast, from c.€2.29 to €2.35. In addition to APAC, CRH completed a further €1.9 bn of acquisitions during the 12 months ended 30/06/06, which should ensure that double digit earnings growth is achieved in both 2006 and 2007.
- Further upside : As a result, we recently upgraded our 12 month price target from €27 to €30 (9% further upside), which is based on 13x consensus 2007 eps of €2.35. Our view remains 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, and given the group's continued double digit growth : **BUY**.

Breaking News

Friends Provident Q3 sales up 40%

Friends Provident delivered a better than expected 40% increase in Q3 sales, helped by a strong performance in UK pensions. Group sales for the three months to September 30 came in at £1.597bn on a present value of new business premiums basis, up from £1.142bn in the same period last year. UK life and pensions new business increased by 33% in the Q3 to £1.019bn, up from £764m in the same period in 2005. The improvement partly reflected strong sales of pensions, fuelled by the introduction of more lenient UK pensions tax. The company also said it aimed to triple the 2005 value of its UK business to between £180m and £200m by 2008. In order to achieve the sales growth, Friends said that it would almost double its £25m investment in 2005 to £40m/£50m per year in 2007 and 2008. The company added that it expects the UK life and pensions market to grow by around 15% in 2006, falling to around 7-8% in 2008. International new business rose 33% on the year to £578m.

Aer Lingus announce new routes and passanger numbers

Aer Lingus, today announced its scheduled passenger traffic rose 6.4% last month and unveiled new short-haul routes. In its statement Aer Lingus said that scheduled passenger traffic rose 6.4% in September to 777,000 passengers. Its long-haul passenger load factor was 72.8% in the month, down 7.4% points. The figures were impacted by a security alert at UK airports in August which resulted in lower advance bookings for September and October. The company also said it was increasing the frequency of some of its European flights and introducing new routes, including its first scheduled service to Greece. This will bring the number of short haul routes Aer Lingus will operate for summer 2007 to 65.

Persimmon trading in line with expectations

Persimmon today announced trading had been in line with its expectations, although the market remained competitive and the use of incentives to attract buyers had continued. The new housing market hasn't changed noticeably since they last reported on the 22nd of August. The market remains competitive and the use of

Business Press

- Cadbury to chew on the UK gum market (II)
- ABN Amro reports first profits slip in four years (IE)
- 888 confirms initial talks on possible merger (FT)
- Pearson predicts record profits (FT)

Investment Press

- Airlines and global warming: Airlines, fast becoming the environmental lobby's newest demon, could be forced to raise ticket prices substantially if they are penalised for polluting

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