DOLMEN STOCKBROKERS

Dolmen Daily

Tuesday 6th January 2009

DAILY COMPANY NOTE — CRH See page 2 & 3 for full details

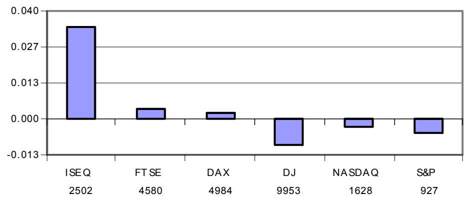
Daily Market Comment

Yesterday's Summary : Outperforming its European counterparts, the ISEQ posted a strong day yesterday closing up 82 points at 2,502. The biggest news of the day was that Waterford Wedgewood was to be placed in receivership and trading in the stock would be suspended. However, this had very little impact on the ISEQ's overall performance, which saw strong gains across many sectors, led by DCC and CRH whose closed up 3.8% and 2.2% respectively. The banks also posted strong gains with AIB adding 3.5% to close at €1.77, while Anglo Irish Bank closed up 14% at €0.22.

Overnight News : After the recent brief optimism surrounding US equity markets, Wall Street posted a marginal decline yesterday as nervous investors sought to book some profits. Among the biggest movers was banking sector after Deutsche Bank cut its earnings forecasts on all major US commercial banks. This saw JP Morgan drop 6.7% to close at $29.25. Dow Jones: -0.91% at 8,953, NASDAQ: -0.26% at 1,628, S&P 500: -0.47% at 927.

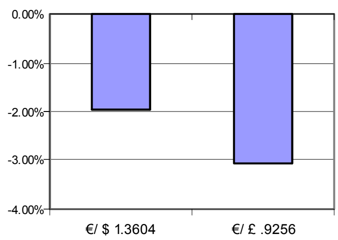
Breaking News : According to media reports this morning, Marks and Spencer is set to reveal about 1,000 job losses tomorrow, along with a poor Christmas trading update that will put further pressure on the retailer's dividend. M&S is expected to announce overall revenue down 5.5% to 9.6% and underlying sales in clothing and home-related categories down 6-10%. Next released its Christmas trading update which came in within market expectations. Despite sales falling 7 per cent in the period between the end of July and Christmas Eve, the company reaffirmed profit forecasts for its financial year. Ryanair has extended its takeover offer for Aer Lingus to February 13th, Ryanair received acceptances from Aer Lingus shareholders holding 29.83% of the airline. This total includes Ryanair's 29.82% stake.

Equity Indices change on day

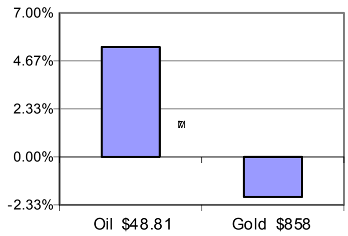


3.40% 0.39% 0.22% -0.91% -0.26% -0.47%

Currency daily % change



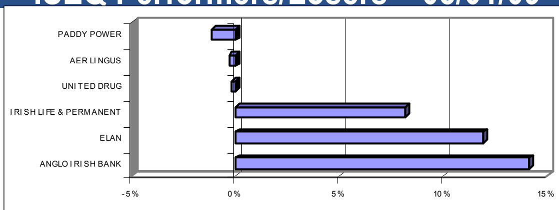
Oil/Gold daily % change



News

"Waterford Wedgwood placed in receivership"-(The Irish Times)
"Ryanair complains on payment deal at Aer Lingus"-(The Irish Times)
"Three US groups in talks over Waterford asset sales"-(Financial Times)
"Case builds for ECB cut"-(The Wall Street Journal)
"Second German stimulus is set to inject $69bn"-(Wall Street Journal)

ISEQ Performers/Losers 05/01/09



Market Themes & Movers

Obama meets with congress over stimulus plan : President elect Barack Obama went to congress two weeks before he takes office yesterday in an attempt to gain Republican support for a massive economic stimulus package. His proposed plan will cut taxes for individuals and businesses and spend money on government programs to rebuild the nation's infrastructure. According to a Democratic aide, Obama told House speaker Nancy Pelosi he favours a price tag of about $775bn for the plan in total. Obama has indicated that he will strive for "unprecedented transparency" and is considering publishing online "very detailed information about all the projects that are taking place."

UK house prices continue their decline: The Nationwide Building Society released its December house price survey figures this morning and it showed that British house prices declined by 2.5% in December, making 2008 their worst performing year since at least 1991. On a quarterly basis, UK house prices fell by 14.7% in the final three months of 2008 from a year earlier, with the biggest decline in Northern Ireland where home values dropped 34%.

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DAILY COMPANY NOTE 06/01/09

CRH

Stephen Taylor	Buy
Target	€22.00
Current	€19.70

ISEQ

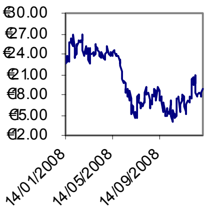
Construction

Company Profile

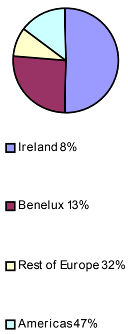
CRH manufactures cement, concrete products, aggregates, asphalt, clay, bricks, chemical lime, security fencing products, roofing, insulation and other building materials. CRH operates in 19 countries, including Ireland, the US, Spain, Germany and the Netherlands.

Statistics

Price Performance



Revenue by Region



Fundamental view

- This morning, CRH issued a trading update for the full-year 2008. The group pointed out that it expects profit before tax in excess of €1.6bn which represents a mid-teen percentage decline on the 2007 outcome of €1.9bn and in line with guidance provided in its Interim Management Statement issued in early November. The group anticipates earnings per share (EPS) to fall by a lesser amount due to its share buyback program and a lower than expected full year tax charge. CRH pointed out that the 2008 profit outturn is after an adverse translation impact of c. €50m principally attributed to a weaker average US$/€ exchange rate. We forecast EPS for 2008 to fall to €2.25 which would represent a fall of 14%. In relation to its outlook for 2009, CRH acknowledges that the environment is extremely challenging given the ongoing slowdown in global economic activity. However, the group outlines a number of positive developments which should help lessen the impact of the slowdown including increasing prospects for a significant US infrastructure stimulus package and the significant fall off in energy prices along with interest rate reductions. Overall we view CRH's trading statement today as a positive and a further indication that the group has the ability to outperform despite the current economic difficulties.

- In relation to acquisition spend for the second half of 2008, CRH pointed out that it spent €273m on 16 acquisitions and investments bringing total acquisition spend to €1bn for the year. The slowdown in development spend in the second half of the year reflected curtailment of development activity in light of the deteriorating economic environment. The majority of this investment was at its European Distribution division which included 1 investment and 3 acquisitions totalling €222m. The Distribution group acquired a 34.8% stake in a 190 store builders merchanting business in France, while it also added a total of 28 stores in Germany specialising in the distribution of sanitary ware, heating and plumbing materials and 5 builders merchants located in the Netherlands and France. CRH will likely continue to employ a cautious approach to development spend in 2009 with its main focus on the current operations in the business.

- CRH has the strongest and most underleveraged balance sheet amongst its peer group which is a major positive given that corporate credit markets continue to remain dislocated. The company recently announced that it had successfully completed the renewal and extension of €1.5bn of bank facilities and that it remains well above debt covenant levels with EBITDA/net interest cover of 7.5x versus covenant levels of 4.5x. CRH's continued focus on cash generation through increased cost cutting initiatives which has already seen it already cut over 10% of its workforce will help the company maintain its investment grade credit rating and keep funding costs at sustainable levels.

Valuation

- Given the continued weakness in activity we lower our 2009 forecasted EPS to €1.85 from €1.95 to reflect the weaker trends seen in the second half of 2008 which we expect will continue into 2009. We are however increasing our price target on the stock to €22 which is based on an increased earnings multiple of 12x as we believe that the market will begin to price in a recovery for CRH through the latter half of 2009 resulting in multiple expansion. With c. 12% upside to our price target from current levels we reiterate our buy rating on CRH and maintain it as our top pick in the construction sector.

Major Shareholders	%
Capital Guardian	5.09%
BIAM	5.07%
UBS	4.96%
Shares Outstanding	532m

Peer Group Multiples.			
Company name	P/E 08	P/E 09	EPS Growth 08-09
CRH	**8.8**	**10.6**	**-17.78%**
Lafarge	4.8	5.6	-14.29%
Holcim	7.5	8.9	-15.73%
Vulcan Materials	36.7	35.0	4.86%
Martin Marietta	23.4	23.7	-1.27%

Share Data	
Current Price (c)	19.70
Mkt Cap (€m)	10,039
Reuters	CRH.I
Bloomberg	CRH LN
Sector	Construction
CEO	Myles Lee
Website	www.crh.com

Financial Data	2007	2008	2009
Revenue (€m)	20,992	20,845	19,500
Operating Profit (€m)	2,143	1,886	1,714
EPS	2.63	2.25	1.85
P/E(x)	7.49	8.76	10.65
DPS (c)	0.68	0.68	0.68
Dividend Yield	3.45%	3.45%	3.45%

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