Dolmen Daily

DOLMEN STOCKBROKERS

Friday July 9th 2010

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Trichet dismisses fears of double -dip recession *(The Irish Times)*

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ECB head dismisses fear over the survival of eurozone (*Financial Times)*

Spain to allow cajas to sell up to 50% equity in reform drive (*Financial Times)*

Alleged spies to plead guilty in Russia case *(Wall Street Journal)*

Market View — Analyst: Stephen Taylor

European equity markets have opened higher this morning following strong closes in Asia overnight. Broadly better than expected monthly retail sales for June out of many of the large retailers in the US and a decline in weekly jobless claims boosted sentiment surrounding the economic growth prospects in the US. In addition the IMF raised its global growth forecasts for this year to 4.6% from 4.2%, while maintaining its economic growth forecast for 2011 at 4.3%. The increase in outlook for this year reflects 'strong activity' in the first half of the year. The IMF also indicated that it expects a modest but steady recovery in most advanced economies and strong growth in many emerging and developing economies. The forecast should be taken as a positive read through for equity markets. We have maintained our view that the market was becoming overly bearish on economic growth and while clear risks remain we continue to believe that the global recovery is on track. Key for markets however will be earnings season that kicks off next week with Aloca and Intel due to report quarterly earnings on Monday and Tuesday. As for today it is relatively quiet on the economic front with little in the way of market moving figures. In the UK PPI inflation figures are due for release, while in the US wholesale inventories are expected to show an increase for the month of May.

Kingspan: Neutral — **Previous Close** €6.20 — **Analyst** Stephen Taylor

SIG, the European specialist supplier of insulation and Kingspan peer has issued a trading update for the six months to 30 June 2010. Sales of c.£1,291m were down c.4.0% compared to £1,345m reported in the first half of 2009, and in line with management's expectations. Underlying profit before tax in the first half of 2010 will be above market expectations. Combined sales rates for May and June were at, or slightly ahead, of 2009 levels in each of SIG's main reporting regions of the UK & Ireland and Mainland Europe, although volumes in June were a little softer than May. In the main distribution and merchanting businesses in the UK and Western Europe, which account for c.88.0% of Group sales, monthly sales rates by the end of H1 were running slightly ahead of the same period in 2009. This has been driven by residential markets which have been returning to modest growth. Non-residential construction is still moving downwards and is unlikely to return to growth before the end of 2010. A highly competitive pricing environment in most countries and markets, combined with a currently unfavourable business mix is, however, continuing to exert pressure on gross margins, and is creating a drag on profitability despite improving volume performance. Despite the encouraging sales development in its main businesses in Q2, SIG's management remains cautious about prospects for the remainder of the year.

Persimmon: Buy — **Previous Close** 388p — **Target** 560p — **Analyst** Oliver Gilvarry

Bovis Homes, the UK housebuilder released a trading statement for the six months ending 30th June. The new homes market remains subdued with ongoing liquidity issues in the first time buyer market limiting the number of transactions and moderating sales price improvements. Against this market backdrop, the Group has been operating successfully, delivering solid weekly private sales rates and achieving sales prices ahead of the Group`s internal expectations. It completed 803 homes, an increase of 6% on the 754 homes achieved for the same period last year. The average sales price achieved by Bovis was £158,500, slightly down from £159,700 in the first half of 2009. In the year to date, the Group has achieved a net private sales rate per site per week of 0.42 reservations, ahead of the comparable net private sales rate achieved in the first half of 2009 of 0.39 reservations. Given the confidence the Board has in the medium term prospects of Bovis, it intends to resume dividends at the end of the current financial year, assuming the continuation of current market conditions in the new homes market.

CRH
Buy

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Current Price : €15.70
Price Target : €20.00 (previous €21.50)

Analyst: **Stephen Taylor**

9th July 2010

- **Recommendation :** We are today reiterating our buy rating on CRH, however we are lowering our price target to €20.00 due to the weaker than expected outlook for group's earnings. We maintain our target multiple based on 8x 2011 EBITDA in line with the group's historical average. In the short-term, CRH's markets are likely to remain very difficult given that its two main operating geographies in the US and Europe will see continued tough operating environments. On the positive front however, CRH remains in a good financial and operational position and is well placed to benefit when revenue growth returns. Shares in CRH may continue to underperform given the lack of any immediate catalyst for the company, however longer term we continue to like the stock.

- **Trading update :** CRH's trading update covered the six month period ending June 30th. The group pointed out that by the end of the period, the cumulative year to date sales decline had reduced to c. 10% compared to the 14% decline in the four months to the end of April. As a result CRH now anticipates that EBITDA for the first half of the year will show a decline of c. 20% compared with last year's years outturn of €650m. Given the pull back in global economic growth recently and continued concerns relating to fiscal deficits across the Euro-Zone, CRH issued a cautious outlook indicating that the full year sales decline will be 'somewhat' worse than had initially been expected.

- **Europe :** The sales decline eased in Europe with cumulative sales for the area down 10% for the first half of the year compared with the 14% cumulative decline seen in the first four months of the year. Areas over the period that showed positive signs included Poland, Finland and Switzerland. The environment in Ireland, Spain, Portugal continue to show continued weakness. For the full year the company expects to show a high-teen percentage drop in EBITDA compared with last year's outcome of €410m.

- **US Division :** Similar to Europe, CRH's America's division also saw an improvement in its sales decline showing a 10% fall for the first half of the year compared with the cumulative sales decline of 14% up to the end of April this year. CRH expects first half EBITDA for the division to fall by 30% when compared with last year's outcome of $321m. CRH pointed out that trading conditions continued to be very challenging in non-residential markets and new residential activity remained at a low level.

- **Development update :** During the first half of 2010, CRH completed 13 acquisitions at a total cost of €133m across the Materials segments in the US and Europe and is investing a further €19m in Yatai Cement as CRH's share of equity funding for two development projects in north-eastern China. In addition to its regular capital expenditure programme, during the first half of 2010, CRH has initiated three capital projects involving total expenditure of €84m over a three year period, with the aim of enhancing the efficiency of its cement operations in Poland and India. CRH confirmed that it remains well positioned to take advantage of bolt-on acquisitions as and when they arise.

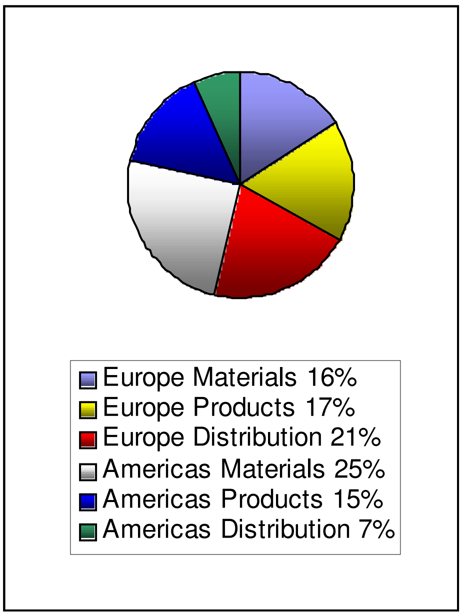
- **Balance Sheet :** CRH pointed out that net debt for the first half of the year increased by €1bn to €4.7bn from the end of 2009. The increase in net debt can be explained by two factors; an adverse currency effect on total debt (c. 60% denominated in US dollars), and a more significant build up in working capital when compared with the same period last year. That being said, CRH's balance sheet continues to remains one of the strongest amongst its peers and sees EBITDA / interest cover remaining comfortably above 6x.

Descriptive Stats		Shareholders	
Price (€)	15.70	Capital World	12.25%
52 Week High	22.00	Blackrock	3.95%
52 Week Low	15.40	UBS	3.73%
Bloomberg	CRH ID	ILIM	2.93%
Reuters	CRH.L	BIAM	2.88%

	FY09	FY10	FY11
Revenue (€m)	17,373	16,900	17,750
EBITDA (€m)	1,803	1,886	2,136
Operating Profit (€m)	955	1,115	3,900
EPS(c)	88.3	0.96	1.24
DPS (c)	62.5	63.00	63.00

Company	EV/EBITDA 10	EV/EBITDA 11	Div Yield
CRH	7.9	6.8	4.00%
Lafarge	7.4	6.6	4.80%
Holcim	7.7	6.8	2.20%
Heidelbergcement	6.8	6.1	0.31%
Vulcan Materials	14.8	10.9	2.30%
Martin Marietta	11.9	9.6	1.88%
Average	9.4	8.0	2.6%

Revenue by division 2009



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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,895	0.0%	-2.7%
FTSE	5,105	1.8%	-5.4%
Dow Jones	10,139	2.8%	-2.8%
S&P	1,070	3.1%	-4.0%
Nikkei	9,536	2.8%	-9.1%
Stoxx 50	2,666	1.2%	-9.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	246	0.9%	-10.5%
Technology	193	0.0%	5.2%
Oil & Gas	286	1.3%	-12.9%
Financials	206	1.7%	-6.5%
Retail	256	0.1%	5.3%
Food & Drink	334	0.8%	9.7%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	75.44	1.8%	-8.1%
Copper	301.55	0.0%	-9.6%
Gold	1,198.10	-0.4%	9.3%
Silver	17.87	-0.7%	6.0%
Wheat	548.50	3.4%	-6.2%
Cattle	90.90	0.4%	3.8%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/$	1.270	0.5%	-11.3%
€/£	0.837	0.6%	-5.7%
£/$	1.517	-0.1%	-6.1%
$/JPY	88.360	0.8%	5.1%
€/JPY	112.180	1.2%	-15.6%
€/SFR	1.332	0.2%	11.0%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	119.7	-3.8%	67.3%
High Yield	513.3	-4.4%	23.3%
Financials	143.6	-7.0%	83.5%
BoI	325.2	-2.2%	53.3%
AIB	438.8	-0.4%	88.4%
RBS	201.6	-2.2%	43.9%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.4%	0.5%	0.3%
3-Month	0.8%	0.7%	0.5%
1-Year	1.2%	1.1%	0.6%
2-Year	1.4%	1.4%	0.9%
5-Year	2.1%	2.5%	2.1%
10-Year	0.029	3.4%	3.1%

Date	Company	Region	Event
06/07/2010	EasyJet PLC	GB	TRAFFIC
06/07/2010	Persimmon PLC	GB	TRADE
06/07/2010	Tullow Oil PLC	GB	TRADE
07/07/2010	Finnair Oyj	FI	TRAFFIC
07/07/2010	Air Berlin PLC	DE	TRAFFIC
07/07/2010	SAS AB	SE	TRAFFIC
07/07/2010	Marks and Spencer Group	GB	TRADE
07/07/2010	Aveva Group Plc	GB	AGM
08/07/2010	Man Group Plc	GB	TRADE
08/07/2010	AIR France-KLM	FR	AGM
08/07/2010	Babcock International Group	GB	AGM
09/07/2010	Austrian Airlines AG	AT	TRAFFIC
09/07/2010	Deutsche Lufthansa AG	DE	TRAFFIC
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Date	Event	Region	Estimate
06/07/2010	ISM Non-Manf. Composite	US	- -
06/07/2010	ABC Consumer Confidence	US	- -
07/07/2010	Euro-Zone GDP s.a. (QoQ)	EC	- -
07/07/2010	Factory Orders MoM (sa)	GE	- -
07/07/2010	MBA Mortgage Applications	US	- -
08/07/2010	Trade Balance	GE	- -
08/07/2010	Imports SA (MoM)	GE	- -
08/07/2010	Current Account (EURO)	GE	- -
08/07/2010	Exports SA (MoM)	GE	- -
08/07/2010	Industrial Production (MoM)	UK	- -
08/07/2010	Manufacturing Production	UK	- -
08/07/2010	Industrial Production MoM	GE	- -
08/07/2010	BOE Asset Purchase Target	UK	- -
08/07/2010	BOE ANNOUNCES RATES	UK	- -
08/07/2010	ECB Interest Rates	EC	- -
08/07/2010	Initial Jobless Claims	US	- -
08/07/2010	Consumer Credit	US	- -
09/07/2010	Consumer Price Index (MoM)	GE	- -
09/07/2010	Total Trade Balance	UK	- -
09/07/2010	PPI Input NSA (MoM)	UK	- -
09/07/2010	PPI Output n.s.a. (MoM)	UK	- -
09/07/2010	Wholesale Inventories	US	- -

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