

3rd March 2016

Construction & Building Materials

**CRH**

Price EUR24.07

Solid 2015 performance

Fair Value EUR30 (+25%)

**BUY**

Bloomberg	CRH.ID
Reuters	CRH.I
12-month High / Low (EUR)	28.1 / 21.0
Market Cap (EUR)	19,812
Ev (BG Estimates) (EUR)	26,569
Avg. 6m daily volume (000)	983.8
3y EPS CAGR	33.5%

CRH has released solid 2015 figures this morning. FY revenues increased by 25% (3% like-for-like) to EUR23.635bn (in line) and EBITDA by 35% (14% lfl) to EUR2.219bn c7% above our forecast. EBITDA (excluding the contribution from LH assets) rose by 51% in the Americas and 4% in Europe. Stable dividend at 62.5 cents. Outlook is unsurprising, with a good contribution expected from the US construction segment. Overall a positive publication. Analysts' meeting at 9.30am.

**ANALYSIS**

- CRH has reported 2015 revenues at EUR23.635bn, up 25% (3% lfl) vs EUR23.186bn expected and EBITDA at EUR2.219bn, up 35% (14% lfl) vs EUR2079m expected (including deal costs).
- By geographical zone and on a continuing operations basis (excluding LH assets contribution, as well as divestments but including forex impact) the Americas were clearly strong, with a 51% EBITDA increase, while Europe was more subdued with a 4% increase, as expected. This clearly underlines the Irish group's attractive balance, with more than 45% of EBITDA (pro forma including LH assets but ex-CRL) generated in NAM.
- The integration of LH assets is progressing well, with a EUR171m EBITDA contribution, including EUR197m in deal-related costs.
- Outlook is fine: Europe is expected to be flat in 2016, although CRH sees some growth in certain markets like the UK, Ireland, the Netherlands, Poland or Finland. The US is expected to be positive, for housing but also for non-residential, as well as infrastructure, thanks notably to the infrastructure programme (FAST), which provides visibility on highway funding.

**VALUATION**

- EUR30 FV derived from the application of 10x EV/EBITDA on our 2017 estimates, discounted back.

**NEXT CATALYSTS**

- AGM on 28th of April 2016

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	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	-13.7%	-4.9%	-10.3%
Cons & Mat	1.2%	-8.0%	-0.4%	-4.4%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	18,912	23,186	27,481	28,912
% change		22.6%	18.5%	5.2%
EBITDA	1,641	2,279	2,965	3,282
EBIT	966.0	1,179	1,908	2,279
% change		22.0%	61.8%	19.5%
Net income	561.0	600.3	1,157	1,480
% change		7.0%	92.7%	27.9%

	2014	2015e	2016e	2017e
Operating margin	5.1	5.1	6.9	7.9
Net margin	3.1	2.2	4.3	5.4
ROE	5.7	5.0	10.6	12.7
ROCE	5.4	4.4	7.2	8.7
Gearing	24.8	72.1	56.1	38.6

(EUR)	2014	2015e	2016e	2017e
EPS	0.76	0.74	1.41	1.81
% change	-	-2.5%	90.9%	27.9%
P/E	31.7x	32.5x	17.0x	13.3x
FCF yield (%)	4.7%	4.3%	6.4%	7.8%
Dividends (EUR)	0.63	0.63	0.63	0.63
Div yield (%)	2.6%	2.6%	2.6%	2.6%
EV/Sales	1.1x	1.1x	0.9x	0.8x
EV/EBITDA	13.2x	11.7x	8.6x	7.3x
EV/EBIT	22.4x	22.5x	13.3x	10.5x



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## Distribution of stock ratings

BUY ratings 63.4%

NEUTRAL ratings 29.1%

SELL ratings 7.5%

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