

CRH

Price EUR25.87

April trading update cautious in our view

Fair Value EUR30 (+16%)

BUY

Bloomberg	CRH.ID
Reuters	CRH.I
12-month High / Low (EUR)	28.1 / 21.0
Market Cap (EUR)	21,317
Ev (BG Estimates) (EUR)	26,976
Avg. 6m daily volume (000)	962.4
3y EPS CAGR	36.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.9%	6.6%	3.6%	-3.6%
Cons & Mat	3.2%	6.0%	1.3%	0.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	23,635	27,956	28,925	30,521
% change		18.3%	3.5%	5.5%
EBITDA	2,416	3,117	3,336	3,667
EBIT	1,321	2,116	2,335	2,666
% change		60.2%	10.3%	14.2%
Net income	684.5	1,281	1,495	1,739
% change		87.2%	16.7%	16.3%

	2015	2016e	2017e	2018e
Operating margin	5.6	7.6	8.1	8.7
Net margin	3.1	4.7	5.4	6.0
ROE	5.4	9.1	10.1	10.8
ROCE	4.1	6.4	7.1	8.2
Gearing	48.9	41.1	30.5	19.5

(EUR)	2015	2016e	2017e	2018e
EPS	0.84	1.56	1.82	2.11
% change	-	85.4%	16.7%	16.3%
P/E	30.8x	16.6x	14.3x	12.3x
FCF yield (%)	6.8%	3.6%	5.9%	7.1%
Dividends (EUR)	0.63	0.63	0.63	0.63
Div yield (%)	2.4%	2.4%	2.4%	2.4%
EV/Sales	1.2x	1.0x	0.9x	0.8x
EV/EBITDA	11.4x	8.7x	7.8x	6.7x
EV/EBIT	20.9x	12.7x	11.1x	9.2x

CRH has released its interim statement this morning. The Q1 sales increase was healthy at 9% on a proforma basis, with strong progress in the Americas at +22%, while Europe was flat. H1 2016 EBITDA guidance is "close to EUR1bn", i.e. a mid-single digit percentage growth, which sounds low to us. H2 EBITDA should "make progress", but CRH says construction demand in the United States should grow "at a modest pace". Overall a cautious trading statement in our view. Analyst meeting at 9.30am today.

Interim guidance

EURm	H116Guidance	BG Estimates	H216 Guidance	BG Estimates
EBITDA in Europe	Not communicated	449	Not communicated	616
EBITDA in Americas	Not communicated	709	Not communicated	1 286
Group EBITDA	Around EUR1bn	1 158	Expected to make progress	1 902

Source : Company Data; Bryan Garnier & Co. ests.

ANALYSIS

- Q1 sales growth looks steady to us. We can compare the 9% increase with our c5.6% like-for-like growth in H1. Besides, Asia is fine with 12% growth in revenues, underpinned by a dynamic Philippine cement business from the LH assets.
- Guidance is not very precise. We suspect the integration of the LafargeHolcim assets have made the exercise more complex. However, we feel that H1 EBITDA guidance is a bit low at EUR1bn. The mid-single digit percentage growth looks cautious as well, considering the good start to the year and the generally high leverage provided by this type of business.
- H2 guidance is vague, as CRH says they "expect to continue to make progress on a Group EBITDA basis in H2 2016". Moreover, US construction demand is expected to grow in H2 "at a modest pace".
- Overall, not a very promising trading statement. The 9h30 Conference call might give us additional flavour though.

VALUATION

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

NEXT CATALYSTS

- AGM on 28th of April 2016

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