CRH plc 2005 results

CRH

The International Building Materials Group

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2005 HIGHLIGHTS (IFRS)

Sales	€14,449m	↑ 13%
Operating profit	€1,392m	↑ 14%
Profit before tax	€1,279m	↑ 16%
EPS Basic	186.7c	↑ 14%
Cash EPS	292.5c	↑ 12%
Dividend	39.0c	↑ 18%

Like-for-like IFRS comparison

2005 OVERVIEW

- Record sales and profits
- Strong organic growth and good contributions from acquisitions
- Europe: EBIT €676M, +7%: Materials higher, Products lower, Distribution similar
- Americas: EBIT €716M, +22%, profit advances in all three segments
- Development activity € 1.45Bn; Europe € 0.75Bn, Americas € 0.7Bn
- Continued strong cash flow

13th consecutive year of profit and EPS growth

22nd consecutive year of dividend increase

EUROPE MATERIALS

IFRS €m		2005	2004	
Sales	+15%	**2,646**	2,307	+339
Op profit	+18%	**377**	320	+57
Op margin		**14.2%**	13.9%	

Analysis of change

FX	Acquisitions 2004	Acquisitions 2005	Organic
+28	+107	+24	+180
+4	+17	+3	+33

- *Ireland:* Another solid year with cement volumes up c.5% and profits ahead
- *Finland:* H2 recovery left cement volumes up c.3%; good profit advance
- *Poland:* H2 very strong; full year cement volumes just ahead of ’04; profits up
- *Switzerland:* Higher cement volumes (+c.6%); strong competition left profits in line with ‘04
- *Spain:* Residential the main driver; Infrastructure strong; profits ahead
- *Portugal:* Good cost control/price discipline; satisfactory outcome despite slower H2

Overall … Strong H2 organic growth and good acquisition contributions

EUROPE PRODUCTS

IFRS €m		2005	2004	
Sales	+13%	**2,533**	2,245	+288
Op profit*	-8%	**176**	191	-15
Op margin		**6.9%**	8.5%	

Analysis of change

FX	Acquisitions 2004	Acquisitions 2005	Reorg. costs	Organic
+9	+124	+137	-	+18
-	+11	+4	-7	-23

**including €10m reorganisation costs (2004: €3m)*

- *Concrete*: Profits similar: contributions from acquisitions offset heritage declines
  Architectural: very competitive markets. Structural: performed well
  Sand-lime advanced with upturn in Dutch housing, however JV declined
- *Clay*: Similar UK outcome: lower vols/high energy costs vs better pricing/productivity
  Mainland Europe profits stable despite higher energy costs
- *B. Products*: Insulation - sharp profit decline, however, more stable performance in H2
  F&S - good year in NL/UK more than offset weaker German outcome
  D&V - impact of strong competition in NL/D partly offset by acquisition benefits
  CA - strong performance from both acquisitions and heritage operations

Overall … Subdued trading backdrop; as expected, operating profit lower

EUROPE DISTRIBUTION

Analysis of change

IFRS €m		2005	2004		FX	Acquisitions 2004	Acquisitions 2005	Reorg. costs	Organic
Sales	+15%	**2,193**	1,904	+289	+2	+186	+70	-	+31
Op profit*	+2%	**123**	121	+2	-	+5	-	-	-3
Op margin		**5.6%**	6.4%						

**Operating profit from 2004 acquisitions is after €3m integration costs*
Ongoing reorganisation costs were €2m (2004: €2m)

- *DIY*:
  - ➔ Benelux: Weaker consumer confidence left profits somewhat below record 2004
  - ➔ Portugal: Good performance with active programme of new store openings
- *Merchanting:*
  - ➔ Neth.: Increased profits with benefits from cost control & 2004 acquisition synergies
  - ➔ France: Further progress despite some lacklustre regional markets for JV ops
  - ➔ Switzerland: Excellent advance helped by good markets and internal improvements
  - ➔ Austria: Quester, acquired October 2005, minimal impact in year

Overall … operating profit just ahead of 2004

AMERICAS MATERIALS

IFRS €m		2005	2004		FX	Acquisitions 2004	Acquisitions 2005	Organic
Sales	+12%	**3,165**	2,823	+342	-	+54	+109	+179
Op profit	+20%	**328**	274	+54	-	+6	+8	+40
Op margin		**10.4%**	9.7%					

(Analysis of change: FX, Acquisitions 2004, Acquisitions 2005, Organic)

- Highway markets generally favourable, Residential strong, Non-Residential improving
- Price increases and tight cost control offset higher energy costs
- Heritage vols: aggs/rmc flat, asphalt -3%; Prices: aggs +7%, asphalt +11%, rmc +9%.
- *New England*: Improvement in NH/VT partly offset by declines in ME/CT
- *NY/NJ*: NY-metro strong with integration benefits from ’04 acqs; Upstate NY similar
- *Central*: Strong year in WV, advances in DE, PA and OH; some improvement in MI
- *West*: An outstanding year; UT/ID particularly buoyant; good advances elsewhere

Overall … higher operating profit and a welcome improvement in margin

AMERICAS PRODUCTS

Analysis of change

IFRS €m		2005	2004		FX	Acquisitions 2004	Acquisitions 2005	Organic
Sales	+12%	**2,756**	2,462	+294	+11	+58	+58	+167
Op profit	+23%	**308**	251	+57	+2	+2	-	+53
Op margin		**11.2%**	10.2%					

- Strong 2005 Residential activity with continuing recovery in Non-Residential
- Rising input costs successfully managed through cost and pricing initiatives
- Healthy sales and operating profit increase in all three businesses
- *APG*: Good profit growth despite higher input costs and some regional RMI softness
- *Precast*: Improving Non-Res market resulted in record volumes and operating profit
- *Glass*: Strong organic growth helped by focus on higher value-added products

Overall … good improvement in operating profit and margin

AMERICAS DISTRIBUTION

Analysis of change

IFRS €m		2005	2004		FX	Acquisitions 2004	Acquisitions 2005	Organic
Sales	+14%	**1,156**	1,014	+142	-	+7	+50	+85
Op profit	+27%	**80**	63	+17	-	+1	+3	+13
Op margin		**7.0%**	6.2%					

- Substantial H1 benefits from strong RMI demand post 2004 FL hurricanes
- H2: moderation in FL demand and absence of late '04 gains from steep price increases
- Robust markets in Southern CA and HI and good acquisition contributions…
- … together with the benefits from the significant expansion of Interior Products…
- … delivered further organic growth despite tougher H2 comparatives

Overall … strong profit advance with further healthy improvement in margin

EUROPE: 2005 DEVELOPMENT €0.75BN

Significant Expansion of the Geographic Footprint

- **Europe Materials € 0.35Bn**
  - ➔ Spain: 26.3% equity stake in Uniland; a leading cement producer in Catalonia
  - ➔ CEE: Poland aerated concrete/paver bolt-ons, energy/fuel efficiency CX in Pol/Ukraine
  - ➔ Finland: 2 precast acqs supporting existing concrete business & adding new products

- **Europe Products € 0.23Bn**
  - ➔ Concrete: Leading French producer (Stradal) plus 3 bolt-ons to core activities in BE, DK
  - ➔ Clay: 3 acquisitions adding to existing positions in NL, PL and UK
  - ➔ B.Products: Acqs in Fencing & Security, Daylight & Ventilation and Construction Accessories

- **Europe Distribution € 0.17Bn**
  - ➔ Austria: Entered fragmented Austrian BM market – platform for future growth (Quester)
  - ➔ Germany: 48% JV investment in the leading NW German BM / DIY business (BauKing)
  - ➔ Switz: Bolt-ons for BauBedarf builders merchants adding to existing 32 branch network

AMERICAS: 2005 DEVELOPMENT €0.70BN

New Platforms for Materials … Broad-based Bolt-on Activity

- **Americas Materials € 0.42Bn**
  - ➔ Central: Major expansion in KY, VA and WV (Mountain/Bizzack), plus 5 bolt-ons
  - ➔ West: 10 transactions across 7 states including first moves in MN
  - ➔ Other: Acqs in Portland ME (New England) and Albany NY (NY/NJ region)

- **Americas Products € 0.21Bn**
  - ➔ APG: 6 acqs plus 4 CX projects expanding Homecenter & Masonry offerings
  - ➔ Precast: 3 acqs in AZ, KS and WV, plus relocation of existing CA facility
  - ➔ Glass: Leading Canadian window/curtain wall manufacturer, 2 CX projects

- **Americas Distribution € 0.07Bn**
  - ➔ R&S: 3 acqs adding 9 locations in NJ, UT and metro Detroit and Toledo markets
  - ➔ Interior Prod: 5 transactions adding 16 locations, 9 in the fast growing FL market

2005 COMPONENTS OF GROWTH (IFRS)

€M	Sales	EBIT	Disposals	Finance	Assocs	EBT
2004 reported (IFRS)	12,755	1,220	11	(146)	19	1,104
Exchange effects	50	6	-	(2)	-	4
2004 at 2005 FX rates	**12,805**	**1,226**	**11**	**(148)**	**19**	**1,108**
Incremental impact						
2004 acquisitions	536	42	-	(12)	-	30
2005 acquisitions	448	18	-	(14)	-	4
Ongoing operations	660	106	9	15	7	137
2005 reported	**14,449**	**1,392**	**20**	**(159)**	**26**	**1,279**
Change reported	+13%	+14%				+16%
Change at constant rates	+13%	+13%				+15%

KEY FINANCIAL DATA (IFRS)

Sales margins	2005	2004
EBITDA*	**13.5%**	13.6%
EBIT*	**9.6%**	9.6%
EBIT plus disposals	**9.7%**	9.6%
Tax rate excl. Associates	**21.8%**	21.4%
Return on Average Net Assets	**15.0%**	15.0%

** excluding profit on disposals*

2005 FUNDS FLOW (IFRS)

	2005	2004
Inflows	**€M**	**€M**
Profit before tax	1,279	1,104
Depreciation	556	516
Goodwill amortisation	9	4
	1,844	1,624
Outflows		
Working capital	(119)	(78)
Tax paid	(260)	(205)
Dividends	(185)	(156)
Capital expenditure	(652)	(551)
Other	(19)	(29)
	(1,235)	(1,019)
Operating cash inflow	**609**	**605**
Acquisitions and investments	(1,298)	(1,019)
Disposals	103	102
Share issues	61	73
Translation	(165)	36
Debt increase	**(690)**	**(203)**

DEBT RATIOS & INTEREST COVER (IFRS)

	Y/E 2005	Y/E 2004
Debt (€Bn)	**3.4**	2.7
Shareholders' funds (€Bn)	**6.2**	5.0
Market capitalisation (€Bn)	**13.3**	10.5
Debt/shareholders' funds	**55%**	55%
Debt/year-end market capitalisation	**26%**	26%

Interest cover*

EBITDA/Net Interest	**12.7x**	12.3x
EBIT/Net Interest	**9.0x**	8.6x

** including JVs*

2006 MARKETS OUTLOOK - EUROPE

Materials Group

- *Ireland:* Housing expected to ease, offset by good Non-Res & continued strong Infra
- *Finland:* Further growth forecast for Finland / Baltic region
- *Poland:* Positive construction activity levels, Infrastructure to benefit from EU funds
- *Switz.:* Stable construction activity, some large Infrastructure projects now complete
- *Iberia:* Small decline in Portuguese construction; Spain continues strong at high levels

Products & Distribution Groups

- *Overall:* Major European markets are expected to be up in 2006, except Germany & UK
- *Germany:* Construction recovery not expected before 2007
- *UK:* Housing market has slowed, sluggish for 2006
- *NL:* Pick-up in economy, growth in new Housing & stronger consumer confidence
- *BE:* New building to continue strong
- *FR:* Expected to advance

2006 SEGMENT OUTLOOK - EUROPE

Materials

- Broadly positive outlook across our principal markets
- Cost saving CX projects beginning to feed through to bottom line
- Expect further organic growth and another year of progress

Products

- Except for UK and Germany, market forecasts show growth
- With pick-up in NL Res, recovery in Insulation and benefits from 2005 acquisitions…
- …we look to an improved performance in 2006

Distribution

- Improving Dutch consumer confidence expected to benefit our DIY businesses
- 2005 expansion into Austria and Germany will yield additional contributions
- Overall, look to further profit growth in Distribution activities in 2006

2006 MARKETS OUTLOOK - AMERICAS

- Though regional variations, expect continued growth in key US economy
- Further progress for Canada and South America

US Infrastructure

- Represents 65% Materials and 10% Products & Distribution demand
- Re-authorisation of the Federal Highway funding programme now in place
- Should also be supportive to State and Municipal investment in 2006

US Non-Residential

- Represents 20% Materials and 40% Products & Distribution demand
- In real terms still well below its peak of the early 2000's …
- … but showing continued signs of recovery in 2006

US Residential

- Represents 15% Materials and 50% Products & Distribution demand
- Housing demand likely to soften slightly from current strong levels …
- … underpinned by job growth, demographics & moderate interest rates

2006 SEGMENT OUTLOOK - AMERICAS

Materials

- SAFETEA-LU and improving state finances should give stronger highway markets
- Pricing strategy will continue to focus on recovery of higher input costs, and …
- … with efficiency benefits and acquisition contributions, look to further progress in 2006

Products

- Expect some softening but continued strong activity in our Residential markets
- However, recovery in Non-Residential construction is forecast to continue
- Anticipate continued profit advance

Distribution

- On balance, expecting another year of good activity for our operations
- With benefits from 2005 development initiatives, particularly in Interior Products
- Though margins may ease from recent highs, should deliver improved profits

2006 OUTLOOK - OVERALL

- Strong profit and development performance in 2005
- Recovery of significant energy cost increases will again be crucial
- Current outlook is on the whole positive with good momentum entering 2006
- Gradual pick-up in European economies seems broadly under way
- US Residential may moderate, Non-Res still recovering, Highway well underpinned
- Continuing focus on operational effectiveness and ongoing acquisition benefits
- We look to 2006 with confidence.