

# CRH Investor Day 2010



## *OPERATIONAL REVIEW*

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# Operational Review

- INTRODUCTION
- SAFETY PERFORMANCE
- COST REDUCTIONS
- OPERATIONAL EXCELLENCE
- PORTFOLIO STRATEGY
- KEY TAKE-AWAYS

# Introduction

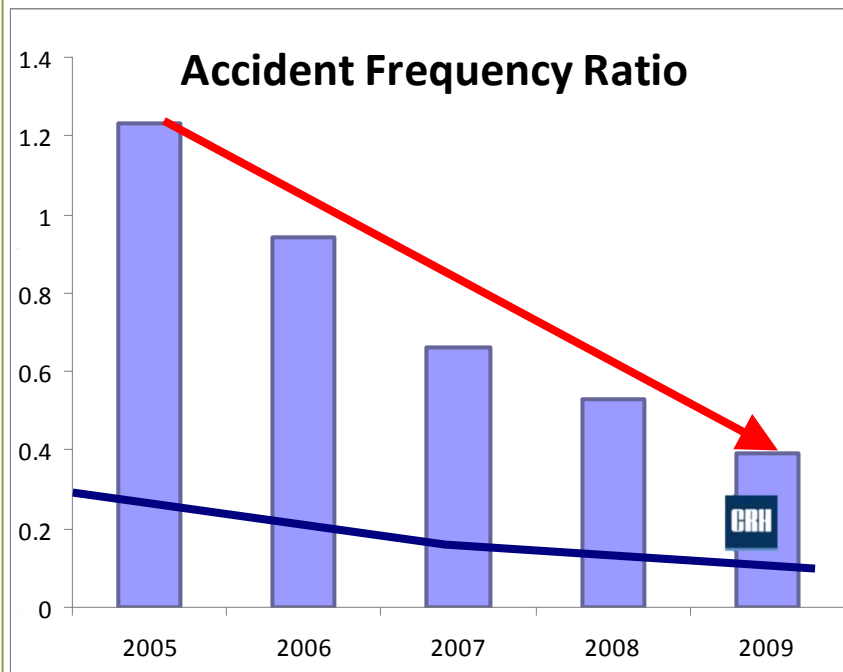
- Crisis provided an opportunity to improve efficiency and effectiveness of our businesses
  - Not content to just “hunker down”
- Focus on key priorities
  - Safety
  - Reducing our cost base
  - Operational Excellence
  - Financial strength and flexibility

*Focussed on the near term challenges...  
...and positioned for the medium term opportunity*

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## Safety Performance – Accidents



### *Declining trend in accidents*

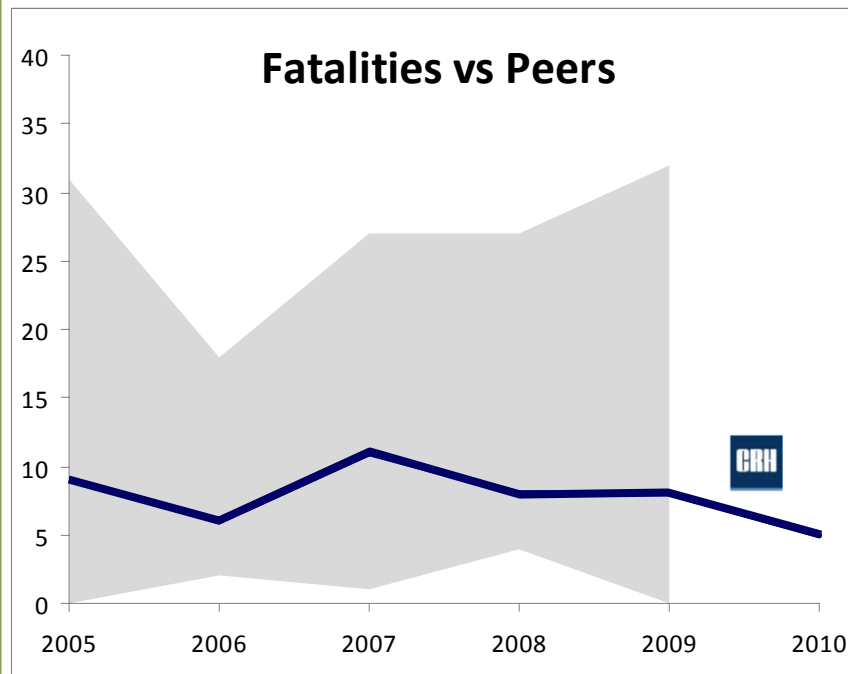
- Result of focussed management action
- Frequency ratio: c20% ↓ p.a.



### *Benchmark well versus industry*

- Lower end of CSI peers....  
....but more to do

## Safety Performance – Fatalities



### *Fatalities continue to occur*

- Target is zero fatalities
- Fatality Elimination – specific focussed programs



### *Benchmark against industry*

- Lower end of CSI peers....  
....but not good enough

*Determined to reach zero fatalities*

# Operational Review

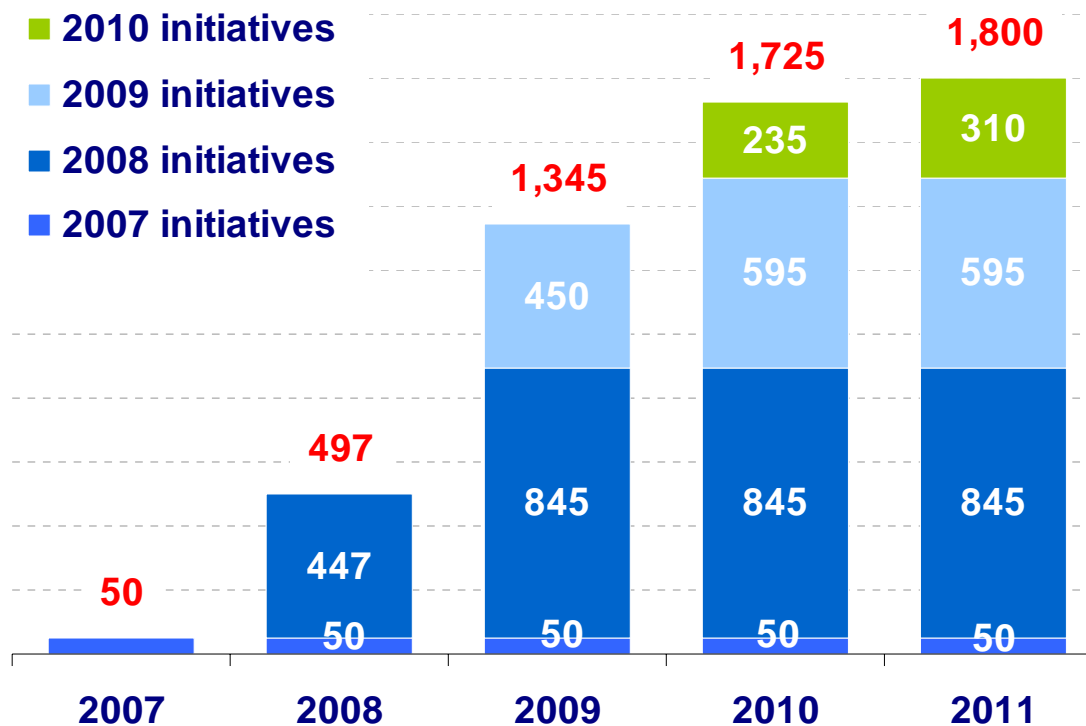
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## Cost Reductions – Introduction

- Responded rapidly to crisis of unprecedented scale
  - Reset our business – acted early & aggressively from mid 2007
- Took actions to reduce our cost base
  - Very significant multi-year program – bottom up
  - Simplifying our businesses – lowering overheads
- Focussed on actions within our control
  - Managing our capacity, controlling our costs
- Prioritised actions for greatest impact
  - Areas that contribute most to performance

*Crisis required us to take swift, decisive actions*

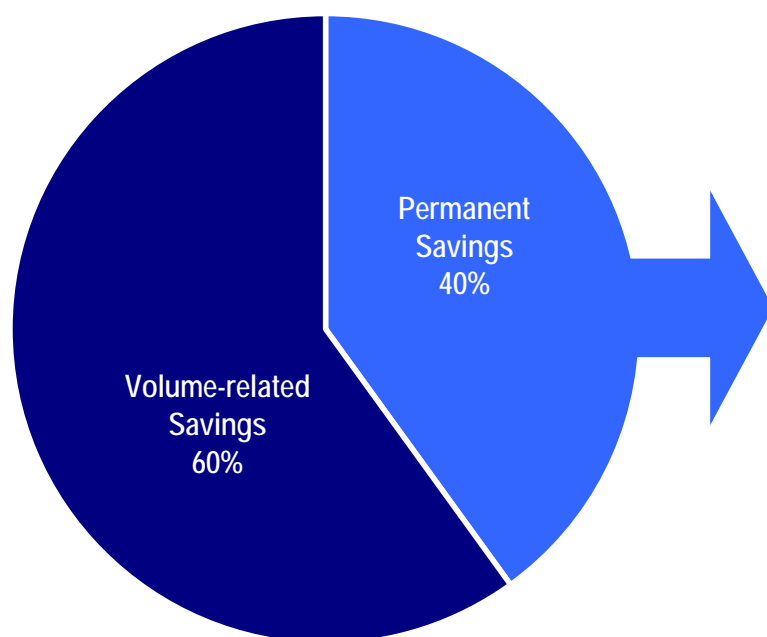
## Cost Reductions – €1.8bn Savings since 2007



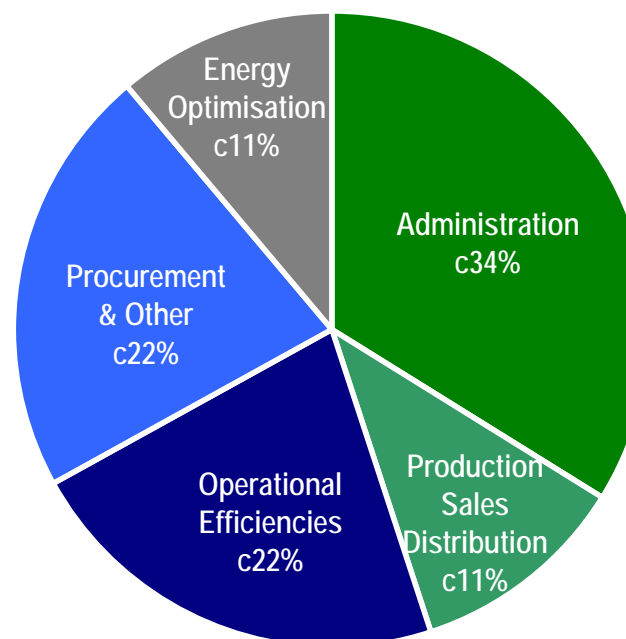
*Progressive activity across all Group divisions ...  
... with c40% of total gross savings being permanent*

## Cost Reductions – c40% Permanent

**Permanent Savings  
c40%**

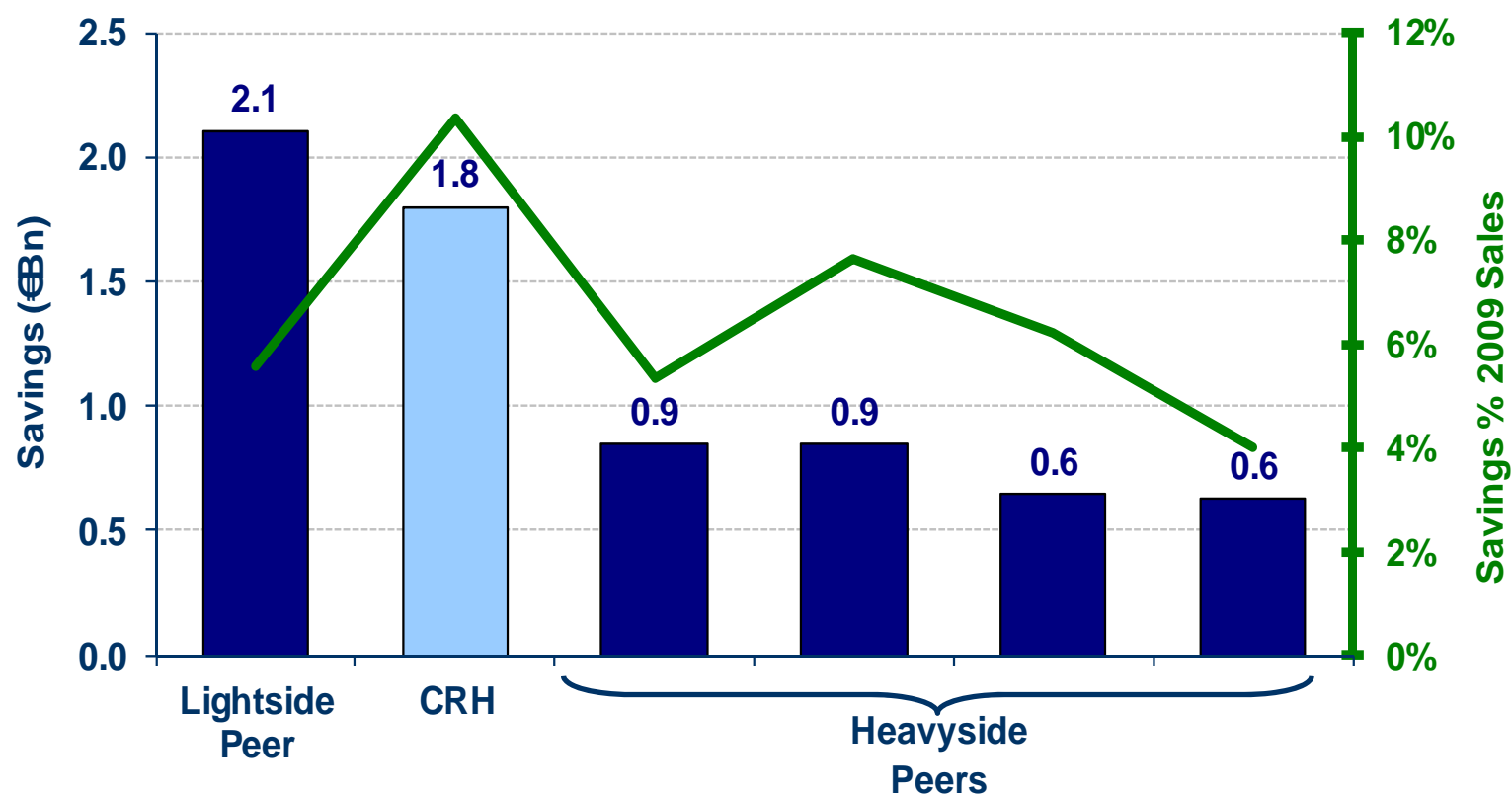


**Delivered across  
5 Key Areas**



*Permanent savings ...  
achieved across 5 functional areas of activity*

## Cost Reductions – Savings Announced vs Peers



*CRH's cumulative gross savings at top end of peer group*

## Cost Reductions – Benefits Going Forward

- Pre-crisis world will not return
  - Scaled operations to new environment
- Ensuring a strong core from which to grow:
  - With efficient operations
  - A low cost base
  - Delivering benefits from operational leverage
- An ongoing process

*Positioning CRH to capture value in market recovery*

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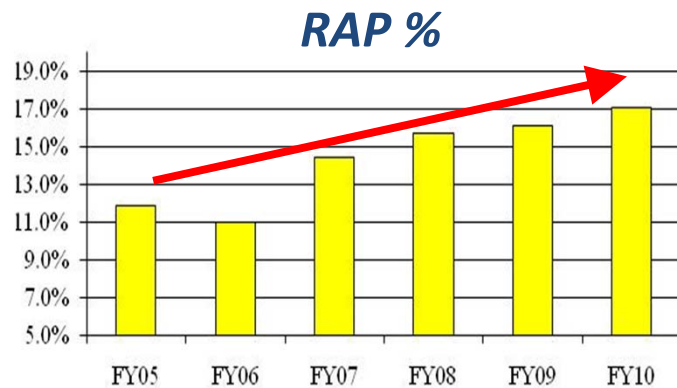
## Operational Excellence – Delivery

- Multiple programs within the Divisions and across the Group
  - Driven by local operational teams
  - Coordinated at Divisional / Group level
- Focussed on increasing our effectiveness and efficiency
  - Commercial Excellence programs across the Divisions
  - Optimising use of key inputs – labour, energy, raw materials
- Sharing knowledge across the Divisions
  - Operational best practices
- Leveraging our scale
  - Global purchasing initiatives

*Swift response to a crisis of unprecedented scale*

## Operational Excellence – Delivery in Materials Divisions

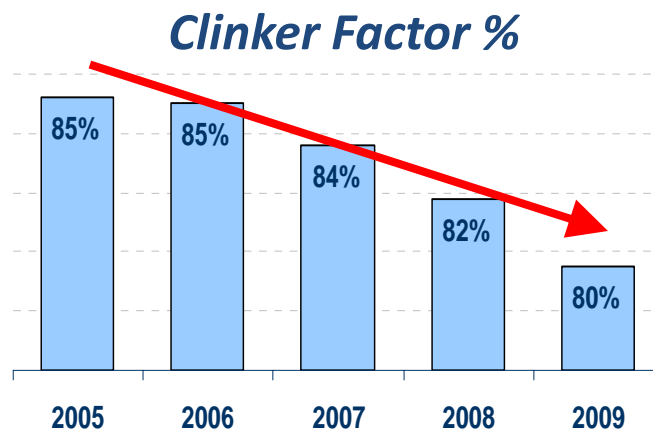
### *US Materials*



### *Energy and new technology*

- Continued increase in recycled materials
- Focus on energy and fuel efficiency
- Development of warm mix asphalt

### *EU Materials*



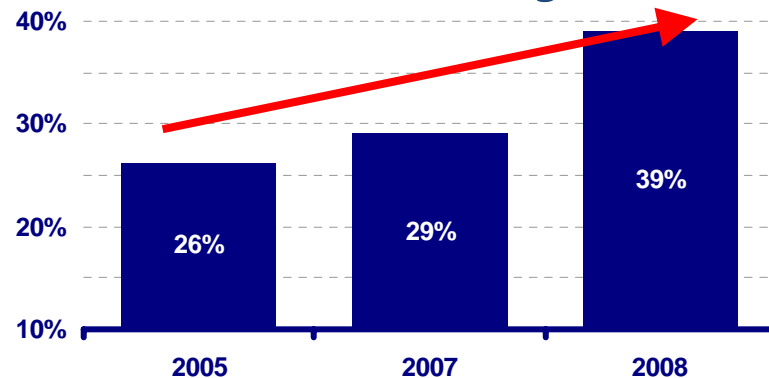
### *Key areas of improvement*

- Cement
- RMC & Aggs
- Overheads
- Purchasing & logistics

## Operational Excellence – Delivery in Products Divisions

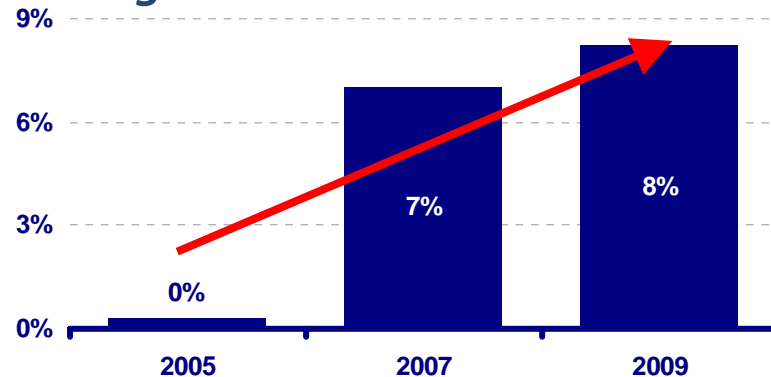
### US Products

#### APG % Sales to “Big Box”



### EU Products

#### Engineered Accessories % Sales



### Adapting to changing market channels

APG growing sales to superstores

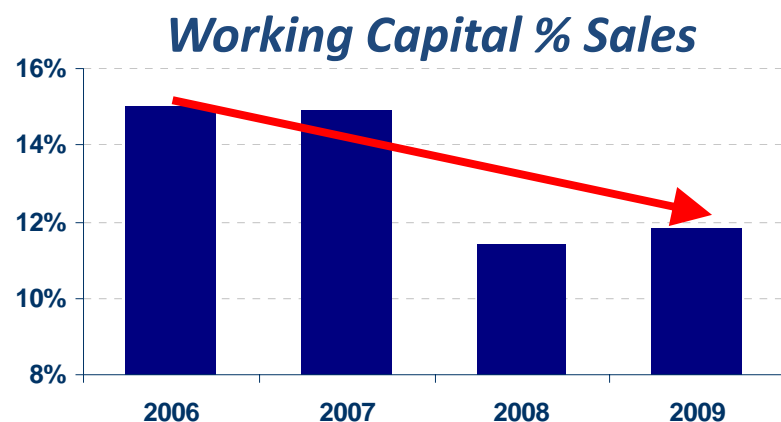
- Growing market segment
- Developing tailored product offering
- National footprint and relationships

### Growth of new product platforms

- Development and innovation key
  - Construction accessories
  - Fencing & Security

# Operational Excellence – Delivery in Distribution Divisions

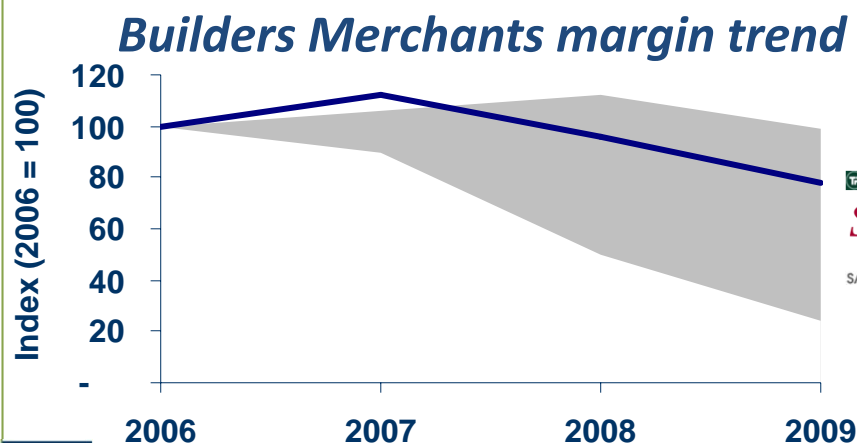
## US Distribution



### *Working capital improvement at Allied*

- Result of focussed management effort
- Strong cashflow delivery

## EU Distribution



### *Good margin performance in downturn*

- Impacted by poor market conditions
- Benchmark favourably versus peers

## Operational Excellence – Benefits Going Forward

- We are building a stronger business
  - Simpler, leaner operations
  - Increased effectiveness and efficiencies
  - Improved cash generation and balance sheet flexibility
- A clearer understanding of how we create value today....
  - Performance setting KPI's
    - ....and how we add value tomorrow
  - Build on leadership positions with low cost, efficient operations

*Positioned to capture the upside opportunity*

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- **PORTFOLIO STRATEGY**
- KEY TAKE-AWAYS

## Our Portfolio

- Built our portfolio over the past 40 years
  - Growth on the back of Global trends and based on our core competencies
- Decade to 2007 – very significant Global growth
  - Building businesses ....extending our geographies ....broadening our product offering ...serving an increasing number of markets
  - CRH grew significantly and delivered superior returns
- But the world changed in 2007...

*Must adapt our business and portfolio to the new reality*

## Portfolio Review

- To continue to generate superior returns....
  - Look to optimise our portfolio ....move to redeploy capital
- Initial focus on our Products Divisions
  - Full portfolio review underway ....internal measures to assess performance
- Identified Insulation and Climate Control for disposal
  - Expected completion – next 6 months
- Ongoing review

*In a changing world.... one constant....  
....our commitment to generating superior returns*

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## Key Take-Aways

- Using the crisis as an opportunity to improve our businesses
- Focusing on doing the right thing – taking the tough decisions
- Improving our operating flexibility and innovation
- Capturing synergies across Divisions
- A clearer understanding of how we create value

*Responding to the challenges.... Adapting our approach....  
Building a better business*