



# **Pan European Building & Infrastructure Conference**

Bank of America Merrill Lynch - London  
October 2010

**Albert Manifold, COO**

# Agenda

**1 CRH – Overview**

**2 CRH – H1 2010 Results and 2010 Outlook**

**3 CRH – Positioning for Recovery**

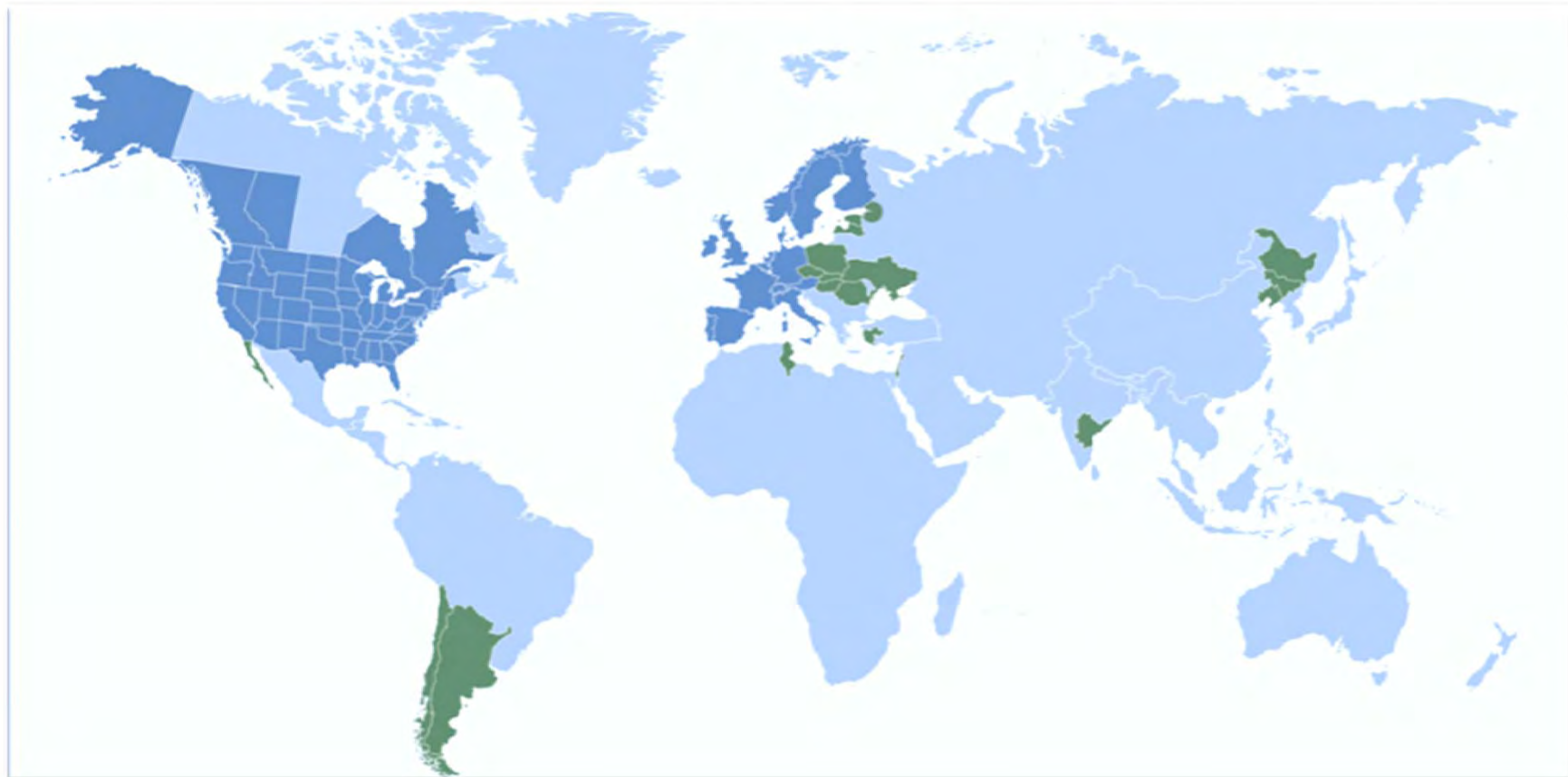
# CRH Overview

## *The International Building Materials Group*

- ▶ 1970: merger of Irish Cement & Roadstone; Sales €26M, 95% Ireland
- ▶ 2009: 35 countries; 3,700 locations; 80k people; Sales €17+Bn
- ▶ Balanced: across geographies, products and sector end-use
- ▶ Long-term: organic and acquisitive growth; strong dividend record
- ▶ Market Cap: c€9Bn; a building materials sector leader worldwide
- ▶ Indices: ISEQ, FTSE Eurofirst 300, DJ Select Div 30, DJ Euro Stoxx 50
- ▶ Listed: Dublin (CRH.I), London (CRH.L) and NYSE (CRH)

# CRH – An International Group

*35 Countries Worldwide*



***85% Group EBITDA from 17 developed world countries***

***15% Group EBITDA from 18 emerging region countries***



# CRH – A Balanced Portfolio

*Servicing the breadth of Building Materials demand ... from ...*

## Materials (60% EBITDA)

### The Fundamentals

#### Europe

- Top 10 Cement
- Leader Aggregates, R/mix

#### US

- No.3 Aggregates
- No.1 Asphalt, Top 5 R/mix



*Vertically integrated primary materials businesses  
with strategically located long-term reserves*

# CRH – A Balanced Portfolio

*Servicing the breadth of Building Materials demand... through...*

## Concrete Prods (20% EBITDA)

### Constructing the Frame

#### Europe

- No.1 Arch/Structural Concrete
- No.1 Construction Accessories

#### Americas

- No.1 Arch/Precast Concrete
- No.2 Construction Accessories



***Building systems and engineered concrete solutions  
for use in Res, Non-Res and Infrastructure applications***



# CRH – A Balanced Portfolio

*Servicing the breadth of Building Materials demand... through...*

## Exterior Prods (7% EBITDA)

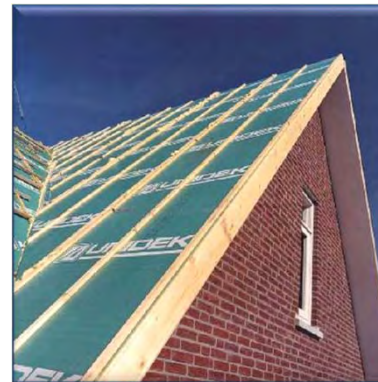
### Completing the Envelope

#### Europe

- No.1 Facing Brick [UK/NL]
- No.1 EPS Insulation [EI/NL/PL/Nordics]
- No.1 Fencing & Security

#### Americas

- No.1 Architectural Glass
- No.1 Clay Brick [NE/MidW US]



***Complementary value-added building products to complete the building envelope and optimise climate control / energy efficiency***

# CRH – A Balanced Portfolio

*Servicing the breadth of Building Materials demand ... to ...*

## Distribution (13% EBITDA)

### Fit-out and Renewal

#### Europe

- Top 3 BM Distributor Mainland Europe
- No.1 NL, No.2 BE - DIY

#### Americas

- Top 4 Interior Products
- Top 4 Roofing / Siding

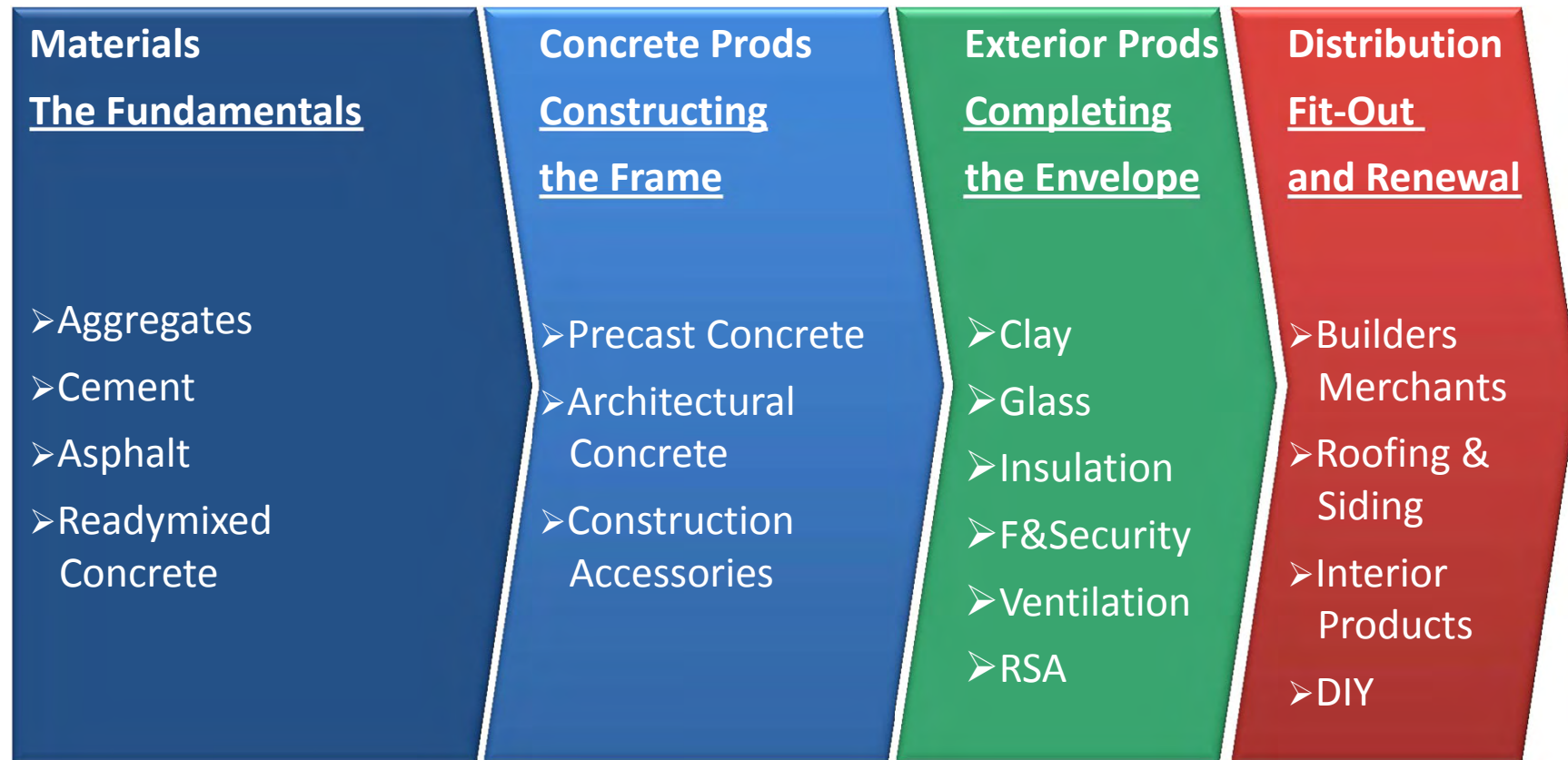


*Distribution channels to service the fit-out and renewal of buildings  
primarily in major metropolitan areas*



# CRH – A Balanced Portfolio

*Providing Building Materials for Our World*



*Embracing the benefits of  
Integrated & Complementary businesses*

# CRH – A Balanced Portfolio

*Providing Building Materials for Our World*

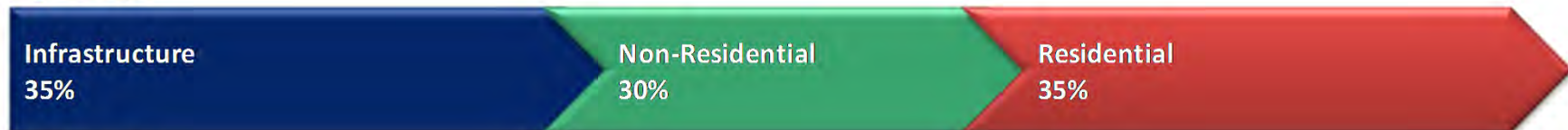
## *By Geography*



## *By Product*



## *By Sector*



## *By End-Use*



*Basis: Annualised EBITDA*

*Consistent strategy and broad exposure to industry demand drivers  
yields stability of performance through the cycle*

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# H1 2010 Results

## Summary

<u>€m</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>% change</u>
Sales	7,658	8,292	(8%)
EBITDA	520	651	(20%)
Operating profit	118	241	(51%)
Profit before tax	25	108	(77%)
<u>€cent</u>			
EPS	2.6	12.2	(79%)
Cash EPS	59.9	75.7	(21%)
Dividend per share	18.5	18.5	<b>maintained</b>

*Actual outturn in line with July IMS guidance*

# CRH Year to Date Acquisition Activity

*Over €245m committed to date*

- ▶ **H1 Spend – €159m on 13 Transactions + Equity Investment in China**

9 bolt-ons to Americas Materials adding 243m tonnes aggregates reserves

4 bolt-ons to Europe Materials incl. a downstream acquisition in India

Funding for 2 projects expanding Yatai Cement's capacity in China

- ▶ **July/August Activity – €86m on 6 Transactions**

Distribution Belgium – 75% of Sanitary, Heating and Plumbing business

Materials USA - 100% of Texas based asphalt business

Other: China (Cement), Switzerland (Rmc), Maine & Colorado (Aggs)

- ▶ **Additional Swiss Materials acquisition (RISI) completed in September**

*Continuing opportunities in challenging markets*

# Europe – First Half Overall

*Tough trading exacerbated by severe winter*

	%	H1						
€m	chg	<u>2010</u>	<u>2009</u>	Change	Organic	Acqs	Restruc	FX
Sales	(8%)	4,267	4,614	(347)	(439)	+13	-	+79
EBITDA	(17%)	342	410	(68)	(94)	-	+16	+10
Op. profit	(28%)	160	221	(61)	(83)	(1)	+16	+7
EBITDA margin		8.0%	8.9%					
Op. margin		3.7%	4.8%					

- ▶ H1 like-for-like Sales down 9% but moderating trend with Q2 down 5%
- ▶ EBITDA down 17%; Materials -7%; Products -28%; Distribution -15%
- ▶ Results reflect 2010 restructuring costs of €25m (2009 €41m)
- ▶ FX benefits reflect € weakness vs. Polish Zloty and Swiss Franc



# Americas – First Half Overall

*Weather effects and continued weak Res/Non-Res*

	%	H1						
€m	chg	<u>2010</u>	<u>2009</u>	Change	Organic	Acqs	Restruc	FX
Sales	(8%)	3,391	3,678	(287)	(394)	+70	-	+37
EBITDA	(26%)	178	241	(63)	(102)	+7	+27	+5
Op. profit	n/m	(42)	20	(62)	(93)	+2	+27	+2
EBITDA margin		5.2%	6.6%					
Op. margin		(1.2%)	0.5%					

- ▶ H1 like-for-like US\$ Sales down c10% with Q2 down 5%
- ▶ EBITDA down 26%; Materials -44%; Products -6%; Distribution +27%
- ▶ Results reflect 2010 restructuring costs of €6m (2009: €33m)
- ▶ Modest FX benefits - similar H1 average rates (\$:€ 1.3268 vs. 1.3328)

# Americas Materials

## *2009/H1 2010 Heritage volume trends versus prior year*

Heritage Vol Change %			
	Aggs	Asph	RMC
Q1 2009	-32%	-26%	-35%
Q2 2009	-29%	-25%	-34%
Q3 2009	-20%	-12%	-34%
Q4 2009	-17%	-6%	-11%
<b>FY 2009</b>	<b>-24%</b>	<b>-15%</b>	<b>-30%</b>
Q1 2010	-11%	-30%	-14%
Q2 2010	-6%	-5%	-9%
<b>H1 2010</b>	<b>-8%</b>	<b>-9%</b>	<b>-11%</b>

### 2009

- ▶ ARRA an offset to underlying volume declines
- ▶ Particularly positive for Asphalt (*ready-to-go projects*)

### H1 2010

- ▶ Season start adversely impacted by cold winter
- ▶ Diseconomies of running at low volume levels
- ▶ May/June rains; delays in finalising state Budgets

### H2 2010 to-date

- ▶ Adverse volume trends moderating
- ▶ But at slower than expected pace

# Americas Materials

## *July/August trends*

- ▶ Volume backlogs for ARRA/SAFETEA-LU funded projects are good
- ▶ Increasing evidence of pull-back in state & municipal work programmes
- ▶ Potential for some 2010 projects to be delayed into 2011
- ▶ Expected Jul/Aug seasonal pick-up in private work has not materialised
- ▶ Intensified competition for all projects



# Overall 2010 Outlook

- ▶ European economic indicators have been more encouraging
- ▶ Concerns relating to US recovery have increased
- ▶ Continuing flow of disappointing US economic data
- ▶ With expected lower US Materials US\$ profits in H2
- ▶ Overall H2 Group EBITDA unlikely to exceed H2 2009
- ▶ Now expect full year Group EBITDA down c10% on 2009 (€1.8 Bn)

***Continuing focus on cost reduction, cash generation  
& the identification and completion of suitable development opportunities***

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# Operations – Significant Cost Action

*Annualised Cost Savings €1.7Bn*

Initiatives (€m)	P&L Impact					Annualised
	2007	2008	2009	2010	2011	
2007	50					50
2008		447	398			845
2009			450	145		595
2010				190 <sup>#</sup>	30 <sup>#</sup>	220
<b>Gross savings</b>	<b>50</b>	<b>447</b>	<b>848</b>	<b>335</b>	<b>30</b>	<b>1,710</b>
Cost to implement	-	62	205	58	-	
<b>Net savings</b>	<b>50</b>	<b>385</b>	<b>643</b>	<b>277</b>	<b>30</b>	

<sup>#</sup> In progress in 2010

*Progressive activity across all Divisions  
c40% permanent*



# Europe – Infrastructure

## *Growth potential in CEE*

- ▶ **Ireland / Spain**
  - ▶ To remain challenged for a number of years
- ▶ **Core Europe**
  - ▶ Major countries mixed growth 2011-2012 (UK, FR, BE up; DE, NL down)
- ▶ **Nordic Area**
  - ▶ Less affected by banking crisis; seeing pick-up in Infra
  - ▶ Moderate growth expected to continue through 2012
- ▶ **CEE**
  - ▶ Potential for 15%+ growth over 2010-2012
  - ▶ Poland Infra underpinned by EU funds and 2012 soccer championships

*Source: Euroconstruct Jun-10*

***Euroconstruct forecasts that in 2012, civil engineering will be  
c23% construction (W.Europe) and 50%+ (E.Europe)***

# Europe – Res & Non-Res

*Mixed outlook for the year ahead*

## ► Residential

- No recovery in Ireland, Spain
- Netherlands moderate growth but facing ongoing challenges
- Seeing signs of pick up in Poland, Finland and UK
- Switzerland remains resilient

## ► Non-Residential

- Likely to remain difficult
- Possible follow on effect from infrastructure in Poland

*Source: Euroconstruct Jun-10*

***Varied outlook for Res and Non-Res  
across different European markets***

# US – Infrastructure

## *Recognised need for upgrade of highways & bridges*

- ▶ Ongoing sources of funding for US Infra c\$80Bn pa
  - c\$40 billion from Fed (6-year programme “SAFETEA-LU”)
  - c\$10 billion from State (matching requirement for Fed funds)
  - c\$30 billion from State/Local budgets
- ▶ SAFETEA-LU expired Sep 2009; now extended to end Dec 2010
- ▶ State spending impacted by budget deficits
- ▶ Stimulus: American Recovery and Reinvestment Act (ARRA)
  - Introduced in Feb-09 to support job creation
  - \$27.5 Bn allocated for highways & bridges
  - Estimated \$5.5Bn ('09), \$11.8Bn ('10), \$8.1Bn ('11), \$2.0Bn ('12)

Source: ARTBA

***Infrastructure funding outlook will be influenced by developments in State finances, SAFETEA-LU renewal, Stimulus***

# US – Res & Non-Res

*Challenging environment to continue*

## ▶ Residential

- Recent data releases show improving trends
- Getting near bottom, but timing of recovery unclear

## ▶ Non-Residential

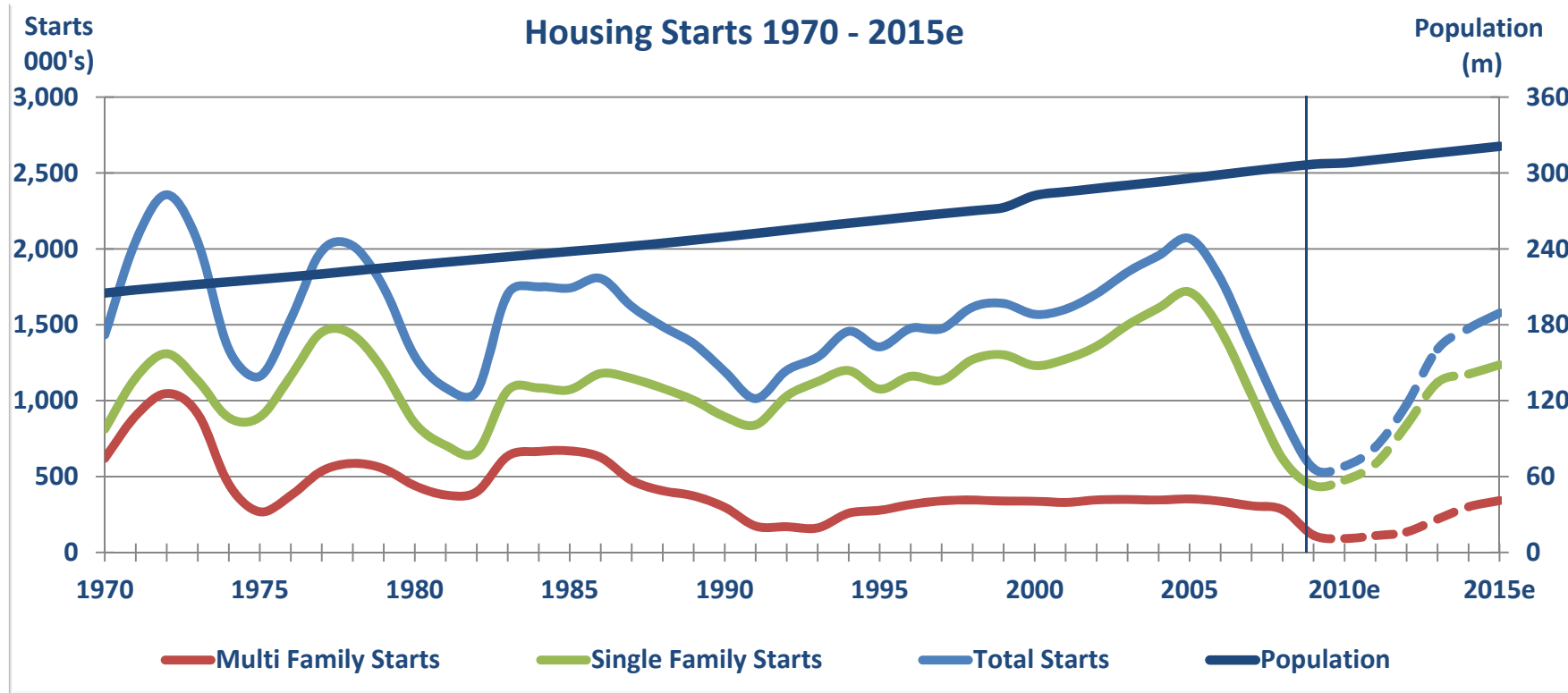
- Significant demand pressures in 2009/10; indicators still show contraction
- Challenging environment expected to continue into 2011

*Timing of US Res and Non-Res recovery  
remains unclear*



# US – Residential Sector

*Indication of recovery commencing 2011*



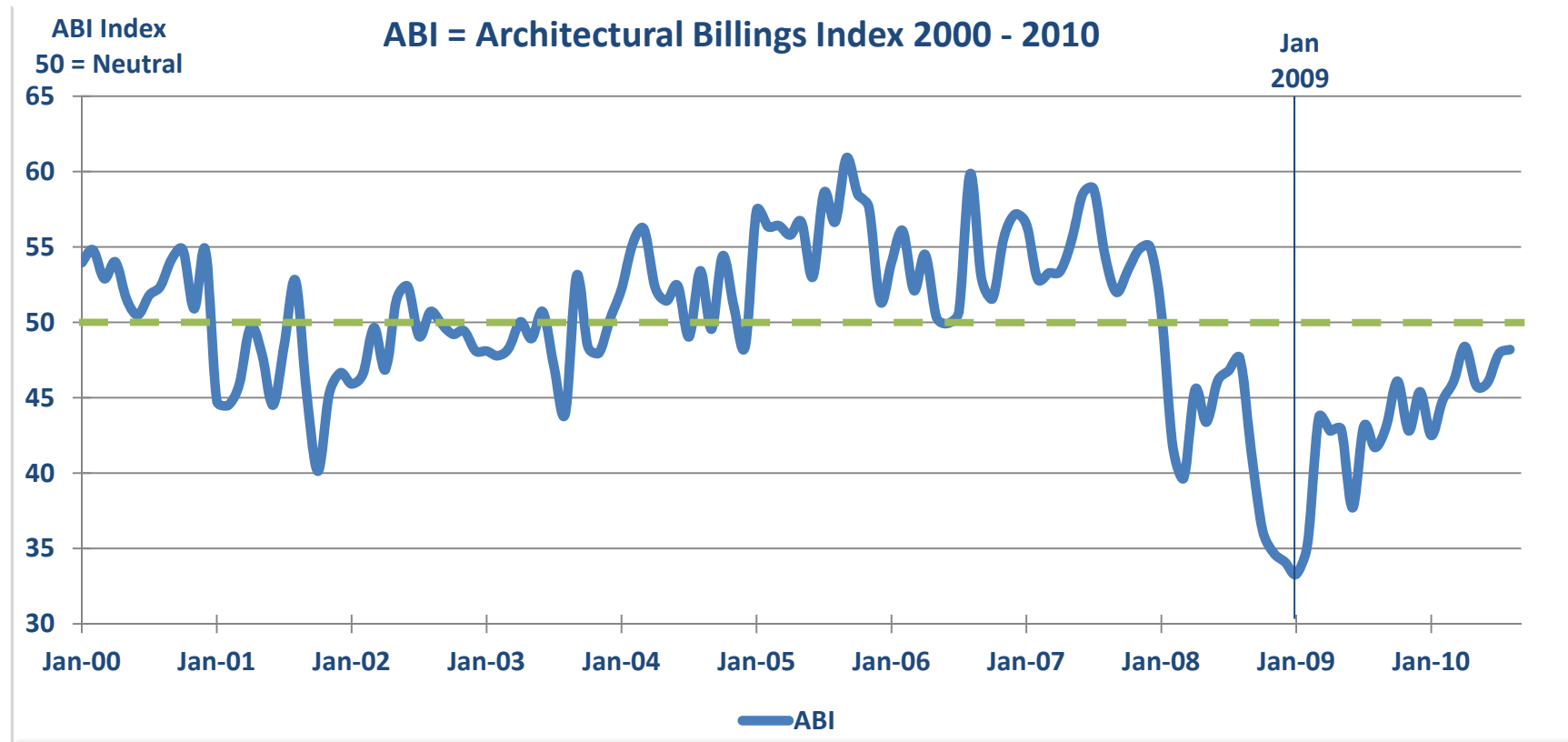
Source: 1970 – 2015 US Census Bureau; 2009 – 2015 PCA (Summer 2010)

**Annual Housing starts 569k (2010e) ... vs ... 1.6m (1970 – 2007)**

**Annual starts/'000 population 1.8 (2010e) ... vs ... 6.5 (1970 – 2007)**

# US – Non Residential Sector

*ABI low in Jan-09; Still contraction but improving trend*

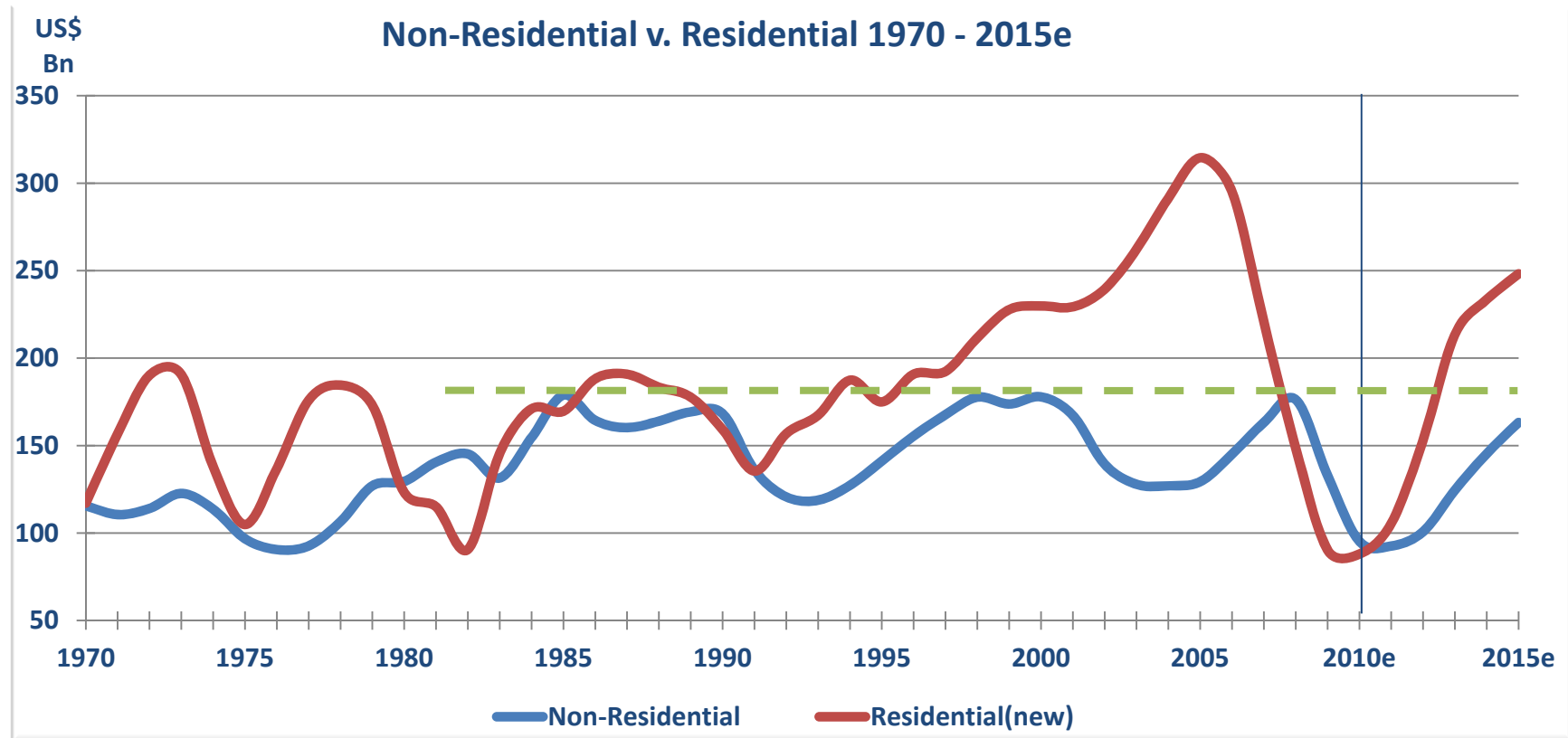


Source: US ABI 2000 – Aug 2010

***ABI considered to be a  
12 – 18 month lead indicator of Non-Residential activity***

# US – Non Residential Sector

*Indication of Non-Res recovery to lag Res by c12-24 mths*

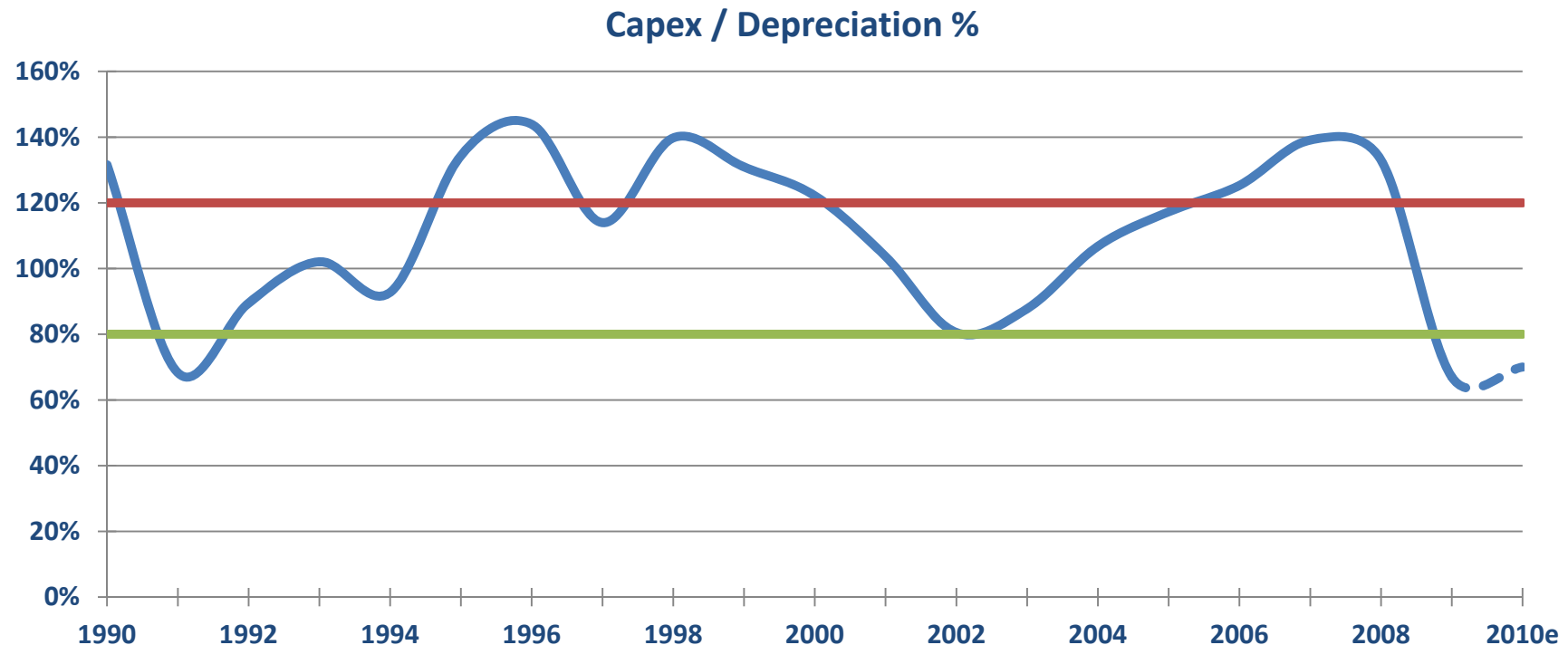


Source: 1970 – 2006 Dodge; 2007 – 2015 PCA (Summer 2010)

***Non-Res recession 2001-2005 ... recovery 2006-2007***  
***2009-2010 decline impacted by constrained credit***

# Internal Development – Capex

*Investment in Plant and Equipment through the Cycle*



***Recent peak (2006-2008) with cement plants/energy efficiency projects  
Can be curtailed for a period without limiting the business***



# External Development – Acquisitions

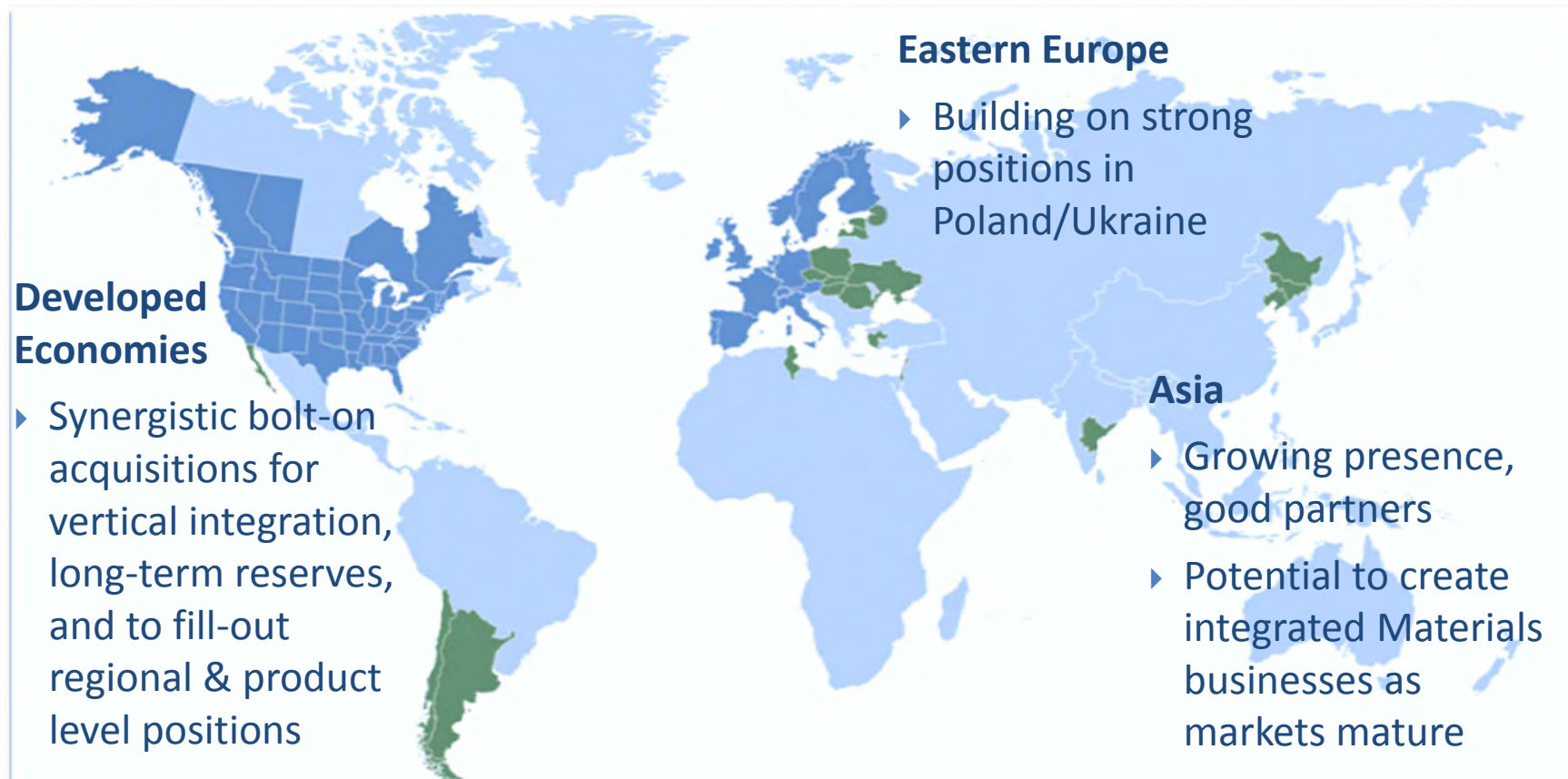
*Disciplined approach through the cycle*

- ▶ Re-commencement of acquisition activity since mid-2009
- ▶ Actively looking for value-enhancing opportunities
- ▶ Clear focus on good early returns
- ▶ Potential to spend up to €1.5Bn over next 12-18 months
- ▶ Mainly bolt-on deals in our traditional markets
- ▶ Committed to building on our existing Emerging Markets presence
- ▶ Possibility of asset sales from highly leveraged peers

***Well positioned  
to pursue development opportunities***

# Opportunities in Global Markets

*Opportunities for CRH in both Developed & Emerging Markets*



***Building on our existing presence  
in growing economies***

# Summary – Positioning for Recovery

*To drive EPS growth*

## ▶ Three fundamental pillars

- Operational excellence
- Top-line growth
- Value enhancing acquisitions

## ▶ Our Focus

- Continued strong management action and intensified focus on cash
- Implementing initiatives to reduce cost and maximise effectiveness
- Embedding operational excellence initiatives and metrics
- Concentrating on opportunities generating strong early returns

***Improving competitive positions***  
***Establishing a firm base for recovery***

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31

