

Exane 6th Basic Materials Seminar



M&A AND PORTFOLIO MANAGEMENT: IS BOLT-ON M&A A BETTER WAY?

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CRH Update & Outlook



2010 – Delivery in a Challenging Year

- Moderating pace of decline as the year progressed
- Outturn in line with November guidance
- Step-up in development activity; €0.6 billion spend
- Robust cash generation; €0.7 billion operating cash inflow
- Year-end Net Debt under €3.5 billion *[2009: €3.7 Bn]*
- Full Year dividend unchanged at 62.5 cent

2010 Outcome – In Line With Guidance

€ m	<u>EBITDA</u>	<u>Impairment</u>	<u>Disposals</u>	<u>PBT</u>	
				Pre Impairment	Post Impairment
November IMS	1,600	(100)	50	620-650	520-550
Actual 2010	1,615	(124)	55	658	534

CRH – Well Positioned Financially

- Strong Cashflow
- Excellent Maturity Profile
- Access to Global Capital Markets
- Committed to Investment Rating
- Significant Development Capacity

Gross Debt	€5.3 Bn
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Gross Cash	(€1.8 Bn)
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Net Debt	€3.5 Bn
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Cash/Undrawn facilities	€3.1 Bn
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Net Debt/EBITDA	2.2x
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EBITDA/Net Interest	6.5x
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CRH – Well Positioned Operationally

- Decisive management action through downturn
- c40% of savings are permanent in nature
- Operations are better balanced with market demand
- Positioned to deliver sustainable benefits as markets recover

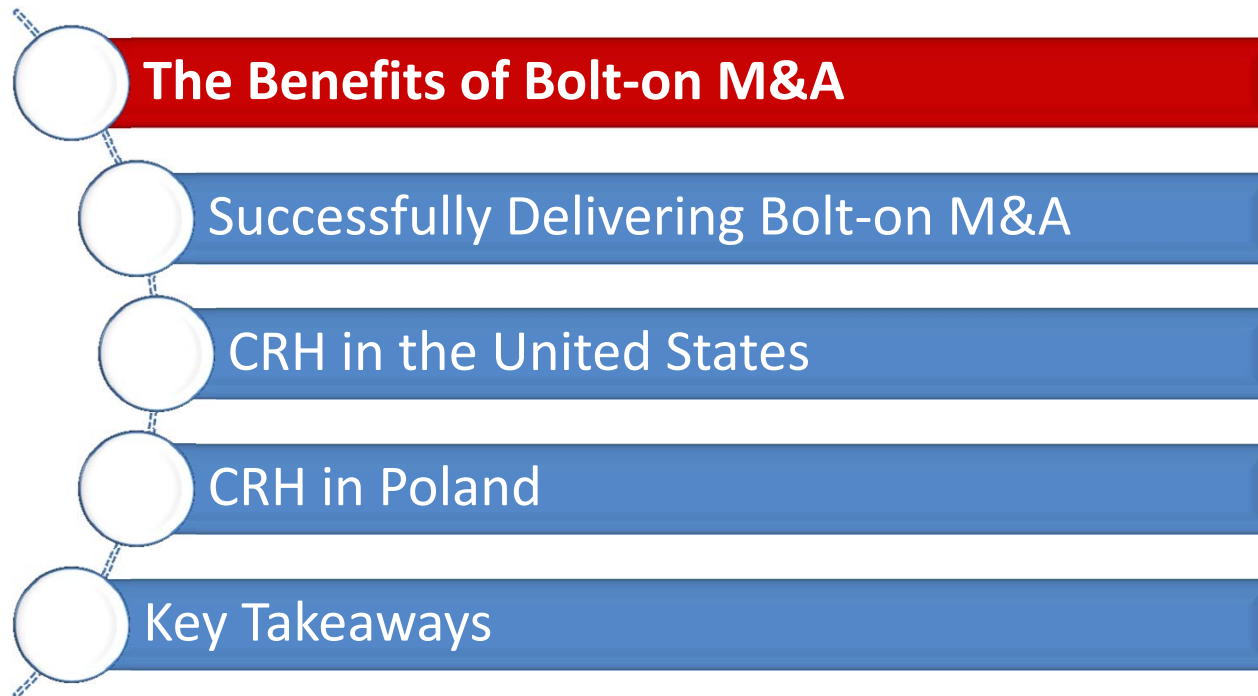
CRH Update & Outlook



2011 Outlook

- Assuming no major market dislocations ...
- Reasonable to expect like-for-like revenue growth
- Price progress key to revenue growth and input cost recovery
- Acquisitions completed in past 8 months will add to performance
- Capacity to capitalise on a growing acquisition pipeline
- Look to a year of progress in 2011 ... and stronger upward momentum thereafter

Agenda

- 
- The Benefits of Bolt-on M&A**
 - Successfully Delivering Bolt-on M&A
 - CRH in the United States
 - CRH in Poland
 - Key Takeaways

Delivering Bolt-on M&A

- First step is a solid “core” asset
 - Resource-backed
 - Strong market position
 - Other competitive advantage
- Expand with multiple follow-on deals
 - Create regional clusters
 - To deliver incremental value

Using bolt-on M&A, build regional clusters around a “core” asset

Bolt-on M&A – Operational Benefits

- Smaller scale operations tend to offer greater upside opportunity
- Becoming part of larger group brings synergistic benefits
 - Benchmarking ... share knowledge to improve operational performance
 - Economies of scale ... network synergies, procurement, leverage fixed overheads

**Opportunity to add incremental value
by leveraging scale and knowledge**

Bolt-on M&A – Strategic Benefits

- Increases flexibility:
 - Larger pool of potential targets
 - Able to scale back / ramp up spend as required
 - Allows selective strategic moves, e.g. vertical integration, new product/region
- Spreads risk:
 - Multiple deals less risky than single large deal
 - Matches peer acquisition spend at lower risk

Increases flexibility and reduces risk

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Four Decades of M&A Growth

	Sales		Acquisition Activity		Sales
1970s...	€26m	+	€43m 16 acquisitions	→	€325m
1980s...	€325m	+	€440m 49 acquisitions	→	€1.3bn
1990s...	€1.3bn	+	€3.8bn 189 acquisitions	→	€6.7bn
2000s...	€6.7bn	+	€13.6bn 515 acquisitions	→	Now €17bn

A strong history of growth by small/medium-sized M&A

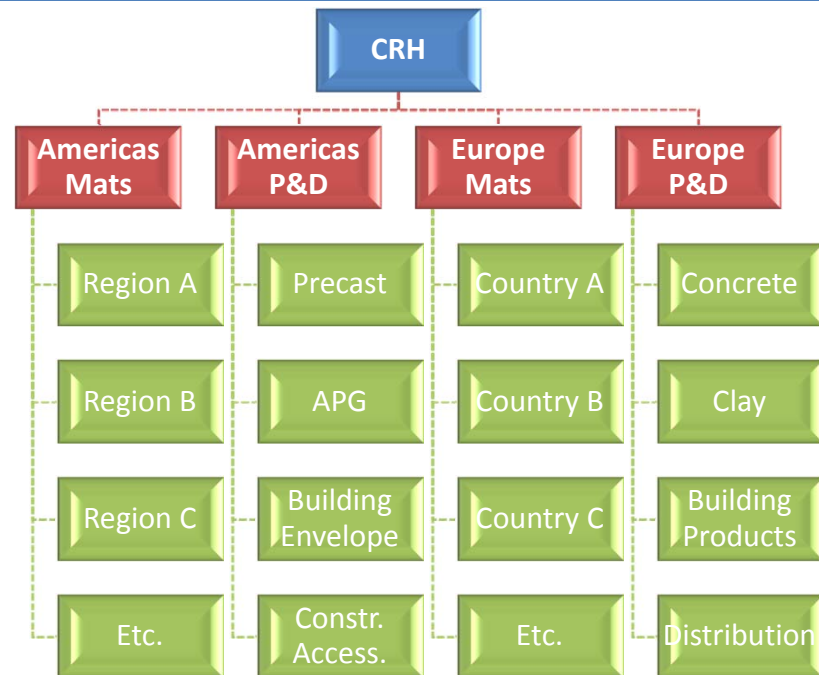
CRH's Federal Structure

***CRH strategy of bolt-on M&A
is facilitated by our unique organisation structure.***

This structure is capable of delivering 70+ deals per year.

Our structure supports CRH strategy.

CRH's Federal Structure



— **Group** – sets strategic direction, final review & approval

— **Four Divisions** – implement strategy, screen & prioritise

— **Regional / Product Platforms** – source, conclude & integrate

Uniquely organised to successfully deliver multiple bolt-on deals

Federal Structure & Bolt-on M&A

- Unique model, management & skill intensive ... difficult to replicate
- Particularly suited to delivering bolt-on M&A
- Operational Managers work alongside Development Managers on deals
 - Better assessment of transactions
 - Benefits post-acquisition integration

Local Networks – Large Company Strengths



Strong regional networks – a key competitive advantage

Strong Regional Networks – Key Benefits

- Upstream – typically scarce resource **Defensibility**
- Integrated network **Economies of scale**
- Quality, logistics and efficiency **Margin support**
- Multiple end-use markets **Balance & opportunity**
- Interact with market at many levels **Improved commercial offering**
- Presence in all segments **Influence in shaping industry**

Strong regional network – a key competitive advantage

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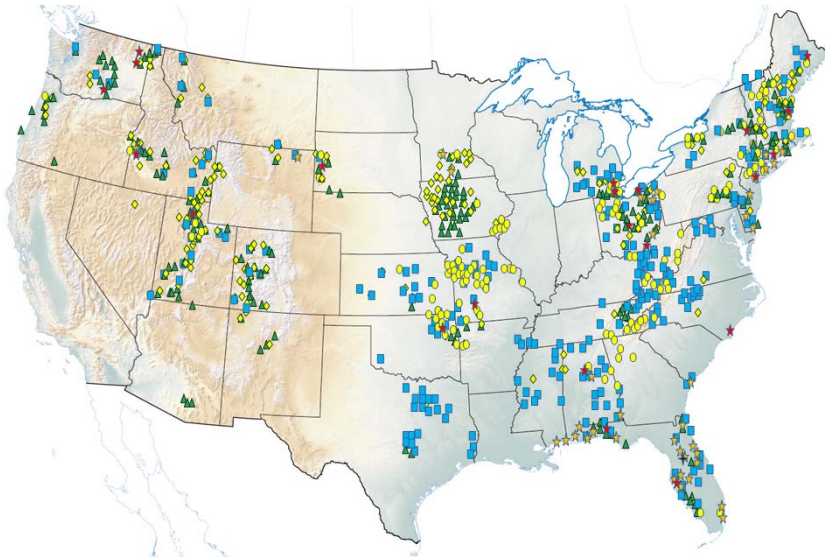
Americas Materials 1985 - 2010

Building Integrated Local Businesses

2010
Sales
€4.4bn



Americas Materials – Today

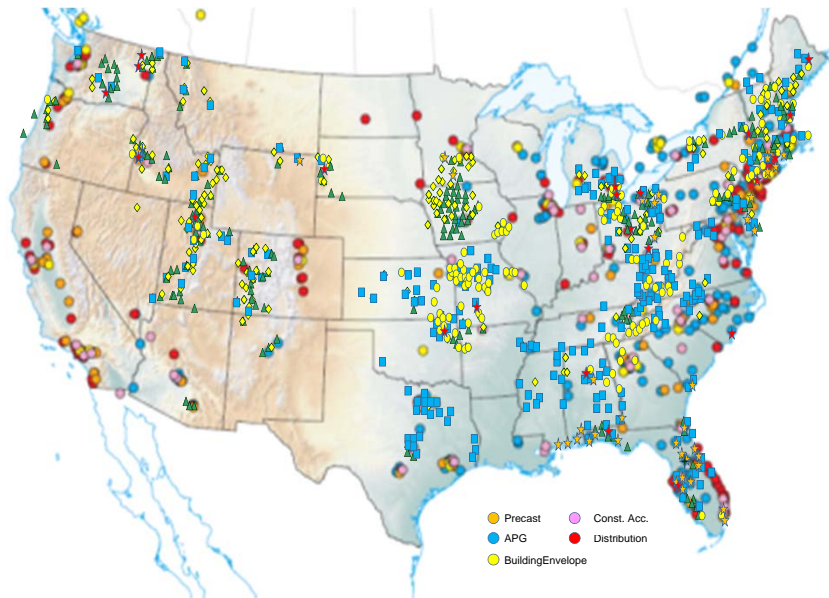


Materials business

- Built by multiple bolt-on deals
- Vertically integrated business
- Clustered for regional leadership
- Strong national footprint – 44 states
- Industry leading positions

From a standing start to market leadership in 25 years

Not just Materials ... also Products & Distribution

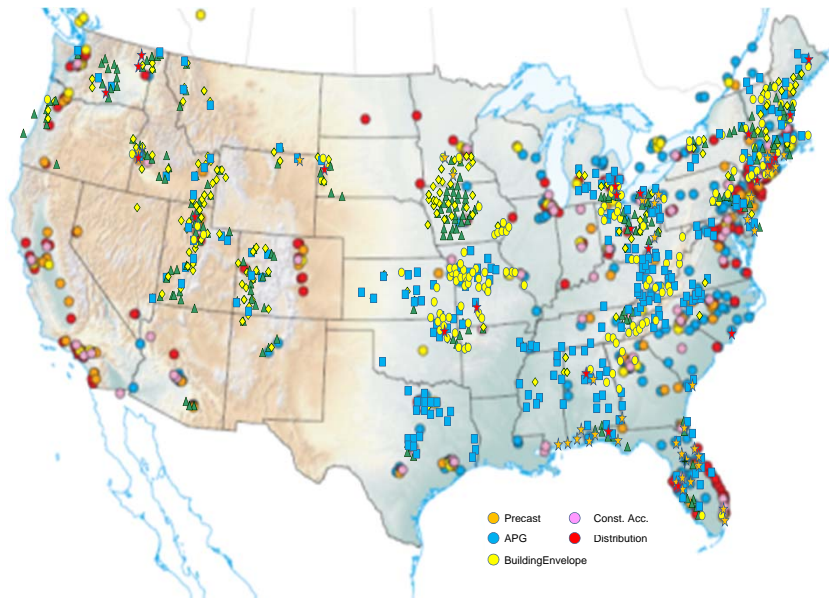


P&D business

- Built by multiple bolt-on deals
- Broad product offering
 - ✦ Masonry, Precast, Glass, Glazing Systems, Distribution, Constr. Acc.
- Co-ordinated approach to market
- National footprint – 45 states

Unique product offering, market position and geographic scope

Materials + P&D = CRH Americas



Leadership positions

- | | |
|-----------------------------------------------------------------------------------|-------------------------------|
| #1 Asphalt | #3 Aggregates |
| #5 RMC | #1 Masonry |
| #1 Hardscapes | #1 Specialised Precast |
| #1 Engineered Arch. Alum. Glazing Systems | |
| #1 Engineered Glass Products | |
| #1 Integrated distributor of roofing, siding
drywall and ceiling system | |

**The largest building materials company in the United States ...
... in just three decades**

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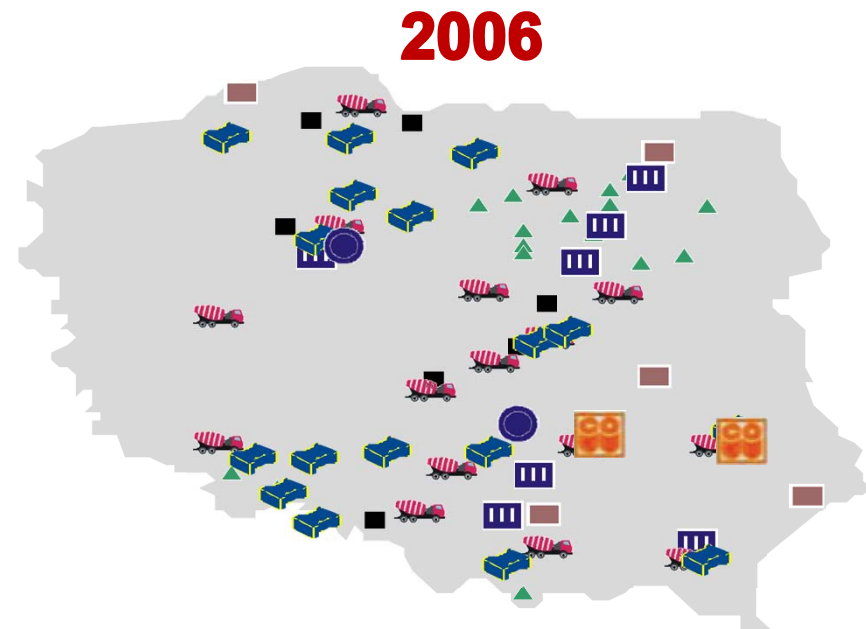
CRH Poland – Development Strategy

- Initial entry in Cement
 - Strong defensible position ... core asset
- Vertical Integration model
 - Roll out downstream products
- Mainly small/medium bolt-on deals

Simple and effective strategy, with proven success






CRH Poland – Vertical Integration Strategy in Action

- 1995: Cement 🏠
- 1997: Paviments 🏠 & RMC 🚚
- 1998: Aggregates ▲
- 1999: Asphalt ■
- 2000: Aerated Concrete ■
- 2003: Lime ●
- 2006: Sand Lime Bricks 🧱



Last to enter market ... #1 after 15 years

CRH Poland – Vertical Integration vs Peers

Entry	Product Line					 Buzzi Unicem
1995	Cement	✓	✓	✓	✓	✓
1998	Aggregates	✓	✓	✓	✓	
1997	RMC	✓	✓	✓	✓	✓
1997	Pavers	✓				
1999	Asphalt	✓				
2000	Aerated Concrete	✓				
2003	Lime	✓				
2006	Sand Lime Bricks	✓				

CRH #3 Cement ... but #1 Building Materials

Biggest & most profitable Building Materials Company in Poland



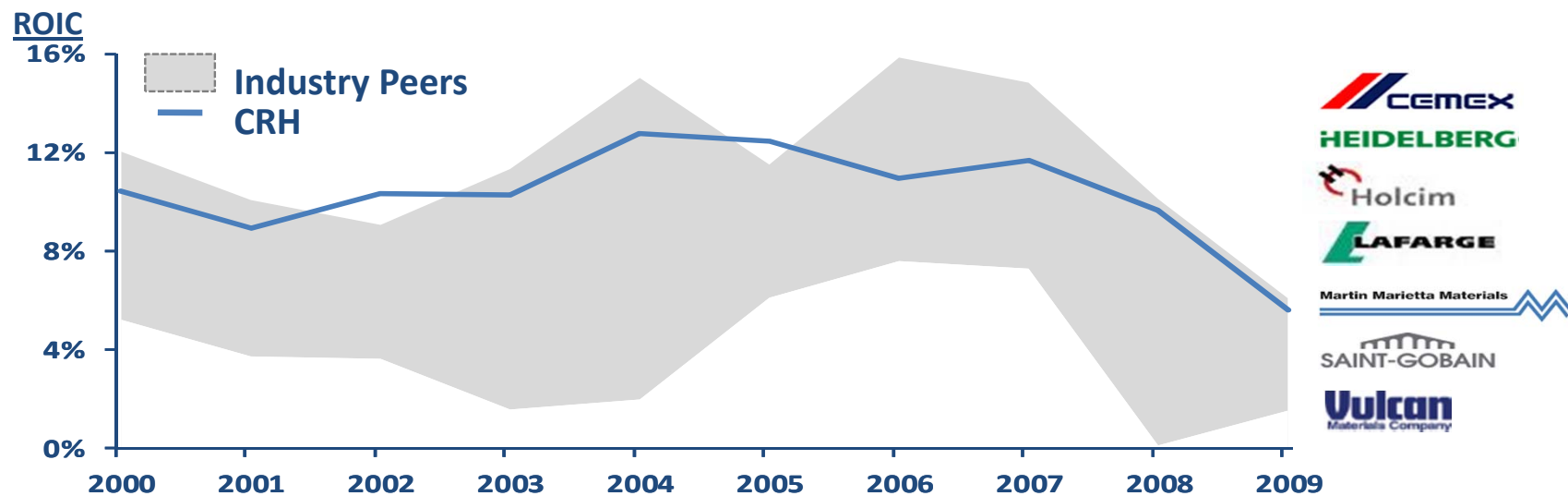
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Core Elements of Long Term CRH Strategy Unchanged

- Balance remains the key – by geography, sector end-use, new -v- RMI
- Build & Grow approach – creating clustered groups of businesses
- Rigorous value-based approach to big and small development
- Open to larger transactions – but no need for “bet the ranch” moves
- The priority – to deliver superior long-term returns

CRH – Industry-leading Returns on Invested Capital



Delivering long-term out-performance ... through the cycle

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