SageAlpha Capital

Institutional Equity Research

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Sector: Building Materials — United States | Update Note

CRH PLC (CRH)

Infrastructure Super-Cycle Beneficiary & Valuation Dislocation

INVESTMENT THESIS

- **Infrastructure Super-Cycle Beneficiary:** CRH is uniquely positioned to capitalize on peak funding years for the IIJA and CHIPS Act (2026–2027). Its integrated "solutions" model—spanning aggregates, cement, and paving—captures higher share-of-wallet on complex public projects than pure-play peers.
- **Valuation Dislocation Opportunity:** Despite transitioning its primary listing to the NYSE and becoming a U.S. domestic issuer, CRH trades at a ~6 turn discount to U.S. aggregates peers (MLM, VMC) on 2026E EV/EBITDA. We expect this gap to narrow as the market fully digests its re-rating as a U.S. infrastructure leader.
- **Capital Allocation Discipline:** The company continues to compound value through accretive bolt-on M&A ($3.5bn YTD) while simultaneously returning cash to shareholders via a reliable dividend and sequential buyback tranches.

KEY HIGHLIGHTS FROM RECENT RESULTS

- **Strong Q3 Delivery:** CRH reported Q3 2025 revenue of $11.1bn (+5% YoY) and Adjusted EBITDA of $2.7bn (+10% YoY). EBITDA margins expanded 100bps to 24.3%, driven by pricing discipline and operational efficiencies which successfully offset pockets of weather-related softness.
- **Guidance Raised:** Management raised the midpoint of FY25 Adjusted EBITDA guidance to a range of $7.6–$7.7bn (previously $7.5–$7.7bn), signaling confidence in Q4 backlog execution.
- **Active Buyback:** The company completed its prior buyback phase and immediately launched a fresh $0.3bn tranche to be completed by February 2026, underscoring the robust Free Cash Flow generation (FCF conversion >80%).

VALUATION & TARGET METHODOLOGY

OVERWEIGHT

$142.00

PRICE TARGET (12-18M)

Current Price	$108.35
Upside	+31%
Market Cap	$73.8 bn
Ent. Value	$88.8 bn
EV/EBITDA '26E	10.6x
P/E '26E	17.4x

FINANCIAL SUMMARY

($ in millions, except per share)

Year	2024A	2025E	2026E
Rev	34,950	36,200	40,100
EBITDA	6,200	7,650	8,420
Mrg %	17.7%	21.1%	21.0%
EPS	4.65	5.60	6.23
FCF/Sh	3.85	4.50	5.10

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Rating History

Init Overweight: Jun 2023 @ $45
Raised PT: Mar 2025 @ $95
Maintained: Nov 2025

Methodology: Primary valuation based on 13.0× 2026E EV/EBITDA. This represents a discount to the peer group average of ~16.0× (MLM/VMC) but a premium to its historical European trading range, justified by its 75%+ North American EBITDA exposure and superior ROIC.

DCF Support: Our DCF model (WACC 7.8%, terminal growth 3.0%) implies a fundamental value of US$145, supporting our multiple-based target.

CATALYSTS (NEXT 12 MONTHS)

- **Full Index Inclusion:** Potential inclusion in major U.S. indices (S&P 500) following its transition to U.S. domestic issuer status could drive significant passive inflow.
- **FY26 Outlook (Feb 2026):** Formal guidance initiated in February should confirm the expected volume rebound in infrastructure projects, acting as a clearing event for estimates.
- **M&A Execution:** Closing of pending bolt-on acquisitions in the fragmented U.S. aggregates market.

RISKS

- **Macro Sensitivity:** A "higher-for-longer" interest rate environment could prolong the stagnation in residential new build activity.
- **Input Cost Inflation:** Spikes in energy (bitumen, natural gas) prices could temporarily compress margins if pricing actions lag cost realization.