



CRH plc Financial Report Analysis for 4-year Period 2019-2022

Introduction to the CRH Financial Report

This report analyzes CRH's financial performance from 2019-2022. We analyzed financial accounts and key ratios to understand the company's financial health, efficiency, and profitability.

CRH has maintained significant financial stability throughout the global pandemic. The company's outstanding leadership, operational efficiency, and strategic planning have contributed to its robust balance sheet and liquidity position during unusual times.

APPROACH

The company's financial accounts from 2019 to 2022 were studied in order to conduct the analysis for this report. The financial statements included a balance sheet, cash flow statements, income statements, and other information. The ratios used in this report were derived using the accounting standard methodology and the information from the financial statements. The research focuses on four important ratios for thorough analysis: liquidity and solvency ratios, profitability ratios, efficiency ratios, and investment ratios. This study compares and displays the numerous changes seen in different ratios.

From 2019 to 2022, CRH not only survived the COVID-19 epidemic, but also displayed prudent financial management and emerged with a solid foundation. This report examines CRH's financial status over four years.

The important financial ratios studied are listed below -

Liquidity The ratios demonstrate the company's ability to meet short-term obligations. We compared the Quick Ratio and Current Ratio.

Solvency Ratio shows the company's long-term financial health and debt management; an analysis of Gearing Ratio and Interest Cover Ratio was conducted.

Profitability Ratios measure a company's ability to generate earnings in relation to its sales, assets, and equity. We looked at Gross Margin, Net Margin, Sale to Assets, and Return on Assets for CRH.

Efficiency Ratios demonstrate how efficiently a corporation uses its assets and runs its operations. We examined Inventory Turnover, Inventory Days, Accounts receivable days and accounts payable days.

Investment ratios provide insight into a company's success from the standpoint of an investor. We calculated CRH's earnings per share and price-to-earnings ratio.

Giving stakeholders a comprehensive picture of CRH's financial progress is the goal of this report. It demonstrates how the business looked for expansion prospects and managed to keep a steady financial trajectory. Our goal in doing this analysis is to provide an explanation for CRH growth and strategic foresight in an ever-evolving economic environment.

FINANCIAL RATIO ANALYSIS

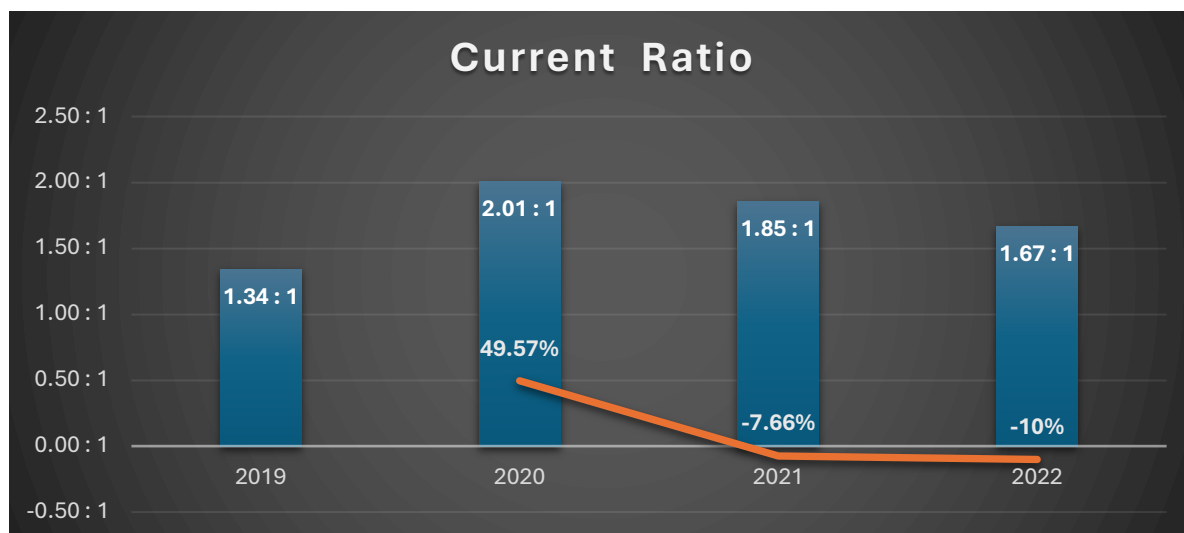
Ratio analysis is a technique for assessing the data from the financial statements to determine how well a firm is doing financially. These ratios' year-over-year comparison enables us to determine whether the business is expanding. Four key ratios are the focus of this report's rigorous study, and they are explained in depth in the sections that follow.

RATIOS OF LIQUIDITY AND SOLVENCY

Liquidity ratios quantify the speed at which assets can be turned into cash or the amount of cash that a company has available for use soon (less than a year). To ascertain the company's short-term financial strength, we employ the following techniques to evaluate the current (short-term) assets and liabilities.

Current Ratio

This gauges how well the company can pay down its short-term debt, which is due in less than a year, using its cash and receivables as well as inventories. Maintaining a positive current ratio shows that CRH has adequate liquidity and can pay off its short-term debts when they become due.



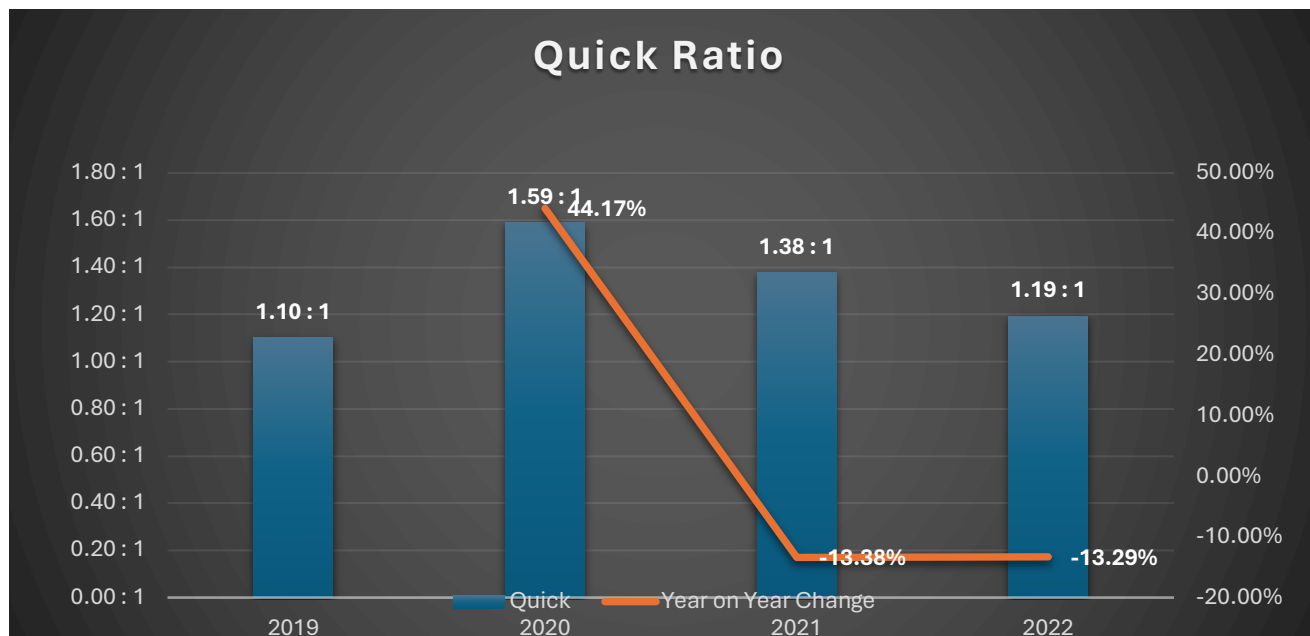
- With a CRH current ratio of 1.34 in 2019, the company has current assets of \$1.34 for every \$1 in current liabilities. With such a high ratio, CRH is clearly able to cover its short-term commitments with current assets.
- By 2020, CRH saw a sharp rise in its current ratio, reaching 2.01. This could have resulted from several of the following factors:
 1. A strategic accumulation of cash and financial equivalents to guard against unpredictability resulting from the COVID-19 pandemic.
 2. Deferred payments to suppliers and flexible credit terms have resulted in a drop in current liabilities. A conservative approach to managing working capital through cost cutting has resulted in a large reduction in current liabilities.
 3. A reduction in cash reserves from \$9.918 billion to \$7.721 billion allowed CRH to lower its interest-bearing debt as well.

Despite the ratio declining to 1.85 in 2021 and then to 1.67 in 2022, the company's cash availability increased by more than \$200 million in 2021–2022. This implies that once activities returned to normal after the epidemic, CRH might have been deliberately managing the increasing liabilities or investing its liquid assets.

It is possible that CRH was collecting receivables swiftly while postponing supplier payments as a purposeful maneuver to boost cash flow and fortify their financial position and balance sheet. This is indicated by the lower current ratio and higher cash level.

Quick Ratio

With inventory excluded, the fast ratio evaluates the company's ability to meet its immediate obligations with its current assets. This is since it isn't always feasible to swiftly and effectively turn inventory into cash.

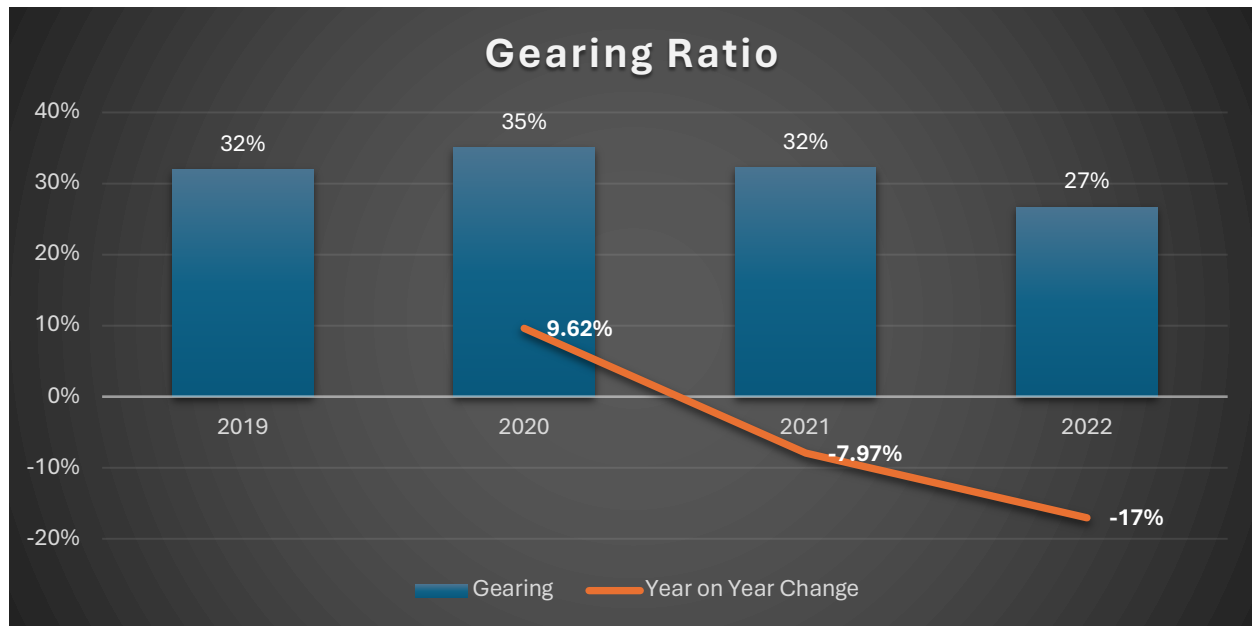


The quick ratio decreased in the years that followed, indicating a calculated decision to use liquid assets to promote operational efficiency and expansion. This may also suggest that there was a noticeable increase in current liabilities in comparison to liquid assets once regular activities resumed following the pandemic.

All things considered, the fast ratio shows a solid liquidity position over the course of the four-year (2019–2022) timeframe, indicating the flexibility to manage short-term commitments.

Gearing Ratio

The financial leverage of the company is typically gauged by the gearing ratio. This provides information about the proportion of a company's activities that are financed by debt as opposed to shareholder equity and debt. A high gearing ratio indicates a high level of leverage, but it doesn't always imply that the business is financially troubled; instead, it can indicate that its financing structure is riskier.

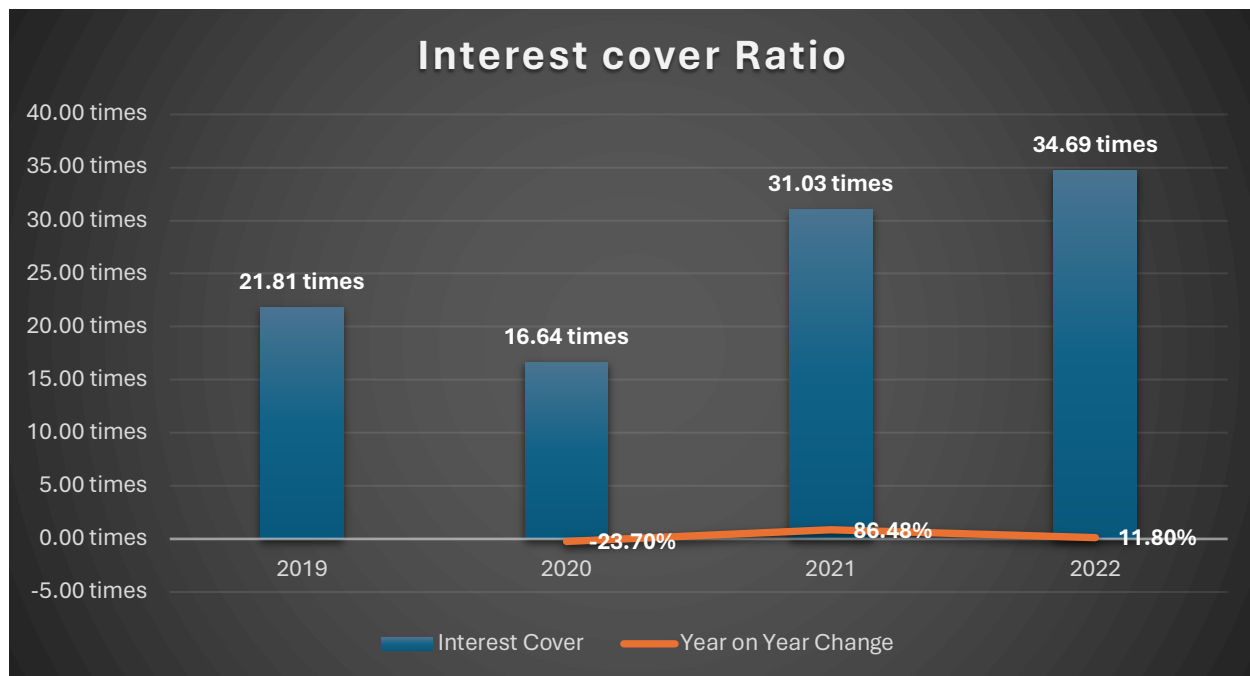


It might be claimed that CRH was able to sustain a strong financial position in terms of gearing during the course of the four-year period. With a gearing ratio of 43% in 2019, long-term debt and equity were balanced. The valuation rose to 46% in 2020, which probably indicates that CRH made calculated investments during the epidemic or took on additional debt. In 2021, the gearing ratio dropped to 43%, and in 2022, it dropped even more to 38%.

In conclusion, the decline in the gearing ratio suggests that CRH's financial strategy was to lower debt and raise equity, which may have been made possible by an increase in retained income that ultimately raised equity. The ratio's decline to 38% reflects CRH's emphasis on equity growth and debt reduction, which increases the company's ability to borrow or take on debt in the future if necessary.

Interest Cover Ratio

This ratio calculates how much of a business's profit before taxes and interest is used to pay loan interest.



- CRH's interest expenses were 6.73 times lower than its earnings before interest and taxes (EBIT) in 2019, with an Interest Cover ratio of 6.73 times. This demonstrates the company's comfortable level of financial stability and its ability to meet its interest payments from operating earnings.
- Despite decreased operational costs and increased interest charges, CRH was able to maintain a good margin, as evidenced by the decline to 5.84. They maintained a margin that allowed them to pay interest. The lower ratio may be explained by the economic repercussions of the COVID-19 pandemic on earnings.
- By 2021, the ratio had risen to 9.66 times over the previous year, a notable increase. This improvement indicates a significant recovery in CRH's operating profitability relative to interest expenses. This improvement points to either a considerable recovery in CRH's operating profitability compared to interest payments or a significant decrease in interest expenses because of debt repayment or refinancing.
- since the ratio has been stable above nine times for the past two years, CRH has been able to pay off the relevant interests and has maintained sound financial standing.

RATIOS OF PROFITABILITY

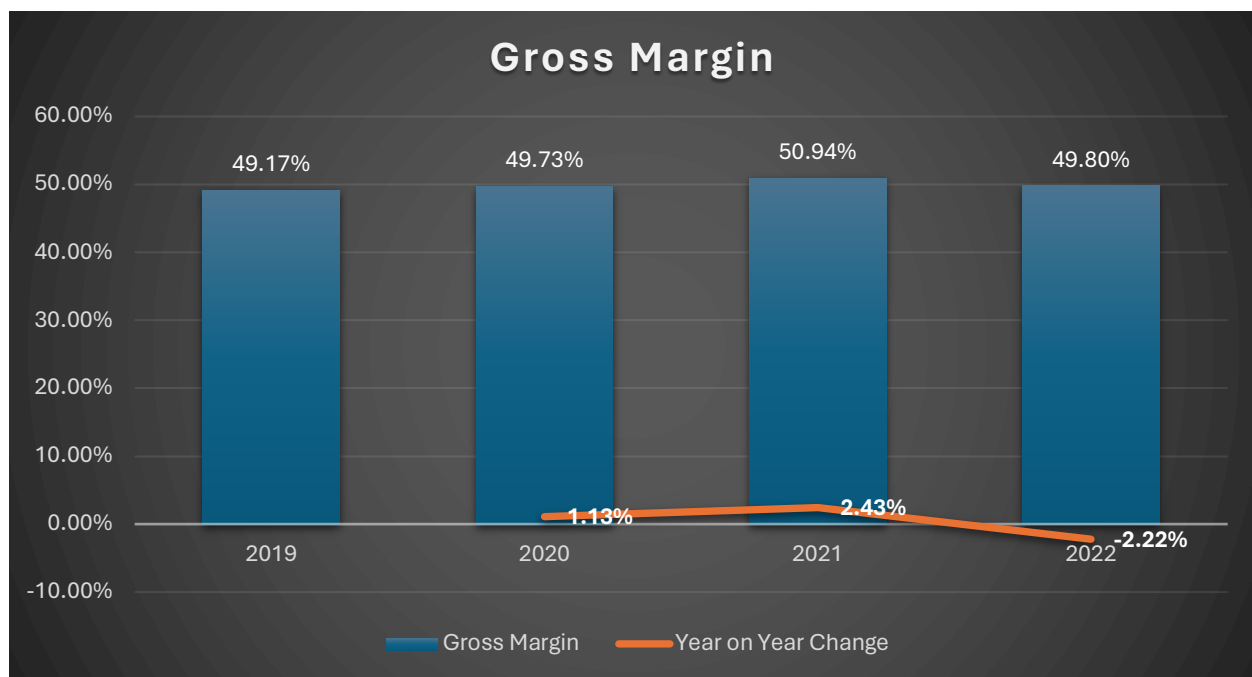
The ability of the business to turn a profit and keep it there is gauged by the profitability

ratio. Finding out if it is effectively employing its assets to provide returns for shareholders is the main objective. When deciding whether or not to invest in a firm, prospective investors may find profitability numbers to be significant.

Global pandemics haven't stopped CRH from maintaining its profit margin. The fact that the profit increased throughout this time frame suggests that the company is well-managed in terms of both its purchasing and selling capabilities.

Gross Margin

A company's gross profit margin is calculated by dividing its gross profit by sales or revenue. Gross profit is the difference between sales and cost of sales. CRH maintained a comparatively consistent gross profit margin across the four years.

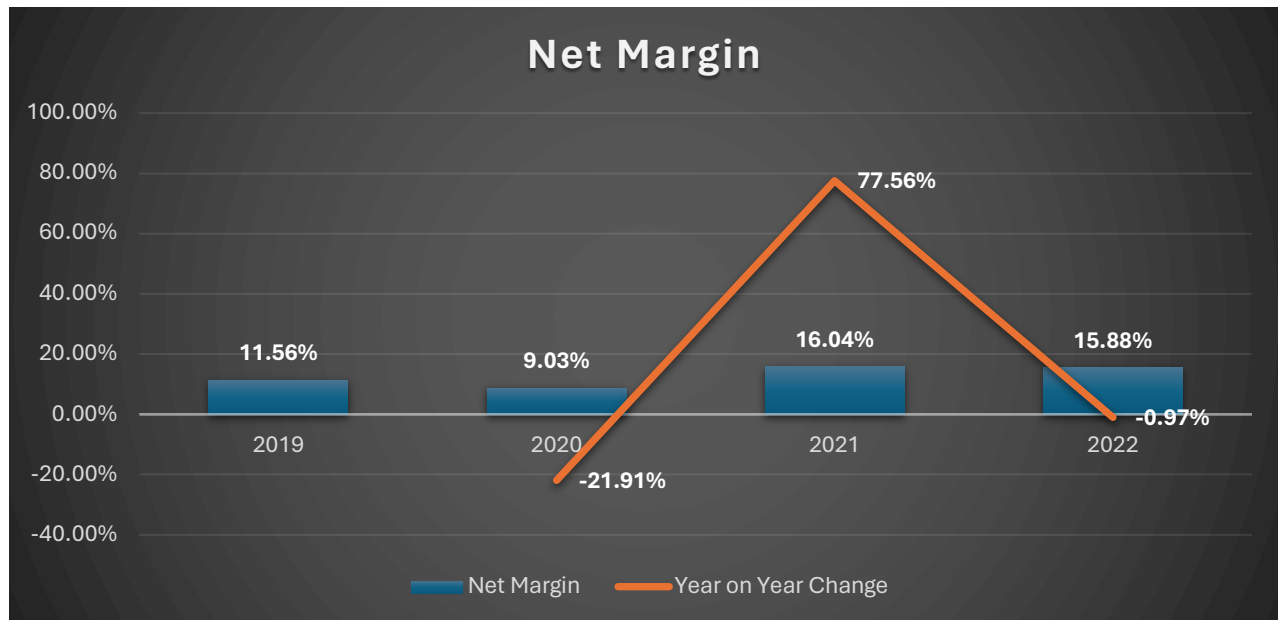


- In 2019, the Gross Margin ratio of 32.96% was declared. This shows that CRH kept roughly 33 cents as gross profit for every dollar (\$1) in sales. Profit from Continuing Operations decreased in 2019 compared to 2020.
- By presumably increasing sales prices or reducing production costs, CRH overcame COVID-19-related obstacles in 2020, as evidenced by a modest increase in its gross margin ratio to 33.21%. Due to variables including growing expenses and shifting market conditions, the ratio increased once more to 33.75% in 2022 but slightly

decreased to 33.25% in 2022. Nevertheless, the business maintained a margin above 33%, indicating that it was continuing to turn a profit.

Net Margin

The ability of the business to turn a profit after deducting all costs and taxes is measured by its net profit margin. Over the course of four years, CRH has been able to both maintain and increase its net profit margin.

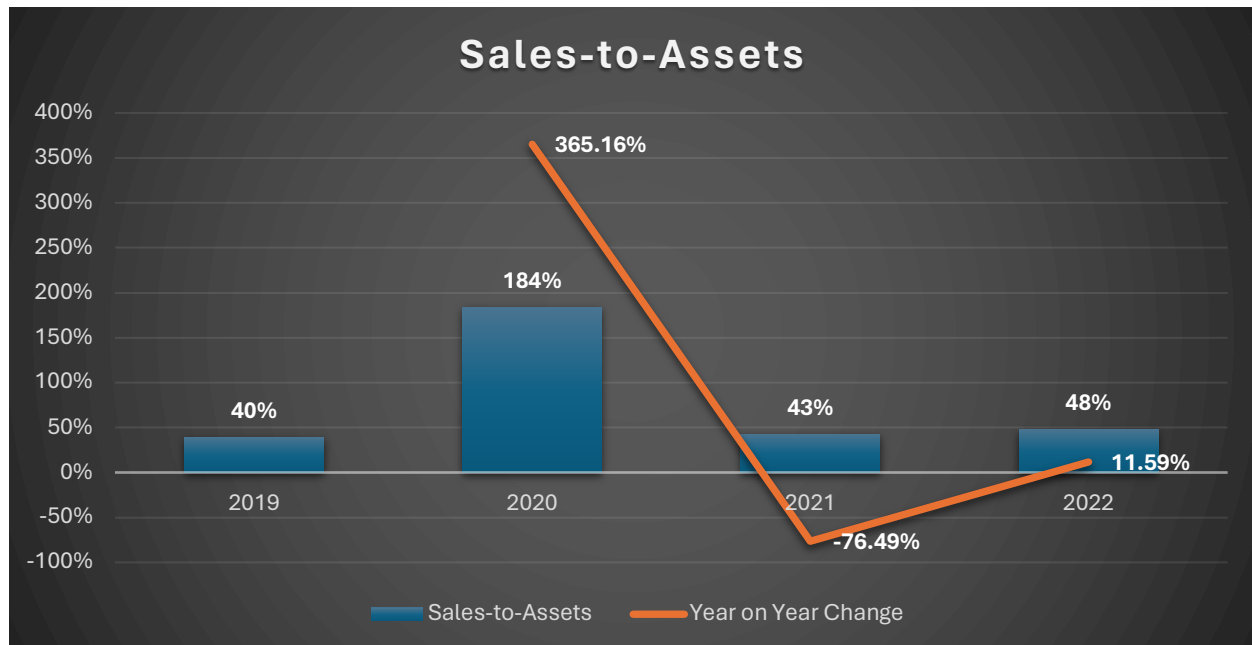


- CRH's net margin ratio in 2019 was 5.85%, meaning that all costs—such as interest, taxes, and cost of goods sold—had been taken into account.
- In 2020, the percentage dropped to 4.22%. There are a number of potential causes for the fall, but the primary one is the effect of COVID-19, which had a profound effect on the economy by raising expenses and decreasing revenues. In 2021, we observe a strong rebound, rising to 8.36%.
- This improvement shows that CRH has been able to keep expenses down while growing revenues faster than expenses. The recovery from the epidemic, which saw the beginning of building projects and economic stimulus measures, may have contributed to this development.

- In 2022, the Net Margin ratio dropped somewhat to 8.20%. The observed disparity and reduction may signify a stability of net profit in relation to sales. It might also be a reflection of changes in the sales mix, cost inflation, or market adjustments.

Sales-to-Assets Ratio

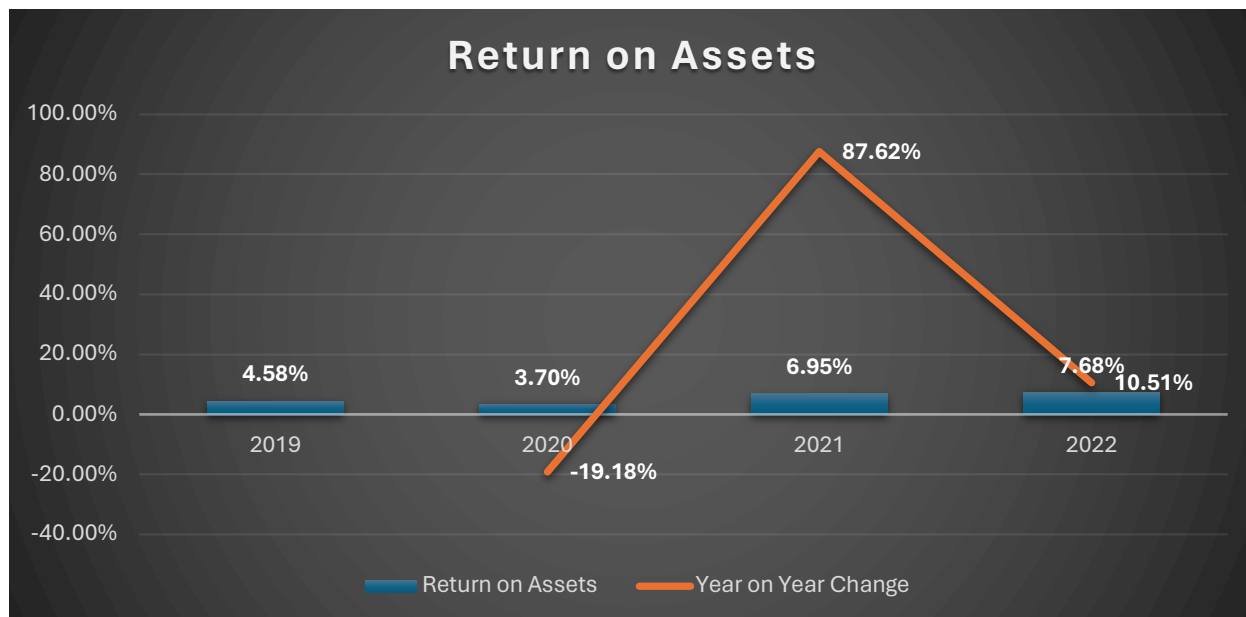
This ratio assesses how well the business uses its resources to produce revenue. A higher ratio suggests that CRH is generating income from its assets more efficiently.



The Sales-to-Assets ratio improved significantly in 2020, rising from 0.39 in 2019 to 1.84 in 2020. This gain was either caused by higher demand or effective asset deployment in spite of the pandemic concerns. But the ratio dropped to 0.43 and 0.48 in 2021 and 2022, respectively, suggesting a slowdown. The restoration of corporate operations following the pandemic or a rise in investments in assets that haven't yet fully given profits could be the cause of this fall.

Return on Assets (ROA)

The ratio of a company's profitability to its total assets is called return on assets, or ROA. It shows the effectiveness with which CRH is making money off its asset base.



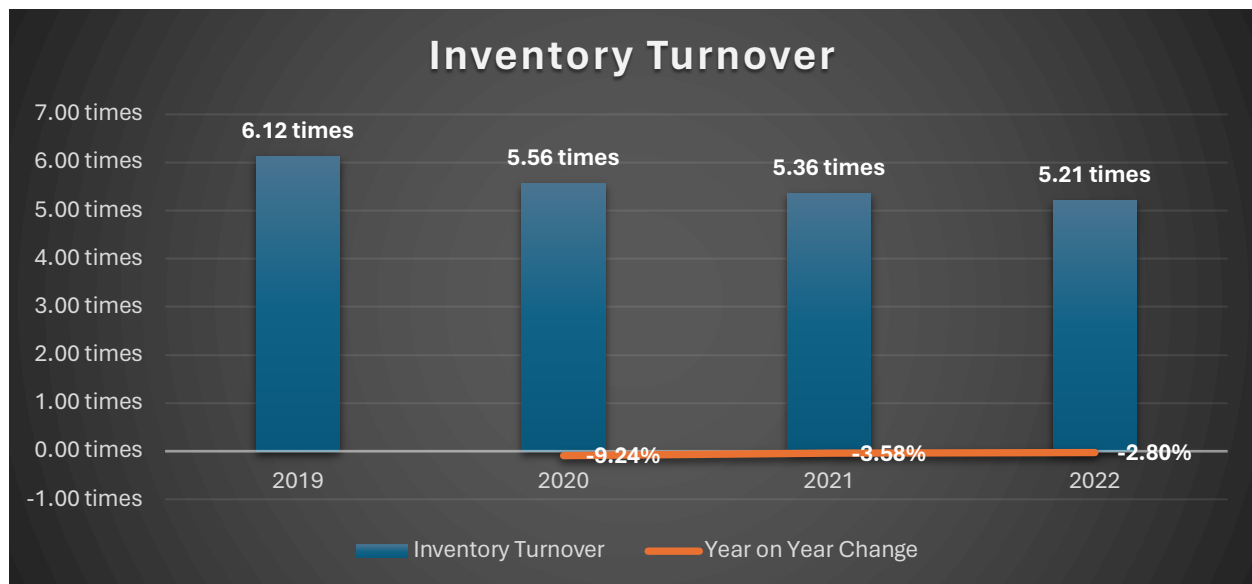
Starting at 4.58% in 2019, the ratio fell to 3.70% in 2020, most likely as a result of the pandemic's effects on business operations. But as the economy steadied, it rebounded sharply to 6.94% in 2021 and then to 7.67% in 2022, indicating CRH's increased operational effectiveness and higher profit production from its assets.

EFFICIENCY RATIOS

Inventory Turnover

This ratio is useful in assessing the company's ability to control its inventory. It determines the number of times the inventory is sold in a specific amount of time.

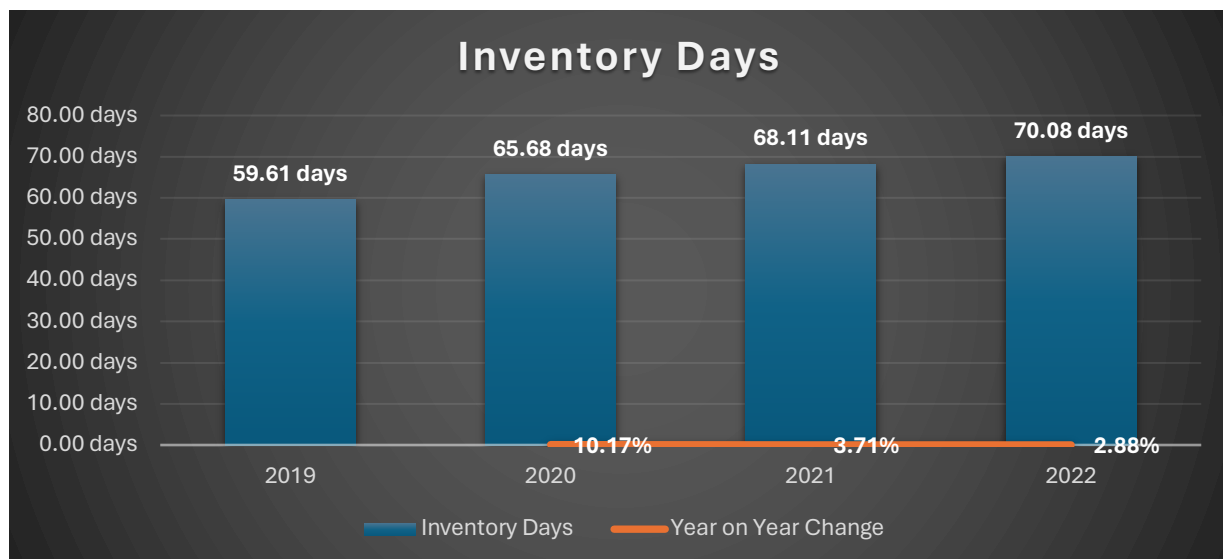
It is evident from the graph showing CRH's inventory turnover that they had a healthy initial product turnover in 2019—roughly six times a year. However, sales decreased from 6.21 to 5.91 after COVID entered the market in 2020. A significant decline in inventory has been noted when comparing the sales of the four years between 2019 and 2022; the ratio decreased by 14.94%.



According to the visuals, CRH is having trouble keeping a healthy ratio of inventory turnover after the pandemic (year 2020), and it is declining annually, indicating that they are having trouble selling the products on time. They need to design a sound plan in order to keep up their operational effectiveness.

Inventory Days

The amount of days a business keeps inventory before the products run out is determined by this ratio. The better the corporation is selling its items, the smaller the ratio.



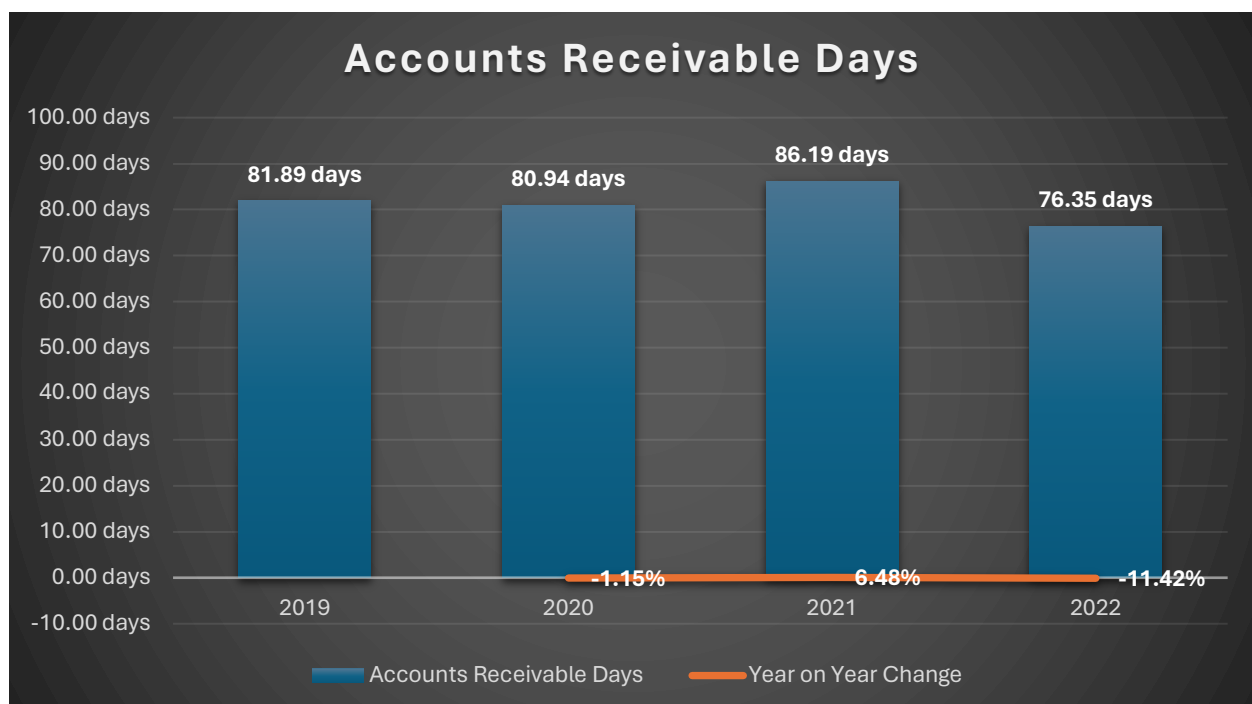
The inventory ratio graph mentioned above shows a notable increase in inventory days between 2019 and 2022. The inventory days ratio for 2019 is 59.61, which suggests effective inventory control. It was increased to 61 days by 2020 and even higher in subsequent years, indicating that they saw a decline in sales as a result of the pandemic.

Following the Covid, CRH's inventory stock continued to accumulate, and their inventory turnover was slower. The fact that CRH has increased overall over the past four years by 17.56% indicates that management has not been able to convert inventory stockpiles into revenues.

Account receivable Days

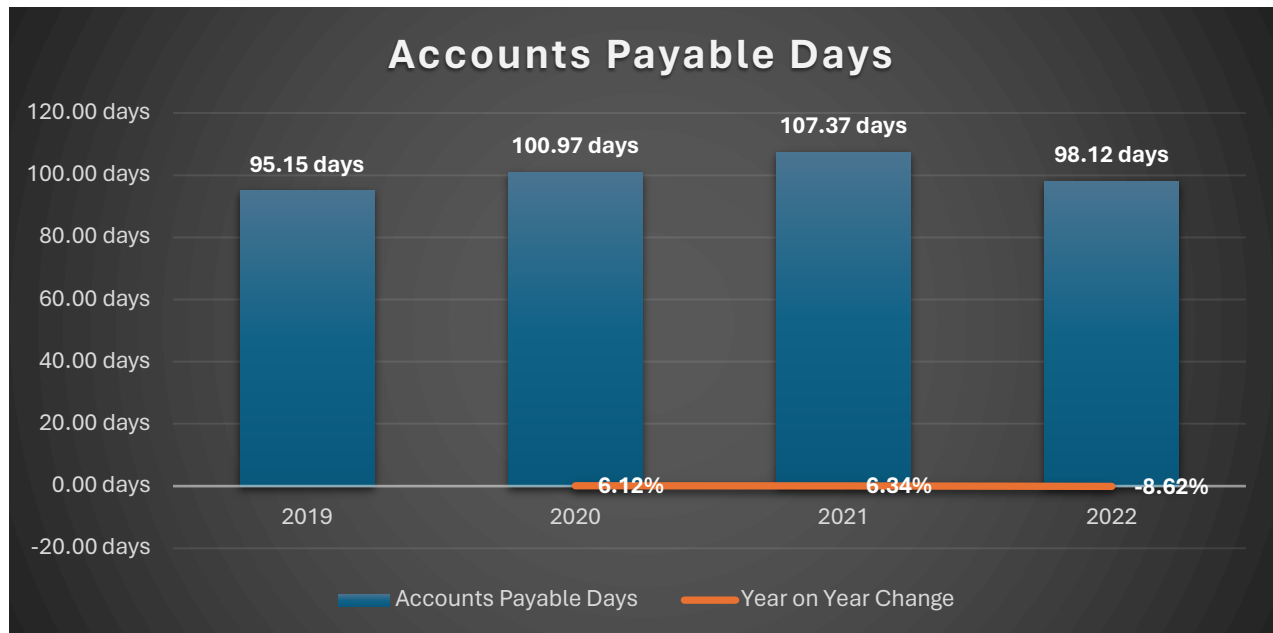
The term "account receivable days" describes how long it takes a client to reimburse the business for the goods he purchased. These days, it all depends on the business.

The graph below makes it evident that, in 2019, CRH required 55 days to get payment, which is typical for the industry in which they operate. Not much changed in 2020, except they went from 55 to 54 days. Up until 2020, the days of money collection were below 60. However, following the epidemic, these days greatly increased, which makes sense given that the globe is currently experiencing a huge catastrophe.



Accounts Payable Days

A company's accounts payable balance shows how much it owes its suppliers and creditors. A high percentage of accounts payable could indicate that the company pays its suppliers and creditors on time, whilst a low ratio might indicate that the company pays its debts more slowly.

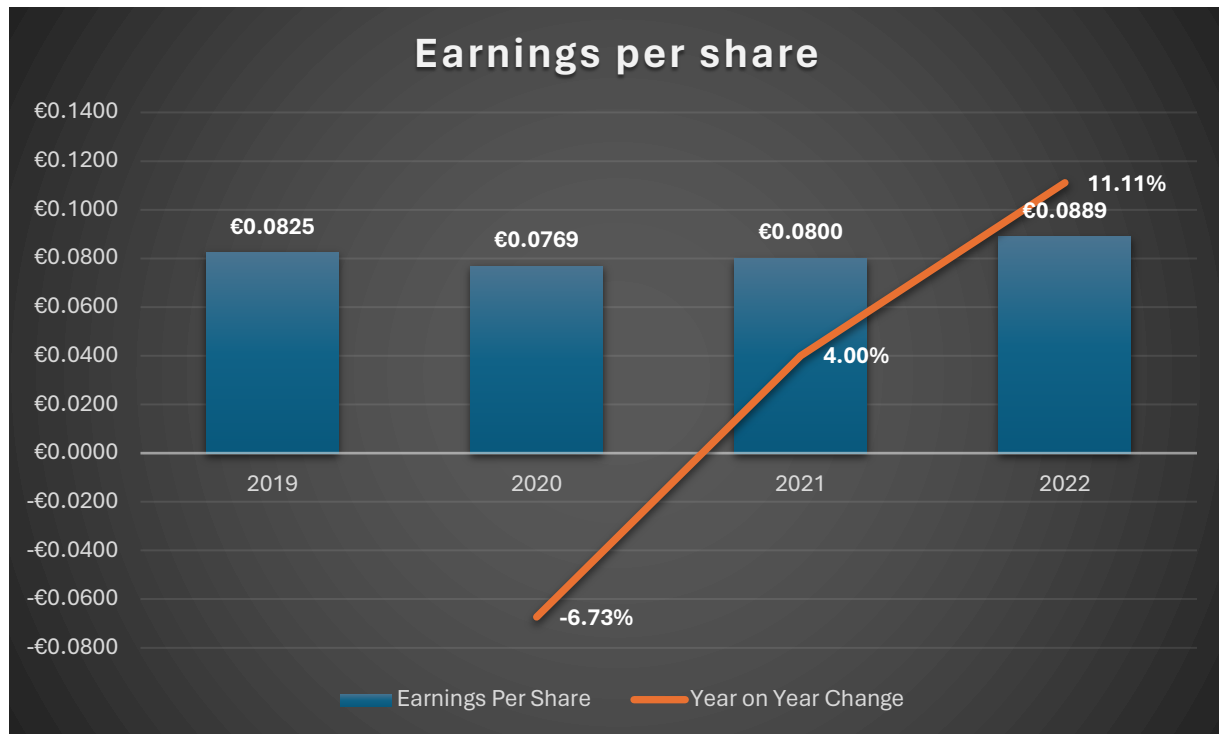


With an accounts payable days ratio of 95.15 days in 2019, CRH was able to pay its suppliers in little over three months, which improved the company's cash flow. 2020 saw a minor decline to 94.93 days, sticking to the previous year's timetable in spite of pressure from a global epidemic. 2021 saw a spike to 107.37 days, indicating that CRH may have taken longer to repay than in the previous two years in order to preserve cash flow during the pandemic lockdown. After a while, the ratio stabilized in 2022 at 98.12 days, suggesting that cash flow had improved or that the business had resumed normal operations and payment procedures following the pandemic. CRH's accounts payables management has demonstrated throughout the years how to respond to changing external economic situations with flexible cash flow solutions that increase cash flow.

INVESTMENT RATIOS

Earnings per Share (EPS)

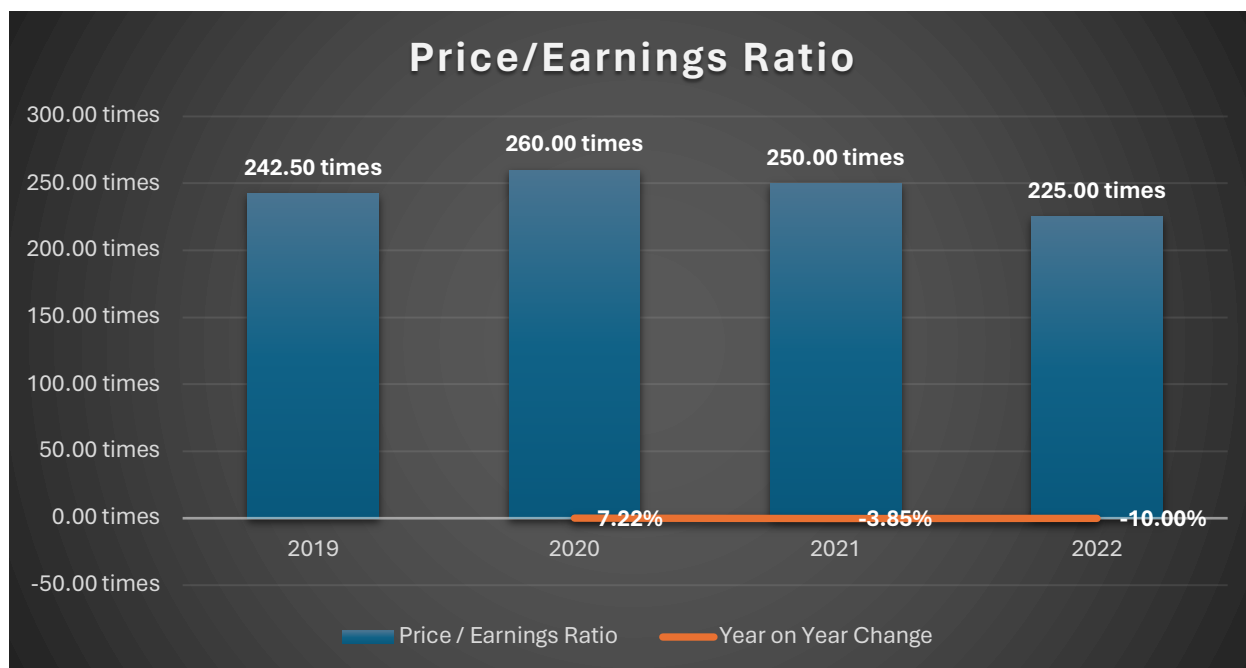
By dividing the net profit by the total number of outstanding common shares, which represents the amount of profit allocated to each share, this metric calculates the profitability of a business. For investors or shareholders, this is significant because it can aid in decision-making when buying shares.



CRH saw a 28.16% decline in earnings per share (EPS) from 2019 to 2020. This decline in profit after tax can be linked to an increase in administrative operating costs of \$512 million in 2020 due to the pandemic, where the company might have had to get products and services from more costly suppliers. Following the pandemic, CRH's operating costs decreased, resulting in a \$1.2 billion increase in profit after taxes in 2021 and a massive 111.4% gain in earnings per share. CRH's earnings per share increased by 71.84% during these four years, demonstrating the company's administration's adept management and strategic choices.

Price to Earnings Ratio

This ratio aids investors in determining a stock's market value by comparing the cost of a company's shares to the earnings each share produces.



The 46% increase in the price to earnings ratio between 2019 and 2020 might be attributed to either a general increase in market values or an increase in share price amid positive assessments of the company's performance despite the epidemic.

The price to earnings ratio did, however, decline by 41.19% in 2021, indicating a lower market price valuation. The pattern persisted in 2022, when share prices fell by 33.35%. This could have been caused by a more cautious market valuation, shifting investor attitudes, or a notable increase in earnings that outpaced share price growth. Given that the share price is now more enticing than earnings, value investors may be drawn to CRH as a result of the fall in the company's price to earnings ratio. Given the significant decline in the price to earnings ratio over time, a future increase in share price is reasonable.

CONCLUSION

In summary, CRH's financial performance from 2019 to 2022 shows that it has a strong and strategic ability to navigate important market and global issues. The analysis of specific financial statistics demonstrates the adaptability and strength of the organization. It displays efficient business management practices and shows that the organization has used a strong and calculated approach to successfully traverse a sizable market and worldwide problems. Furthermore, the company has been able to maintain a fairly stable level of financial leverage or risk when obtaining financing; this even got better in 2022 when a substantial amount of retained revenue became available, significantly raising the company's equity and lowering its gearing ratio in the process.

Investors generally see CRH's combination of effectively increasing profitability, decreased debt, and better liquidity favorably. CRH has also become increasingly adept at making the most of its resources in order to turn a profit.

The company's interest cover has also witnessed significant changes over the course of the four years due to an increase in profit before interest and taxes. The efficiency ratio of CRH suggests that at some point in 2020, the management may have made the decision to stockpile raw materials. The inventory turnover in 2021 and 2022, as well as the inventory days, which show that raw materials have somewhat longer days in stock, are indicative of this. This decision might have been influenced by the interruption to the supply chain caused by the global pandemic in 2020.

The company's gearing ratio dropped throughout the course of the four years, suggesting a deliberate attempt to strengthen the equity base, reduce financial risk, and lessen debt. The fact that CRH has maintained and increased its profitability ratios is commendable, particularly in view of the financial challenges posed by the global pandemic. The Gross Margin ratio, which stayed over 32% and peaked in 2021, and the Net Margin, which showed resilience and recovery after 2020, both attest to the company's effective cost control and pricing strategies. The little drops in profitability may indicate changes in the market or pressures on costs, but the overall rising trend in profitability demonstrates CRH's capacity to manage economic uncertainty.

The increase in EPS suggests that CRH's profitability per share has increased.

Our analysis indicates that CRH has demonstrated outstanding overall financial performance, as seen by a notable rise in sales, gross profit, and profit after taxes. An indication of robust internal control systems and efficient management is the company's capacity to control risks and turn a profit. Based on its price-to-earnings ratio, which showed that one dollar was worth less in 2022 than it was at any other point in the four years prior, as of the end of 2022, the price of CRH's shares represented the best value for money.

This implies that investors and other stakeholders should be satisfied with the company's strategy and management, which will likely be reflected in future share prices. All things considered, CRH has positioned itself for profitable and sustainable growth based on its four years of financial data. It seems that the strategic choices made during this time have paid off, as CRH is now in a strong position to maintain its current trajectory of financial stability and shareholder value development.

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{Citation} In today's statement, CRH said it has suspended all non-essential and discretionary spending, including the reduction of capital expenditure to essential maintenance. CRH completes \$2.1bn acquisition of materials assets in Texas (2024). Available at:

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