

Financial Analysis and Reporting of Construction Enterprise: An analysis of CRH plc

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Abstract. A financial analysis statement is a report that examines a company's financial health and performance in detail. The report will often contain a review of the business's financial reports, such as the balance sheet, income statement, and cash flow statement, in addition to other financial measures and ratios used to assess the company's financial status. It is a vital tool since it may assist managers in making decisions, give an objective assessment of the company's performance, permit comparison with industry benchmarks, and aid in regulatory compliance. Real solutions to human problems are provided through construction enterprises. Many projects are executed by multiple contractors, and a single project may include a variety of techniques and methods. It is classified as an asset-heavy business, which may offer distinct advantages over other types of enterprises. CRH plc is a multinational conglomerate of diverse construction materials companies headquartered in Dublin, Ireland. It makes and distributes a wide range of building goods. It is a traditional representative of a construction enterprise. We may use it as a model by studying its financial performance.

Keywords: Financial Analysis, Construction Industry, Business.

1. Introduction

Nowadays, it is critical for a company manager to understand how to analyze the firm's performance using a financial analysis tool. Because of the changing nature of the world, evaluating the performance of modern construction enterprises is a difficult task. Construction enterprises' financial performance is heavily dependent on location, effective management, environmental factors, selected technology, workforce qualification, and so on. Furthermore, at the project level, the impact of numerous elements on project performance may be accountable for the development of variously significant results. In order to make better decisions and have a general idea of the current-world construction business, studying the financial analysis report is inevitable work.

CRH plc. is the chosen company for analysis and can be dimed as the case model. As its reputation, large market share and vital position in the construction industry, it is worth studying it and applying to other large or medium companies.

This paper aims to provide a comprehensive idea of the financial analysis report by using the tools of working capital, ratio analysis and free cash flow analysis to understand and demonstrate the worth-investing points and need-improving points of the construction company CRH plc. Based on the company balance sheet, income statement and cash flow, the paper draws a general idea of how this company operates during the fiscal years.

1.1. Analysis of Business Strategy

1.1.1. Business Overview

CRH plc. established in 1970 by the amalgamation of two significant Irish public firms, Cement Limited (1936) and Roadstone Limited (1949), is a multinational conglomerate of diverse building materials firms that makes and sells a wide range of goods to the construction sector. With efficient and reliable products and services provided, It contributes to making building easier and safer as a vital partner in projects including transportation and critical utility infrastructure, commercial real estate development, and house building. The company's sustainable building materials and

construction services are available in around 35 countries, and 3,160 locations around the world, with its headquarters in Dublin, Ireland. [1]

The primary focus of the business is mainly on its heavy-side materials, light-side products and distribution. CRH plc. 's fundamental materials are based on resource-backed assets that allow it to produce and distribute aggregates, cement, lime, ready-mixed concrete, and asphalt, as well as paving and construction services. To follow up with the current 'ESG' campaign, the firm is committed to providing clients with low-carbon materials such as concrete, recycled asphalt as well as modular and off-site production solutions.

1.1.2. Commercialization and Distribution

CRH plc. is one of the world's largest construction materials companies, employing around 90,000 people across 3,700 operating locations in 32 countries. It has the largest building materials company in North America, the largest heavy-side materials business in Europe, and a number of critical locations in Asia and South America's growing economies. [2]

1.1.3. Competition

CRH plc. establishes and markets a wide range of outstanding building materials and products that are widely utilized in construction projects of all sizes all over the world. It is competing against regional and worldwide engineering and manufacturing enterprises, home improvement retailers, and building material groups. [3] Its products and solutions compete with other rivals based on quality, efficiency, sustainability, durability, and partner and customer satisfaction.

Currently, the barriers to entry in the construction industry are low, resulting in a saturated market with intense competition. Profit margins are being squeezed as a result of this rivalry, which is limiting necessary reinvestment in new technologies and better business methods. The tough competition poses pressure on CRH plc. and limits its bargaining power. Besides, the government policy on the real estate and construction industry become more and more strict recently. This will greatly affect its market share and ability to maintain its current-stage pricing strategy.

1.1.4. Financial Highlights

CRH has a premium listing on the London Stock Exchange (LSE), a secondary listing on Euronext Dublin (previously the Irish Stock Exchange), and its American Depositary Shares are listed on the New York Stock Exchange (NYSE). During the fiscal year ending 31 December 2022, on Euronext Dublin 29,755,861 ordinary shares were repurchased for a total of \$1.2 billion at an average price of \$39.22 per share.

The company group sales of \$32.7 billion (\$29.2 billion in 2021) were 12% higher than in 2021. Year-end net debt of \$5.1 billion (2021: \$6.3 billion) reflected the ongoing strong cash flow and effective capital allocation and reallocation. In the fiscal year, net acquisition spending totalled \$3.3 billion (2021: \$1.5 billion), with total pay-outs to shareholders being \$2.1 billion (2021: \$1.8 billion). Net Debt/EBITDA (as defined)*2 was 0.9x (estimated for 2021: 1.3x).[4]

2. Financial Report Analysis

2.1. Balance Sheet Analysis

2.1.1. Asset Quality Analysis

The statement of financial position of the CRH plc. gives a clear overview of the components of its assets and liabilities.

Extended from Table1, according to Fig1, in the past two years, the proportion of current assets increased slightly, from 31.08% to 32.75%. Cash and Cash equivalents are the main contributors to the current assets, which lies proportion of about 40% of the total current assets. The number of inventories increased from \$ 3,611 million to 4,194 million, which indicates a rise of 1.29%. The derivative financial instruments had a tiny growth, and the trade and other receivables remained

unchanged. In summary, there is no significant alteration in the structure or total quantity of current assets compared to 2021.

Table 1. Common-size Analysis of financial position, assets

CRH plc. Common-Size Consolidated			
Statement of Financial Position, Assets			
		2022	2021
		\$m	\$m
Assets			
Non-current assets			
Property, plant and equipment		41.87%	43.16%
Intangible assets		22.76%	21.79%
Investments accounted for using the equity method		1.44%	1.45%
Other financial assets		0.03%	0.03%
Other receivables		0.36%	0.53%
Retirement benefit assets		0.58%	0.37%
Derivative financial instruments		0.01%	0.21%
Deferred income tax assets		0.19%	0.24%
Total non-current assets		67.25%	67.77%
Current assets			
Inventories		9.28%	7.99%
Trade and other receivables		10.11%	10.11%
Derivative financial instruments		0.14%	0.09%
Cash and Cash equivalents		13.14%	12.80%
Total current assets		32.75%	31.08%
Total assets		100.00%	98.85%

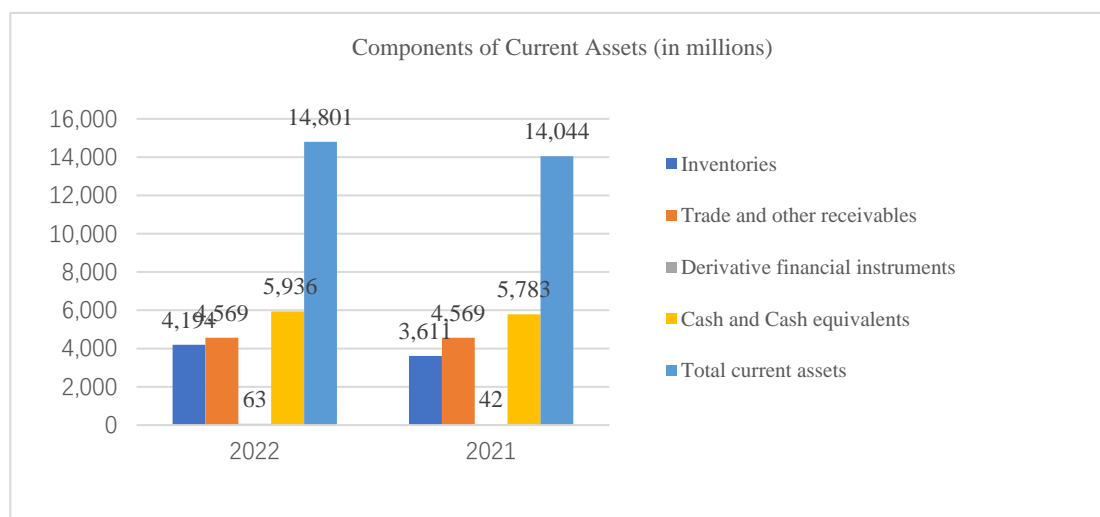


Figure 1. Component of Current Assets (in millions)

For Table 2, it analyzes the inventories, current assets and current liabilities and working capitals in CRH plc. from 2021 to 2022.

Based on the data, the inventories of CRH plc. increased by about \$583 million, with their rise in the cash flow. This may indicate that the growing inventories can be used for improving customer satisfaction and ensuring on-time delivery. Based on the specific analysis of the inventories, its rise is mainly due to product disposal, which indicates the product salvage values are higher than the cost of assets disposal.

Table 2. Inventories, current assets, current liabilities and working capital

In millions	2022	2021
Inventories	\$ 4,194.00	\$ 3,611.00
Current assets	\$ 14,801.00	\$ 14,044.00
Current liabilities	\$ 8,889.00	\$ 7,581.00
Working Capital	\$ 5,912.00	\$ 6,463.00

Working capital reflects the amount of cash and other liquid assets a firm has available to service its debts in the short term. [6] It is the difference between current assets and current liabilities. The respective working capital in 2021 and 2022 is \$6,463 million and \$5,912 million, which shows a drop by 8.53%.

From the common-size balance sheet, there is no significant change for the non-current asset during the two years. According to Fig2, the current assets account for 67.25% and 67.77% in 2022 and 2021 respectively, which reflects that the company mainly depends on fixed assets to operate the business. The main components of CRH plc. non-current assets are Property, plant and equipment and intangible assets. For the Property, plant and equipment, it decreases from \$19,502 million to \$18,921 million. The decreasing value may be related to the depreciation for the value of assets is lowered over time due to wear and tear. There is an increase in intangible assets from \$9,848 million to \$10,287 million. Regarding CRH plc., its improving goodwill contributed to the particular cash-generating unit (CGU).[5]

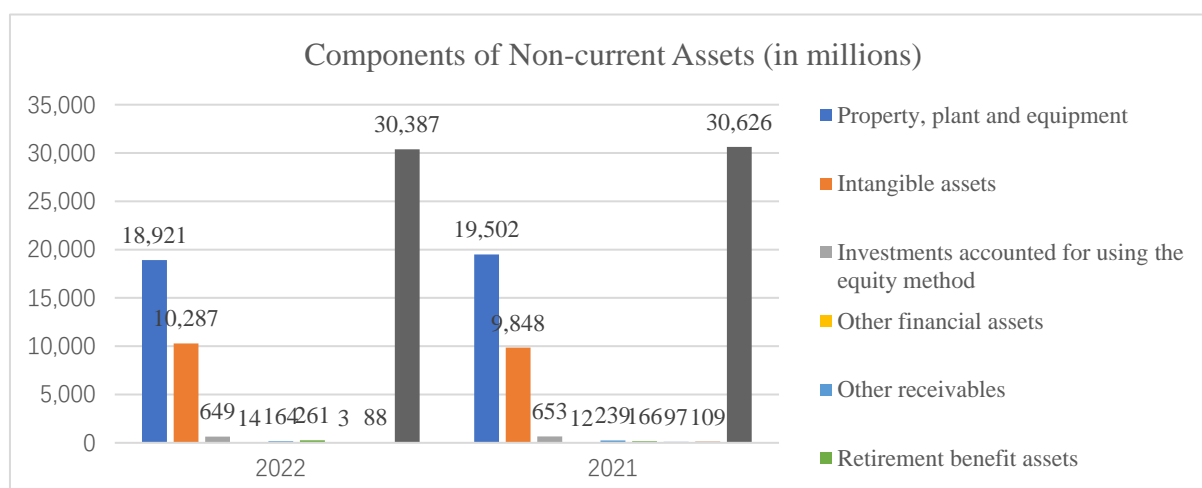


Figure 2. Components of Non-current Assets (in millions)

2.1.2. Capital Structure Analysis

Table 3 is the statement of financial position of liabilities and equity of the CRH plc, which shows their main capital structures. It is turned in to the common-size which can be used for comparison easily.

Table 3. Common-size Analysis of financial position, liabilities and equity

CRH plc. Common-Size Consolidated			
Statement of Financial Position, Liabilities and Equity			
		2022	2021
		\$m	\$m
Equity			
Capital and reserves attributable to the Company's equity holders			
Equity share capital		0.67%	0.69%
Preference share capital		0.00%	0.00%
Treasury Shares and own shares		-0.66%	-0.44%
Other reserves		0.84%	1.00%
Cash flow hedging reserve		0.01%	—
Foreign currency translation reserve		-1.53%	0.37%
Retained income		48.67%	44.26%
Capital and reserves contributable to the Company's equity holders		48.00%	45.29%
Non-controlling interests		1.43%	1.52%
Total equity		49.43%	46.82%
Liabilities			
Non-current liabilities			
Lease liabilities		2.34%	3.07%
Interest-bearing loans and borrowings		18.02%	22.25%
Derivative financial instruments		0.17%	—
Deferred income tax liabilities		6.35%	6.12%
Other payables		1.53%	1.61%
Retirement benefit obligations		0.61%	1.06%
Provisions for liabilities		1.87%	2.10%
Total non-current liabilities		30.90%	36.21%
Current liabilities			
Lease liabilities		0.58%	0.66%
Trade and other payables		12.99%	12.74%
Current income tax liabilities		1.55%	1.23%
Interest-bearing loans and borrowings		3.30%	1.23%
Derivative financial instruments		0.11%	0.03%
Provisions for liabilities		1.14%	1.07%
Total current liabilities		19.67%	16.97%
Total liabilities		50.57%	53.18%
Total equity and liabilities		100.00%	100.00%

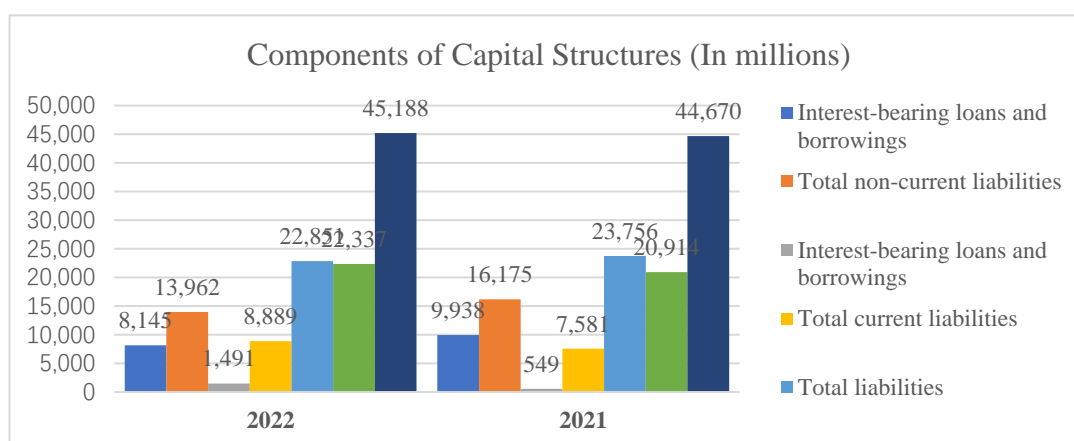


Figure 3. Components of Capital Structures (In millions)

According to the common-size financial statement of liabilities and data comparison in Fig3, the interest-bearing loans and borrowing accounted for a large proportion of the total non-current liabilities and declined to \$8,145 million from 2021 to 2022 for about 5.31% decrease. For the current liabilities sector, the trade and other payables played a dominant role, which increased to \$5,872 million in 2022 compared to \$5,692 million in 2021, which dominated 66% of the current liabilities in 2022.[5] Besides the nearly unchanged proportion of other parts, there are two new sectors added to the liabilities, which respectively is the cash flow hedging reserve and derivative financial instruments. They account for 5 million and 77 million of the liabilities of CRH plc. in 2022. It can be said that in its treasury activities, the Group deploys fair value hedges and cash flow hedges, as well as derivative financial instruments to manage interest rates, foreign currency, and commodity risks and to achieve the appropriate currency profile of borrowings.

2.2. Income Statement Analysis

2.2.1. Revenue Analysis

The Table 4 clearly shows the common-size income statement of the CRH enterprise. The form of common size can be used for the comparison in the next chapters and it illustrates the percentage change directly.

Table 4. Common-size Analysis of Income Statement

CRH plc. Common-Size Consolidated					
Income Statement					
Year Ended 31 December			Restated	Restated	
			2022	2021	
			2020		
			\$m	\$m	
			\$m	\$m	
Revenue			100.00%	100.00%	100.00%
Cost of sales			-66.75%	-66.25%	-66.92%
Gross profit			33.25%	33.75%	33.08%
Operating costs			-21.35%	-22.34%	-25.26%
Group Operating profit			11.90%	11.41%	7.83%
Loss/profit on disposals			-0.15%	0.40%	0.07%
Profit before finance costs			11.75%	11.80%	7.89%
Finance costs			-1.23%	-1.22%	-1.69%
Finance income			0.20%	—	—
Other financial expense			-0.12%	-0.14%	-0.13%
Share of equity accounted investments' profit/loss			—	0.19%	-0.46%
Profit before tax from continuing operations			10.60%	10.62%	5.62%
Income tax expense			-2.40%	-2.26%	-1.72%
Group profit for the financial year from continuing operations			8.20%	8.36%	3.90%
Profit after tax for the financial year from discontinued operations			3.64%	0.61%	0.60%
Group profit for the financial year			11.84%	8.97%	4.50%

According to Table 5, the revenue stream of CRH plc. comes from different areas and sections such as Americas Materials, Building products and Europe Materials.

Table 5. Revenues based on the sections and areas from 2020 to 2022

Year ended 31 December												
	Americas Materials	Building Products	Europe Materials	Total	Americ as Materia ls	Building Products	Europe Materials	Total	Americas Materials	Building Products	Europe Materials	Total
	2022	2022	2022	2022	2021	2021	2021	2021	2020	2020	2020	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Principal activities and products												
Continuing operations												
Cement, lime and cement products	1,554	—	3,481	5,035	1,483	—	3,463	4,946	1,403	—	4,377	5,780
Aggregate, asphalt and ready mixed products	6,979	—	3,515	10,494	6,262	—	3,606	9,868	5,604	—	8,704	14,308
Construction contract activities	5,791	88	2,101	7,980	4,662	92	2,065	6,819	4,266	131	6,129	10,526
Architectural products	—	4,409	1,308	5,717	—	3,790	1,264	5,054	—	3,439	4,605	8,044
Infrastructure products	—	2,531	171	2,702	—	1,650	183	1,833	—	1,278	1,447	2,725
Construction accessories	—	795	—	795	—	731	—	731	—	626	169	795
Total Group from continuing operations	14,324	7,823	10,576	32,723	12,407	6,218	10,581	29,206	11,273	5,474	9,141	25,888
Discontinued operations												
Construction contract activities- Building Envelope												
Architectural glass and glazing systems and related hardware - Building Envelope	—	16	—	16	—	83	—	83	—	37	—	37
Building Envelope	—	629	—	629	—	1,692	—	1,692	—	1,662	—	1,662
Total Group from discontinued operations	—	645	—	645	—	1,775	—	1,775	—	1,699	—	1,699

According to the table of revenues that came from different sectors and regions, Americas Materials contributed the most to the group revenue from continuing operations with a proportion of 43.77% in 2022. It also indicated an increasing trend in the revenues coming from Americas Materials, with a growth of 27.15% from 2020 to 2022. In the Building Products segment, the revenue from discontinuing operations increased from 5,474 million in 2020 to 7,823 million in 2022, with a growth rate of 42.91%. The Architectural products are the major revenue source, which laid a percentage of 56.35%. In the Europe Materials sector, there is a slight growth in revenue in 2022 compared with 2020. Revenue from long-term construction contracts that had yet to be recognized amounted to \$3,742 million as of 31 December 2022, predominantly within the Americas Materials and Europe Materials divisions (2021: \$3,177 million; 2020: \$2,604 million).[5]

2.2.2. Cost of Goods Sold Analysis

Based on Table 6, the cost of sales increased to \$21,844 million in 2022 compared to \$19,350 million in 2021, which mainly results from the 18.12% increase in the raw materials and goods for resale. [5] Due to the rising awareness of the sustainable strategy, the cost for energy conversion is growing about 39.19% from \$ 1,513 million in 2021 to \$2,106 million in 2022. The inventory in 2020 was \$33 million, which is a positive number, but it became -\$392 million in 2021 and -\$655 in 2022. The great change in the inventory indicates the closing inventory is less than the opening one, which reflects CRH plc. sold the items with insufficient stock in stores. The Product Gross Margin increases from 2020 to 2022, with a slightly decreasing growth rate from 15% to 10.38%. According to the Percentage term of the Product Gross Margin, it remains almost unchanged for the three years at about 66%. This is a healthy rate of product gross margin which shows that CRH PLC. is successfully making profits over and above its costs.

Table 6. Period-to-Period changes in Revenue, COGS and Gross Margin

(In millions, except percentages)	2022	Change	2021	Change	2020
	\$m	%	\$m	%	\$m
Revenue	32,723	12.04%	29,206	12.82%	25,888
Cost of Goods Sold					
Raw materials and goods for resale	7,446	18.12%	6,304	22.72%	5,137
Employment costs	3,978	5.52%	3,770	5.75%	3,565
Energy Conversion costs	2,106	39.19%	1,513	21.92%	1,241
Repairs and maintenance	1,230	6.22%	1,158	7.22%	1,080
Depreciation, amortisation and impairment	1,389	0.73%	1,379	-12.56%	1,577
Change in inventory	-655	67.09%	-392	-1287.88%	33
Other production expenses(primarily sub-contractor costs)	6,350	13.03%	5,618	19.79%	4,690
Total	21,844	12.89%	19,350	11.70%	17,323
Product Gross Margin(Absolute term)	10,879	10.38%	9,856	15.07%	8,565
Product Gross Margin(Percentage term)	66.75%	0.76%	66.25%	-0.99%	66.92%

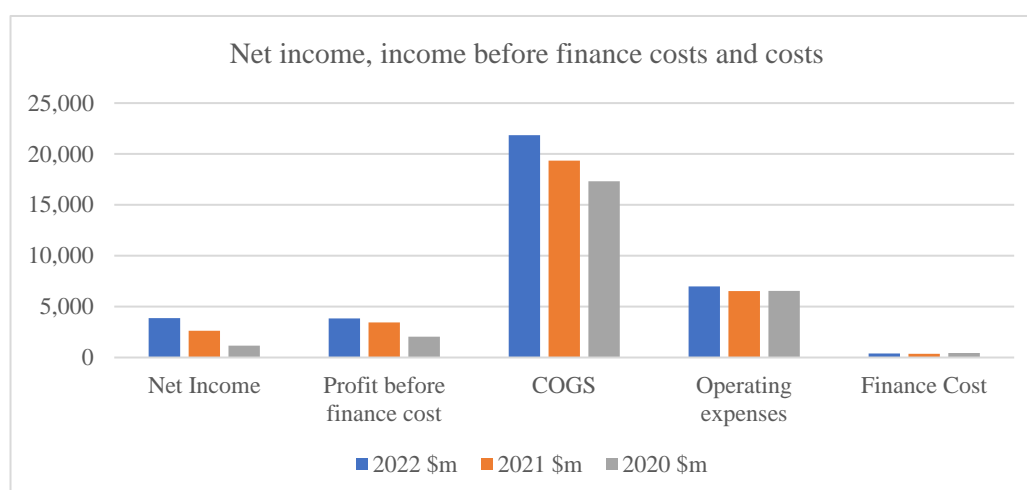
2.2.3. Net Income Analysis

According to Fig 4 and Table 7, though the cost of goods increased from 2020 to 2022, the net income of CRH plc. also shows an increasing line. In 2022, the net income of CRH plc. is \$3,874 million in 2022 compared to \$1,165 million in 2020, which tripled the net income in 2020. [5] For the trend of operating expenses and finance cost, they all show a slight growth.

The interest cover of the corporation is 9.59, 9.66 and 4.66 respectively in 2022, 2021, 2020. The interest cover indicates the ability of the firm can afford the interest payments. It is obvious that the company's ability to repay its interest obligations boomed during these years. From 4.66 times, the firm's profits cover the finance costs to 9.59 times. This is a good ratio for the shareholders or investors to decide whether they should continue to invest in this company. The good interest coverage ratio of 9.59 is ideal to prove the business's good position.[7]

Table 7. Net income, income before finance costs and expenses

Income and Expenses	2022	2021	2020
	\$m	\$m	\$m
Net Income	3,874	2,621	1,165
Profit before finance cost	3,845	3,447	2,043
COGS	21,844	19,350	17,323
Operating expenses	6985	6525	6539
Finance Cost	401	357	438

**Figure 4.** Period-to-Period net income, income before finance cost and expenses

2.2.4. Depreciation, amortization and impairment Analysis

CRH plc., is in an asset-heavy industry, which means depreciation and amortization account for a large proportion of its expenditure. [8] Referred to Table 8, in 2022, the depreciation and depletion of this company is about \$1,389 million compared to \$1,323 in 2020. With addition of the depreciation cost from operating costs, the total depreciation, amortization and impairment of this business is about \$1,721 million in 2022, while the total administrative fee in 2022 is \$1,982 million. [5] It clearly demonstrates that such an asset-heavy industry, the depreciation and amortization lie a dominant position in the cost structure. Besides, due to the company's spread locations and subsidiaries, the management fee under these circumstances, compared with the depreciation, the proportion is not so high.

Table 8. Depreciation, amortization and impairment

	Cost of Sales			Operating Costs			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Depreciation and depletion	1,389	1,379	1,323	229	234	227	1,618	1,613	1,550
Amortisation of intangible assets	-	-	-	103	46	44	103	46	44
Impairment of property, plant and equipment	-	-	254	-	-	9	-	-	263
Impairment of intangible assets	-	-	-	-	-	410	-	-	410
Total	1,389	1,379	1,577	332	280	690	1,721	1,659	2,267

2.2.5. Cash Flow Statement Analysis

The cash flow statement identifies the source of cash and aids in the monitoring of incoming and departing funds. [9] Operating activities, investment activities, and financial activities generate cash for a firm. It displays a company's capacity to function in the short and long term depending on how much cash flows in and out of the firm.

First of all, the operating operations are the everyday activities of a corporation that entail manufacturing and selling its product, generating money, as well as routine administrative and maintenance tasks. [9] From 2020 to 2022 based on Fig5, the total amount of cash flow from operating activities remains almost unchanged. It reached \$3,954 million in 2022 compared to \$4,210 million in 2021. The reduction in the operating activities mainly resulted from the increase in the cost of goods and the loss of disposals for the amount of \$1,422 million compared to \$119 million in 2021.

Secondly, investing activities include the acquisition of physical assets, the purchase of securities, and the selling of securities or assets. [9] During the three years, the cash flow in investing activities remains negative, which shows the company spends more of its operating cash flow on its investing activities than it receives from them. The decrease in the cash flow in investing activities may be due to the company's strategy to focus on sustainable product pursuit and in 2021 they invested a certain amount of capital into this area with \$2,546 million which paved a way for future development. The negative cash flow here might be caused by the significant amounts of cash being invested for the company's acquisition of subsidiaries for the development with \$3,253 million invested and the purchase of property, plant and equipment for \$1,523 million in 2022.

What's more, financing operations are transactions between a company and its lenders and owners to acquire or return resources, including the issuance and repurchase of shares. [9] There is a large change for the cash in financing activities during the three years, from a possible \$287 in 2020 million to a negative \$3,305 million in 2021 to \$2,686 million in 2022. The reduction in the financing activities may mainly result from the company's purchase of treasury shares for \$1,178 million in 2022 and dividends paid to equity shareholders for \$917 million in 2022. [5]

In all, an increase in the loss on disposals and corporation tax payment leads to a decrease in operating activities during the three years, which is also the main activity for the cash-out. The purchase of PPE and acquisition of subsidiaries are the main cash flow from the investing activities, which shows the company’s strategy for expansion and walking out of the current zone. For the financing activities, the purchase of treasury shares and paid dividends are the primary expenditure of the cash.

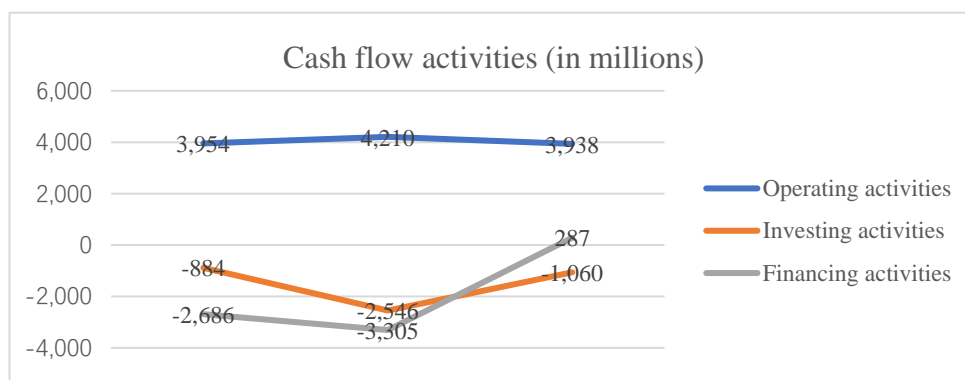


Figure 5. Cash flow activities(in millions)

2.2.6. Free Cash Flow Analysis

The revenue that a corporation has left over after paying its operating expenses (OpEx) and capital expenditures (CapEx) is referred to as free cash flow (FCF). [10] The freer cash flow a firm has, the more it may put toward dividends, debt reduction, and expansion prospects. For CRH plc., according to table9, the FCF conversion rate in 2022 is 74.34% compared to 70.71% in 2021, with an increase of nearly 3.5%. The increase indicates a great increasing trend for the business for it is on the way to achieving the 100% conversion rate. The sub-bar conversion rate indicates inefficient working capital management and perhaps underperforming underlying businesses, which frequently include the following operational characteristics:

- Increase in credit-based customer payments.
- Tightening of credit terms with suppliers.
- Decreasing inventory turnover due to low customer demand.

In this way, CRH plc. should adjust its strategy and pay attention to payment and management such as managing stock and suppliers, staffing and cash flow and refining the marketing strategy.

Table 9. Free Cash Flow

Free Cash Flow	2022	2021	2020
	\$m	\$m	\$m
Net Income	10,879	9,856	8,565
Depreciation	1,644	1,691	1,624
Amortization	113	74	70
Working Capital	6,912	6,463	
CFO	5,724	5,158	
Capex	1,523	1,554	556
FCF	4,201	3,604	
Operating Income	3,894	3,331	2,026
D&A	1,757	1,765	1,694
EBITDA	5,651	5,096	3,720
FCF Conversion Rate	74.34%	70.72%	

2.3. Financial Ratios Analysis

2.3.1. Liquidity Analysis

For the current ratio, quick ratio and cash ratio, there is the same trend for a bit decreasing from 2021 to 2022 based on Table 10 and Fig 6. The cash ratio of 0.67 in 2022 is ideal for the company to have enough cash and cash equivalent to pay off about 67% of its current debts. For the current ratio and quick ratio, though it decreased a bit through the two years, it was still in an ideal gap. The current ratio at 1.67 means the firm has 1.67 times more current assets than liabilities to cover its debts. The quick ratio of 1.19 signals the company is liquid and generates cash quickly in case of emergency. The slight reduction in the liquidity ratios may reflect a bit of fluctuation in the company's short run, this should take note down in certain cases when compared to other factors.

Table 10. Liquidity Ratios

	2022	2021
Liquidity Ratio		
Current Ratio	1.67	1.85
Quick Ratio	1.19	1.38
Cash Ratio	0.67	0.76

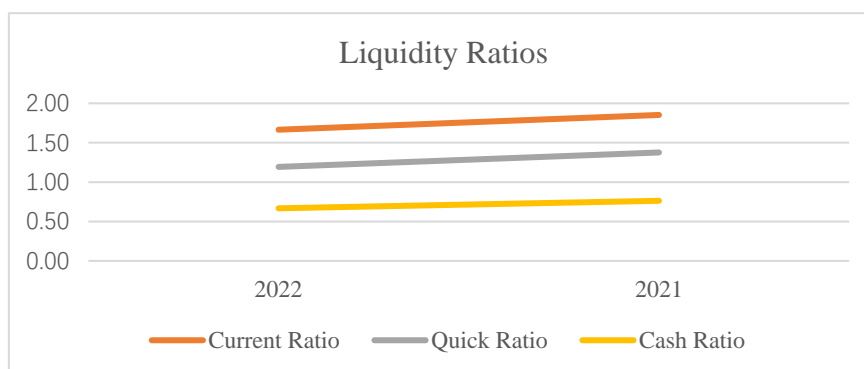


Figure 6. Liquidity Ratios

2.3.2. Leverage Analysis

The debt-to-equity ratio compares the amount of a firm owned by creditors (those from whom it borrowed money) to the amount of shareholder equity held by the company. According to Table 11, the D/E ratio of this company is below 1 in both 2021 and 2022, which reflects a relatively safe condition for the company to make the interest payment and debt repaid over the fixed schedule. The debt-to-capital ratio quantifies a company's financial leverage. The debt-to-capital ratio of around 0.3 means the company could manage their daily expenses well and the banks will find it in excellent positions. For interest coverage, it is a debt-to-profitability ratio used to assess how quickly a corporation can pay off its existing debt. The interest coverage ratio of 9.59 in 2022 means CRH plc. has abundant money in hand to pay off the interests due on long-term loans which reflects there is less likely for the company of a financial default.

Table 11. Leverage Ratios

Leverage Ratios		
Debt and solvency ratios	2022	2021
Debt to equity	0.43	0.50
Debt to capital	0.30	0.33
Interest coverage	9.59	9.66

2.3.3. Return on Investment Analysis

Return on investment compares the profits that have been generated with the investment that is required for the business. ROI is most relevant to corporate goals when it relates to something solid

and measurable, such as identifying the profits and financial returns of an investment. [11] Based on Table 12, there is an obvious increase in ROI in the increasing return on ROA, ROC and ROA. The ROE increased from 12.53% in 2021 to 17.34% in 2022, which indicates the company is good at generating shareholder value because it knows how to reinvest its earnings wisely, so as to increase productivity and profits. The ROA increases from 7.72% to 8.51%, which indicates CRH plc. did a good job to invest in their assets to get a return on profits.

Table 12. Return on Investment

Return on Investment	2022	2021
Return on Equity	17.34%	12.53%
Return on Capital Employed	12.03%	10.98%
Capital Employed	\$ 31,973	\$ 31,401
Return on Assets	8.51%	7.72%

2.4. Du-Pont Analysis

Compared with 2021, the figures of ROE and ROA both increased in 2022, particularly for the ROE. The ROE increased for almost 5% compared to last year in Table 13, while ROA increased for about 1%. For the leverage ratio, it increased for about 0.4 which implies there is a fluctuation for the company to utilize the leverage to operate in a better manner. For the asset turnover, there is a slight decline for the company chose to invest in more subsidiaries and inventories. According to the 2022 Annual report, CRH plc. is devoted to achieving sustainable development and goals to positively impact the natural world.

In all, CRH plc. is the world's largest producer of building materials solutions that help to create, connect, and improve our environment. In 2022, CRH plc. saw the increasing demand for integrated solutions in major infrastructure and commercial projects and it was uniquely positioned to meet the demand through extensive operational footprint and ability to combine multiple materials. In this way, it helps CRH deliver a strong financial performance during 2022 which saw sales of 12% and EBITDA of 13% ahead of the last year.

The trend of ROE and ROA both seem to be decreasing during the two years.

Table 13. Du-Pont Analysis

Return Ratios	ROE	=	ROA	×	Leverage
2022	17.34%		8.51%		2.04
2021	12.53%		7.72%		1.62

Table 14. Du-Pont Analysis 1

Disaggregation of ROA	ROA	=	Net Profit Margin	×	Total Asset Turnover
2022	8.51%		11.84%		0.72
2021	7.72%		8.97%		0.86

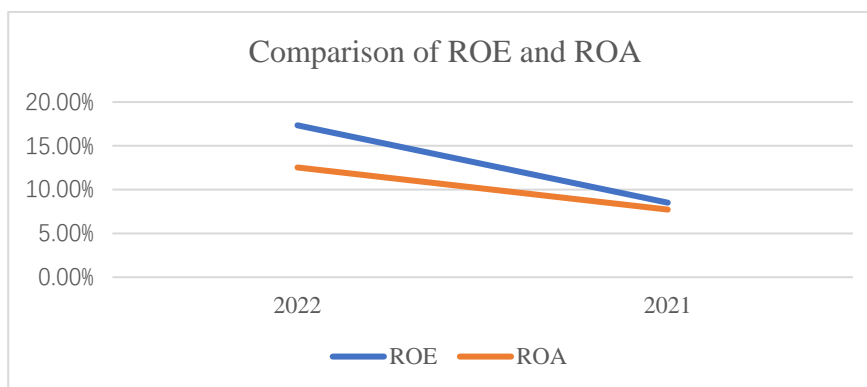


Figure 7. Comparison of ROE and ROA

3. Conclusion and Suggestions

3.1. Conclusion

From the above analysis, CRH plc. has a strong position and protentional to maintain its ability to pay out the debt and create value for the investors. Due to in 2022, the company decided to invest more in the Americas market to achieve its long-term sustainable development goals. Its current cash flow generated from operating will support expanding its business and remunerating its employees and shareholders. Besides, it has the ability to pay back its short-term debt as well as a long-term one. However, for other parts, it remains uncertain whether this business will borrow money from other institutions or banks for investors.

To summarize, CRH plc. has engaged in more alliances, partnerships, and strategic investments in recent years. I feel that CRH's performance shows the execution of strategic growth initiatives, as well as its dedication to providing access to areas and smoothing the running of long-term goals with the ability to provide premium and sustainable construction products and services to clients.

3.2. Suggestions

CRH plc. has excellent potential for future expansion and will retain a strong focus on operational excellence and financial discipline in the future, and it is anticipated the following for CRH's foreseeable future:

- Continue to develop sustainable solutions that build, connect and improve the world.
- Develop the innovative product design to make it spread into wider international market.
- Set up strong collaborations with companies in other regions for the things like distribution lines.
- Keep working on reimagining how materials are used to drive circularity and innovating for low-carbon future.

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