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\$329m Tilcon deal gives CRH a new building block

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CRH, the Irish building materials group, yesterday pulled off the biggest deal in its history with the \$329m (pounds 212m) acquisition of the US quarrying and aggregates business of Tilcon from BTR, the industrial conglomerate.

The acquisition will create the biggest construction materials group in the north-eastern US, where CRH has a business, to add to the Irish group's leading position in the Rocky Mountain states of Utah, Nevada and Idaho. The deal also brings the proceeds of the disposal programme instigated at BTR by new chief executive Ian Strachan to pounds 700m so far.

The cash purchase is being part-funded through a Irpounds 101m share placing at Ir575p. CRH shares added 12.5p to 638.5p yesterday, while BTR's rose 2.5p to 259.5p.

The Tilcon deal means CRH has spent Irpounds 405m on acquisitions this year and breaks new ground not only through its size but in that it is being done with a public company.

In the past, the Irish group has expanded through buying small privately owned groups, but finance director Harry Sheridan denied yesterday that the Tilcon move marked a change in strategy: "We see it very much as a series of concurrent add-ons which complements our existing operation in the north-east. We don't see it as a huge acquisition, just part of our existing strategy to create strong regional groupings."

value. Tilcon satisfied both criteria.

The gross consideration for the Connecticut-based Tilcon operation is \$220m and CRH is assuming a further \$109m of debt with the business. But the final sale price will be reduced by \$50m of sales of businesses which are either non-core or being forced on the Irish group to satisfy competition authorities. Together with a seasonal reduction in debt of around \$25m, CRH chief executive Don Godson reckons the company is paying a net \$254m for Tilcon.

The business operates from 60 operations in nine states. The operations being retained produced 16 million tons of aggregates, 6 million tons of asphalt and 400,000 cubic yards of ready mixed concrete last year. After adjusting for disposals, that fed into operating profits of \$30.5m on sales of \$334m in 1995.

Mr Sheridan said the two north-eastern operations offered plenty of scope for rationalisation and there would be job losses. Despite the growing number of disposals by BTR, analysts said yesterday the latest deal would not prevent the group announcing a dividend cut of around a third and lower profits when it unveils results next Thursday.

Mr Strachan said the disposal represented another important step in repositioning BTR's portfolio of businesses. The proceeds are to be invested in the remaining manufacturing and engineering operations.

CRH unveiled a 13 per cent rise in pre-tax profits to Irpounds 64.1m for the six months to June. Turnover rose by a similar amount to Irpounds 1bn.

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