

**Research Houses Expect Stronger 2H2014 Performance by Sime Darby  
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KUALA LUMPUR, March 3 (Bernama) -- Research houses are expecting a better second half performance for Sime Darby Bhd despite its weak first half results, due to low fresh fruit bunches (FFB) production.

The company's business comprises industrial, motor, property, energy and utilities while its biggest earnings contributor is the plantation division.

Kenanga Research expects Sime Darby's plantation division to perform better in the second half, with the higher crude palm oil (CPO) price at above RM2,700 a metric tonne.

"Despite the weak first half results, we wish to highlight that the plantation division's earnings before interest and tax have doubled to RM514 million quarter-on-quarter due to improvement in CPO prices.

"We believe investors should look beyond the weak results and start positioning for the expected better second half," the research house said in a note today.

Sime Darby's six months ended Dec 31, 2013 core net profit of RM1.32 billion made up only 40 per cent of the consensus full year estimate of RM3.32 billion, dragged down by weaker FFB production, which declined 14 per cent year-on-year to 5.04 million metric tonne.

Kenanga Research maintained its "outperform" rating on the company, with a lower target price of RM10 from RM10.30 previously.

In a separate note, Maybank Investment Bank (IB) Research said Sime Darby is expected to deliver a stronger second half ending June 30, 2014 results, driven by its plantation, property and industrial divisions.

"Plantation earnings will receive a boost from the presently high CPO average selling price which we expect to sustain in the near-term, while the property and industrial divisions have traditionally posted their best performance in the final quarters.

"We believe Sime Darby will continue to post its peak quarterly results in its fourth quarter this year," the research firm said.

Maybank IB Research lifted its ratings on the company to "buy" from "hold", with an 11 per cent higher target price of RM10.20.

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