

# the SUN

TELLING IT AS IT IS

## ON WEDNESDAY

300,000 COPIES DAILY

MEMBER

SEPTEMBER 28, 2011

## PMP bets on profits to raise RM100m for charity

**PETALING JAYA:** The new owners of gaming firm Pan Malaysia Pools Sdn Bhd (PMP) is betting on rising profits and high dividend payouts from their investment to raise the bulk of the minimum RM100 million a year they had pledged for charity.

It is believed that there will be a more aggressive expansion at PMP, with possible new lottery games in the pipeline and the numbers forecast operation (NFO) industry is set to see increased competition.

While the new owners may not drastically change the playing field, the latest development could sway some punters' preference on where they place their bets. As it is, PMP's NFO business has seen flat operating profits in the past three years, while losses at its racing totalisator segment have widened.

It is estimated that PMP has a 24% market share in the legal NFO market, said to be worth RM8.9 billion a year in 2010. Historically, the market had been growing at a rate of 2.5% a year.

Previously, PMP was owned by billionaire Ananda Krishnan's private company Tanjong Plc. It was sold last month to a group of local

tycoons led by Genting Bhd's chairman Tan Sri Lim Kok Thay for RM2.1 billion.

The group, operating under Jana Pendidikan Malaysia Sdn Bhd (JPMSB), had promised to channel all dividends from the investment in PMP minus expenses to a charity called Community Chest.

The funds will be distributed to help vernacular and mission schools throughout the country. The charity has set a minimum target to disburse RM100 million a year from income on its investments and donations. A large portion of the funds will come from PMP.

As of Jan 31, 2010 (FY10) PMP's NFO segment generated an operating profit of RM234 million and the numbers have been relatively flat since FY08, Tanjong's recent annual reports showed.

However, the profit was offset by its racing totalisator business which saw a wider operating loss of RM65.8 million in FY10, compared with a loss of RM26.9 million in the previous year.

This worked out to a net operating profit of RM168 million for PMP in FY10.

Latest figures were not publicly available as Tanjong was delisted in September last year,

although PMP remained very much a hugely profitable entity.

It is understood that the shareholders of JPMSB are not looking to pocket any profit from their RM500 million investment in the trust.

However, there are still financial expenses that need to be covered.

Recent news reports have said JPMSB had taken at least a RM1.5 billion loan from a local bank to acquire PMP from Tanjong. Assuming the bank loan carries an interest rate of 7% a year, the interest payment would work out to RM105 million a year.

Based on published figures, the potential dividend stream from PMP would be enough to service the loan, with extra cash to spare, depending on how high its payout ratio.

It is likely that PMP's future capital expenditure would remain modest and that could mean it could return a large chunk of its annual profit to shareholders.

The move to channel gaming income towards community development and education programmes is lauded, but the social impact of the whole scheme is yet to be known.