

**GST to cut forecast firms' earnings by 10pct**  
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KINIBIZ Number forecast operators will see earnings cut by a tenth when the goods and services tax (GST) kicks in, says Maybank Research.

In a report today, Maybank said GST will have the dual effect of both forcing gamblers to reduce their bet sizes as well as serving as an additional tax to the operators, cutting earnings by an estimated 10 percent altogether.

"We understand that initially there were plans by the operators to moderate the impact the GST will have on earnings but they have been called off," said the research house.

"Therefore the operators will have to bear the full brunt of the GST."

At present there are two number forecast operators listed on Bursa Malaysia - Magnum Bhd and Berjaya Sports Toto - and both also have a resurgent new player, Pan Malaysian Pools Sdn Bhd, to deal with, added the research house.

The implementation of GST, affirmed last October by the Prime Minister cum Finance Minister Najib Abdul Razak, will begin on April 1, 2015 at 6 percent tax rate after being under consideration for close to a decade by the federal government.

The looming GST's threat on both bet sizes as well as an additional tax mean Berjaya Sports Toto and Magnum are facing the prospect of lower revenues as well as lower margins this year, which in turn lead to lower earnings as well as lower dividends.

Following its neutral outlook on the gaming sector, Maybank is retaining its hold rating on both Magnum and Berjaya Sports Toto, with a target price of RM2.63 per share for the former and RM3.18 per share for the latter.

Both target prices are lower than where both counters are currently trading at. As at 11.51am, Magnum was traded at RM2.78 per share while Berjaya Sports Toto was last traded at RM3.38 per share.

At present Magnum have a minimum dividend payout ratio of 80 percent while Berjaya Sports Toto's baseline ratio is 75 percent.