

MANAGEMENT DISCUSSION & ANALYSIS

MESSAGE FROM THE CHAIRMAN

“
On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and Audited Financial Statements of SEG International Bhd (“SEGi”) and the Group for the year ended 31 December 2018.”

**Tan Sri Dato’ Seri Megat Najmuddin
Bin Dato’ Seri Dr. Haji Megat Khas**
*Independent Non-Executive
Chairman*



Management Discussion & Analysis

LEADERSHIP, STRATEGY AND TEAMWORK

are the dynamic factors that steer



SEGi
International
Bhd



towards a future of
strength and sustainability.

MARKET OUTLOOK

The higher education industry faces the challenges of keeping abreast with technological advancements and meeting evolving market needs. Employers today expect more from employees while school leavers are required to harness both academic skills and soft skills to be able to successfully compete in the workplace.

As a forward-looking Group, SEGi is committed to delivering more than just quality education through our university and colleges. Leadership, strategy and teamwork are the dynamic factors that steer SEG International Bhd towards a future of strength and sustainability.

We believe that every step of the customer experience matters. Therefore, we strive to provide value in everything we do - from our brand persona to student experience to supporting our alumni and maintaining a strong corporate image to all stakeholders within and outside Malaysia.

SEGi has stepped up its efforts to maintain our competitiveness, extend our international ambitions, and strive to provide even more outstanding educational institution and academic experience. The management team, including academic and non-academic team members together with our students are the crucial elements that have succeeded in making SEGi University and Colleges the brand of choice.

In fact, SEGi is not just about being an academic brand. We are proud of our brand entity. SEGi has demonstrated the singular and exceptional ability to embrace and persevere against multiple industry challenges, while continuing to grow and expand our reach beyond local and international boundaries. Against the backdrop of often turbulent times, SEGi has evolved and endured. We never lose sight of our focus of being a resilient corporate name that is also synonymous as the premier regional higher education provider. SEGi University and Colleges has garnered strong industry branding through our quality academic-based programmes, delivered through innovative technologies and student-centric learning techniques.

Management Discussion & Analysis

FINANCIAL PERFORMANCE

Despite operating in a competitive environment, I am proud to report that SEGi continued to perform with a consistent track record for the year under review. The strategic partnerships, as well as the collaborative arrangements with overseas institutions of higher learning, proved fruitful, as all parties complemented one another through their areas of specialisations and strengths.

The Group achieved revenue of RM252.4 million and a profit before taxation of RM47.8 million for the financial year ended 31 December 2018, a decrease of 1.5% and an increase of 4.4% respectively, as compared to last year's corresponding period.

The Group's earnings before interest, tax, depreciation, and amortisation ("EBITDA") for the year was RM61.6 million compared to RM59.8 million in the corresponding period for 2017. This reflects an increase of 3.0% in EBITDA. The improvement in EBITDA and profit before tax is mainly a result of our streamlining exercise where assets and resources were more efficiently utilised.

The Group has successfully kept its fundamentals and financials healthy, closing the year with shareholders' funds of RM92.5 million, and cash and bank balances of RM53.7 million, after its dividend payout amounting to RM34.1 million to the shareholders in November 2018. This provided the Group with the capacity and flexibility to take advantage of potential opportunities.

The Group will continue to pursue its efforts to seek opportunities for growth while striving to establish a sustainable business to maximise long-term return on shareholders' funds.



Management Discussion & Analysis



INCREASE
3.0%
The Group achieved a commendable performance with the EBITDA of RM61.6 million

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DIVIDENDS

We remain committed to enhancing our shareholder value. The Board maintains a balanced approach to dividend payments, ensuring that sufficient funds are maintained for future growth, whilst recognising the need to provide reasonable returns to shareholders.

During the previous financial year, the Board of Directors declared an interim single tier dividend of RM0.035 per ordinary share each in respect of the financial year ended 31 December 2017. This interim single tier dividend amounting to RM43,337,000 was paid on 18 January 2018.

On 18 October 2018, the Board of Directors declared an interim single tier dividend of RM0.0275 per ordinary share each in respect of the financial year ended 31 December 2018. This interim single tier dividend amounting to RM34,059,000 was paid on 15 November 2018.

Directors declared an interim single tier dividend of

2.75SEN

per ordinary share in respect of the financial year ended 31 December 2018.

OPERATIONAL REVIEW

Since its inception in 1977, SEGi has been delivering quality and affordable higher education programmes to both the nation's youth and in recent years, to a growing number of adult learners. With academic programmes tailored to meet both industry and student needs, SEGi graduates are highly sought after in the job market and have become leaders in their respective industries. We are proud to host some of the best graduates from diverse backgrounds with concrete foundations for more than 40 years.

SEGi very much values its roots in this community and will continue to build on positive links to the wider network. Our success depends on the talented, creative and committed people who work hard to make our University and Colleges extraordinary and distinctive. A snapshot of these successes, be it on an individual level or as part of any collaboration, are covered in this report. We are also grateful for the immensely valuable contributions made to SEGi by our alumni and industry networks.

The past twelve months have been synergistic for SEGi University and Colleges. We have created value and made our impact in many significant areas. We have reinforced our strong global connections with internationally-acclaimed universities. On the local front, we have reached out to local communities to provide quality education that is relevant for future nation builders. We have partnered with industry players to share their experience and insights with our students.



Management Discussion & Analysis



CORPORATE DEVELOPMENTS

During the financial year, the Group disposed of the following subsidiary companies:

- SEGi Diversified Sdn Bhd;
- SEGi Methods Sdn Bhd and its subsidiary company, SEGi Land (M) Sdn Bhd;
- SEGi Youth Training Sdn Bhd;
- Pusat Kemahiran Maju Ria Sdn Bhd;
- I-Station Solutions Sdn Bhd; and
- Skills Malaysia INVITE Sdn Bhd.

(hereinafter referred to as “the Disposal”).

The Disposal was undertaken for the purpose of disposing the non-operating and dormant subsidiary companies while reducing the costs associated in maintaining the subsidiary companies and improving the balance sheet of the Group. The Disposal will enable SEGi to channel Group resources into more viable business activities.

I am proud to announce that SEGi has entered into a collaboration with University of Central Lancashire (UCLan) with the dual award for selected Health Sciences and Engineering programmes. UCLan was listed in the top 3.3% of universities worldwide by The Centre for World University Rankings 2017.

During the year, the Group continued with its corporate responsibility initiatives in education and contributed to the community. SEGi demonstrates its commitment and participated actively in corporate social responsibility initiatives which include scholarships, research funds, school outreach projects, public workshops, bursaries and promotion of charity, sports and other nation-building projects. Over RM100 million of SEGi scholarships have been awarded to date.

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CORPORATE SUSTAINABILITY

The Board recognises the importance of sustainability and its increasing impact on the business. SEGi believes that the principles of and actions to promote sustainability should be embedded across the Group in all aspects of the Group's operations and other activities. It is the Group's objective to create a culture of sustainability within the Group, and the community, with an emphasis on integrating the environmental, social and governance considerations into its decision making and the delivery of outcomes arising from its decisions and action.

SOCIAL SUSTAINABILITY



I wish to inform that SEGi University and Colleges is consistently recruiting, retaining and nurturing human capital and talented, high-performing employees. We provide opportunities for their professional and personal development. This is made possible through robust and comprehensive training programmes with mentorship and a well-defined career progression path within the Group. Some of the initiatives include the annual Employee Engagement Survey, Talent Management Plan, Succession Planning Programme and the SEGi Aspiring Entrepreneurs Club.

It is also the way we are making a difference to the social and economic well-being of our communities through our teaching, research and public involvements, where contributions are made towards social welfare and development to benefit both institution and society.

SEGi also seeks to foster an inclusive and affirming campus climate for our students to develop connections and broaden their growth prospects through the SEGian Voice which monitors students' Happiness Index, SEGi Graduate Employment Readiness Programme and SEGi Value Corporate Partnership Programme. In addition, SEGi also supports charitable activities and believes in giving back to our communities through community outreach programmes and SEGi Alumni Association activities.

ENVIRONMENTAL SUSTAINABILITY



The Group is committed to identify, manage and minimise the environmental impact of its business operations through changes made on its daily practices, resources and enforcements.

We have made inroads through B40 Initiatives, University Social Responsibility Programme, Solar Initiative and the 3R Reduce, Recycle and Reuse Campaign which received positive response from both staff, employees and the public in general.



GOVERNANCE SUSTAINABILITY

The Group believes that corporate governance and accountability are the key to a sustainable organisation. By incorporating various key governance measures, including the review and approval of Strategic and Risk Management Plans by the Executive Committee members and Board of Directors and internal audit measures, we drive strong commitment from our team members to create a culture of governance.

The Group is committed to operate in a responsible and sustainable manner and will continue to enhance these excellent practices and efforts for the benefit of future generations. The Board strongly believes that, in the course of doing so, we will drive continuous value creation for our stakeholders, integral to our long-term sustainability.

FUTURE OUTLOOK AND WAY FORWARD

In moving forward, it is integral that the Group remains focused on our core values, continue to drive value-added transformation to meet evolving market needs and enhance our SEGi culture of excellence.

We are quality-centric and future-driven in everything we do. While we focus on strengthening our competencies today, we stay a step ahead by strategising to enhance our capacities and capabilities in the future for sustainable growth.

We believe that every stakeholder is important to us. From our students to investors, employees, strategic industry collaborators, industry partners, suppliers to the government and community, we all play an integral role to grow and coexist for mutual growth and harmony within the ecosystem.

With this strong foundation, our Board believes that the prospect of the Group is favourable and sustainable for long term growth.

We are committed to be a nation-builder and lead the way forward towards a positive impact for the environment and a sustainable future. Besides having a strong governance structure and clear policies with regards to corporate sustainability, ongoing efforts have been carried out to establish robust teaching and research methodologies that promote environmental awareness and sustainability at all levels.

ACKNOWLEDGEMENTS

SEGi is a remarkable organisation that thrives upon decades of hard work, innovation and above all, the endeavours and commitment of its people. It has been my utmost privilege to serve as Group Chairman and be part of its continuous success.

In closing, I would like to express my deepest gratitude to my fellow Board members who have contributed greatly to the Group with their invaluable expertise and experience.

My heartfelt appreciation goes to the management and staff for their commitment, dedication, and perseverance in facing the challenges during the year under review. I would also like to extend my sincere appreciation to all our valued shareholders, global partners, students, regulatory authorities, bankers and business associates for their unwavering trust and continuous support throughout the years. As we forge ahead, we will continue to intensify our efforts to enhance and strengthen Group performance towards an illustrious and meaningful future.

**TAN SRI DATO' SERI MEGAT NAJMUDDIN
BIN DATO' SERI DR. HAJI MEGAT KHAS**

Chairman
28 March 2019

