



STI EDUCATION SYSTEMS
HOLDINGS

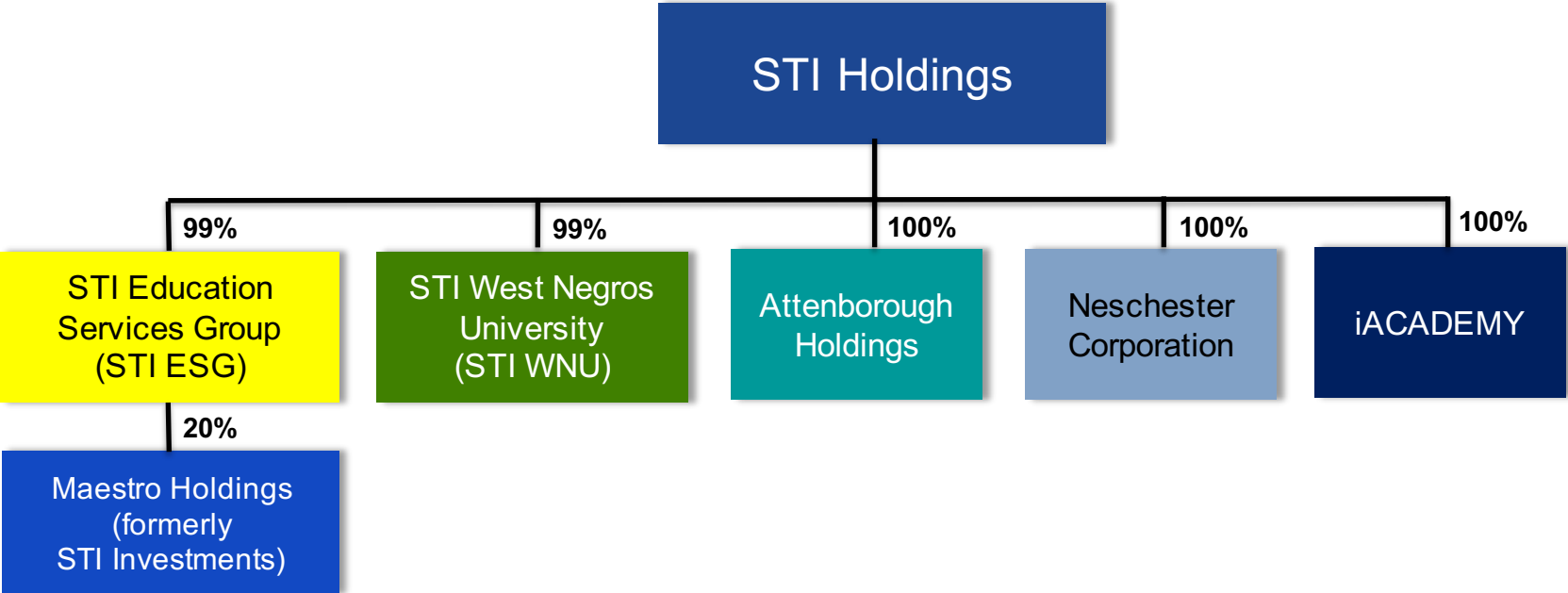
STI Education Systems Holdings, Inc.

Full Year Results ending March 31, 2016
and Second Quarter Results ending September 30, 2016

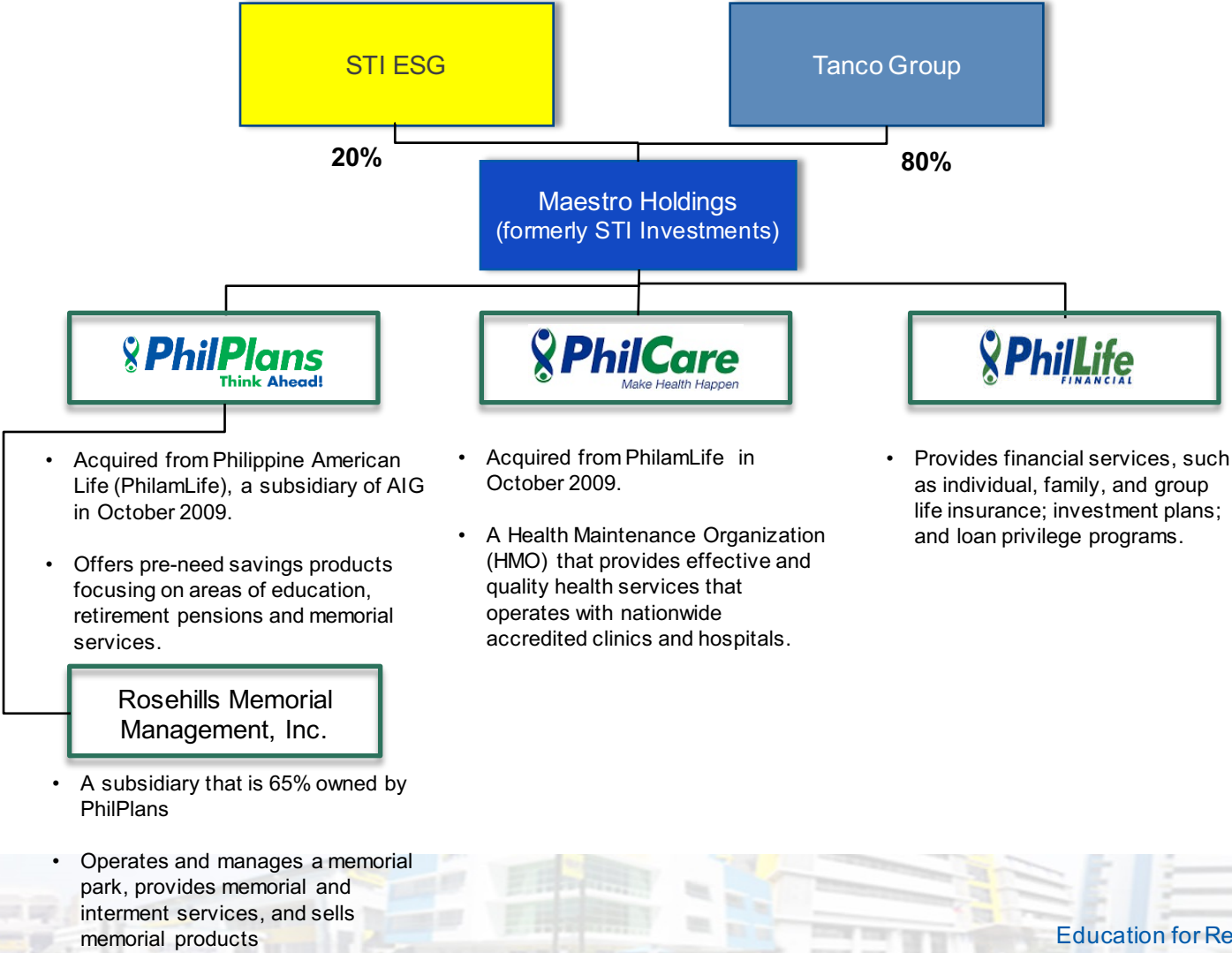


Summary of STI Corporate Structure

STI Holdings Corporate Structure

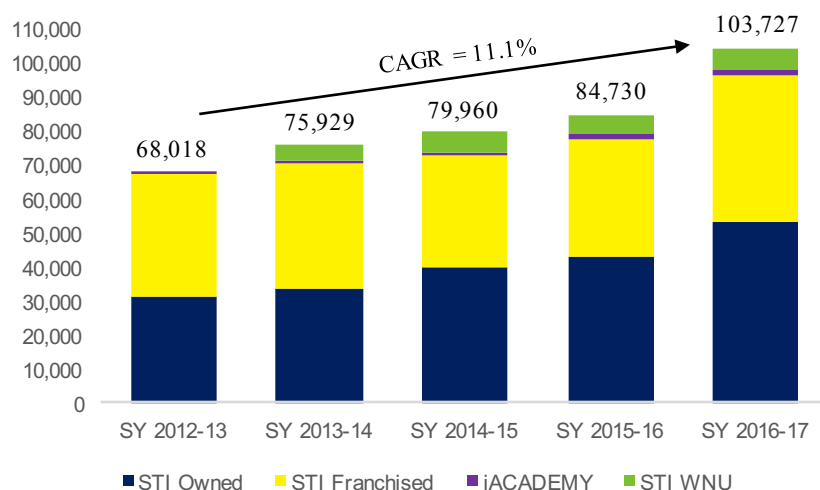


Maestro Holdings Corporate Structure



STI Holdings Network of Schools

STI Holdings Combined Student enrollment



37 OWNED SCHOOLS
39 FRANCHISED SCHOOLS



1 university



1 non-STI branded college



iACADEMY

103,727 students in total

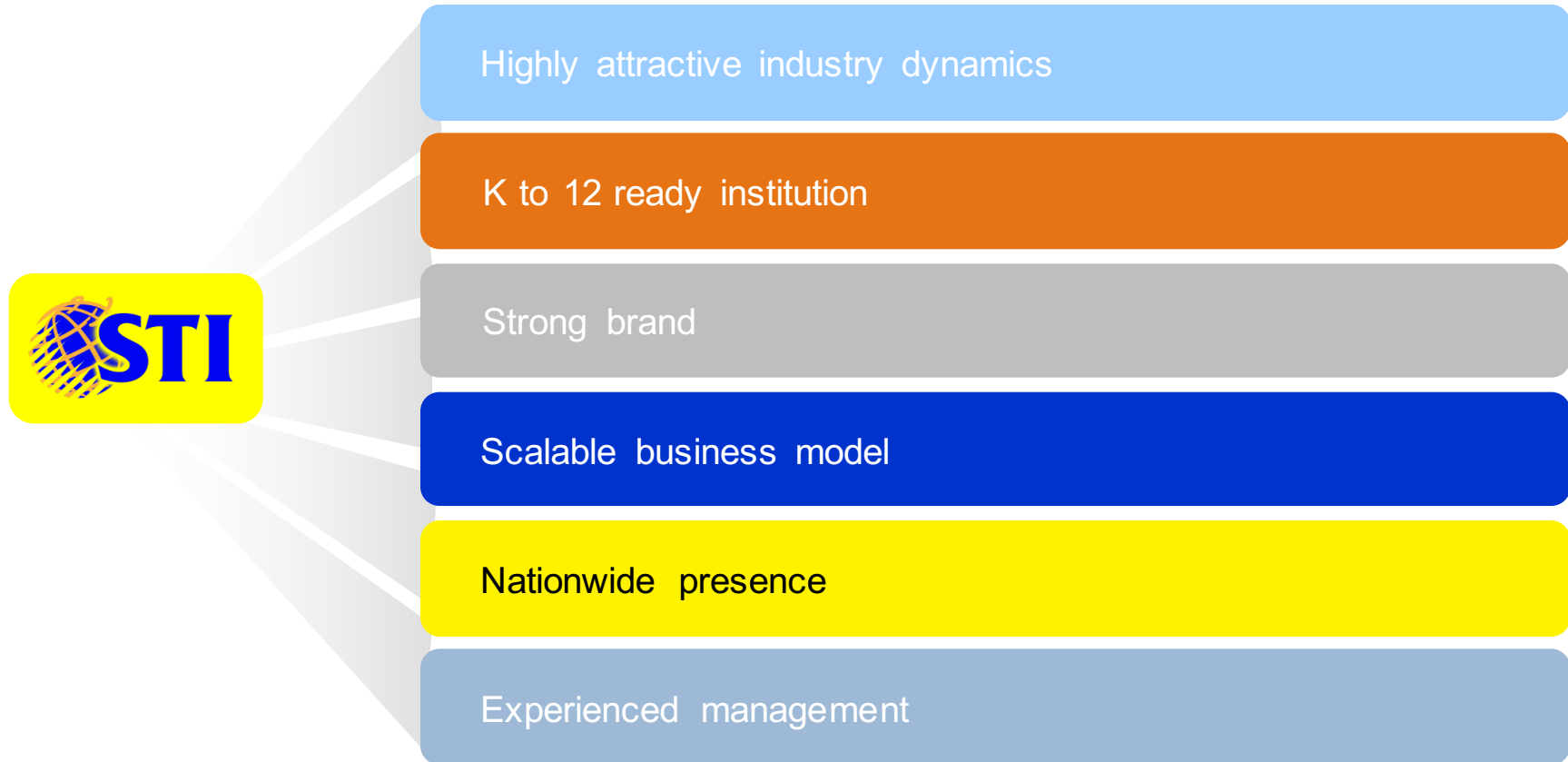
Who we are

- STI Holdings owns, maintains, and operates the Philippines' largest, private, for profit network of education institutions with more than 103,000 students enrolled in 64 STI branded colleges and 12 education centers, one non-STI branded college (iACADEMY) and 1 university (STI West Negros University).
- STI ESG offers associate and baccalaureate programs in information and communications technology, tourism & hospitality, liberal arts, healthcare, engineering, education, and business management. STI WNU also offers post graduate courses such as Master's degrees in Public Administration, Nursing, Education and Doctorate degrees in Public Administration and Educational Management.
- STI ESG also has a 20% interest in Maestro Holdings which provides educational saving plans, among others.



Investment Highlights

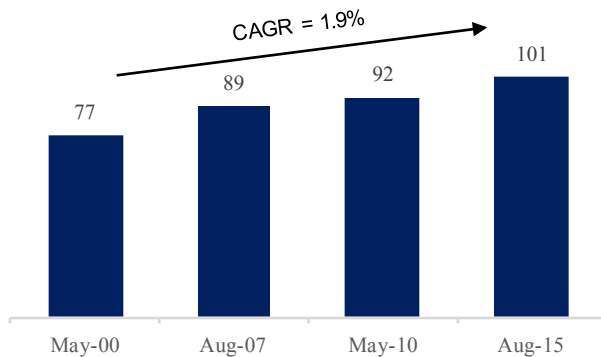
Summary of investment highlights



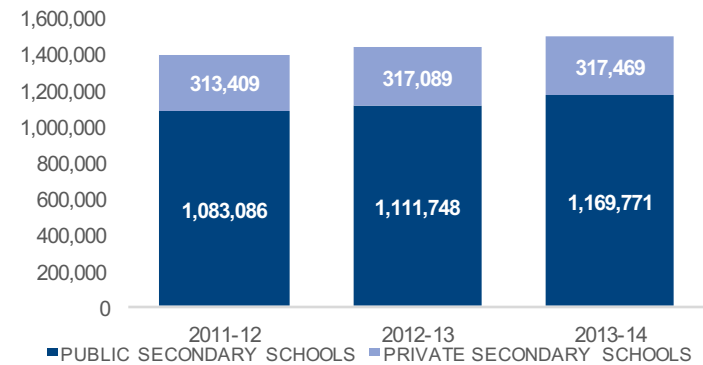
Exposed to highly attractive industry dynamics

The Philippines has the second largest population in South East Asia, with a large portion of young population

2000-15 Philippine population



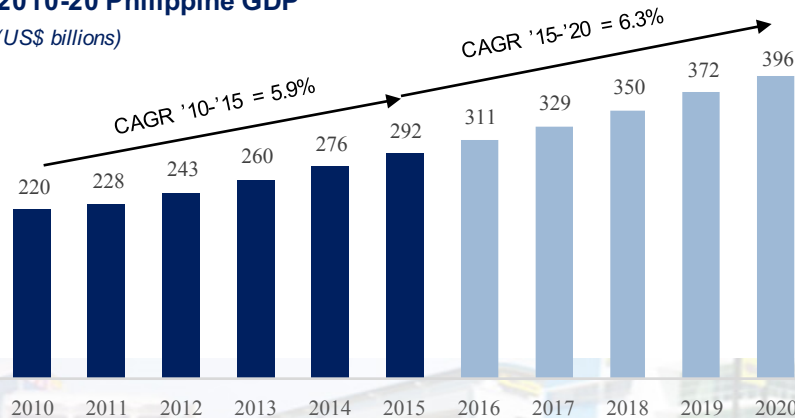
2012-14 High School Graduate Population



Due to the booming economy, demand for education is expected to increase over the next few years

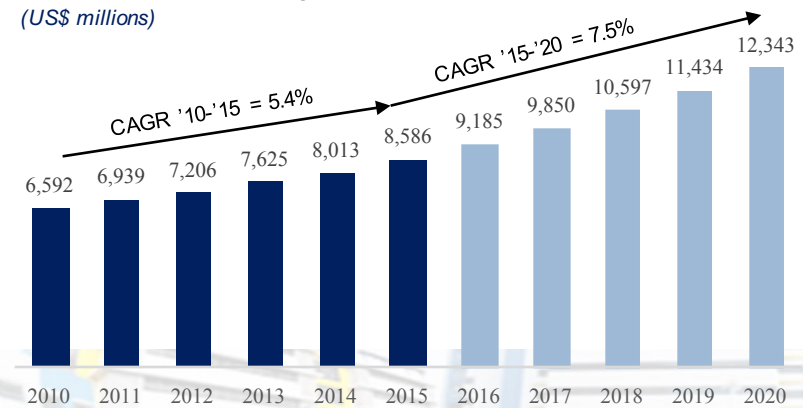
2010-20 Philippine GDP

(US\$ billions)



2010-20 Consumer expenditure on education

(US\$ millions)



Sources: Philippine Statistics Authority, Department of Education, Euromonitor

Education for Real Life

Philippine leading tertiary education provider addressing substantial market demand



#1 largest, private for-profit tertiary education provider ...



64 colleges



12 education centers



PLUS

1 university



1 non-STI branded college



103,727 students in total

... amid supporting macroeconomic factors

1 Increasing importance of service industry

- Driven by industries such as BPO, hospitality, tourism and healthcare, all of which depend upon a highly educated workforce

2 Expanding and young population

- 53% of population are under age of 24

3 Rising middle-income demographic

- Underserved by tertiary education with only 10% of the household population having received college degrees

Sources: The World Factbook, CIA; Philippine Statistics Authority

Institution that is K to 12 Ready

Approval granted to offer Senior High School

- Seventy-six (76) STI ESG schools
- iACADEMY
- STI WNU

Newly constructed or renovated facilities in 14 STI ESG campuses and 11 franchised schools; nationwide facilities that can accommodate 119,191 students



Extensive Senior High School offering

STI ESG

- Academic Track
 - ✓ Accountancy and Business Management
 - ✓ Humanities and Social Science strand
 - ✓ Science, Technology, Engineering and Mathematics strand
 - ✓ General Academic strand
- Technical-Vocational-Livelihood Track
 - ✓ Information and Communications Technology strand
 - ✓ Home Economics strand
 - ✓ Industrial Arts strand

iACADEMY


- Academic Track
- Technical-Vocational Track
- Arts and Design Track

STI WNU

- Academic Track
- Technical-Vocational Track
- Arts and Design Track
- Sports Track

Strong brand offering sustainable competitive advantage

More than 30 years of a strong household Brand


Students

- Strong brand preference due to high quality of services
- Value proposition encourages top choice



Employees

- Reputable & stable organization
- Management approach that promotes career growth



Employers

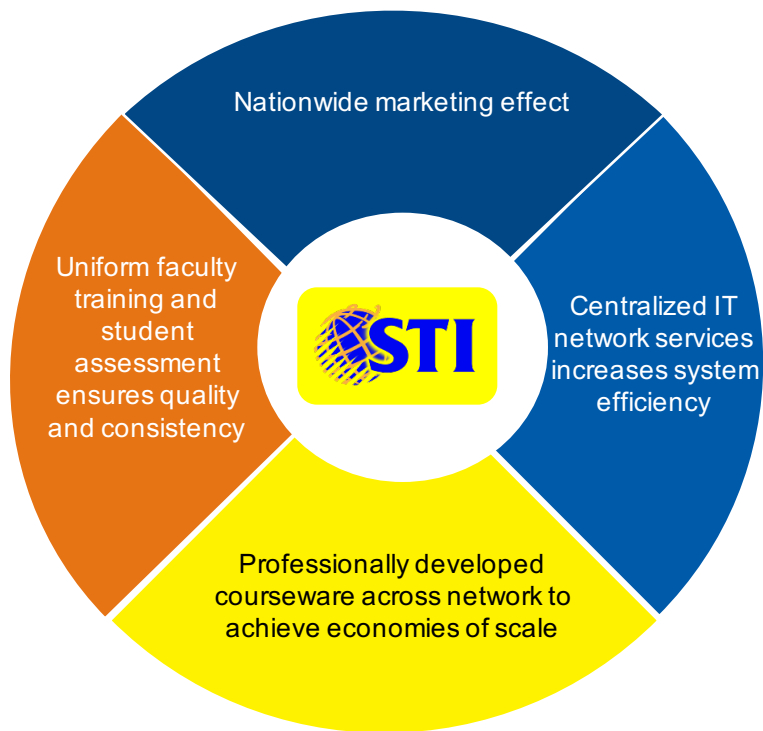
- Standardized education assures employers of consistent quality of manpower
- STI's nationwide presence

Nationwide brand equity through effective marketing campaigns and word-of-mouth offers sustainable competitive advantage



Scalable business model with centralized operations and standardized learning methodology

Centralized operation



Highly scalable and allows for rapid growth

Benefits from economies of scale

Maintains high quality and consistency of programs throughout the STI Network

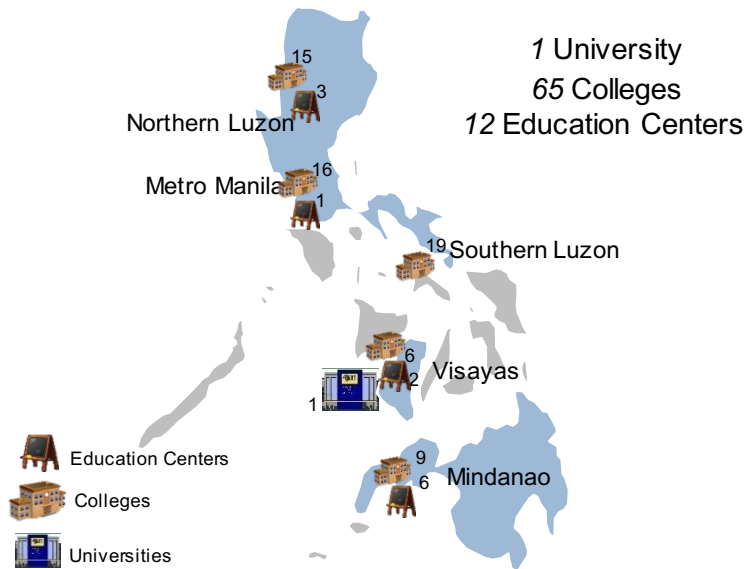
Nationwide recognition from employers as the school of choice

Fully captures the strong growth expected in the industry



Nationwide presence with wide range of program offerings

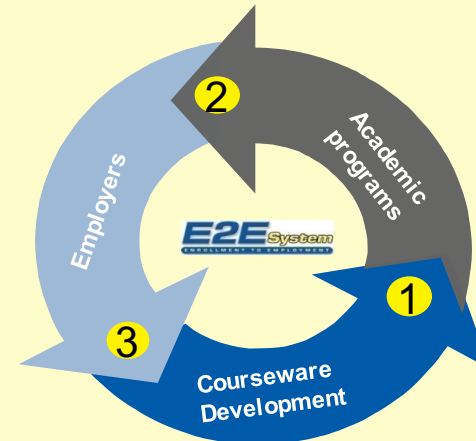
- Reaches a larger student base and students not otherwise serviced by other institutions
- Encompasses a mixed mode of both wholly-owned and franchised schools based on geographic demand



STI Branded	University	Colleges	ECs	Total
Owned	1	32	5	38
Franchised		32	7	39
Total	1	64	12	77

Non-STI Branded	University	Colleges	ECs	Total
Owned		1		1
Total	1	65	12	78

Wide breadth of programs with tailored course offerings to suit market demand



ICT



Education



Healthcare



Business



Hospitality



Liberal Arts



Engineering

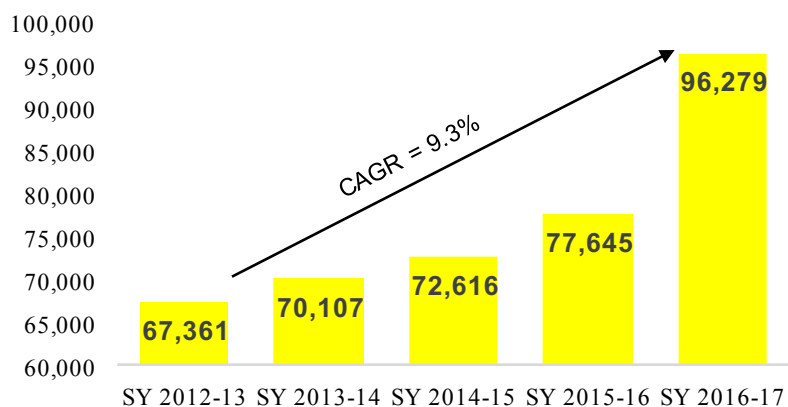


STI Education Services Group, Inc.

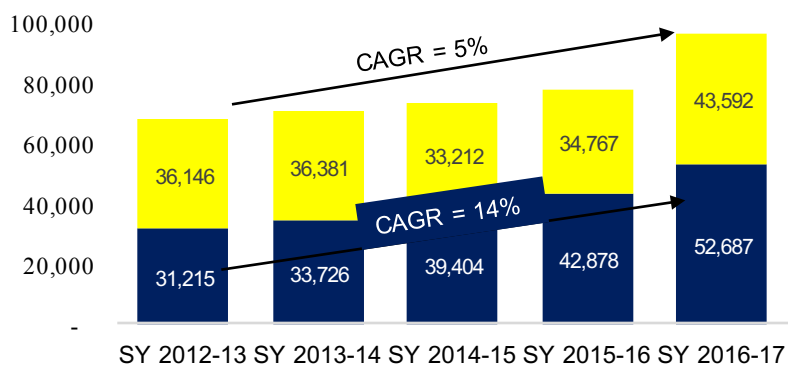


STI ESG Enrollment Data

STI ESG Network-wide Enrollment



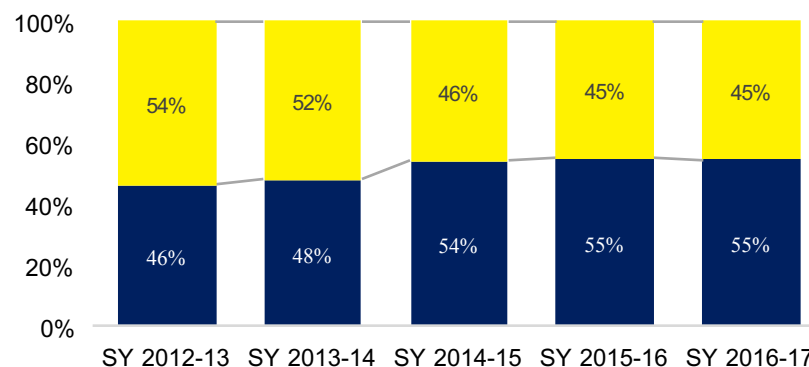
STI ESG Owned vs. Franchised Enrollees



STI ESG Enrollment

- Network-wide, STI ESG has seen a steady growth in the number of ongoing students enrolled from 67,361 in SY 2012-2013 to 96,279 in SY 2016-17.
- The growth is driven primarily by the expansion of the STI-owned schools as the number of its enrollees grew from 31,215 in SY 2012-2013 to 52,687 in SY 2016-17, increasing its share in the total enrollees network-wide from 46% to 55%.
- In SY 2014-15, STI ESG acquired seven schools from its franchisees with five being absorbed by STI ESG and two integrated into STI WNU.

STI ESG Owned vs. Franchised Enrollees (as a % of Total)

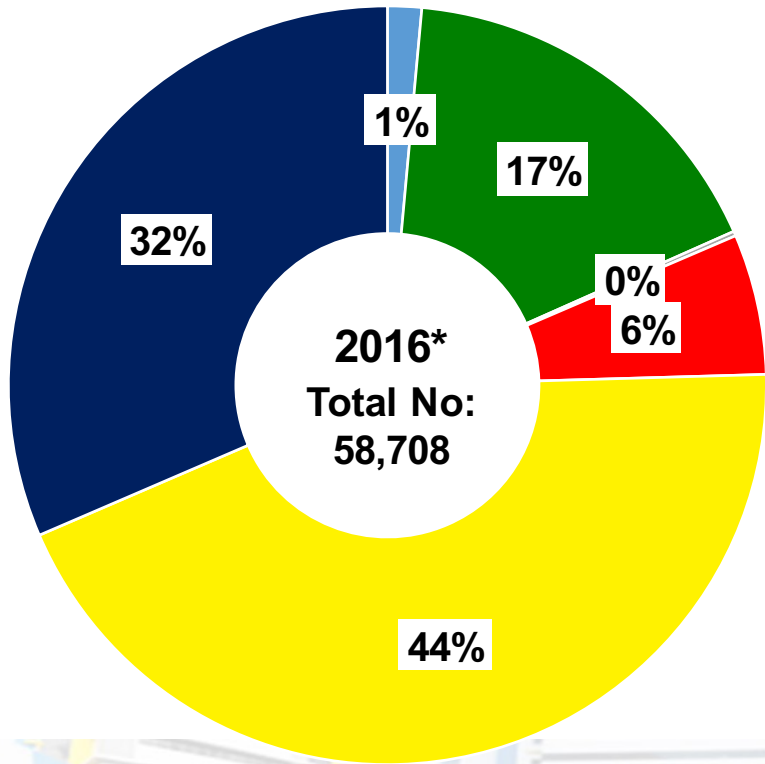
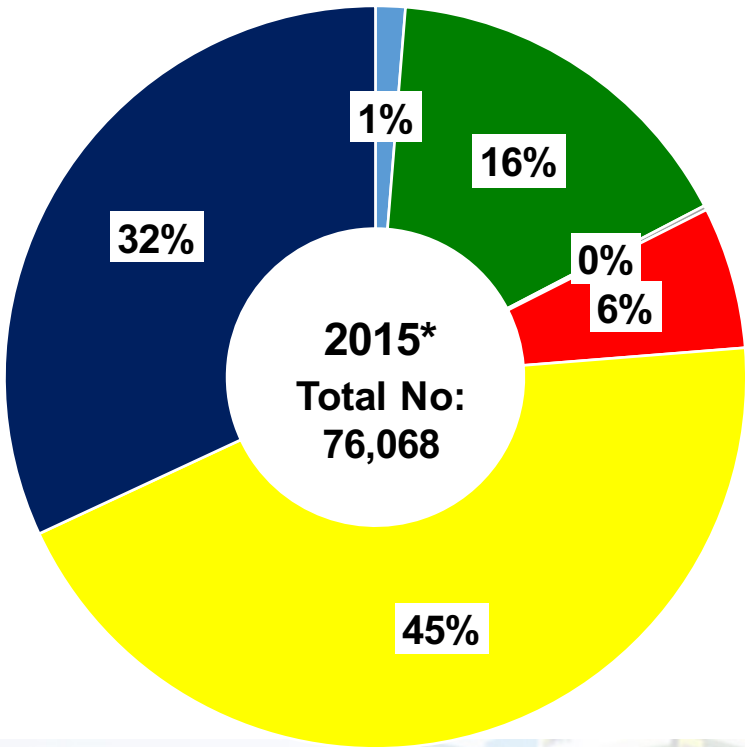


■ STI Owned ■ Franchised

■ STI Owned ■ Franchised

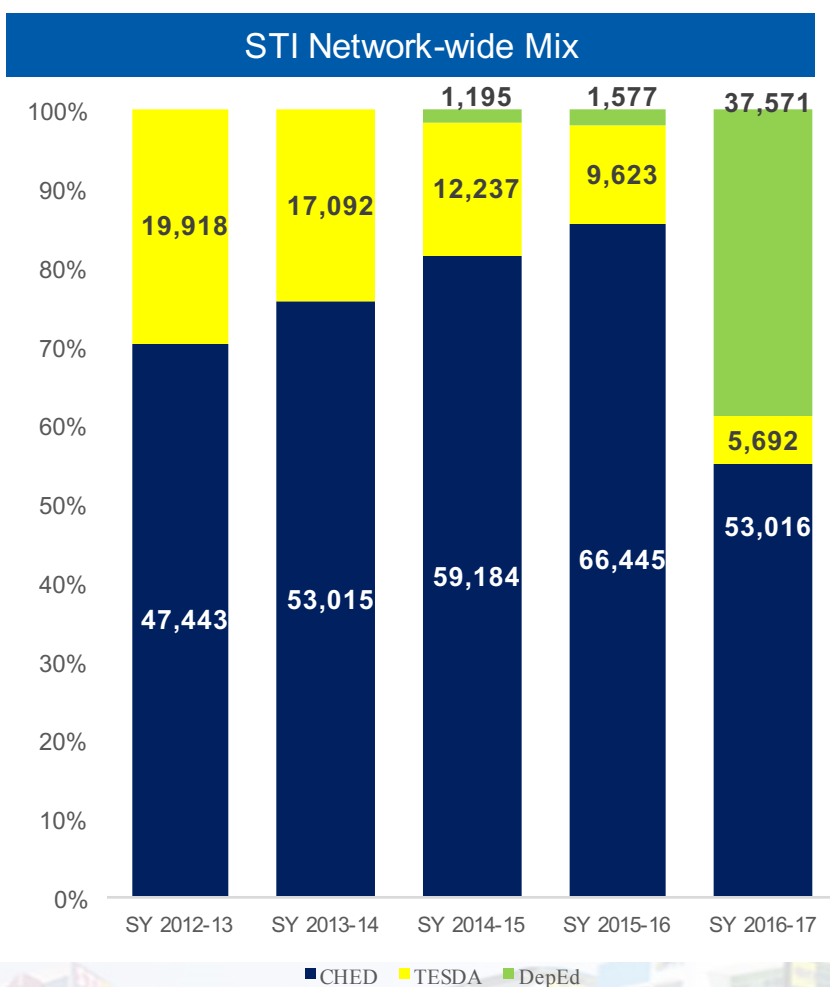
STI ESG Tertiary Enrollment by Program

- Arts and Sciences
- Business and Management
- Healthcare and Education
- Engineering
- Information and Communications Technology
- Tourism and Hospitality Management



*As of June 30

STI ESG CHED/TESDA/DepEd Enrollment Mix



- ✦ STI has focused on encouraging new students to enroll in the 4-year CHED/baccalaureate programs as this provides a better avenue for learning for its students.
- ✦ In SY 2012-2013, 70.4% of the network-wide students of STI were enrolled in CHED programs. In SY 2015-16, this increased to 85.6% network-wide. In SY 2016-17, this decreased to 55.1% while Senior High School comprised 39% of enrollment.
- ✦ CHED/baccalaureate programs generate higher revenues per student and because a good proportion of the students usually stays for 4 years, STI achieves a lower cost of acquisition per student.
- ✦ In SY 2016-17, the start of the full implementation of the K to 12 program, STI ESG recorded 37,571 students enrolled in Senior High School.

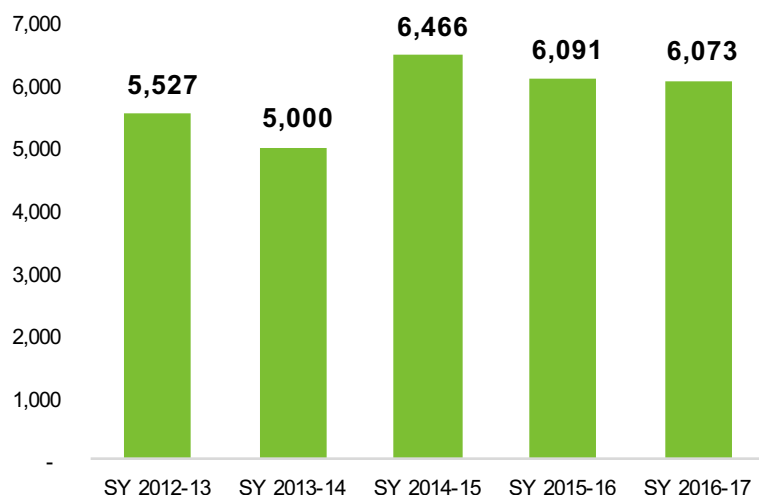


STI West Negros University

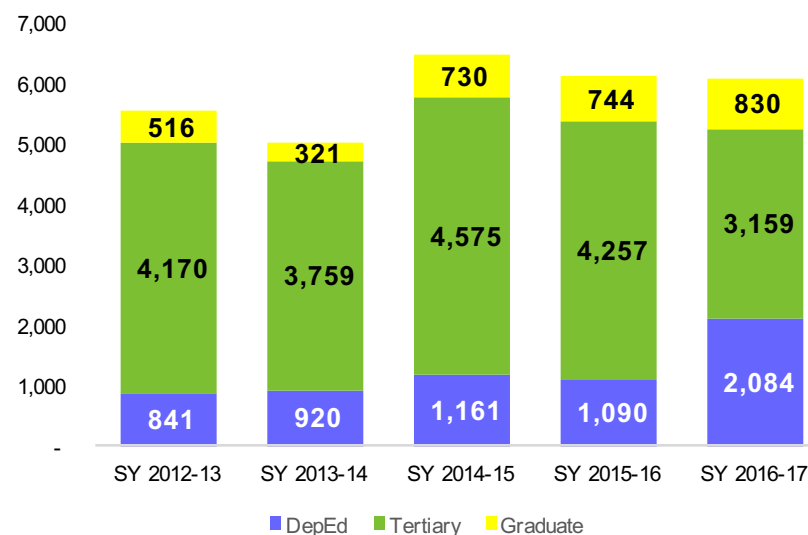


STI WNU Enrollment

Total STI WNU Enrollment



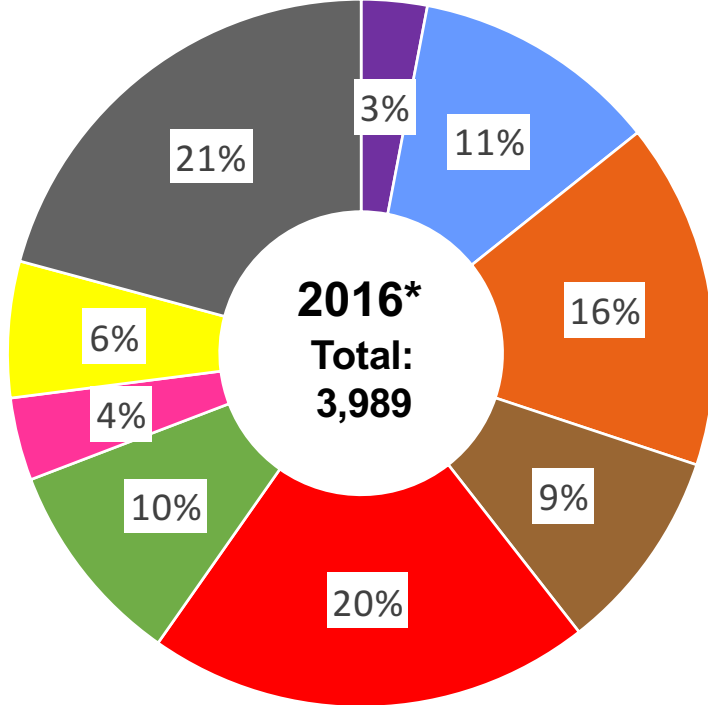
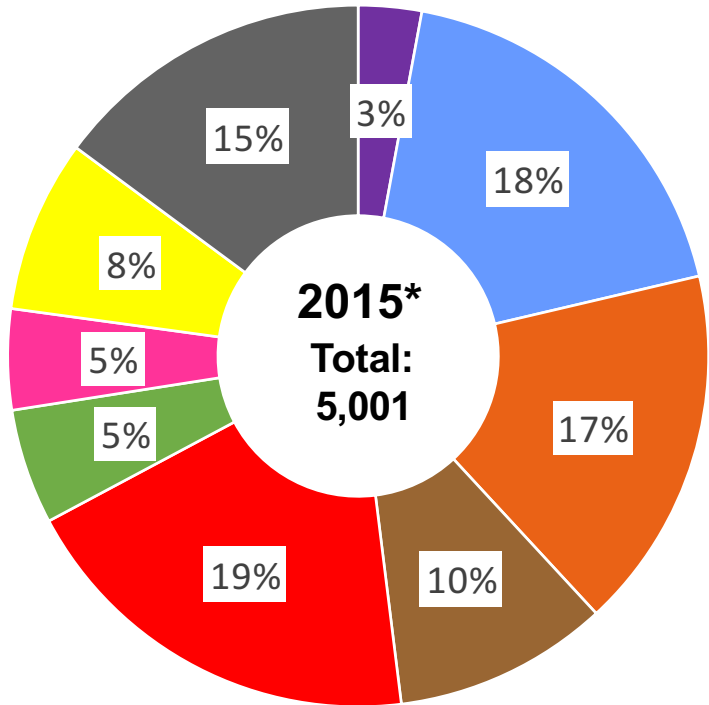
Tertiary vs Basic Education Mix



- ❖ STI West Negros University (STI WNU) is a private university located in Bacolod, Negros Occidental.
- ❖ STI WNU was founded in 1948 and offers basic and tertiary education, including post graduate studies.
- ❖ In October of 2013, STI Holdings acquired 99.5% of WNU and re-branded the university as STI West Negros University in 2014. In March, 2015 STI Holdings increased its investment to 99.86%.
- ❖ In May 2014, STI WNU acquired 2 STI ESG franchised schools in Bacolod with a total of about 1,500 students and merged its operations with the University.

STI WNU Tertiary Enrollment by Program

- Arts and Sciences
- Healthcare and Education
- Information and Communications Technology
- Maritime
- Graduate Studies
- Business and Management
- Engineering
- Tourism and Hospitality Management
- Criminology



*As of June 30



Full Year 2015 - 2016 Financial & Operating Results

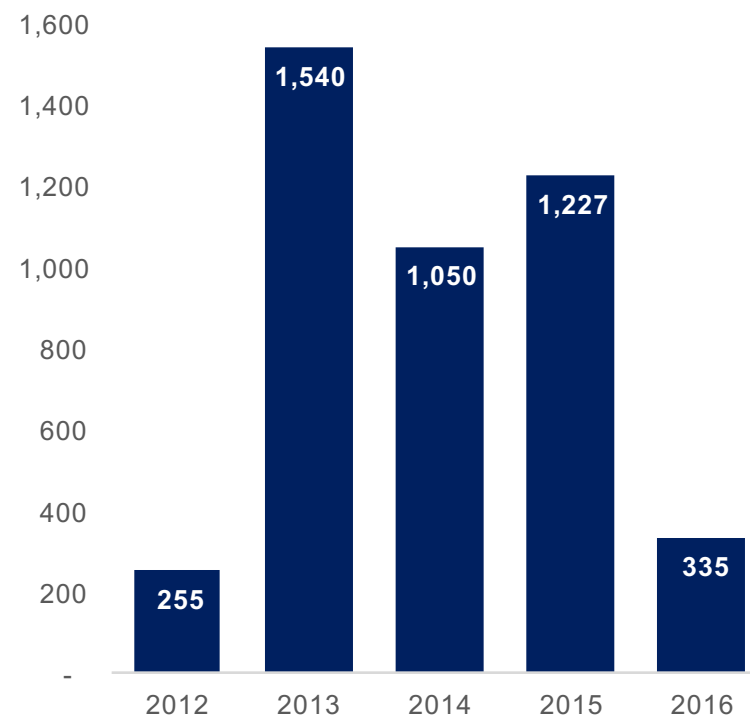
STI Holdings Balance Sheet Overview

Key Balance Sheet Items

	March 31,				
(PHP millions)	2012*	2013*	2014	2015	2016
Cash	556	1,489	583	803	665
PP&E	1,544	2,635	4,421	5,581	5,610
Investments in and Advances to Associates	1,590	2,897	1,532	1,622	1,425
TOTAL ASSETS	4,589	8,503	8,299	10,036	10,500
Total Loans	747	-	288	1,387	1,151
TOTAL LIABILITIES	1,124	368	1,171	2,380	2,270
EQUITY	3,465	8,135	7,128	7,656	8,230

Capital Expenditures - March 31

(PHP millions)



* The March 31, 2012 and 2013 comparative information were restated to reflect the adjustments on the application of the Revised PAS 19 - Employee Benefits

Key Profit & Loss Data

Fiscal Years Ending March 31 (PHP millions)	2012*	2013*	2014	2015	2016
Revenues	1,577	1,670	1,918	2,224	2,577
Direct Costs	522	535	607	715	798
Gross Profit	1,055	1,135	1,311	1,509	1,779
Operating Expenses	688	745	838	992	1,076
Operating Profit	367	390	473	517	703
Net Other Income (Expenses)	(76)	404	182	214	370
Net Income	291	794	655	731	1,073
EBITDA	523	550	690	848	1,127

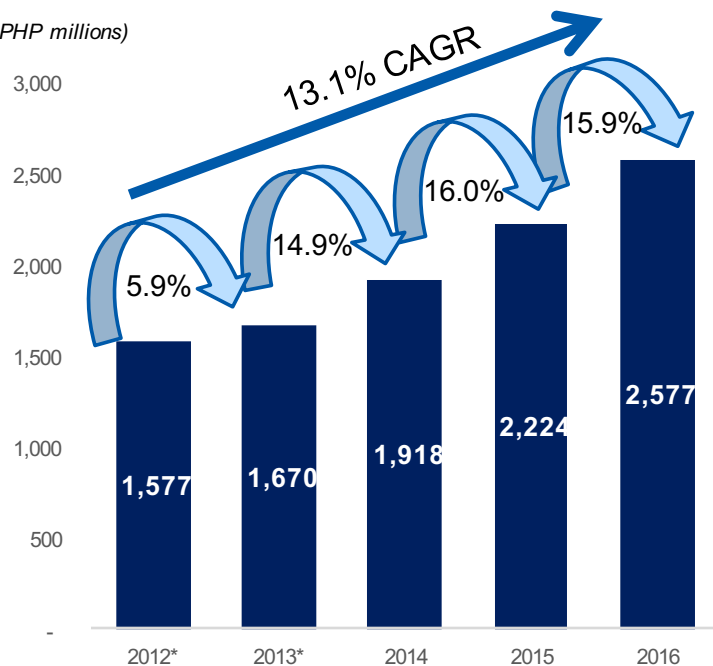
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Strong Growth in Revenues

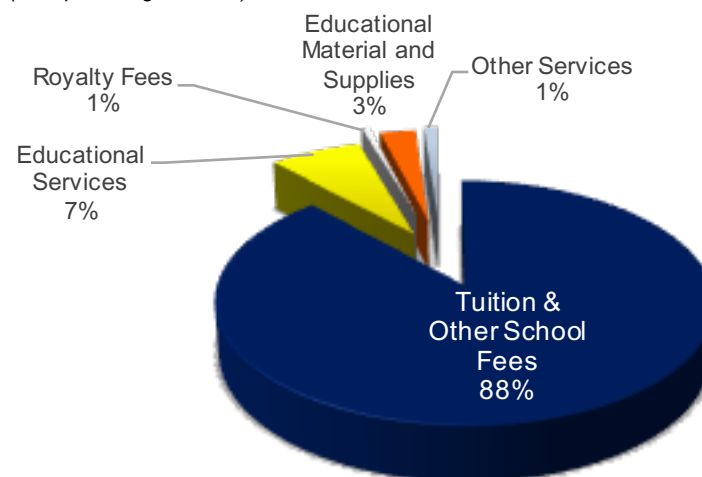
Revenues

(PHP millions)



Breakdown of Core Revenues for SY 2015 - 2016

(as a percentage of total)



Growth Drivers

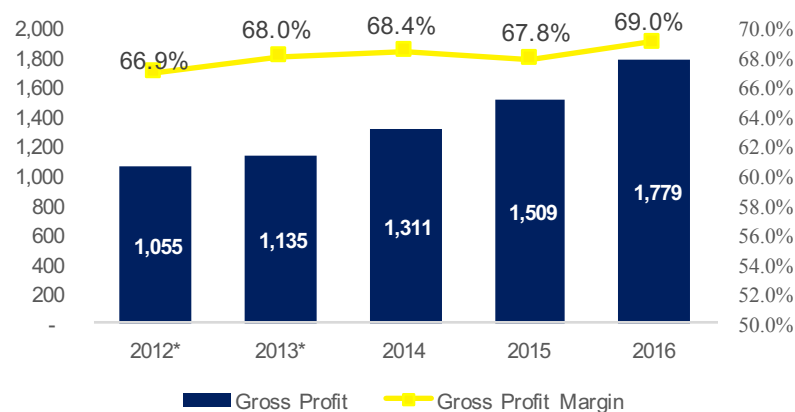
STI continues to achieve strong revenue growth, with a CAGR of 13.1% from 2012-2016, mainly attributable to the following drivers:

- ✦ Increases in the number of enrollees in the STI network-wide schools, specifically from STI owned schools
- ✦ A shift in students' preference from the 2-year vocational programs to the 4-year baccalaureate courses where the average tuition fee per semester is higher
- ✦ A modest increase in tuition fees

Strong Core Profit and Margin Profile

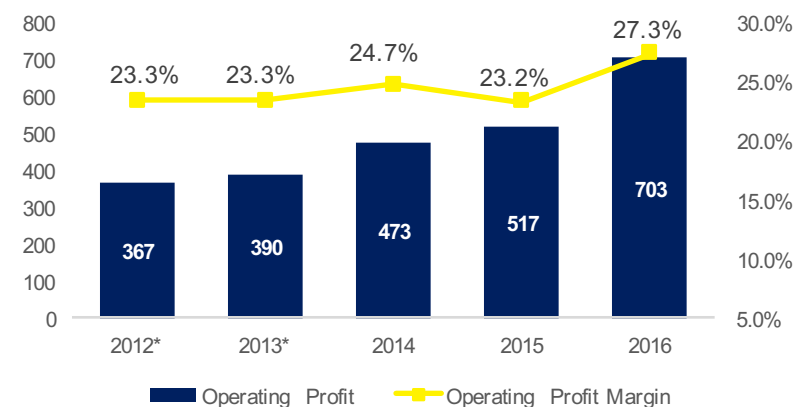
Gross profit

(PHP millions)



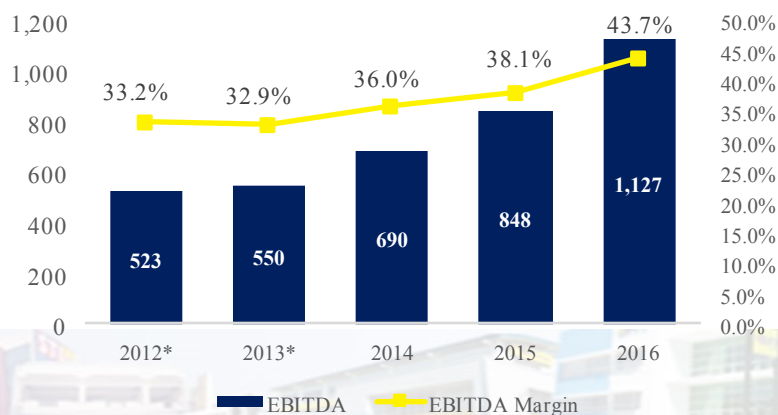
Operating profit

(PHP millions)



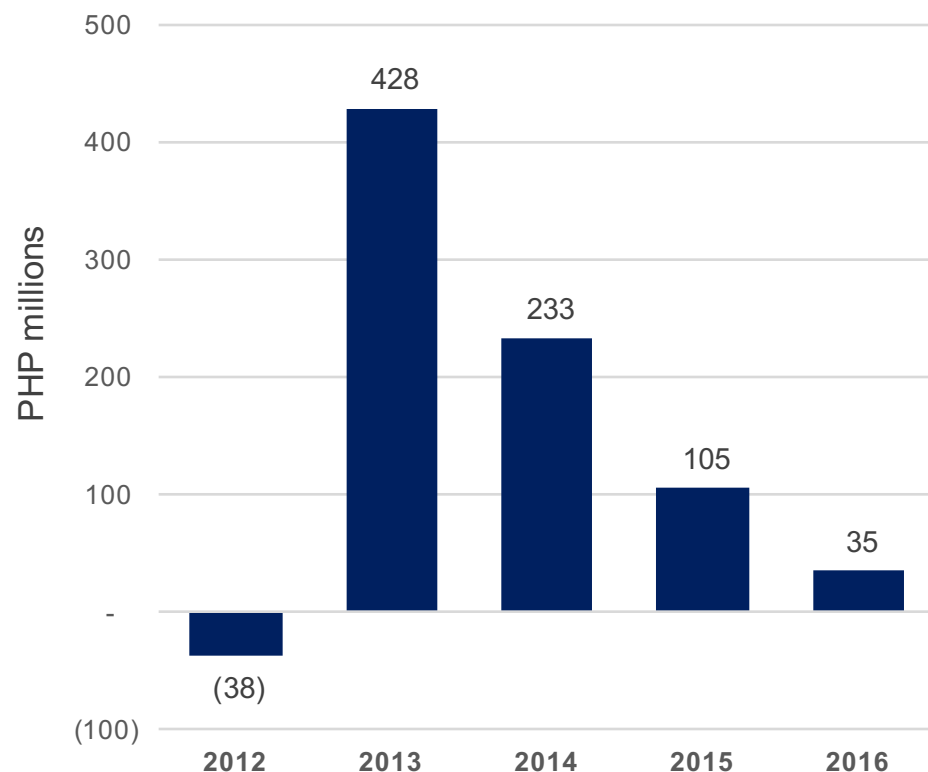
EBITDA

(PHP millions)



- ◇ STI has increased its gross profit from PHP1,055 million in FY 2011-12 to PHP1,779 million in FY 2015-16 or a CAGR of 14%
- ◇ Operating profit has increased from PHP367 million in FY 2011-12 to PHP703 million in FY 2015-16 or a CAGR of 17.6%
- ◇ EBITDA has increased from PHP523 million in FY 2011-12 to PHP1,127 million in FY 2015-16 or a CAGR of 21.1%
- ◇ The increases in gross profit, operating profit and EBITDA margins are primarily attributable to the economies of scale that STI enjoys as revenues increase.

Equity in Net Earnings/(Losses) of Associates



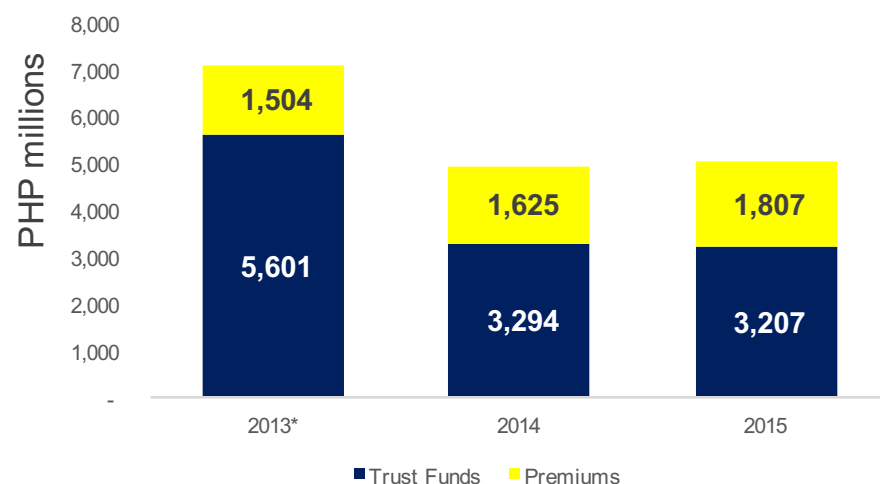
- ✦ When STI Investments acquired PhilPlans in 2009, they recognized an accounting gain for the excess of the fair value of PhilPlans' net assets over the acquisition cost.
- ✦ As PhilPlans began to dispose of those assets in 2010 and 2011, STI Investments began to reverse a portion of the realized gain on sale of AFS investments of PhilPlans as the cost basis for these AFS investments at STI Investments' consolidated level was higher when these were acquired by STI Investments.
- ✦ The reversal was higher in 2010 than in 2011 as most of the assets were disposed in 2010; as of March 31, 2012 these AFS investments with different carrying values have been completely sold by PhilPlans.
- ✦ The appreciation in the market value of the investment portfolio of Maestro Holdings was realized in 2013 when it became apparent that a downtrend in the market values of bonds were imminent.
- ✦ The sale of bonds continued in 2014 thus the further realization of the market values.
- ✦ In 2015, the prices of bonds became stable.



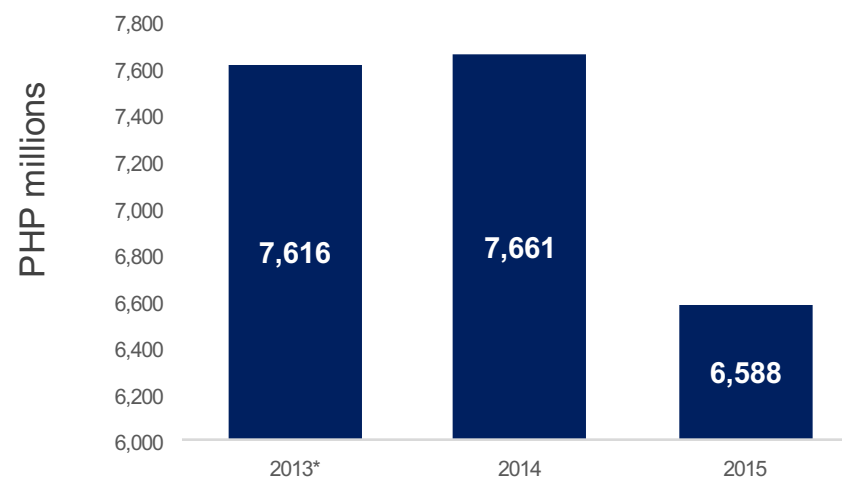
Maestro Holdings – Financial Highlights

Maestro Holdings Revenue

(For the years ending December 31)



Maestro Holdings Book Value



* As restated in the Audited Consolidated Financial Statements (December 31, 2014 and 2013)

- ✦ The increase in the prices of bonds and equities comprising the investment portfolio was realized in 2013 as evidenced by the increase in revenues from the Trust Funds.
- ✦ With the realization of the income through the sale of these bonds and equities, and the subsequent drop in the prices of bonds, the book value of Maestro Holdings remained flat for the years ending 2013 and 2014.
- ✦ The revenues from premiums continued to climb with the increase in the amounts of plans sold by the subsidiaries of Maestro Holdings.





2nd Quarter 2016-2017 Financial & Operating Results

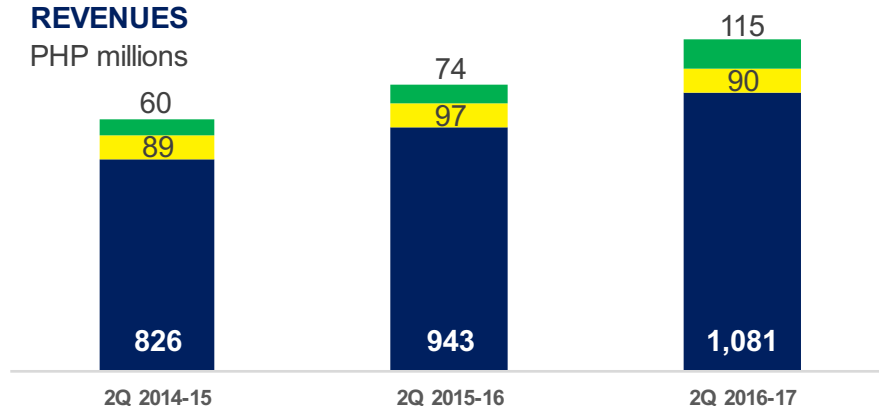
2Q 2016 Financial Highlights

PHP millions (Except gross profit, operating and EBITDA margins)	2Q 2015-2016	2Q 2016-2017	Y-O-Y Change (%)	
	Unaudited			
Revenues				
Tuition & Other School Fees	943.5	1,081.3	15	↑
Educational Services	88.6	82.3	(7)	↓
Royalty Fees	8.0	7.5	(6)	↓
Others	15.4	15.3	(1)	↓
Sale of educational materials & supplies	58.3	99.3	70	↑
Total Revenues	1,113.8	1,285.7	15	↑
Gross Profit				
Gross Profit	742.20	859.4	16	↑
<i>Gross Profit Margin</i>	67%	67%		
Operating Profit				
Operating Profit	213.6	340.1	59	↑
<i>Operating Margin</i>	19%	26%		
EBITDA				
EBITDA	413.1	575.7	39	↑
<i>EBITDA Margin</i>	37%	45%		
Net Income				
Net Income	338.7	542.9	60	↑

Revenues, Gross Profit & EBITDA

SIX MONTHS' REVENUES

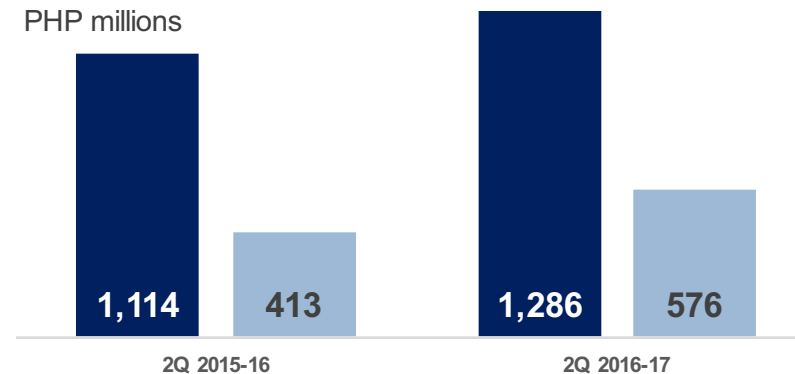
PHP millions



■ Tuition and Other School Fees ■ Educational Services & Royalties ■ Educational Materials & Others

2Q REVENUES & EBITDA

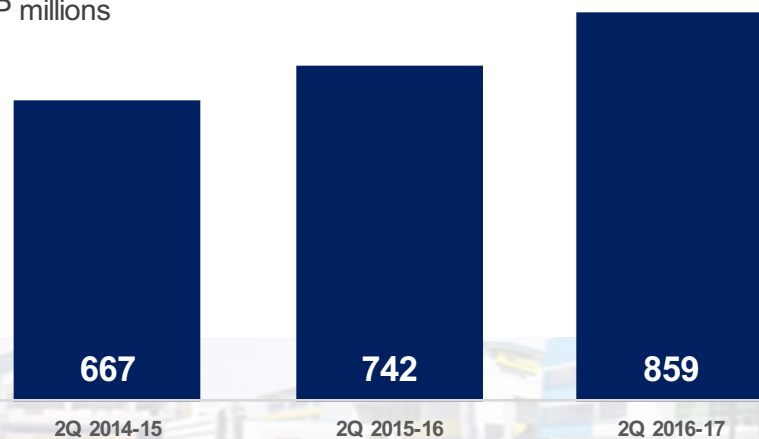
PHP millions



■ Total Revenues ■ EBITDA

SIX MONTHS' GROSS PROFIT

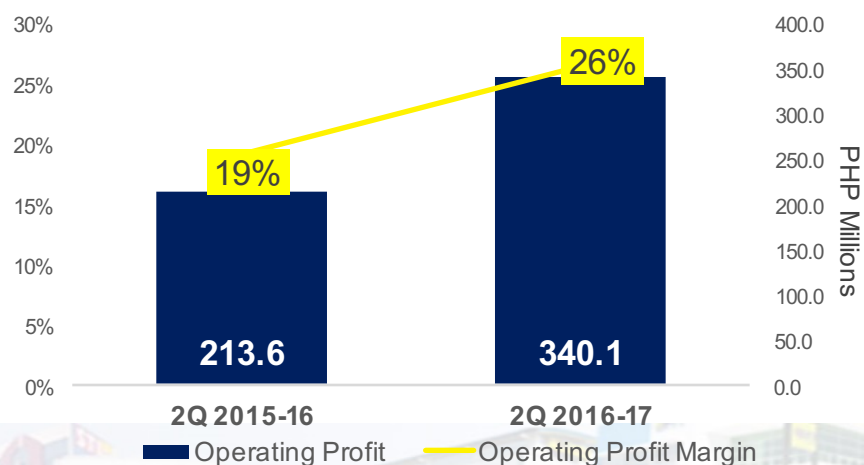
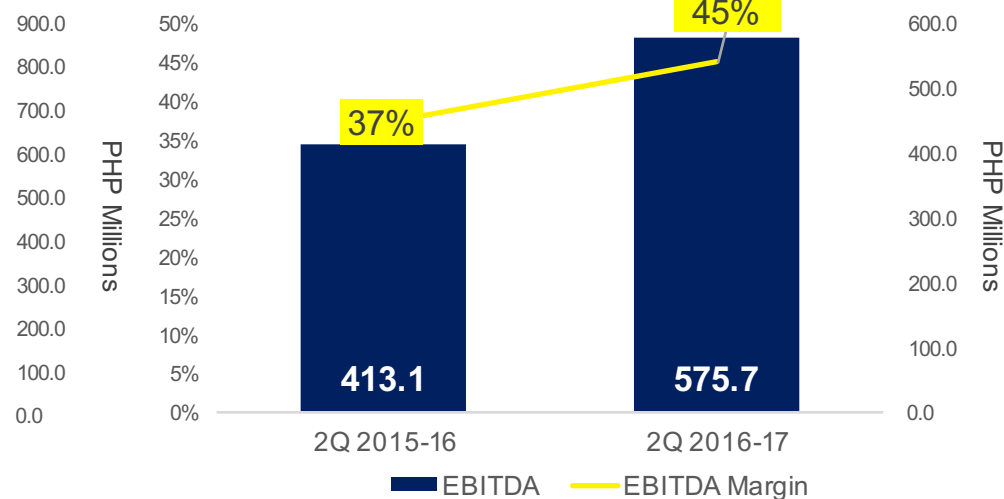
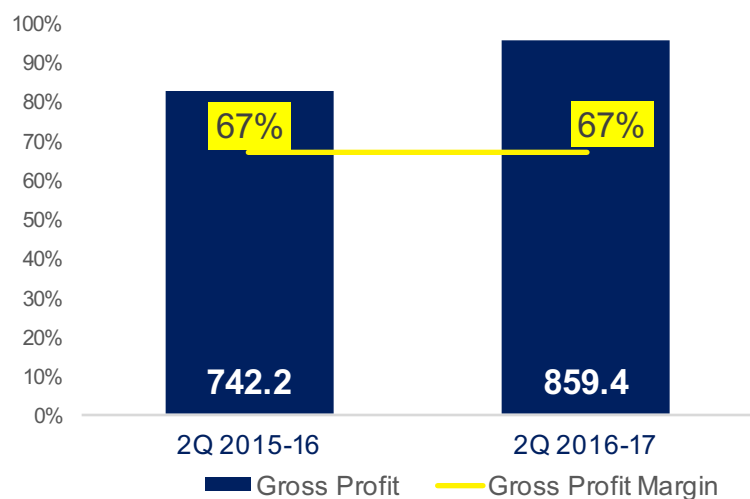
PHP millions



STI achieves strong revenue, gross profit and EBITDA growth.

- ✦ Combined revenues increased by 15% year-on-year for the first six months of FY2016-17 as compared to the same period last year.
- ✦ EBITDA increased by 39% year-on-year from PHP413 million in the first six months of FY2015-16 to PHP576 million in the same period in FY2016-17.
- ✦ Gross profit increased by 16% from PHP742 million in the first six months of FY2015-16 to PHP859 million in the first six months of FY2016-17.
- ✦ Net income increased from PHP339 million in the first six months of FY2015-16 to PHP543 million in the first six months of FY2016-17 or 60% year-on-year.

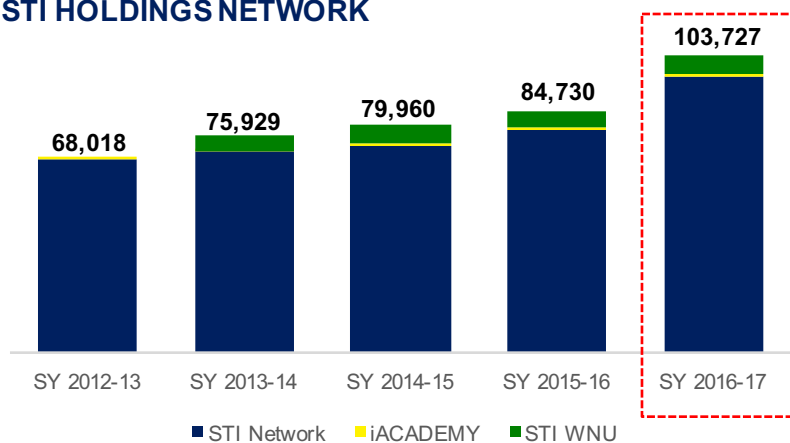
Strong Core Profit and Margin Profile



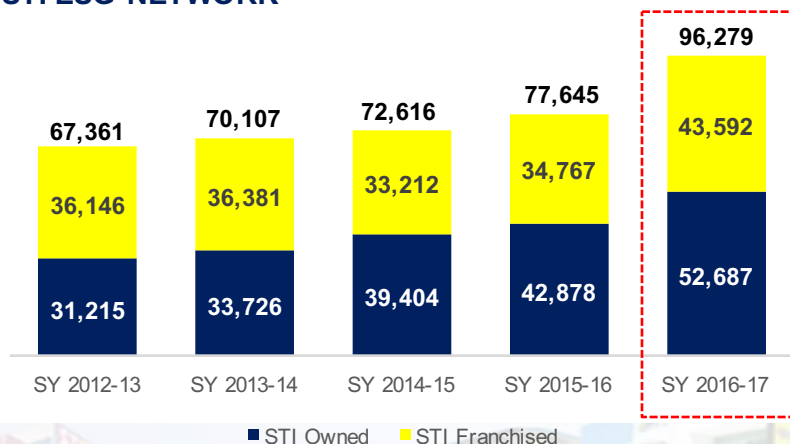
- ✦ Gross Margin remained at 67% during the first six months of FY2016-17 as with the first six months of FY 2015-16.
- ✦ Operating Margin increased from 19% during the first six months of FY2015-16 to 26% during the same period in FY2016-17.
- ✦ EBITDA Margin, on the other hand, increased from 37% during the first six months of FY2015-16 to 45% during the same period in FY2016-17. EBITDA margin improved in FY2016-17 as compared to the same period in FY2015-16 due to the recognition of depreciation and amortization expenses on completed capital expansion projects and the increase in revenues from tuition and other school fees and sales of educational materials.

Student Enrollment

STI HOLDINGS NETWORK



STI ESG NETWORK

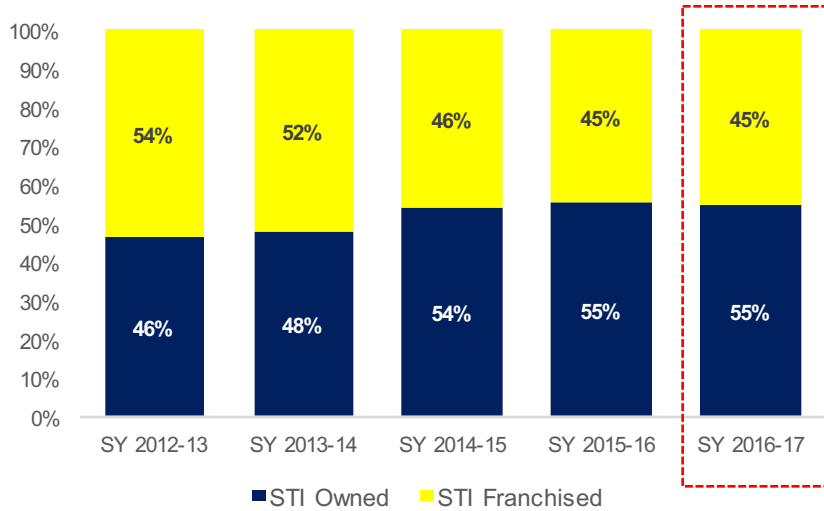


Enrollment	School Year				
	SY2012-13	SY2013-14	SY2014-15	SY2015-16	SY2016-17
STI Branded					
STI Owned	31,215	33,726	39,404	42,878	52,687
STI Franchised	36,146	36,381	33,212	34,767	43,592
STI Network	67,361	70,107	72,616	77,645	96,279
STI WNU	-	5,000	6,466	6,091	6,073
Total STI Branded	67,361	75,107	79,082	83,736	102,352
Non-STI Branded					
iACADEMY	657	822	878	994	1,375
Non-STI Branded	657	822	878	994	1,375
STI Holdings Network	68,018	75,929	79,960	84,730	103,727
Growth		11.6%	5.3%	6.0%	22.4%

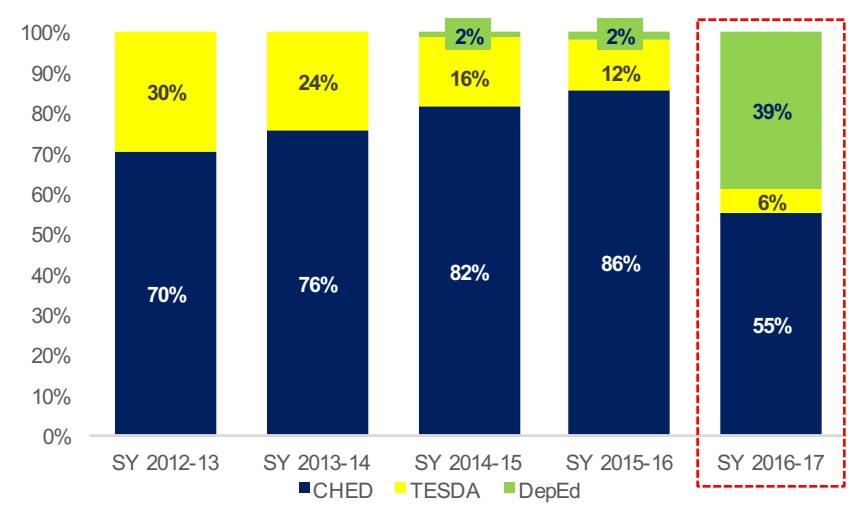
- ❖ Total enrollment at the STI Holdings network of schools as of the first quarter of SY 2016-17 was at 103,727, a combined growth rate of 22% year-on-year.
- ❖ Enrollees at STI-owned schools increased by 23% year-on-year from 42,878 students in the first quarter of SY 2015-16 to 52,687 in the first quarter of SY 2016-17 driven by the enrollment of Grade 11 students in the first year of the full implementation of the K to 12 program this year.
- ❖ STI WNU integrated in May 2014 the two schools it acquired from an STI ESG franchisee.

STI ESG Network Enrollment Profile

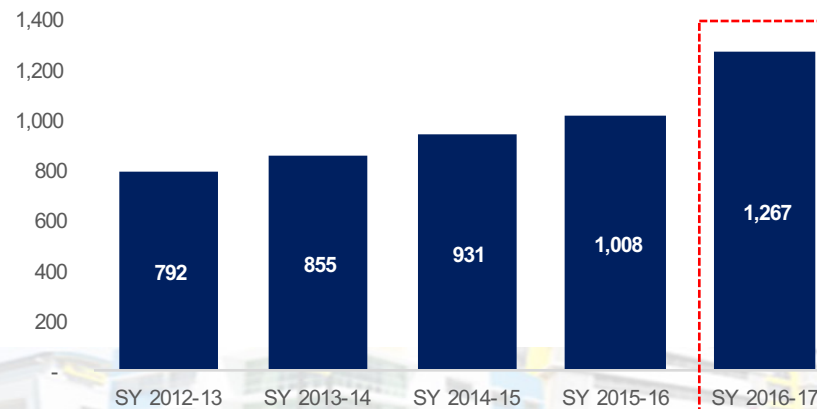
STI ESG NETWORK ENROLLMENT MIX



STI ESG NETWORK CHED/TESDA/DepEd ENROLLMENT MIX



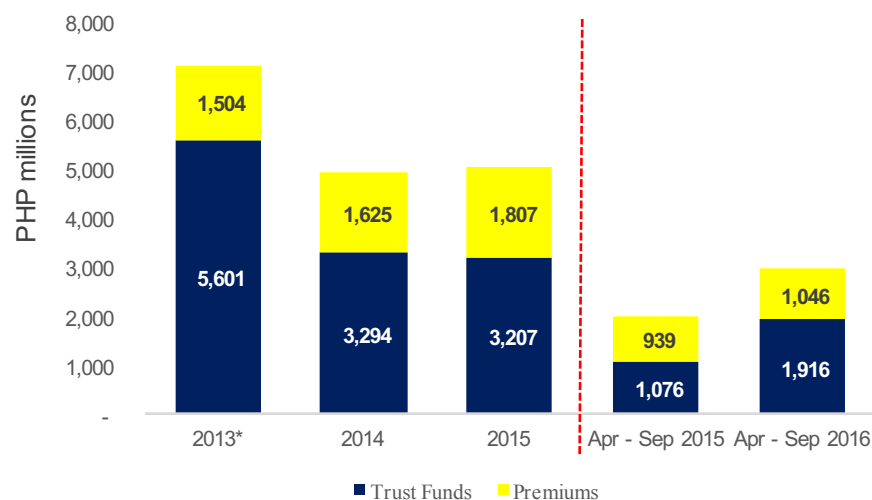
STI ESG NETWORK AVE. NO. OF STUDENTS PER CAMPUS



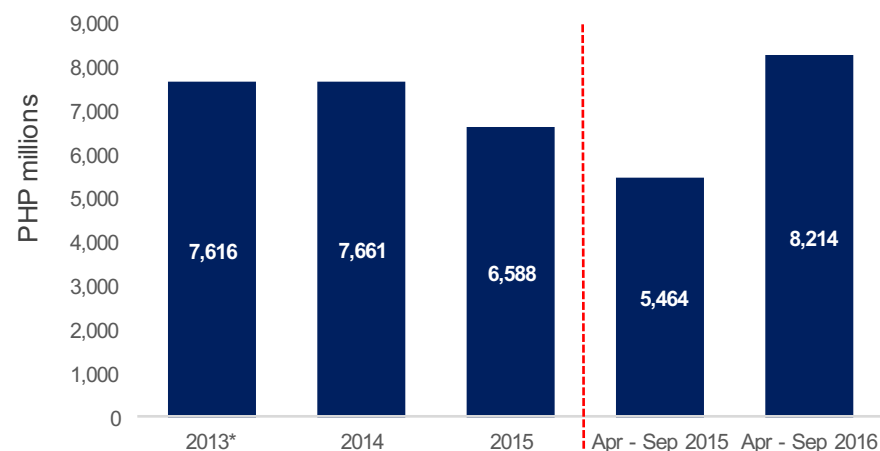
Maestro Holdings – Financial Highlights

Maestro Holdings Revenue

(For the years ending December 31)



Maestro Holdings Book Value



* As restated in the Audited Consolidated Financial Statements (December 31, 2014 and 2013)

- ❖ The increase in the prices of bonds and equities comprising the investment portfolio was realized in 2013 as evidenced by the increase in revenues from the Trust Funds.
- ❖ With the realization of the income through the sale of these bonds and equities, and the subsequent drop in the prices of bonds, the book value of Maestro Holdings remained flat for the years ending 2013 and 2014. The prices of bonds were stable during the first half of 2015, however, market prices of equity securities declined significantly in 2015.
- ❖ The revenues from premiums continued to climb with the increase in the amounts of plans sold by the subsidiaries of Maestro Holdings.

