



STI EDUCATION SYSTEMS
HOLDINGS

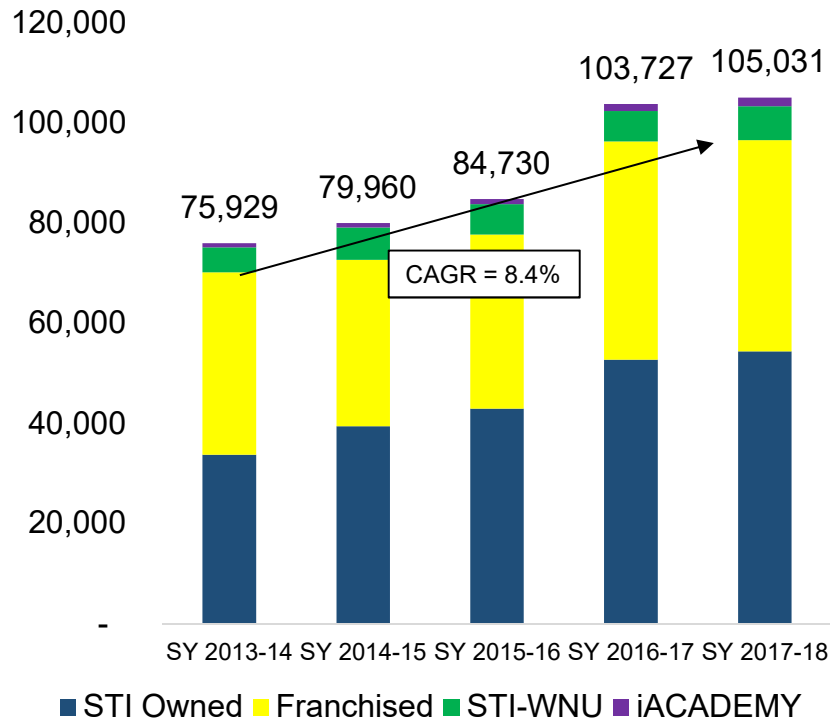
STI Education Systems Holdings, Inc.

Investors' Briefing
on First Quarter Results ending 30 June 2017

24 August 2017

STI Holdings Network of Schools

STI Holdings Combined Student enrollment



38 OWNED SCHOOLS
38 FRANCHISED SCHOOLS



Who we are

- STI Holdings owns, maintains, and operates the Philippines' largest, private, for-profit network of educational institutions with more than 105,000 students enrolled in 64 STI-branded colleges and 12 education centers, one university (STI West Negros University) and one non-STI branded college (iACADEMY).
- STI ESG offers associate and baccalaureate programs in Information and Communications Technology, Tourism and Hospitality, Education, Business Administration, and Communications. STI WNU, on its part, offers basic education and tertiary courses in Engineering, Education, Criminology, Business Administration, Hospitality and Tourism Management, Computer Science and Information Technology, and Maritime Training Courses which are required by the Maritime Industry Authority for officers and crew on board Philippine- and/or foreign-registered ships operating in Philippine and/or international waters. It also offers post graduate courses such as Master's degrees in Business Administration, Public Administration, Nursing, and Education, and Doctorate degrees in Public Administration and Educational Management. iACADEMY offers degree programs in Multimedia Arts and Design, Animation, Fashion Design and Technology, Software Engineering and Game Programming and Design.
- STI ESG also has a 20% interest in Maestro Holdings which provides educational saving plans, among others.

1 university



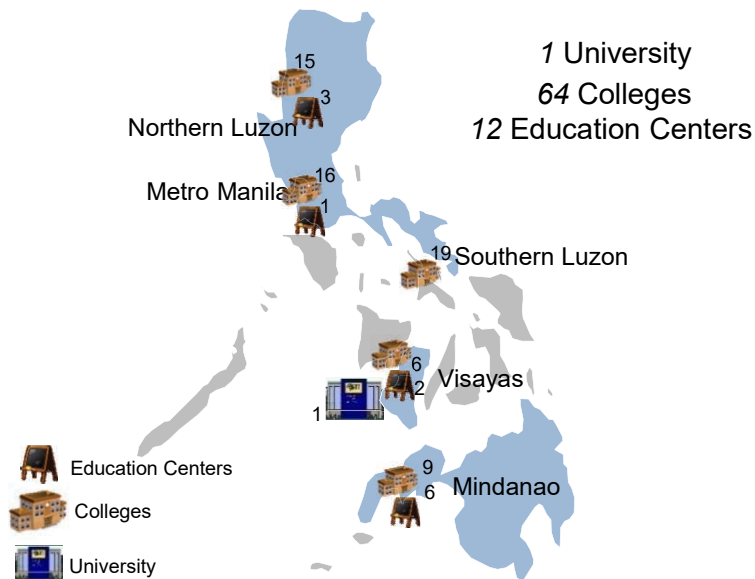
1 non-STI branded college



105,031 total students

Nationwide presence with wide range of program offerings

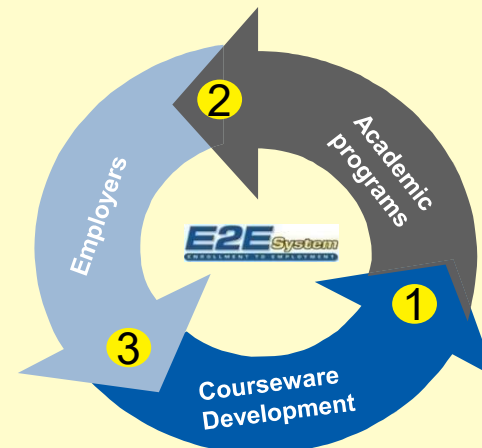
- Reaches a larger student base and students not otherwise serviced by other institutions
- Encompasses a mixed mode of both wholly-owned and franchised schools based on geographic demand



STI Branded	University	Colleges	ECs	Total
Owned	1	33	5	39
Franchised		31	7	38
Total	1	64	12	77

Non-STI Branded				
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



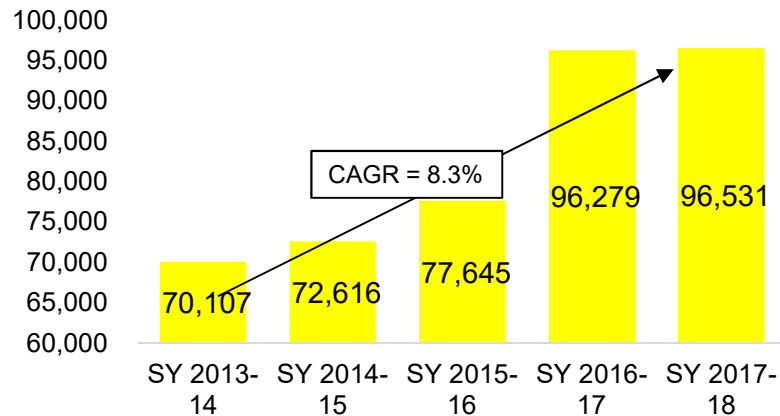
1st Quarter ending 30 June 2017 Operational Results



STI Education Services Group, Inc.

STI ESG Enrollment Data

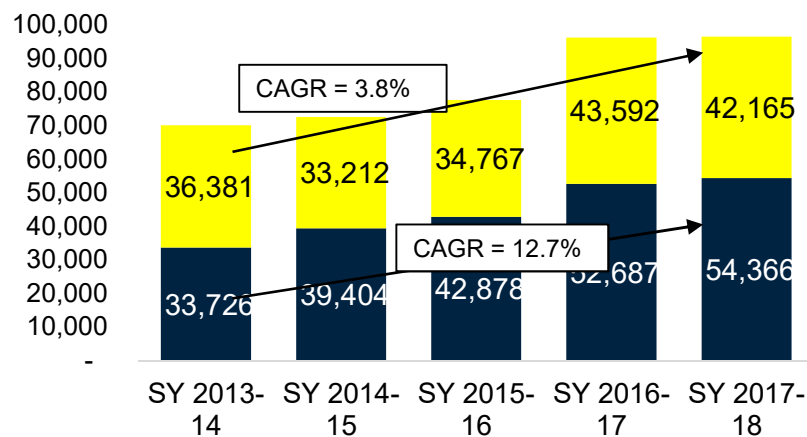
STI ESG Network-wide Enrollment



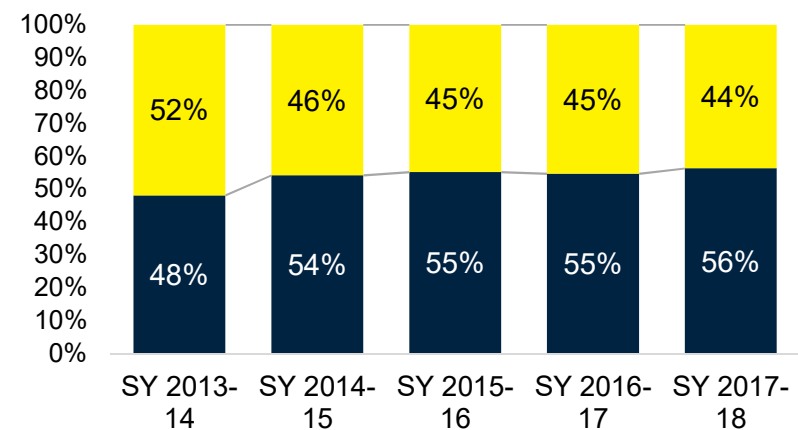
STI ESG Enrollment

- ✧ Network-wide, STI ESG has seen a steady growth in the number of ongoing students enrolled from 70,107 in SY 2013-2014 to 96,531 in SY 2017-2018.
- ✧ The growth is still driven primarily by the continuous expansion of STI-owned schools as the number of its enrollees grew from 33,726 in SY 2013-2014 to 54,366 in SY 2017-2018, increasing its share in the total enrollees network-wide from 48% to 56%.

STI ESG Owned vs. Franchised Enrollees



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

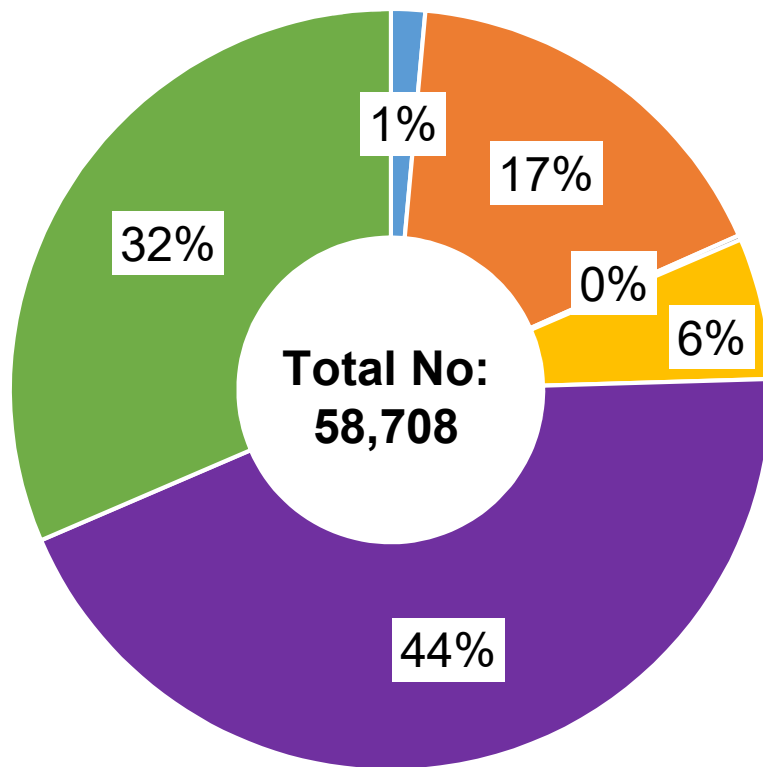


■ STI Owned ■ Franchised

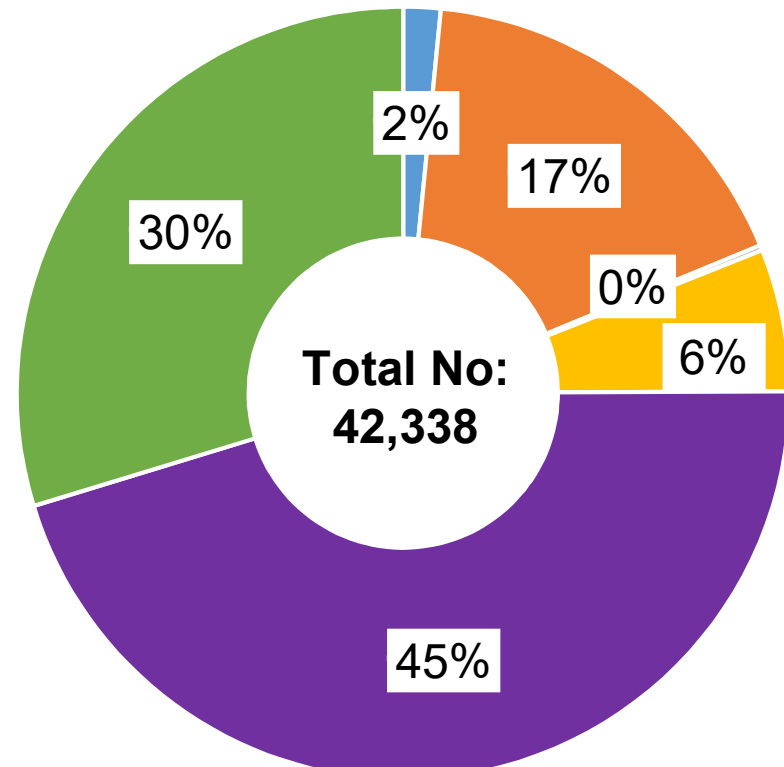
■ STI Owned ■ Franchised

STI ESG Tertiary Enrollment by Program

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



SY 2016-2017

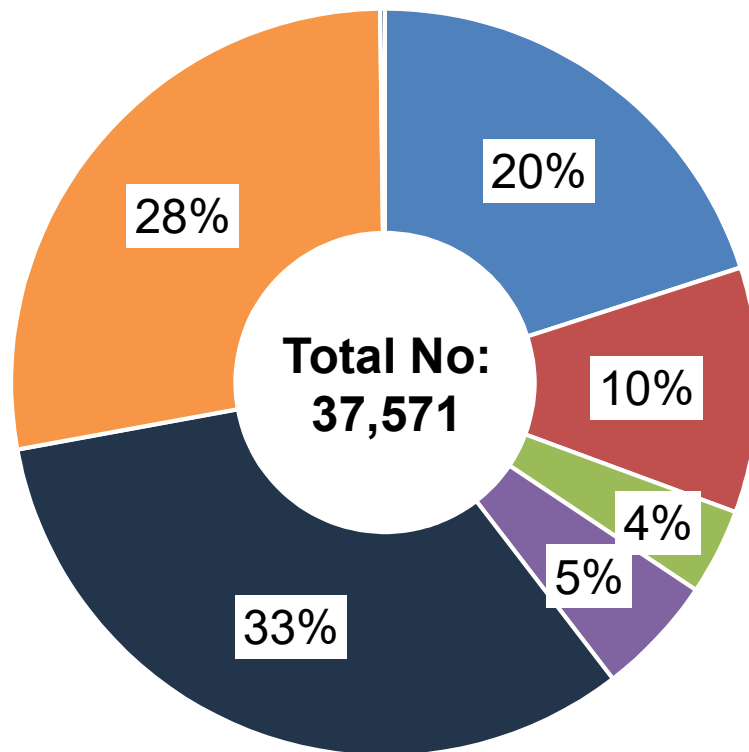


SY 2017-2018

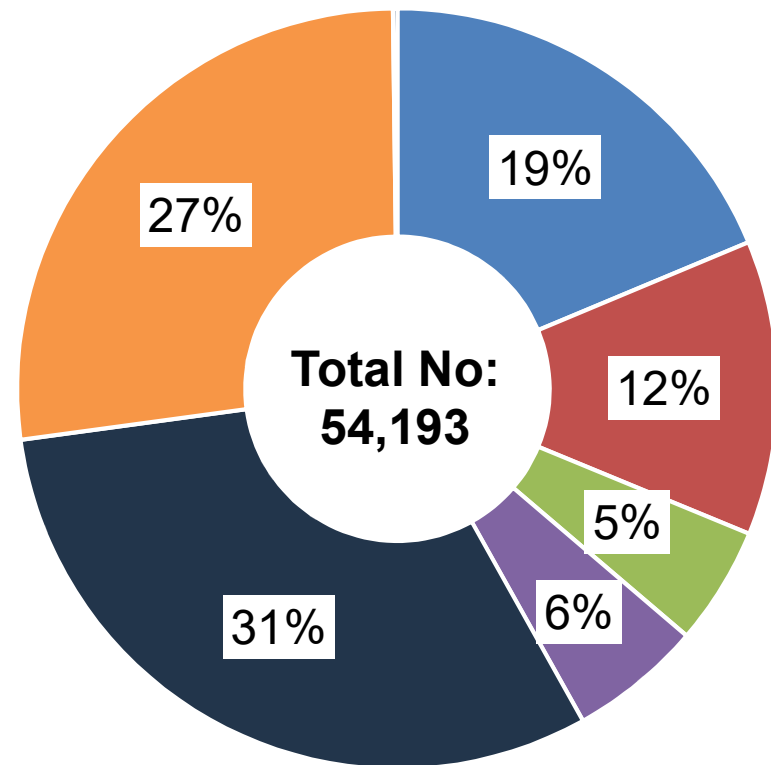


STI ESG Senior High School Enrollment by Strand

- Accountancy, Business and Management
- Science, Technology, Engineering, and Mathematics
- Information and Communications Technology
- Humanities and Social Sciences
- General Academic
- Home Economics

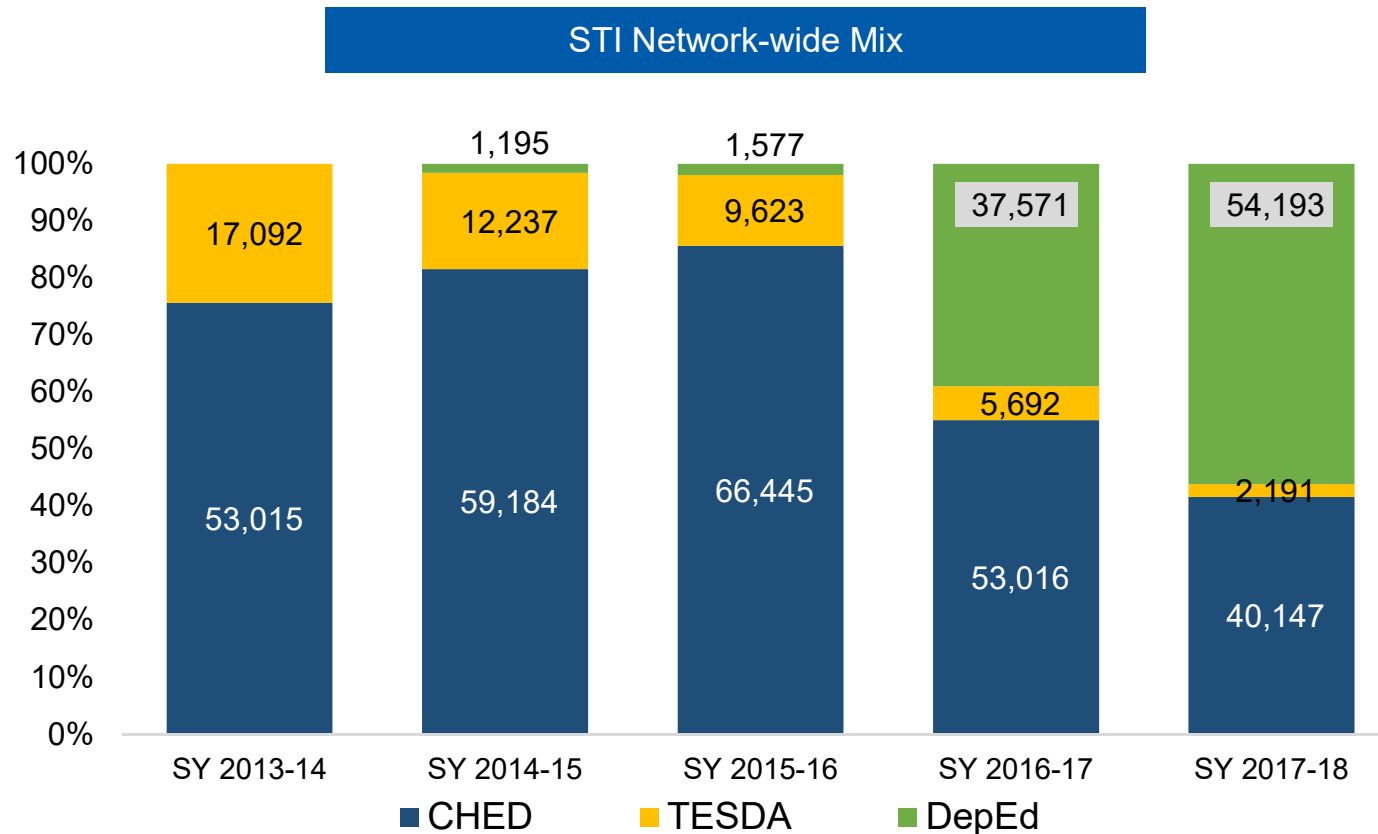


SY 2016-2017



SY 2017-2018

STI ESG CHED/TESDA/DepEd Enrollment Mix



✧ In SY 2013-2014, 75.6% of STI students were enrolled network-wide in CHED programs. In SY 2015-2016, this increased to 85.6%.

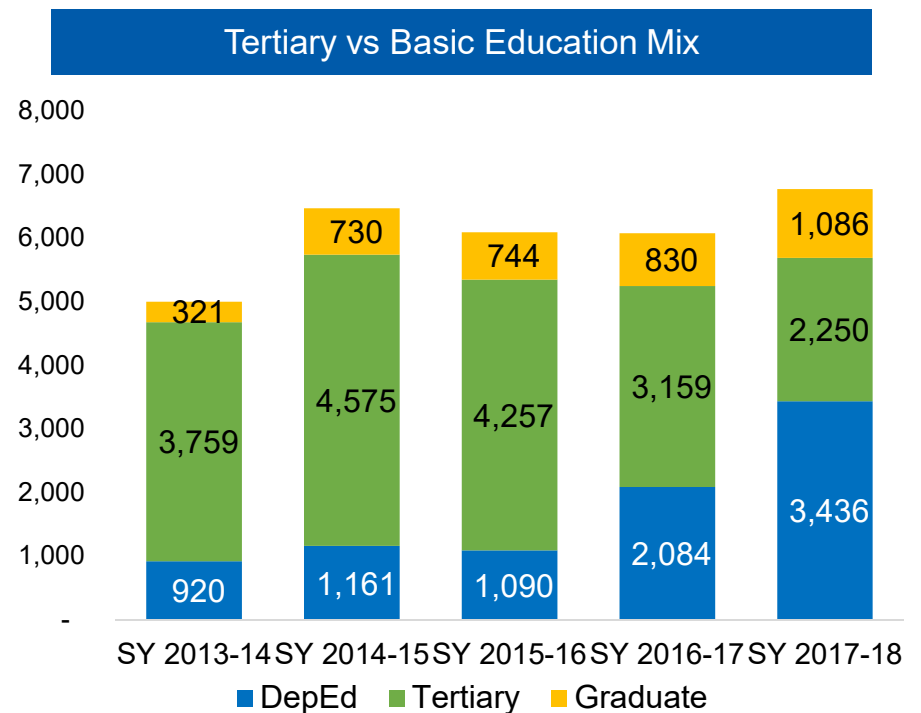
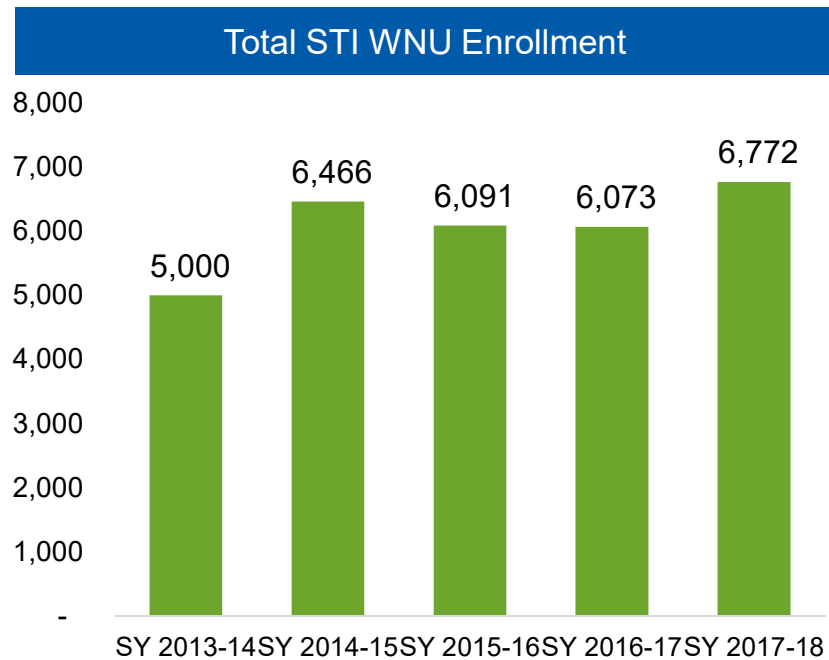
✧ With the full implementation of Senior High School in SY 2016-2017, CHED-enrolled students were at 55.1% vs SHS-enrolled students at 39.0%. The number of SHS-enrolled students increased further in SY 2017-2018 to 56.1% while the CHED-enrolled students were at 41.6%.



STI West Negros University



STI WNU Enrollment

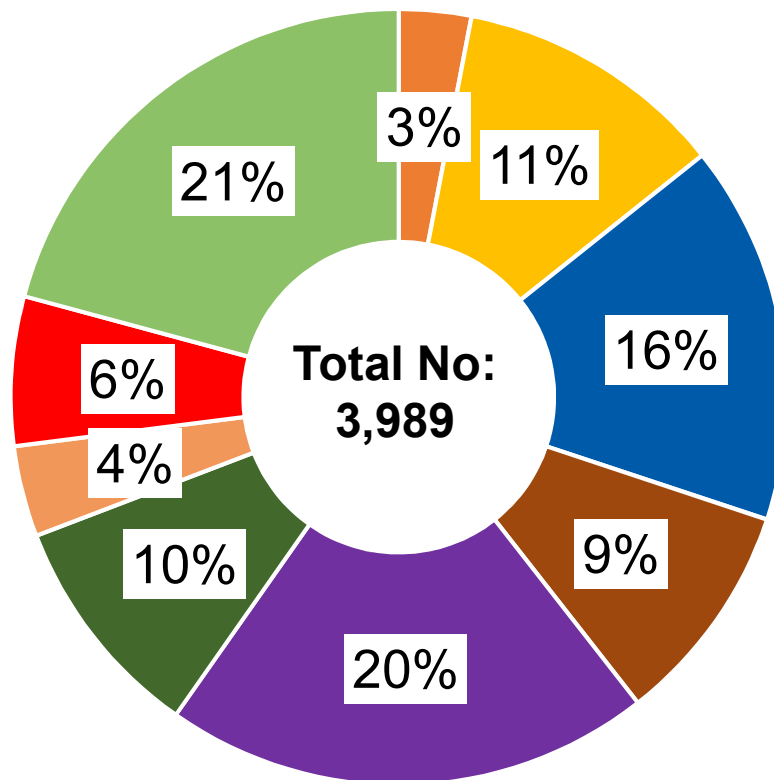


- ✦ STI West Negros University (STI WNU) is a private university located in Bacolod, Negros Occidental.
- ✦ STI WNU was founded in 1948 and offers basic and tertiary education, including post graduate studies.
- ✦ In October of 2013, STI Holdings acquired 99.5% of WNU and re-branded the university as STI West Negros University in 2014. In March, 2015 STI Holdings increased its investment to 99.86%.
- ✦ The DepEd enrollees include SHS students of 201 in SY 2015-16; 1,205 in SY 2016-17; and 2,496 in SY 2017-18.

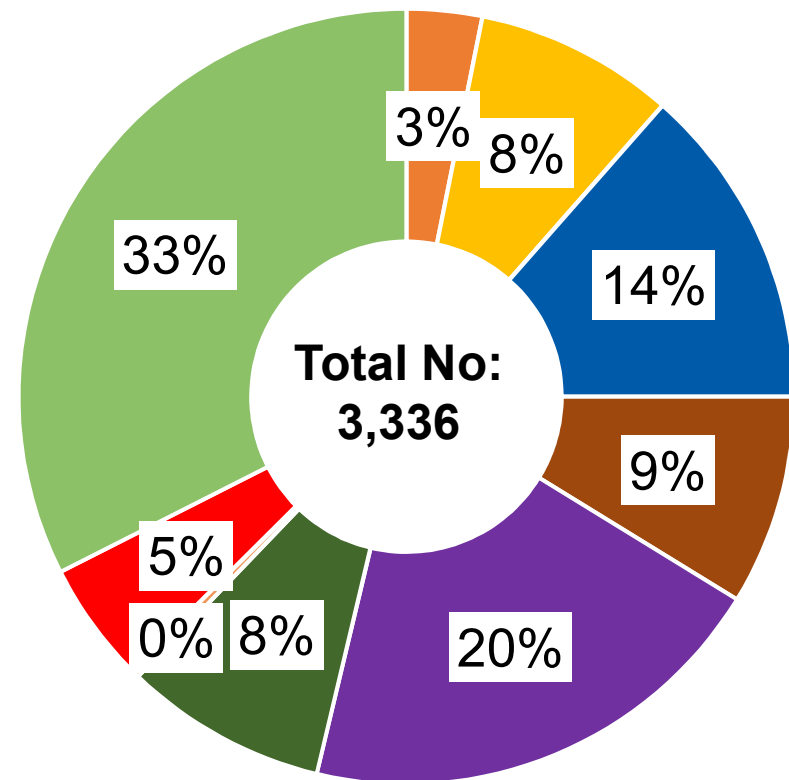


STI WNU Tertiary Enrollment by Program

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



SY 2016-2017



SY 2017-2018



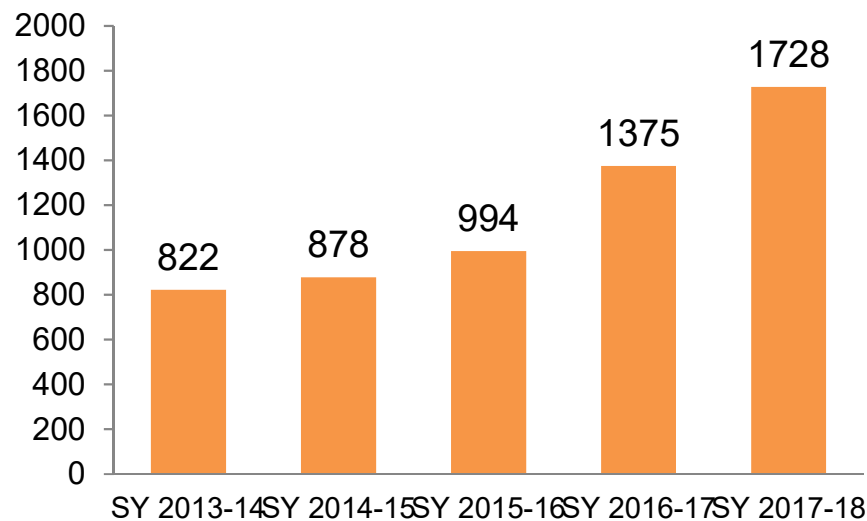
iACADEMY

SCHOOL OF COMPUTING • SCHOOL OF BUSINESS • SCHOOL OF DESIGN

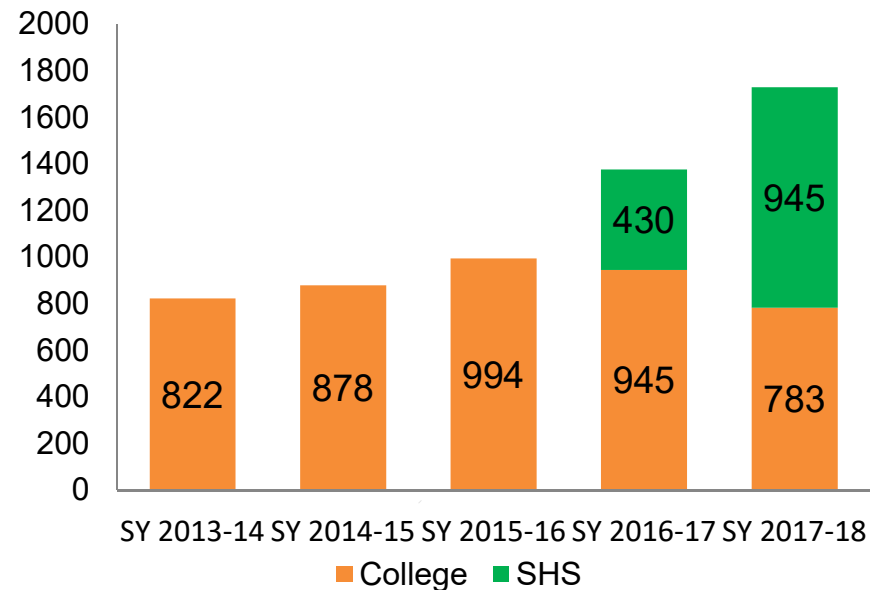
Information and Communications Technology Academy (iACADEMY), Inc.

iACADEMY Enrollment

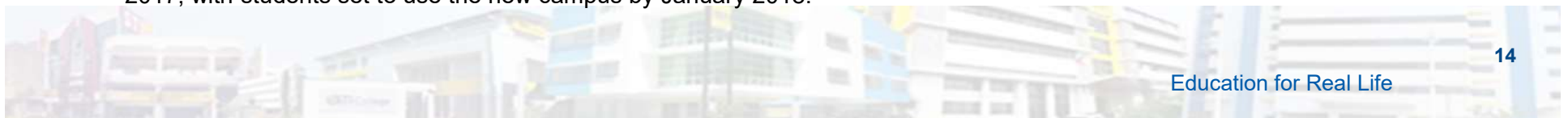
Total Enrollment



College vs SHS Mix

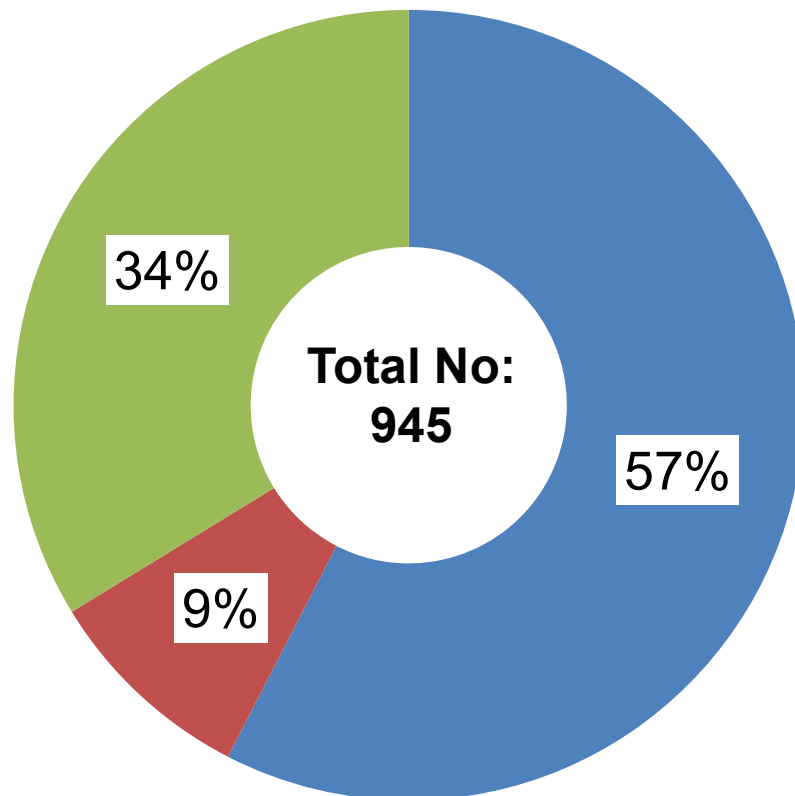


- ✧ iACADEMY started in 2002 as a wholly-owned subsidiary of STI ESG until its spin-off in September 2016 when it became a 100% owned subsidiary of STI Holdings.
- ✧ iACADEMY specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering and game programming and design. The school is located at iACADEMY Plaza in Makati with top-of-the-line multimedia arts laboratories and computer suites.
- ✧ iACADEMY is constructing a building on the land owned by Neschester Corporation, a sister company, at Yakal Street, Makati City for a new facility which will house its Senior High School students. Completion of school facilities is slated for December 2017, with students set to use the new campus by January 2018.

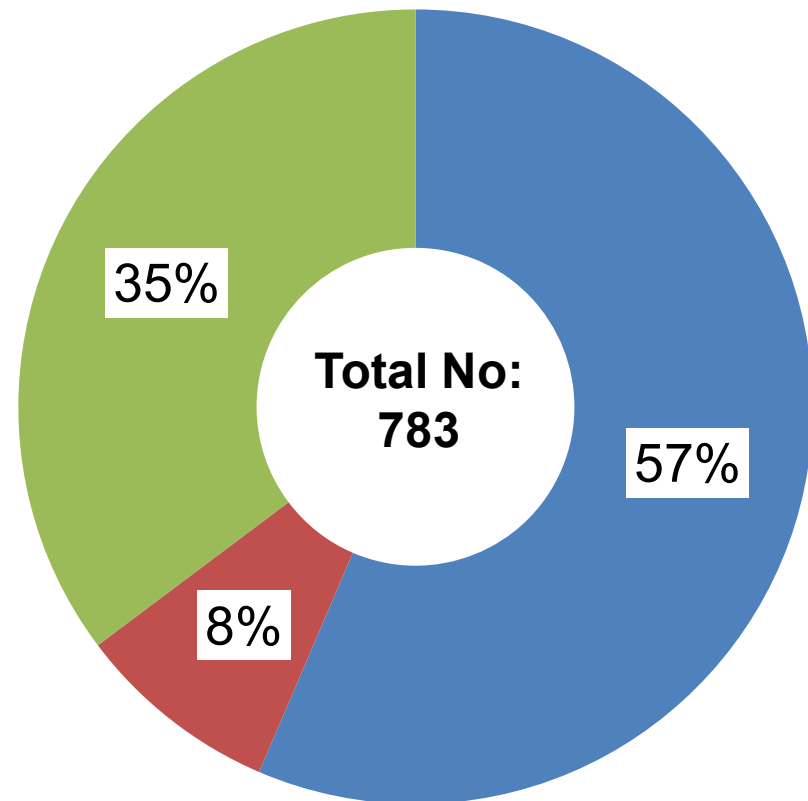


iACADEMY Tertiary Enrollment by Program

- Arts and Sciences
- Business and Management
- Information and Communications Technology



SY 2016-2017

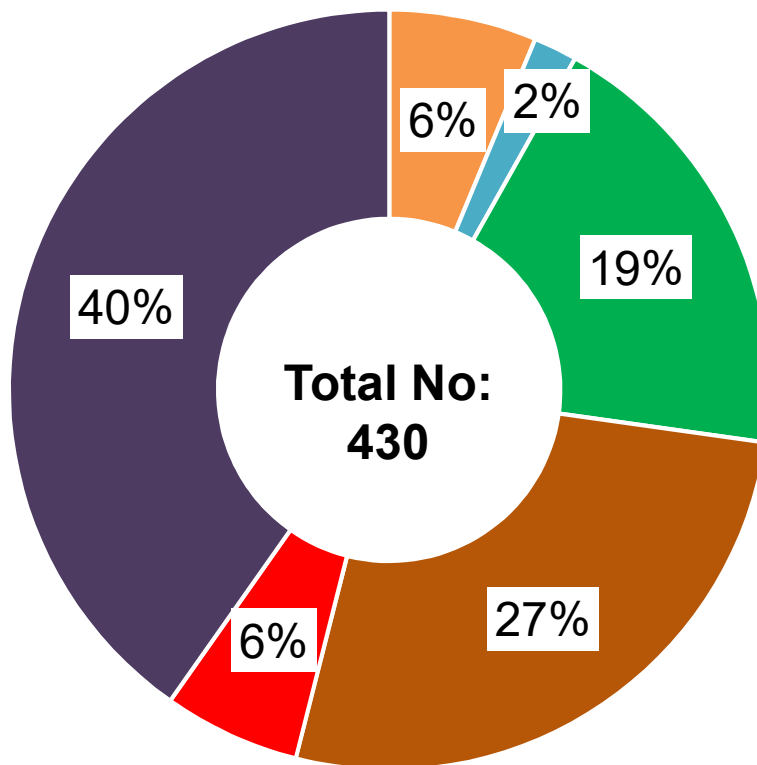


SY 2017-2018

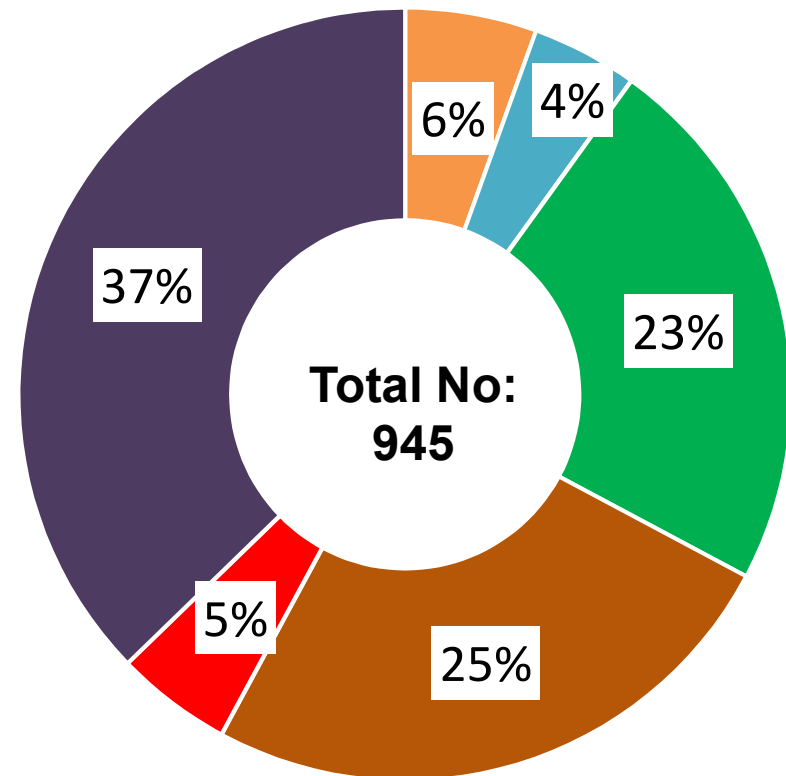


iACADEMY Senior High School Enrollment by Strand

- Accountancy, Business and Management
- Computer Programming
- Fashion Design
- Humanities and Social Sciences
- Animation
- Media and Visual Arts



SY 2016-2017



SY 2017-2018



1st Quarter ending 30 June 2017 Financial Results

1Q 2017 Financial Highlights

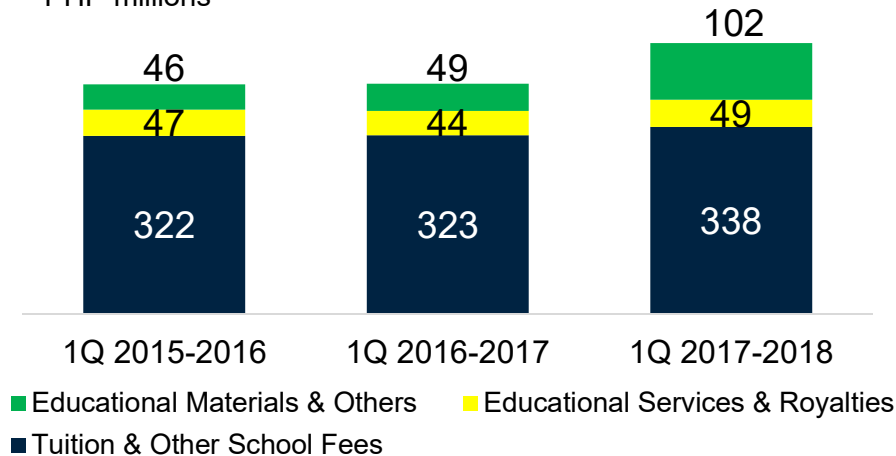
PHP millions (Except gross profit, operating and EBITDA margins)		1Q 2016-2017	1Q 2017-2018	Y-o-Y Change (%)	
		Unaudited			
Revenues					
	Tuition & Other School Fees	₱ 322.6	₱ 337.8	4.7%	↑
	Educational Services	41.0	45.0	9.8%	↑
	Royalty Fees	3.4	3.7	8.8%	↑
	Others	7.3	16.3	123.3%	↑
	Sale of educational materials & supplies	41.6	85.2	104.8%	↑
Total Revenues		415.9	488.0	17.3%	↑
Gross Profit		252.7	271.8	7.6%	↑
	Gross Profit Margin	61%	56%		
Operating Profit		28.4	28.6	0.7%	↑
	Operating Margin	6.9%	5.9%		
EBITDA		139.9	157.5	12.6%	↑
	EBITDA Margin	33.6%	32.3%		
Net Income		10.6	(440.0)	(4,250.9%)	↓



Revenues, Gross Profit & EBITDA

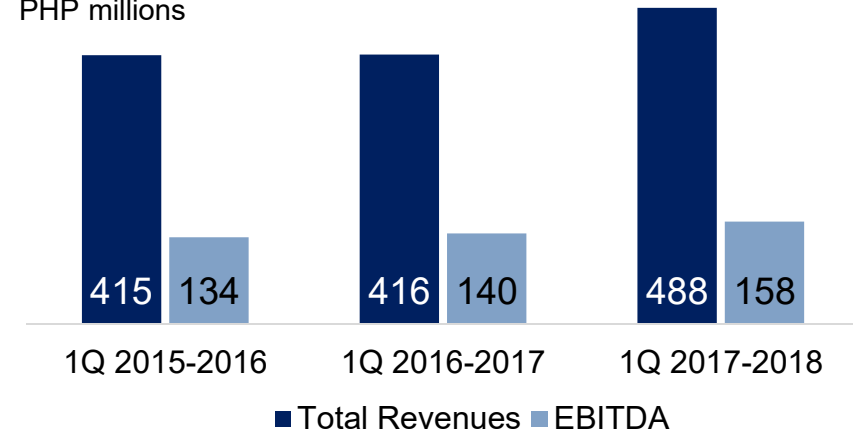
THREE MONTHS' REVENUES

PHP millions



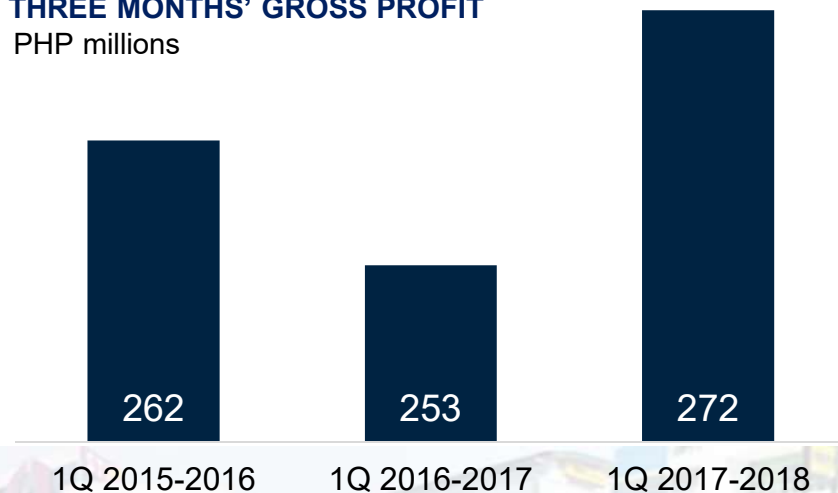
1Q REVENUES & EBITDA

PHP millions



THREE MONTHS' GROSS PROFIT

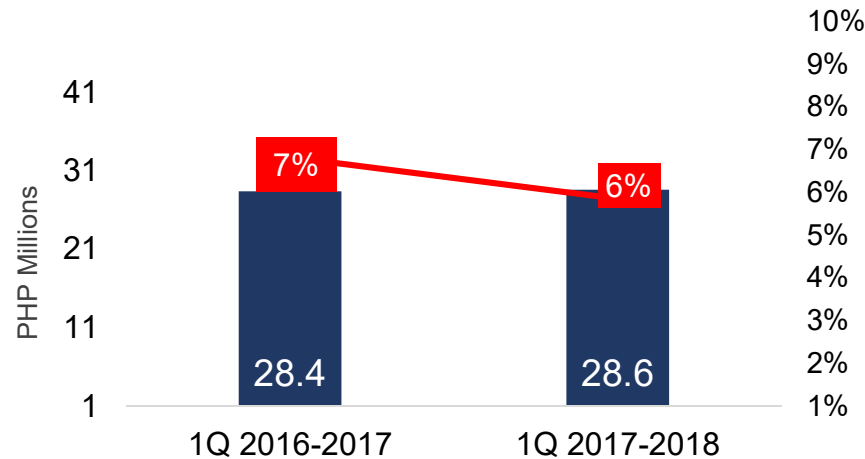
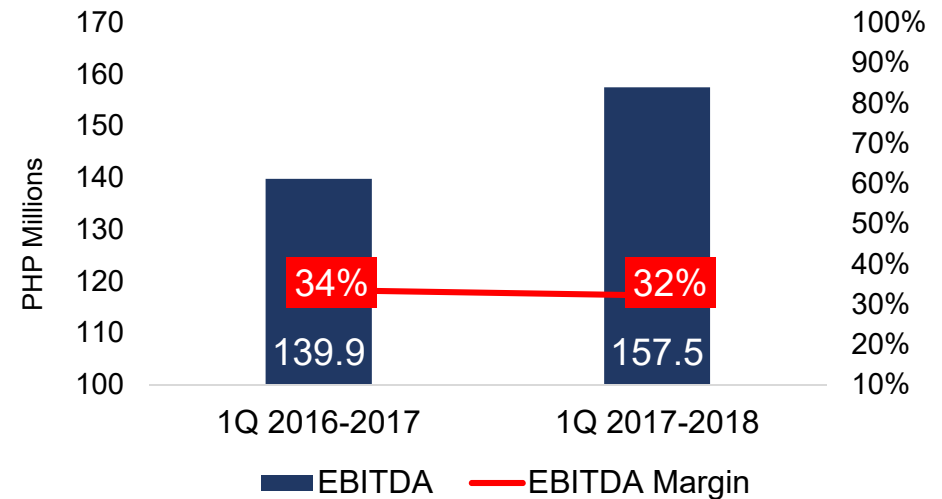
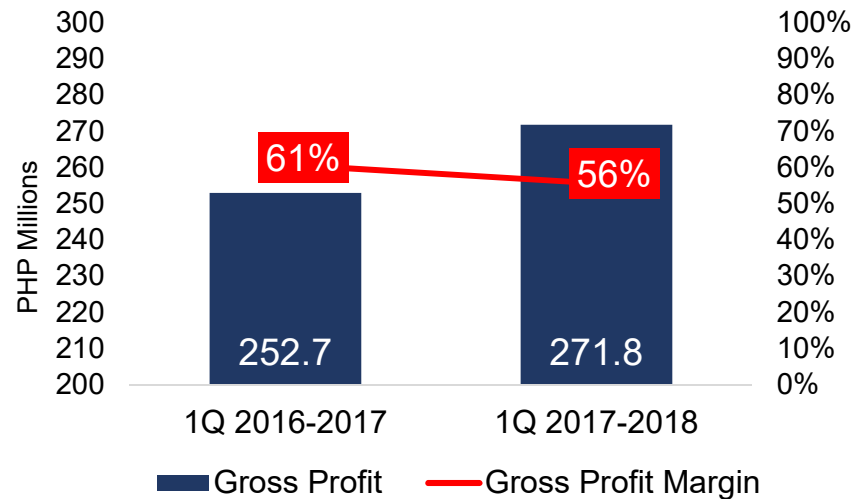
PHP millions



STI achieves strong revenue, gross profit and EBITDA growth.

- ✦ Combined revenues increased by 17.4% year-on-year for the first three months of FY2017-18 as compared to the same period over the last two years.
- ✦ EBITDA increased by 12.6% year-on-year from PHP140 million in the first three months of FY2016-17 to PHP158 million in the same period in FY2017-18.
- ✦ Gross profit increased by 7.6% from PHP253 million in the first three months of FY2016-17 to PHP272 million in the first three months of FY2017-18.

Operating Profit and Margin Profile



- ✧ Gross Margin decreased to 56% during the first three months of FY2017-18 from 61% during the first three months of FY 2016-17 due to the higher percentage of Senior High School students which provides a lower contribution margin.
- ✧ Operating Margin likewise slightly decreased by a point from 7% during the first three months of FY2016-17 to 6% during the same period in FY2017-18 partly due to performance incentives paid out during the quarter for the previous year's results.
- ✧ EBITDA Margin also slightly decreased from 34% during the first three months of FY2016-17 to 32% during the same period in FY2017-18 due to the lowered gross and operating margins.

■ Operating Profit — Operating Profit Margin



STI Holdings Network-wide Expansion Projects

STI ESG: School Expansion Projects

(in millions except for capacity)



Location	Project Cost		Student Capacity		
	Land	Building	Existing	New	Increment
EDSA	₱602	₱863	2,820	12,400	9,580
Altaraza	-	558	-	6,000	6,000
Sta. Mesa	-	708	980	10,000	9,020
Lipa	115	548	740	6,000	5,260
Davao	400	466	1,100	5,000	3,900
Total	₱1,117	₱3,143	5,640	39,400	33,760



EDSA Extension, Pasay City



STI Academic Center EDSA

- ❖ Located on Harrison Street corner EDSA Extension, Pasay City
- ❖ Lot Area: 3,911 sqm.
- ❖ Gross Floor Area: 18,847 sqm.
- ❖ Capacity for 12,400 students
- ❖ Estimated Budget: Php 1,465 Million
- ❖ Target Occupancy Date: SY 2018-2019

San Jose del Monte, Bulacan



STI Academic Center Altaraza

- ❖ Located in San Jose del Monte, Bulacan
- ❖ Lot Area: 4,178 sqm.
- ❖ Gross Floor Area: 11,914 sqm.
- ❖ Capacity for 6,000 students
- ❖ Estimated Budget: Php 558 Million
- ❖ Target Occupancy Date: SY 2018-2019

Lipa City, Batangas



STI Academic Center Lipa

- ❖ Located on MK Lina Street, Lipa City, Batangas
- ❖ Lot Area: 3,225 sqm.
- ❖ Gross Floor Area: 11,328 sqm.
- ❖ Capacity for 6,000 students
- ❖ Estimated Budget: Php 663 Million
- ❖ Target Occupancy Date: SY 2018-2019

Sta. Mesa, Manila



STI Academic Center Sta. Mesa

- ❖ Located on P. Sanchez Street corner Pat Antonio, Sta. Mesa, Manila
- ❖ Lot Area: 3,691 sqm.
- ❖ Gross Floor Area: 16,335 sqm.
- ❖ Capacity for 10,000 students
- ❖ Estimated Budget: Php 708 Million
- ❖ Target Occupancy Date: SY 2018-2019





STI Academic Center Davao

- ❖ Located in Matina, Davao City
- ❖ Lot Area: 40,184 sqm.
- ❖ Gross Floor Area: 9,552 sqm.
- ❖ Capacity for 5,000 students
- ❖ Estimated Budget: Php 866 Million
- ❖ Target Occupancy Date: SY 2018-2019



iACADEMY: Yakal Campus Construction

On September 20, 2016, iACADEMY had its groundbreaking ceremony in a parcel of land, with an area of 2,332.5 sqm. located in Yakal, Makati. This will be the site of its Yakal campus housing the Senior High School students. Building construction is in full swing and the floors set to be utilized for the school will be completed in December 2017. Students will start using the facility in January 2018.



iACADEMY: Yakal Campus



iACADEMY Yakal Campus

- ❖ Located in Yakal Street, Makati City
- ❖ Lot Area: 2,332 sqm.
- ❖ Gross Floor Area: 28,247 sqm.
- ❖ Capacity for 2,500 Senior High School students
- ❖ Estimated Budget: Php 1,100 Million
- ❖ Target Occupancy Date: SY 2017-2018



STI ESG: Joint Venture Agreement

On April 21, 2017, STI ESG, STI College Tanauan, Inc. (STI Tanauan), Mr. Tony Tan Caktiong (TTC), Chairman and Founder of Jollibee Foods Corporation, and Injap Investments, Inc. (Injap), signed a Joint Venture Agreement which transforms STI Tanauan into a Joint Venture Company which shall operate as a farm-to-table school offering courses ranging from farm production to food services.

The ownership of the Joint Venture Company will be 60% STI ESG, 25% TTC and 15% Injap.

Under the Agreement, TTC and Injap will co-develop courses with STI such as:

1. Agro-Entreprise Management
2. Supply Chain Management for the Food Industry
3. Quick Service Restaurant Management
4. Culinary Arts
5. Agricultural Technology
6. Agribusiness and Finance



Tanauan City, Batangas



STI Academic Center Tanauan*

- ❖ Located on Pres. Laurel Highway, Tanauan City, Batangas
- ❖ Lot Area: 34,784 sqm.
- ❖ Gross Floor Area: 10,674 sqm.
- ❖ Capacity for 5,000 students
- ❖ Target Construction Date: 4Q 2017

**a joint venture with Tony Tan Caktiong and Injap Sia*

Education for Real Life



Recent Events



Recent Events

Event	Date
STI ESG Bond Issue to fund campus expansion projects	March 2017
STI ESG decides to dispose of its 20% stake in Maestro Holdings, Inc.	June 2017
PhilPlans' early adoption of the 6% discount interest rate imposed by the Insurance Commission on the reserves of pre-need companies	July 2017



STI ESG: Bond Issuance

(in millions except for interest rates)



Tenure	Principal Amount	Interest rates	Quarterly Interest Payments
7-year bond due Mar 2024	₱2,180	5.8085%	₱32
10-year bond due Mar 2027	820	6.3756%	13
Total	₱3,000		₱45

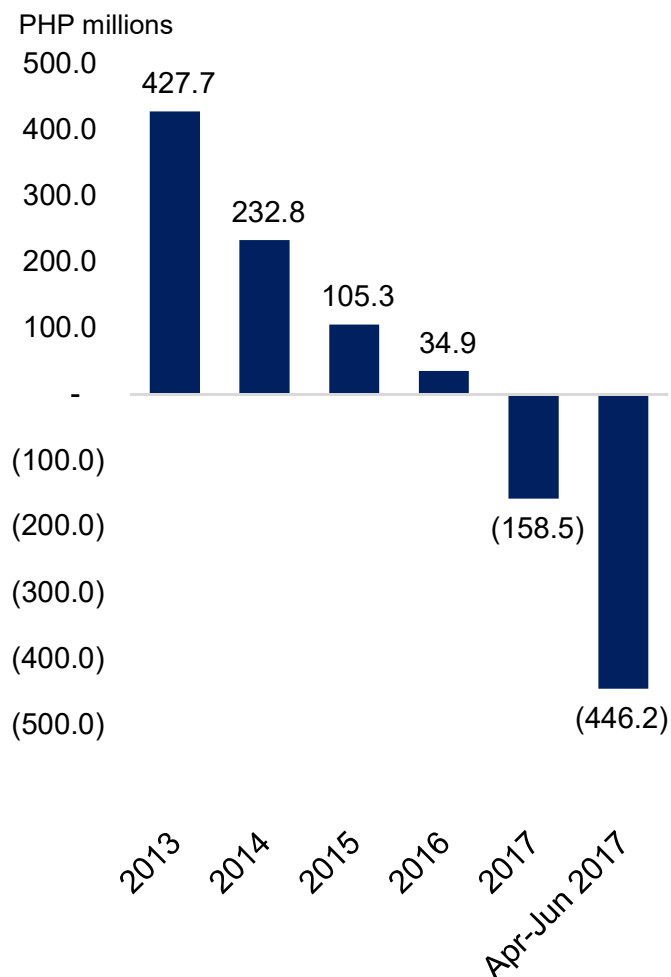


STI ESG to dispose of its 20% stake in Maestro Holdings, Inc.

- In June 2017, the Board of STI Education Services Group, Inc. (“STI ESG”) authorized the disposition of its 20% stake in Maestro Holdings, Inc.
- The company is currently in negotiations with a third party on the acquisition of the stake.
- With the decision to dispose of the investment in Maestro, STI ESG’s investment in Maestro has been classified under the “Current Assets” section of the Statement of Financial Position of STI ESG.
- Going forward, STI ESG will not be recognizing its share in the gains/losses of Maestro in its Statement of Comprehensive Income.



Equity in Net Earnings/(Losses) of Associates & Joint Ventures

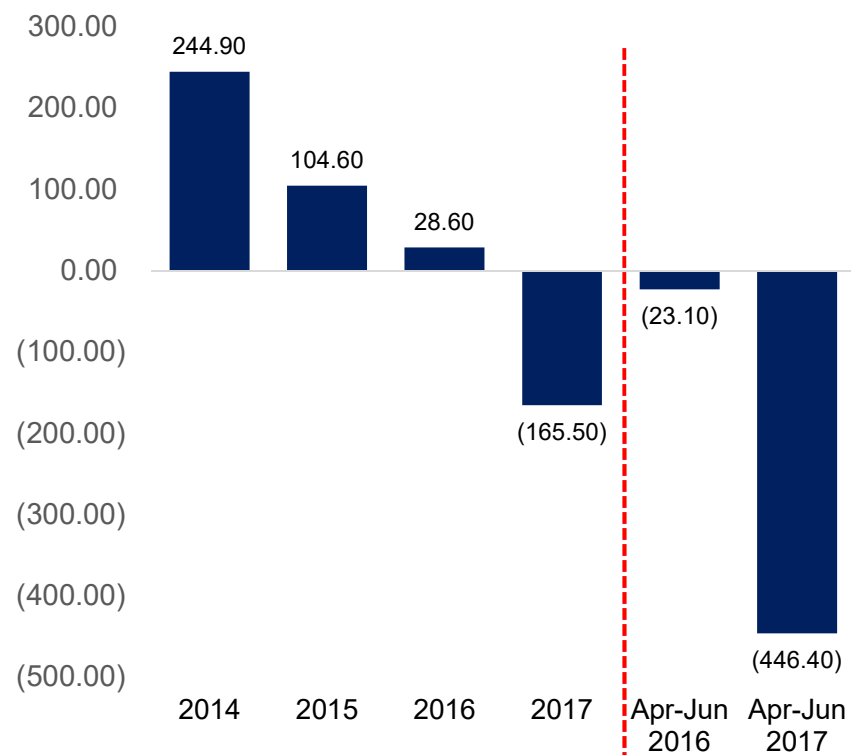


Equity in net earnings (losses) of associates and joint ventures represent the equity share of STI Holdings, through STI ESG, in the following companies:

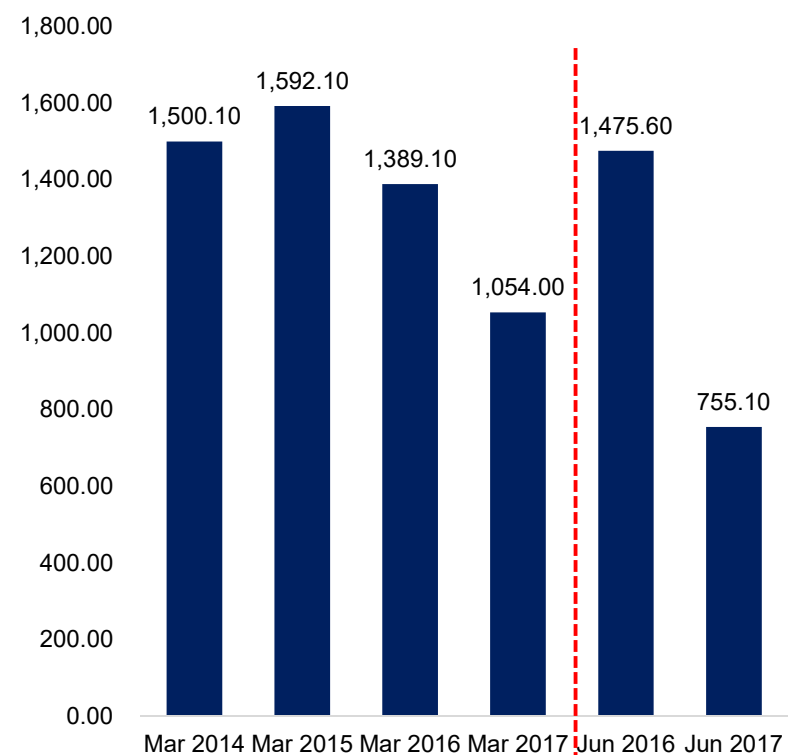
	% ownership of STI ESG	Years ended March 31					Apr-Jun 2017
		2013	2014	2015	2016	2017	
Maestro Holdings, Inc.	20%	438.4	244.9	104.6	28.6	(165.5)	(446.4)
STI Marikina	24%	-	0.6	-	0.4	0.6	0.8
STI Alabang	40%	0.6	-	1.0	3.0	2.5	-
GROW, Inc.	17%	(1.8)	-	(0.7)	2.2	3.4	0.7
Phil. Healthcare Educators, Inc.	40%	(1.2)	(3.0)	0.4	0.7	0.5	(1.3)
STI PHNS	50%	(2.1)	(9.7)	-	-	-	-
STI-Accent	49%	(6.2)	-	-	-	-	-
		427.7	232.8	105.3	34.9	(158.5)	(446.2)

Maestro Holdings – Financial Highlights

Equity in Net Earnings of Maestro



Maestro Carrying Value





Q and A Session

