



STI EDUCATION SYSTEMS
HOLDINGS

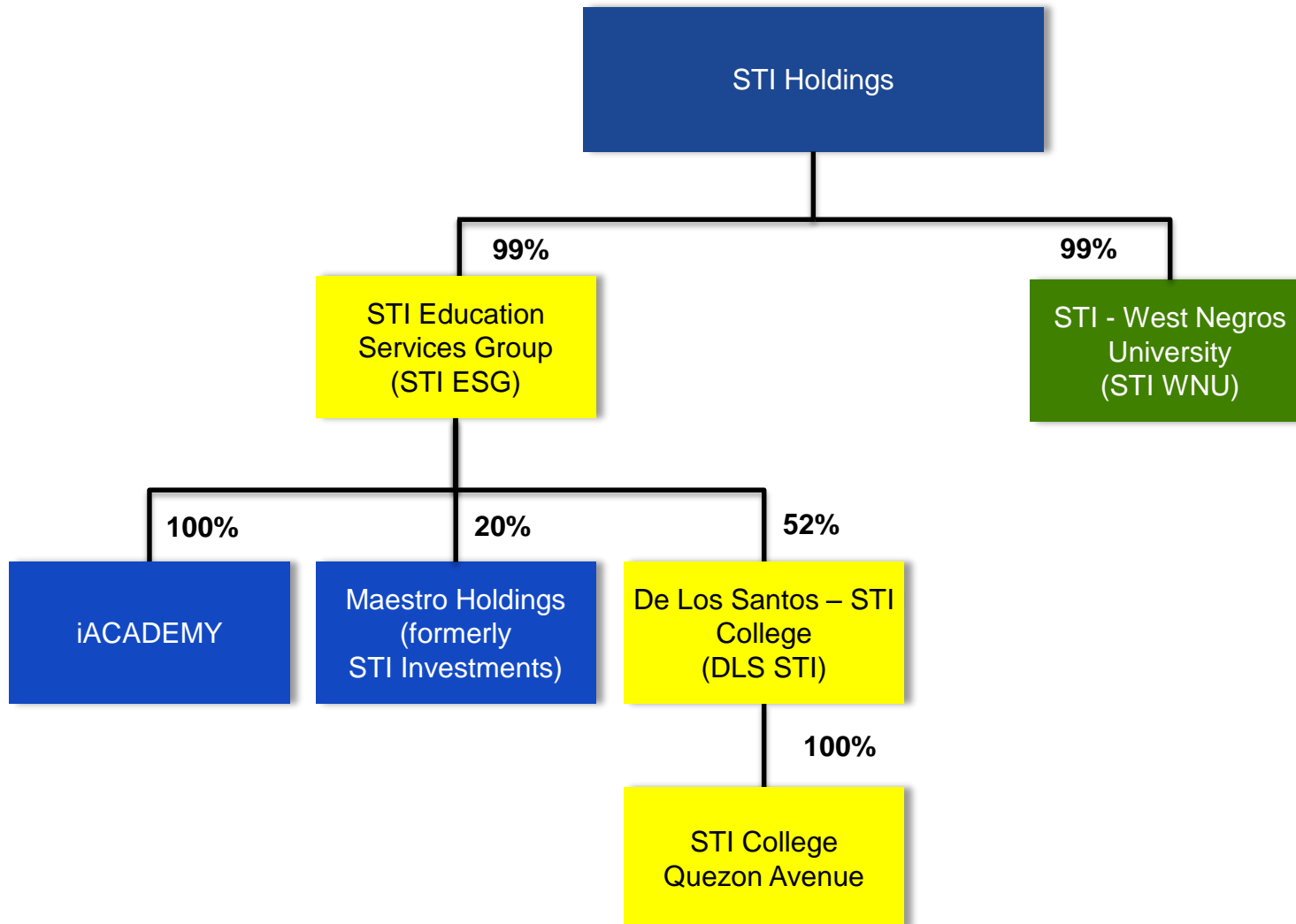
STI Education Systems Holdings, Inc.

Full Year Results ending March 31, 2015
and Third Quarter Results ending December 31, 2015

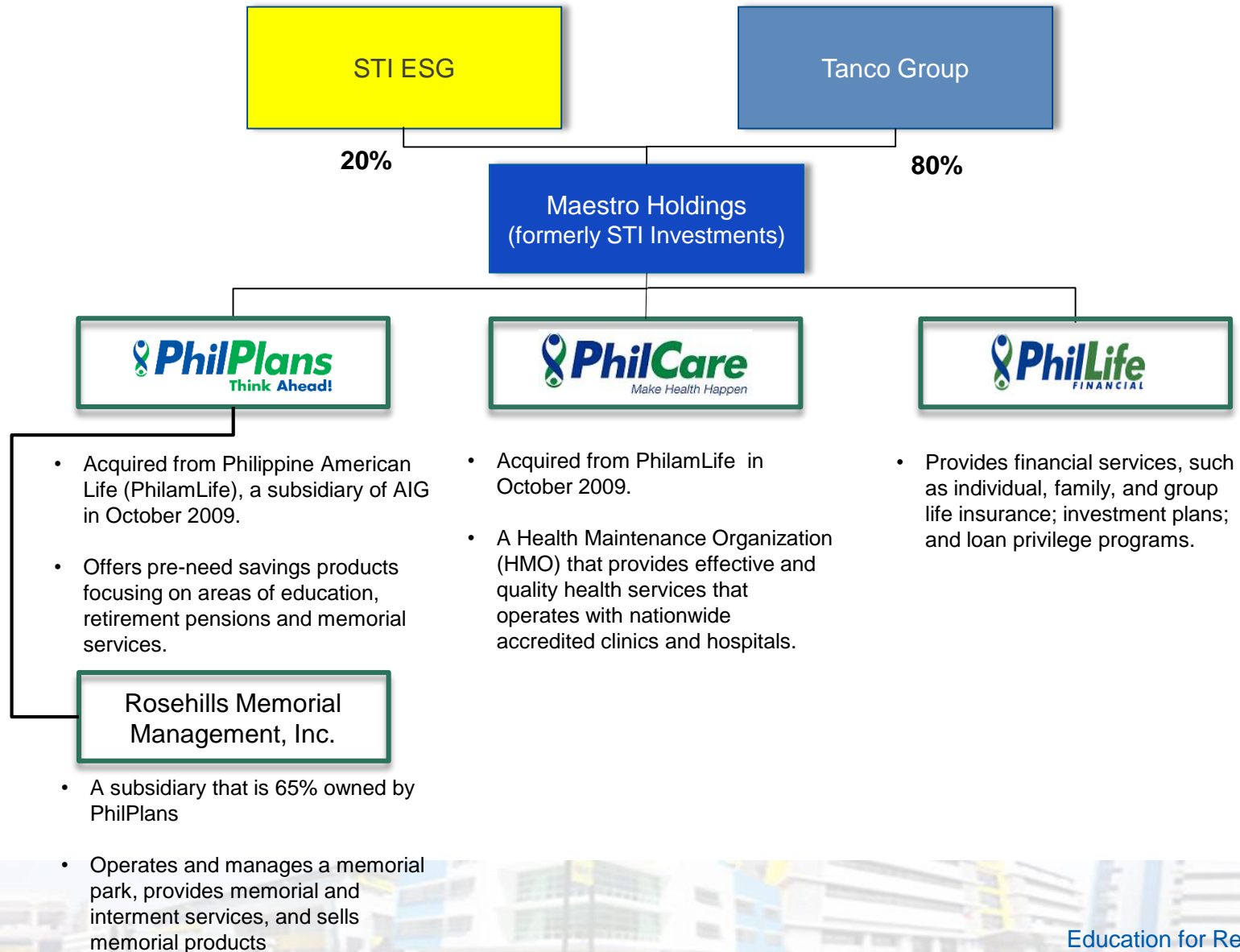


Summary of STI Corporate Structure

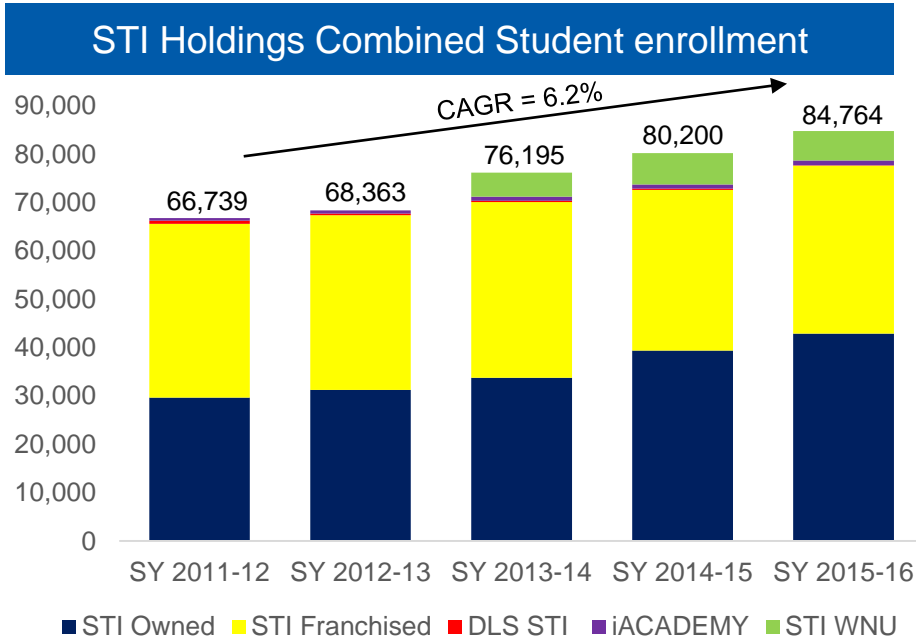
STI Holdings Corporate Structure



STI Investments Corporate Structure



STI Holdings Network of Schools



36 OWNED SCHOOLS
41 FRANCHISED SCHOOLS



Who we are

- STI owns, maintains, and operates the Philippines' largest, private, for profit network of education institutions with more than 80,000 students enrolled in 66 STI branded colleges and 11 education centers, two non-STI branded colleges (DLS STI and iACADEMY) and 1 university (STI West Negros University).
- STI 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 also has a 20% interest in STI Investments which provides educational saving plans, among others.

84,764 students in total



Investment Highlights

Summary of investment highlights



Highly attractive industry dynamics

K to 12 ready institution

Strong brand

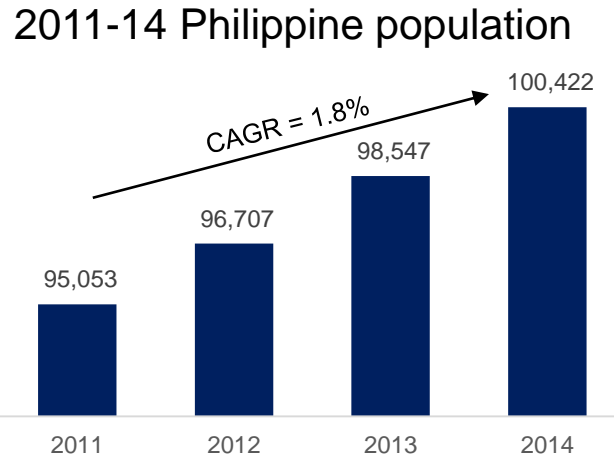
Scalable business model

Nationwide presence

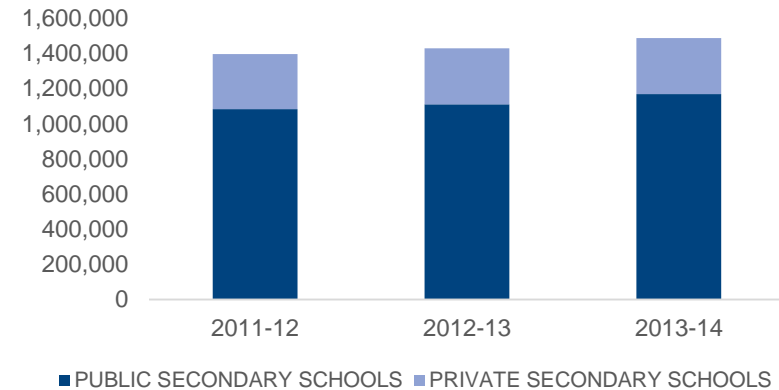
Experienced management

Exposed to highly attractive industry dynamics

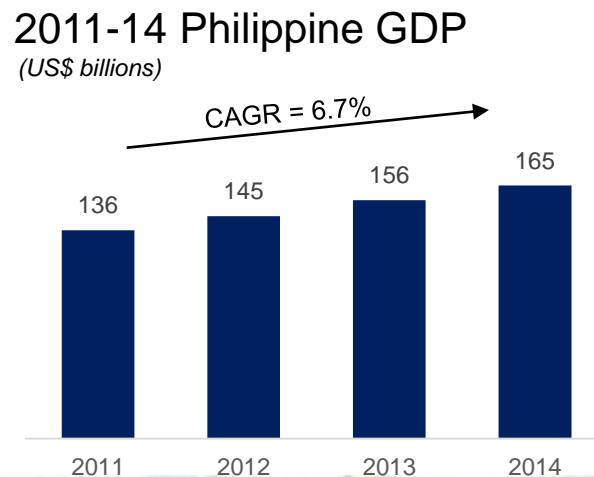
The Philippines has the second largest population in South East Asia, with a large portion of young population



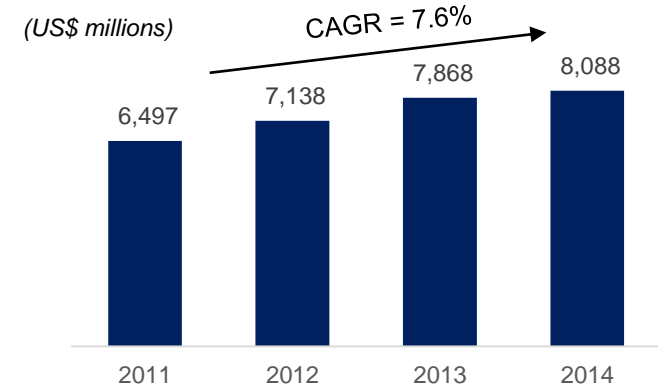
2012-14 High School Graduate Population



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



2011-14 Consumer expenditure on education (US\$ millions)



Sources: Euromonitor, Country Meters, Department of Education, public source citing World Bank data

Philippine leading tertiary education provider addressing substantial market demand

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



66 colleges



11 education centers



PLUS

1 university



2 non-STI branded colleges



84,764 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-seven (77) STI ESG schools

iACADEMY

STI WNU

Newly constructed or renovated facilities in 13 STI ESG campuses and 8 franchised schools; nationwide facilities that can accommodate 112,131 students



Extensive Senior High School offering

STI ESG

- | | |
|----------------------------|---|
| Academic Track | <ul style="list-style-type: none"> ✓ Accountancy and Business Management ✓ Humanities and Social Science strand ✓ Science, Technology, Engineering and Mathematics strand ✓ General Academic strand |
| Technical-Vocational Track | <ul style="list-style-type: none"> ✓ 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 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

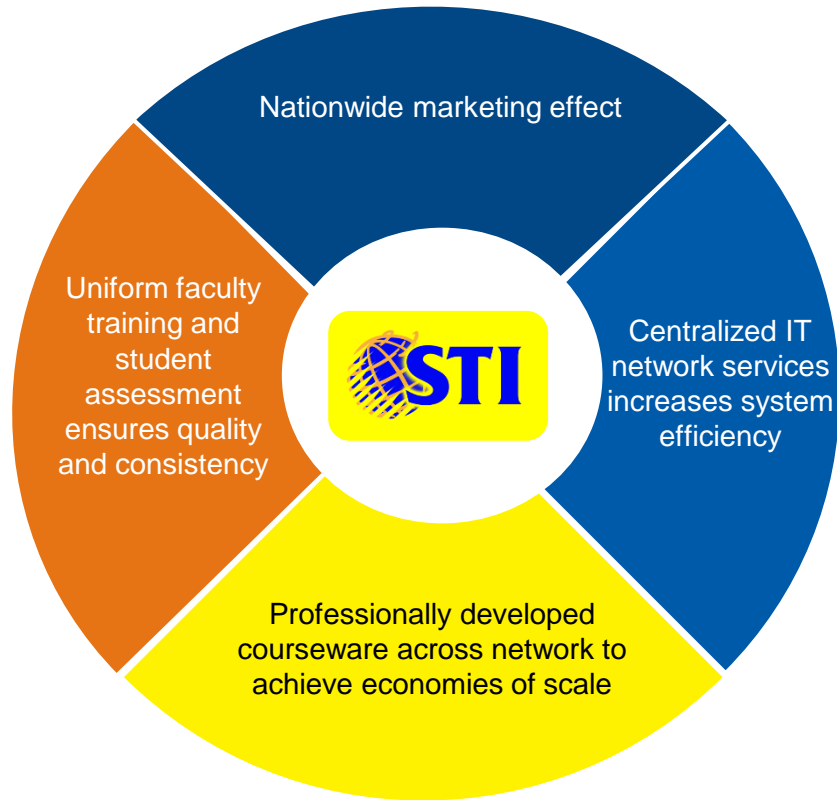


- Standardized education assures employers of consistent quality of manpower
- STI's nationwide presence

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

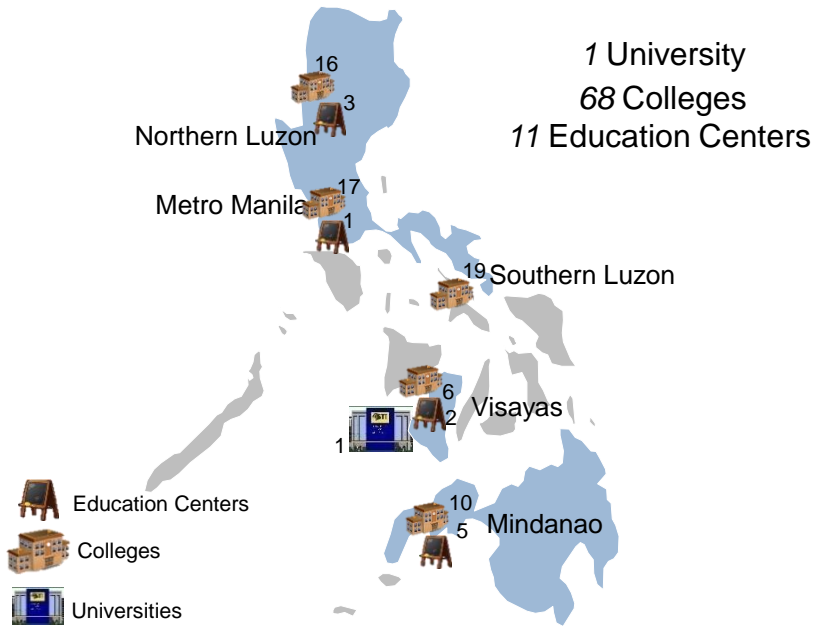
Maintains high quality and consistency of programs throughout the STI Network

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

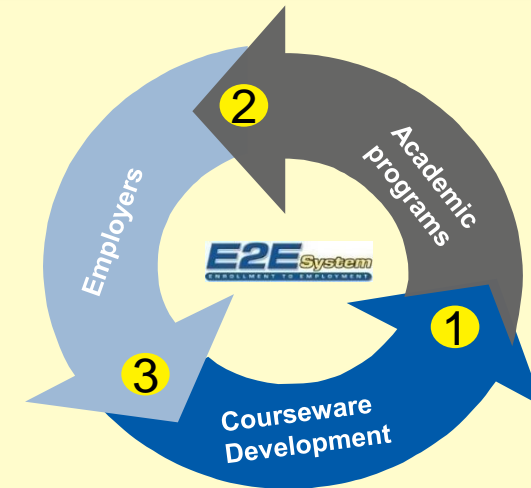
- Reaches a larger student base and students not otherwise serviced by other institutions
- Encompasses a mixed mode of both wholly-owned and franchised schools based on geographic demand



STI Branded	University	Colleges	ECs	Total
Owned	1	32	4	37
Franchised		34	7	41
Total	1	66	11	78

Non-STI Branded	University	Colleges	ECs	Total
Owned		2		2
Total	1	68	11	80

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



ICT



Education



Healthcare



Business



Hospitality



Liberal Arts



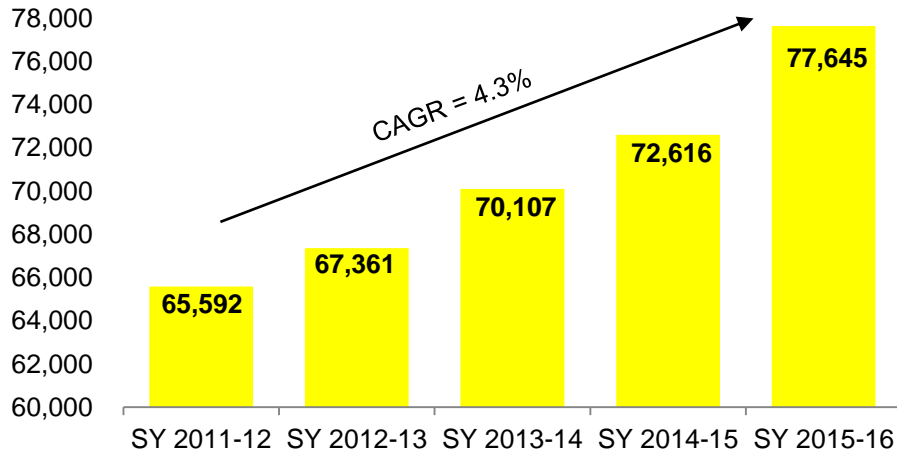
Engineering



STI Education Services Group, Inc.

STI ESG Enrollment Data

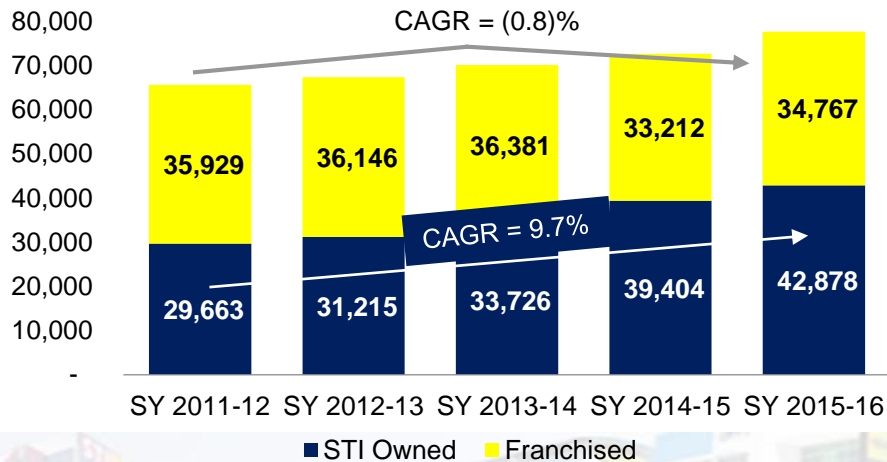
STI Network-wide Enrollment



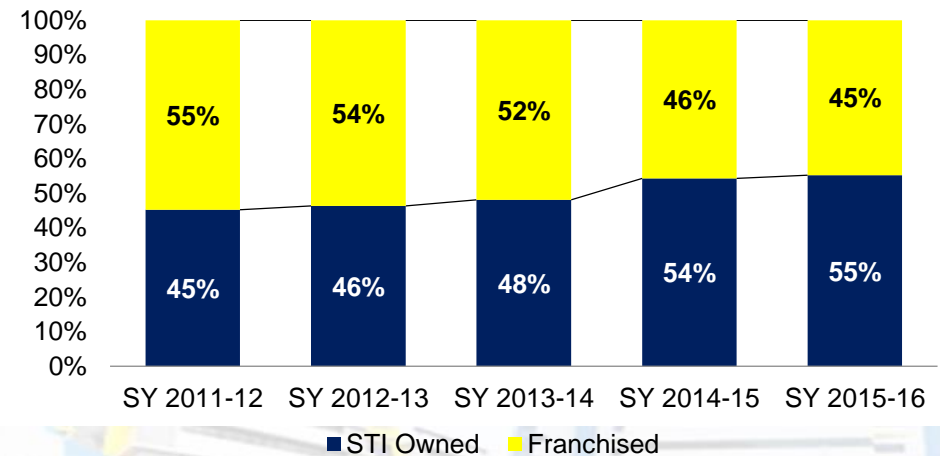
STI Enrollment

- ✦ Network-wide, STI has seen a steady growth in the number of ongoing students enrolled from 65,592 in SY 2011-2012 to 77,645 in SY 2015-16.
- ✦ The growth is driven primarily by the expansion of the STI-owned schools as the number of its enrollees grew from 29,663 in SY 2011-2012 to 42,878 in SY 2015-16, increasing its share in the total enrollees network-wide from 45% to 55%.
- ✦ In SY 2014-15, STI acquired seven schools from its franchisees with five being absorbed by STI ESG and two integrated into STI WNU.

STI Owned vs. Franchised Enrollees

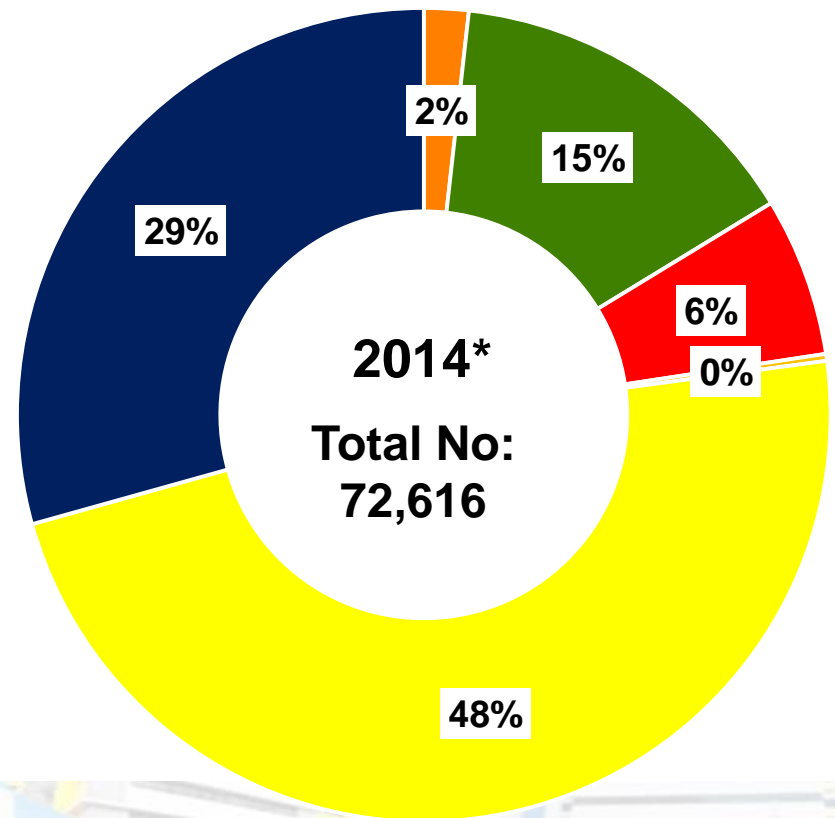
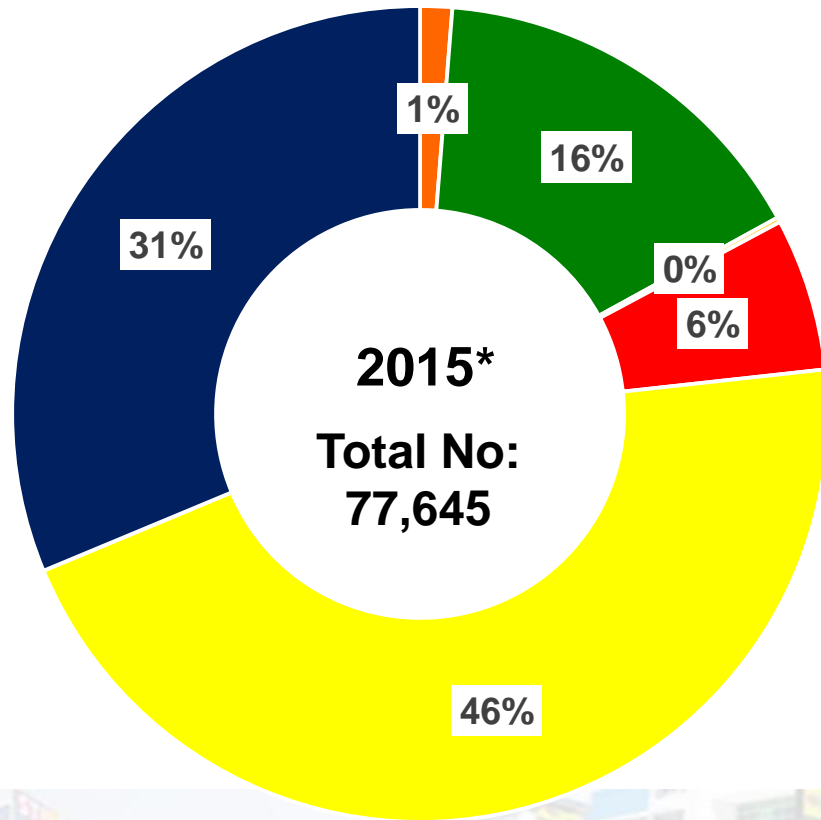


STI Owned vs. Franchised Enrollees (as a % of Total)



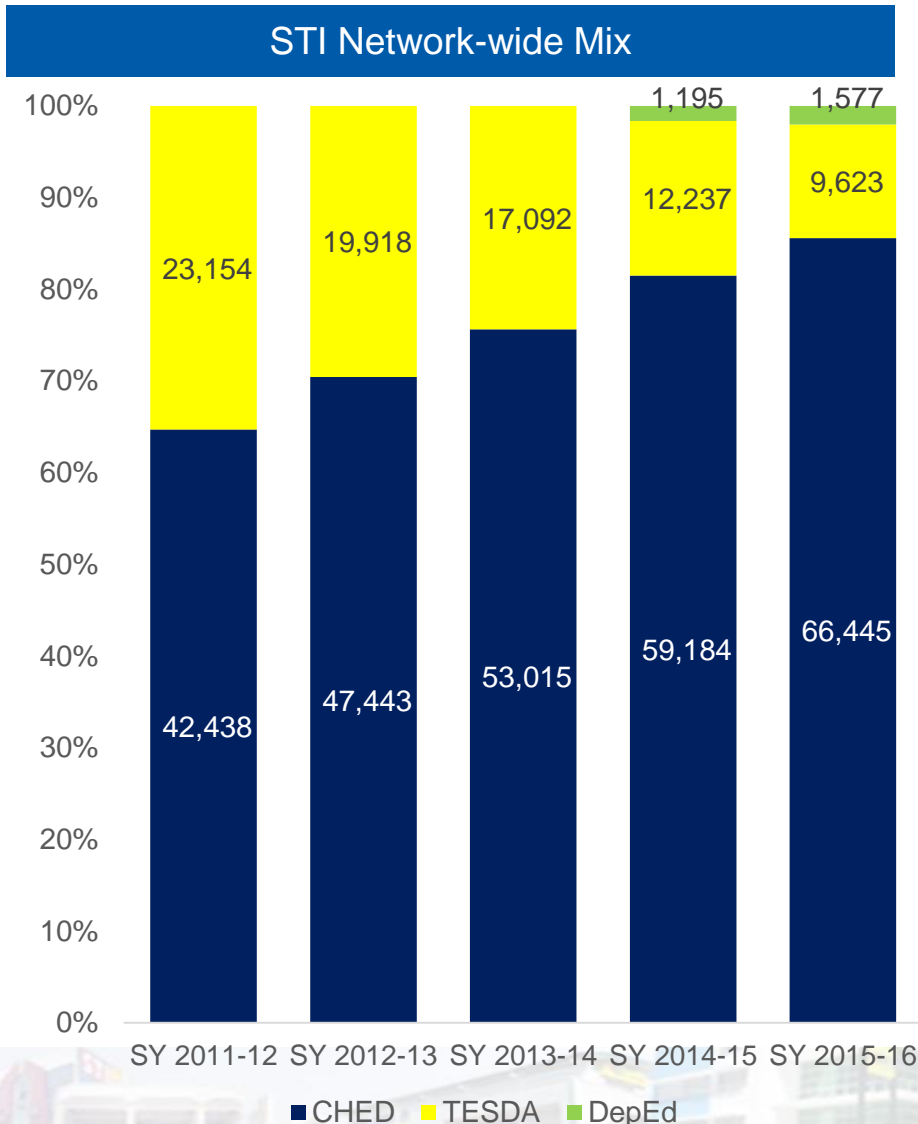
STI ESG Tertiary Enrollment by Program

- Arts and Sciences
 - Healthcare and Education
 - Information and Communications Technology
- Business and Management
 - Engineering
 - 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 2011-2012, 64.7% of the network-wide students of STI were enrolled in CHED programs. In SY2015-16, this increased to 85.6% network-wide.
- ✧ 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 2015-16, STI ESG recorded 1,577 students enrolled in Senior High School from 1,195 in SY 2014-15.

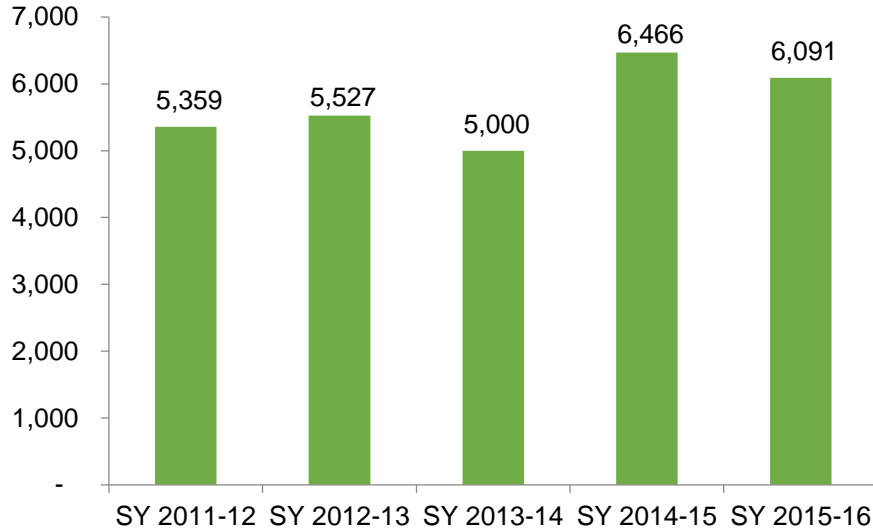


STI West Negros University

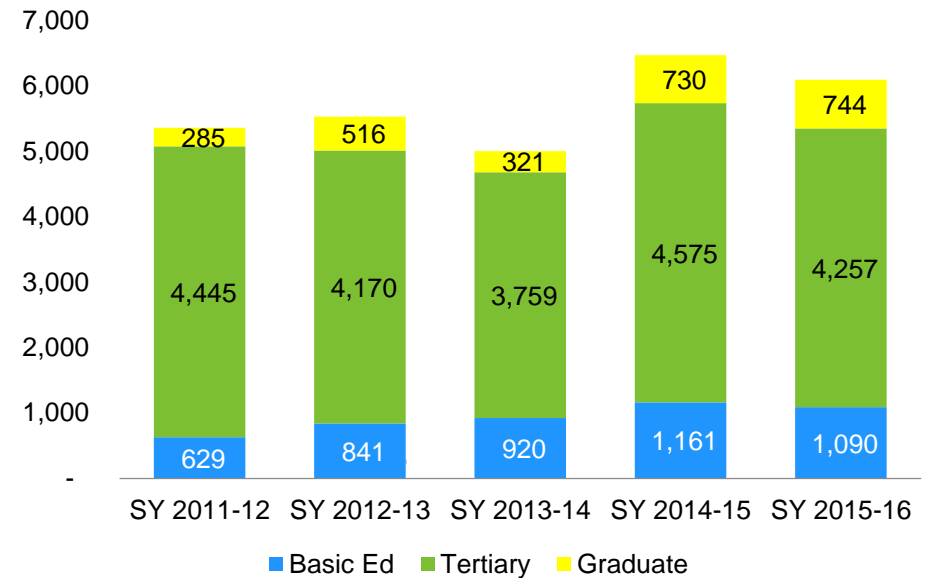


STI WNU Enrollment

Total STI WNU Enrollment



Tertiary vs Basic Education Mix

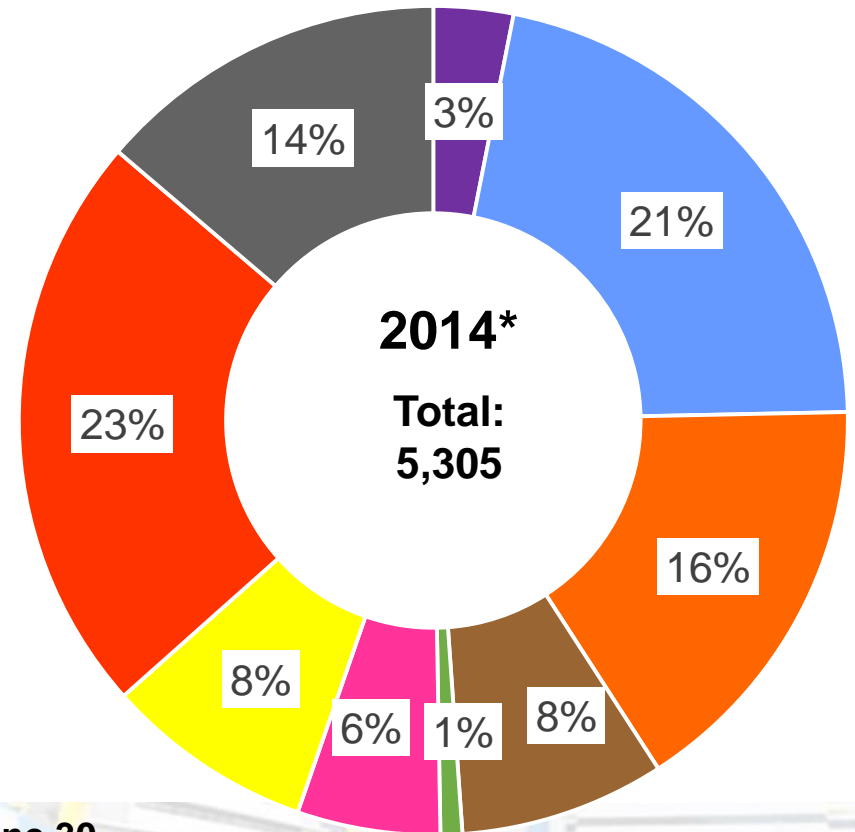
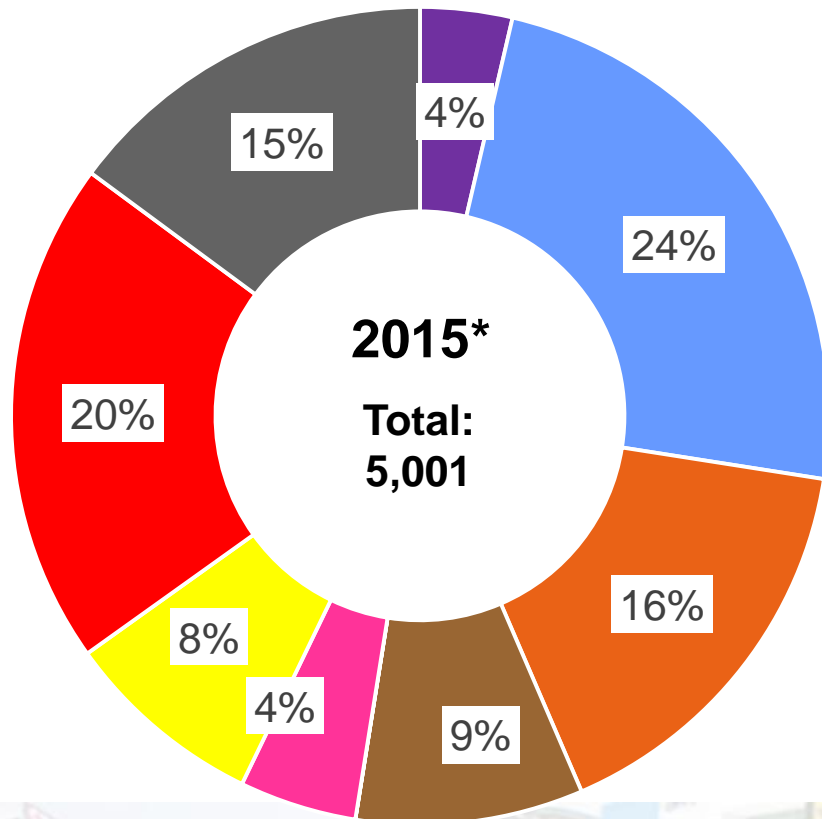


- ✦ STI West Negros University (STI WNU) is a private university located in Bacolod, Negros Occidental.
- ✦ STI WNU was founded in 1948 and offers basic and tertiary education, including post graduate studies.
- ✦ In October of 2013, STI Holdings acquired 99.5% of WNU and re-branded the university as 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 & Sciences
- Education
- Healthcare
- Criminology
- Graduate Studies

- Business and Management
- Engineering
- Maritime
- Information and Communication Technology



*As of June 30



Full Year 2014 - 2015 Financial & Operating Results

STI Holdings Balance Sheet Overview

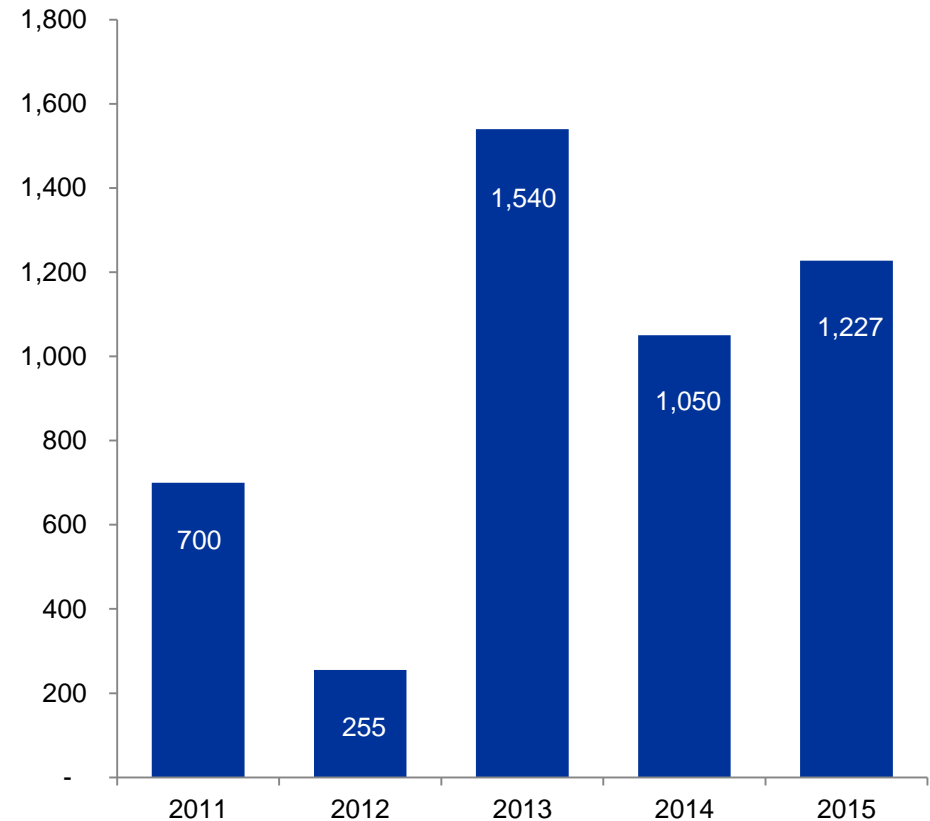
Key Balance Sheet Items

	March 31,				
(PHP millions)	2011	2012*	2013*	2014	2015
Cash	476	556	1,489	583	803
PP&E	1,421	1,544	2,635	4,421	5,581
Investments in and Advances to Associates	745	1,590	2,897	1,532	1,622
TOTAL ASSETS	3,754	4,589	8,503	8,299	10,036
Total Loans	914	747	-	288	1,387
TOTAL LIABILITIES	1,286	1,124	368	1,171	2,380
EQUITY	2,468	3,465	8,135	7,128	7,656

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

Capital Expenditures - March 31

(PHP millions)



Key Profit & Loss Data

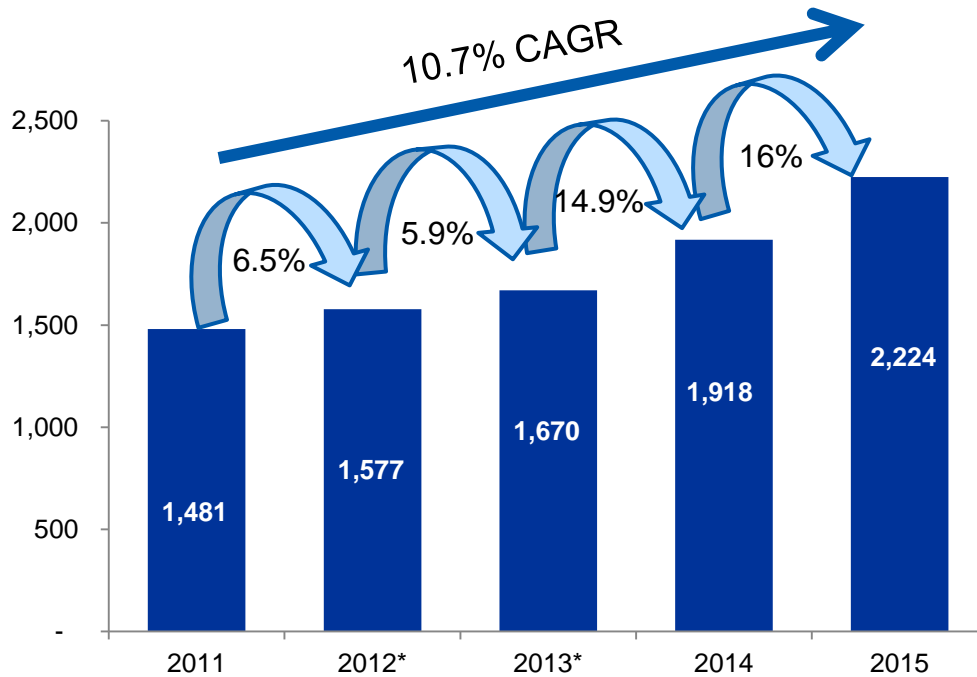
Fiscal Years Ending March 31 (PHP millions)	2011	2012*	2013*	2014	2015
Revenues	1,481	1,577	1,670	1,918	2,224
Direct Costs	536	522	535	607	715
Gross Profit	945	1,055	1,135	1,311	1,509
Operating Expenses	664	688	745	838	992
Operating Profit	281	367	390	473	517
Net Other Income (Expenses)	(186)	(76)	404	182	214
Net Income	95	291	794	655	731
EBITDA	432	523	550	690	846

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

Strong Growth in Revenues

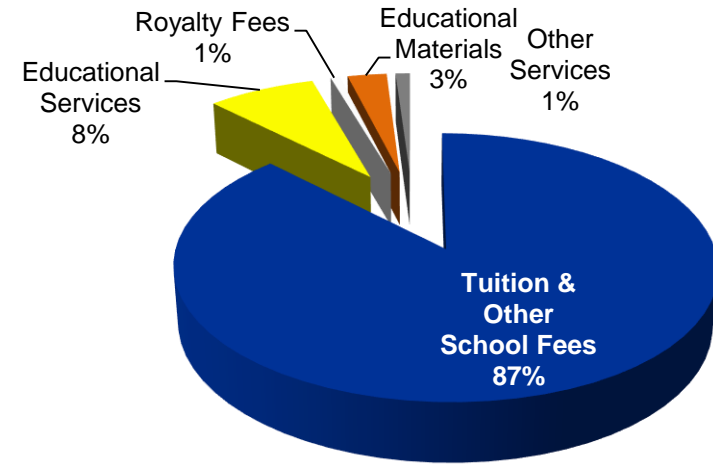
Revenues

(PHP millions)



Breakdown of Core Revenues for SY 2014 - 2015

(as a percentage of total)



Growth Drivers

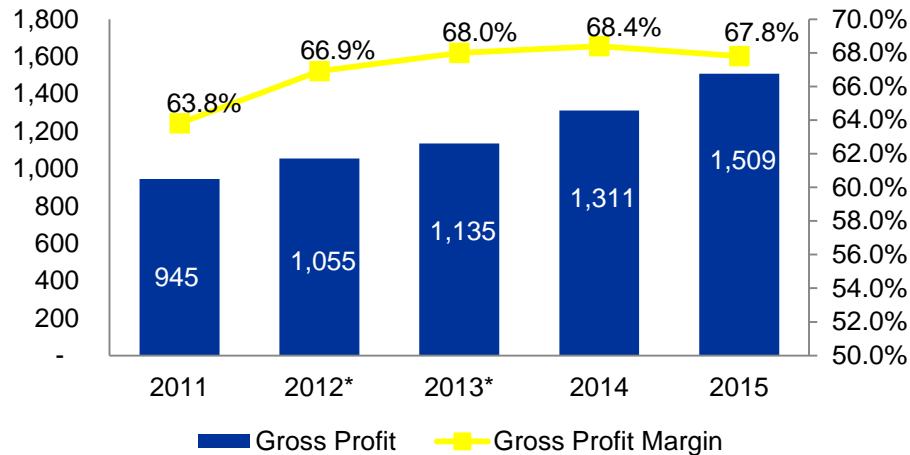
STI continues to achieve strong revenue growth, with a CAGR of 10.7% from 2011-2015, mainly attributable to the following drivers:

- ❖ 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

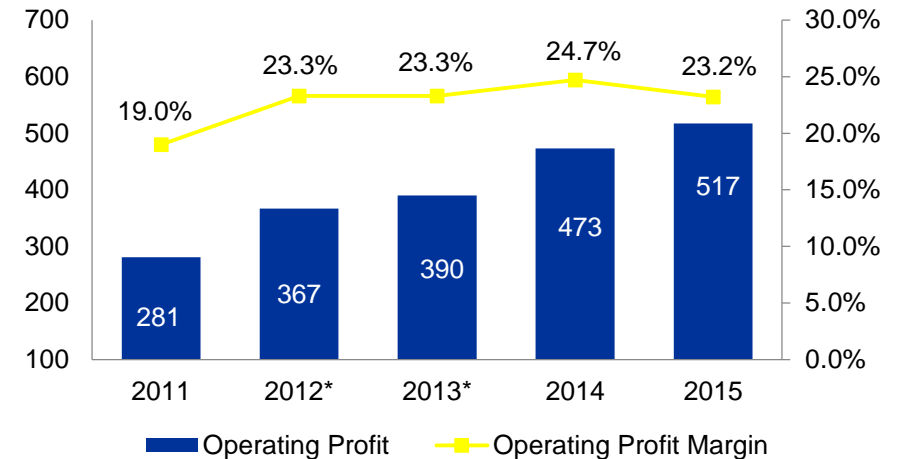
Gross profit

(PHP millions)



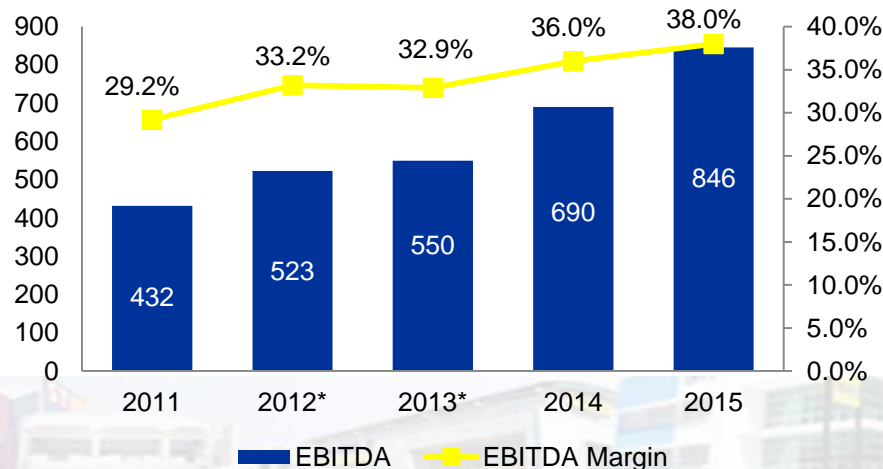
Operating profit

(PHP millions)



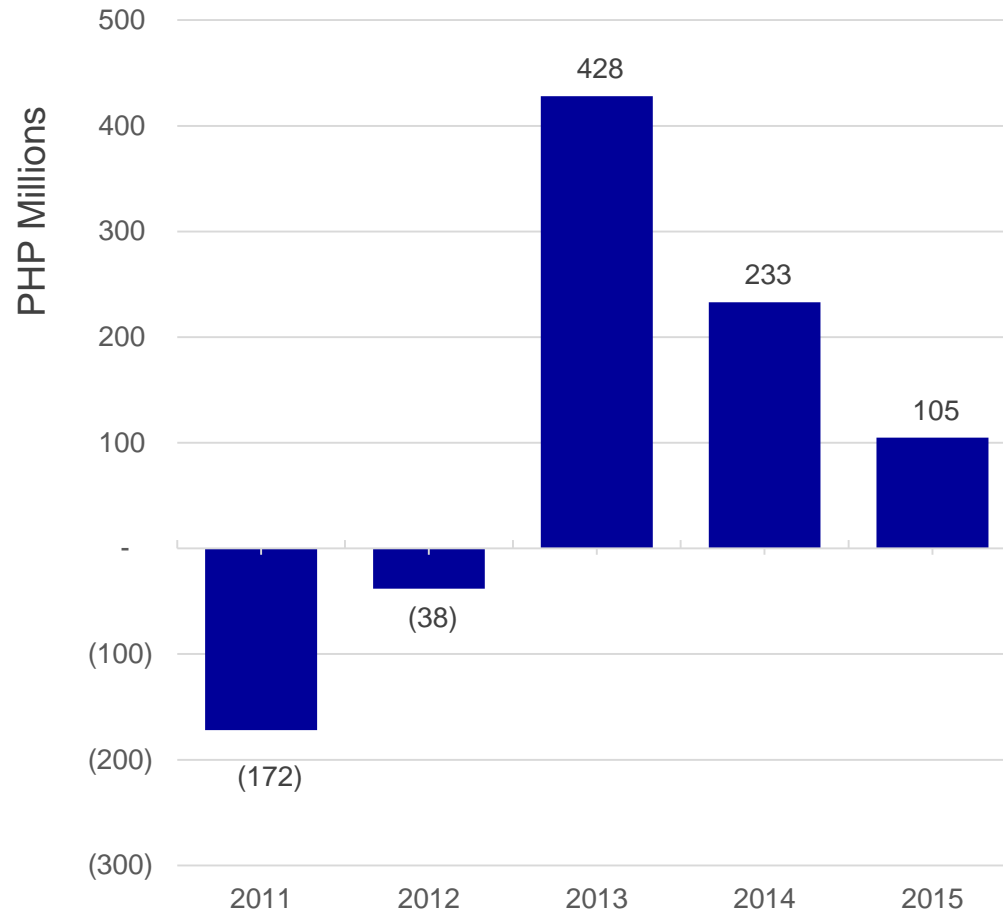
EBITDA

(PHP millions)



- ❖ STI has increased its gross profit from PHP945 million in FY 2010-11 to PHP1,509 million in FY 2014-15 or a CAGR of 12.4%
- ❖ Operating profit has increased from PHP281 million in FY 2010-11 to PHP517 million in FY 2014-15 or a CAGR of 16.5%
- ❖ EBITDA has grown from PHP432 million in FY 2010-11 to PHP846 million in FY 2014-15 or a CAGR of 18.3%
- ❖ 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

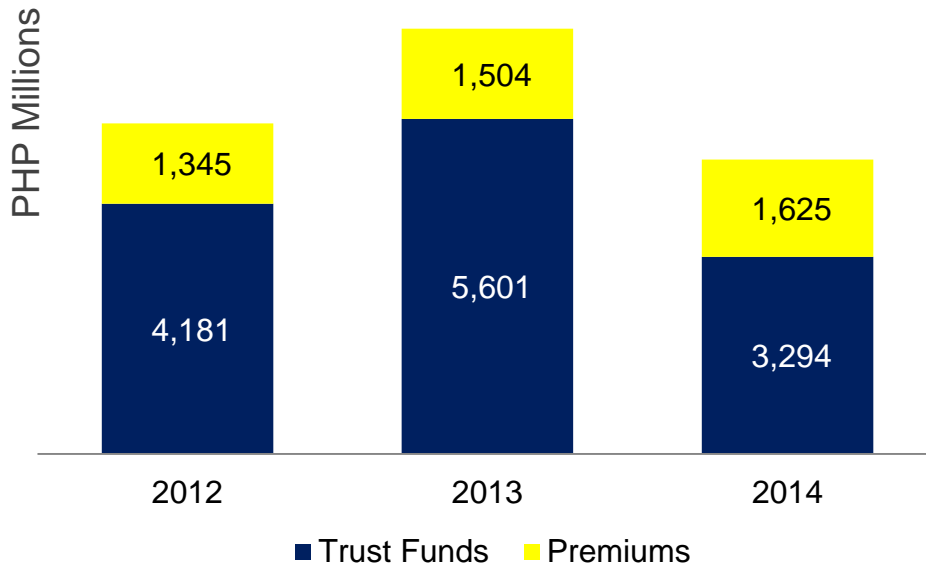


- ✧ When STI Investments acquired PhilPlans in 2009, they recognized an accounting gain for the excess of the fair value of PhilPlans' net assets over the acquisition cost
- ✧ As PhilPlans began to dispose of those assets in 2010 and 2011, STI Investments began to reverse a portion of the realized gain 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 STI Investments 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.

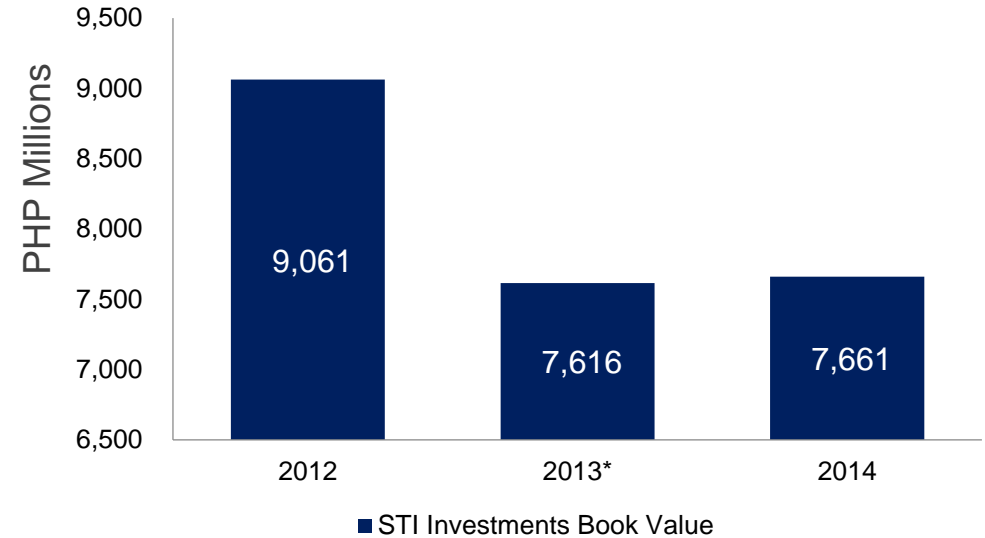
STI Investments – Financial Highlights

STI Investments Revenue

(For the years ending December 31)



STI Investments Book Value



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

- ✦ The increase in the market values of the investment portfolio of the subsidiaries of STI Investments was seen towards the end of 2012, thus the increase in book value as of December 31, 2012.
- ✦ 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 STI Investments 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 STI Investments.



3rd Quarter 2015-2016 Financial & Operating Results

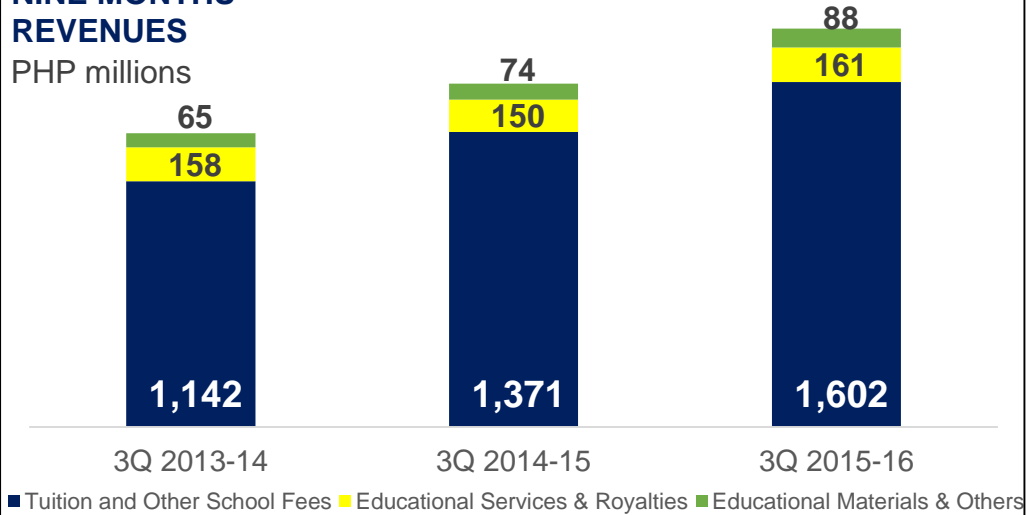
3Q 2015 Financial Highlights

PHP Millions (Except gross profit, operating and EBITDA margins)	3Q	3Q	Y-O-Y Change (%)	
	2014-2015	2015-2016		
	Unaudited			
Revenues				
Tuition & Other School Fees	1,370.6	1602.1	17	↑
Educational Services	137.8	147.6	7	↑
Royalty Fees	12.4	13.6	10	↑
Others	17.2	17.2	-	-
Sales of educational materials & supplies	56.4	70.3	25	↑
Total Revenues	1,594.4	1,850.8	16	↑
Gross Profit	1,107.2	1,286.0	16	↑
<i>Gross Profit Margin</i>	<i>69%</i>	<i>70%</i>		
Operating Profit	437.6	561.5	28	↑
<i>Operating Margin</i>	<i>27%</i>	<i>30%</i>		
EBITDA	670.8	867.1	29	↑
<i>EBITDA Margin</i>	<i>42%</i>	<i>47%</i>		
Net Income	459.8	577.5	26	↑

Revenues, Gross Profit & EBITDA

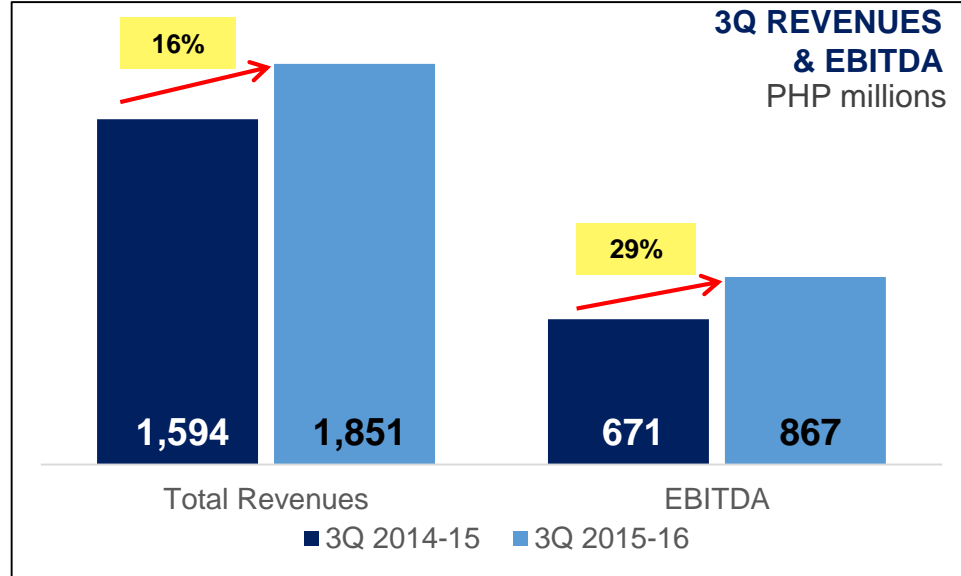
NINE MONTHS' REVENUES

PHP millions



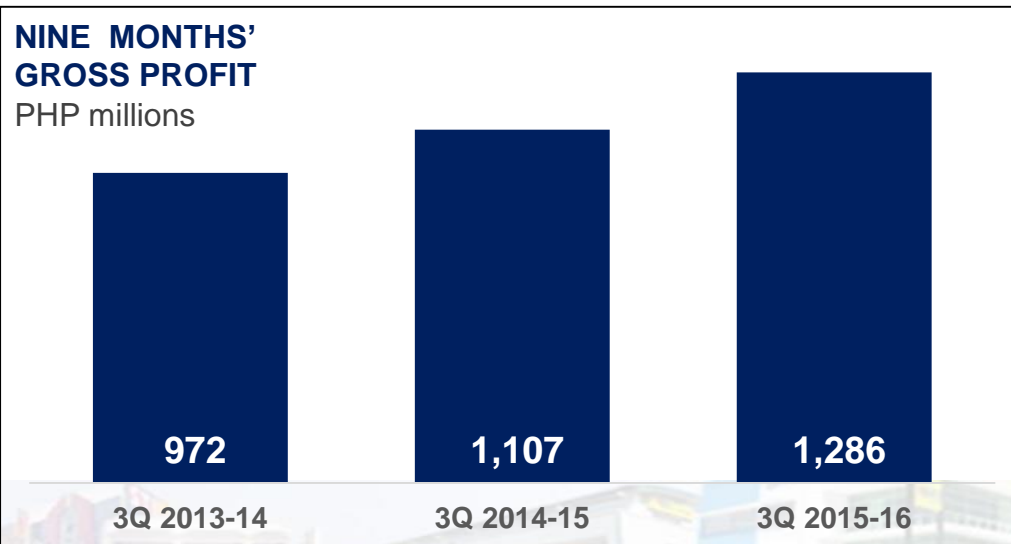
3Q REVENUES & EBITDA

PHP millions



NINE MONTHS' GROSS PROFIT

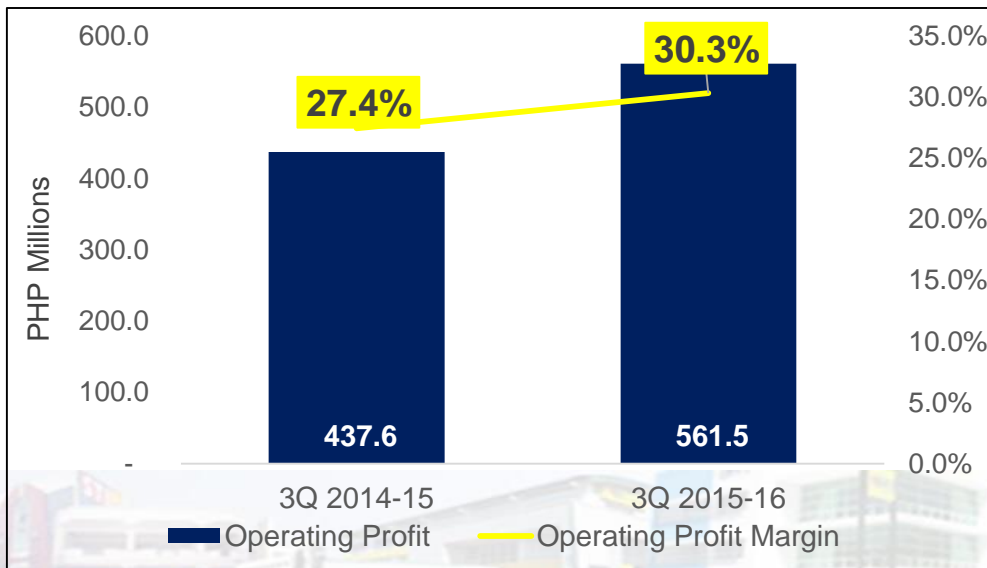
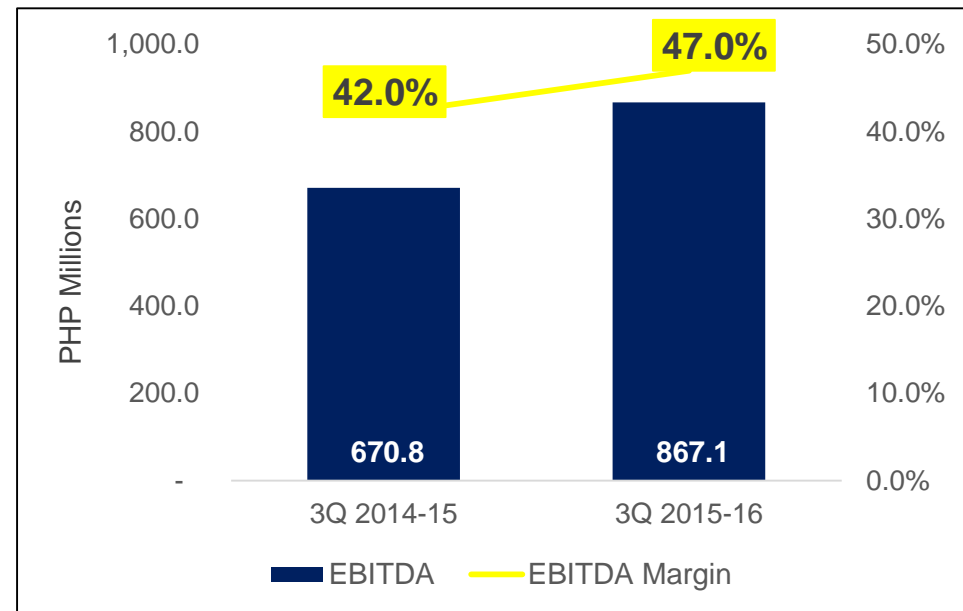
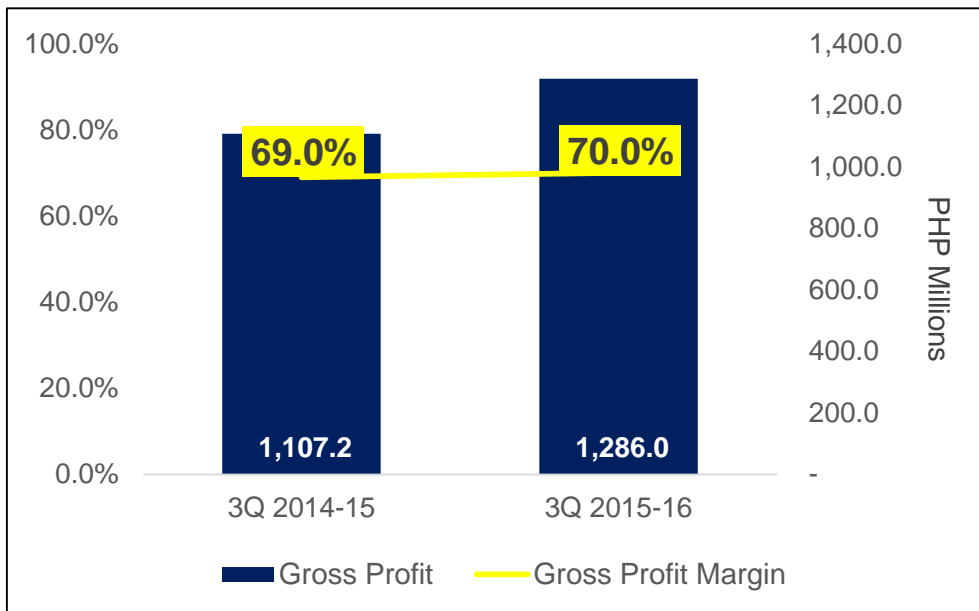
PHP millions



STI achieves strong revenue, gross profit and EBITDA growth.

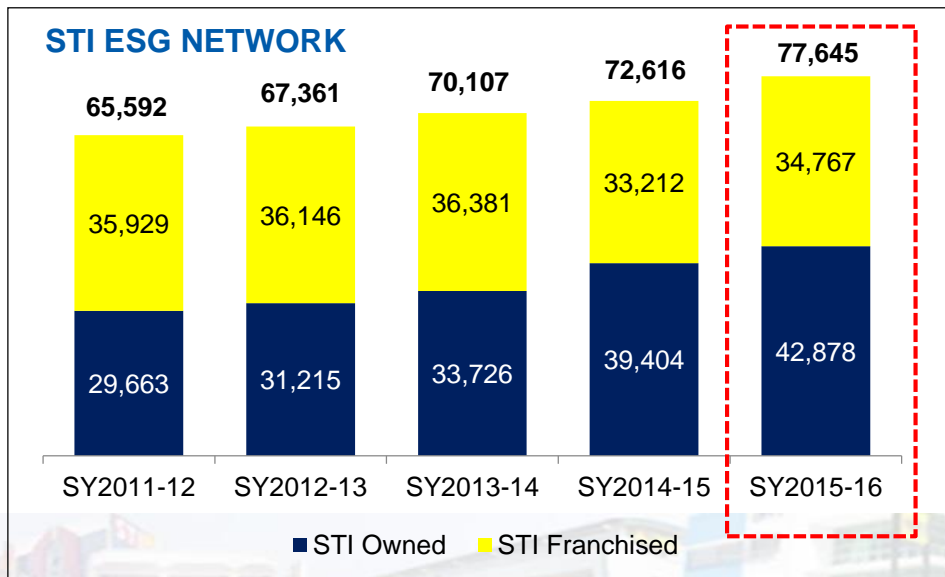
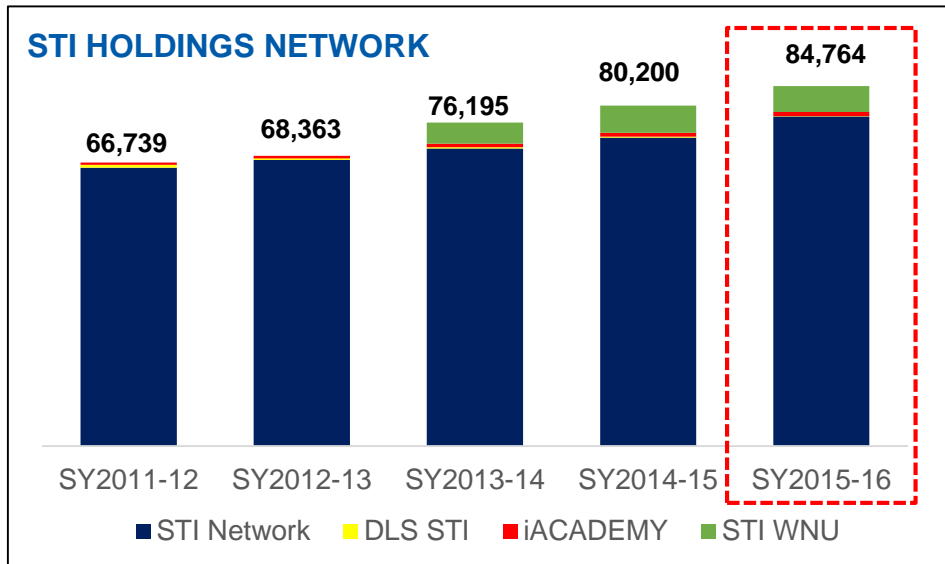
- ◇ Combined revenues grew by 16% year-on-year for the first nine months of FY2015-16 as compared to the same period last year; driven primarily by the 17% increase in Tuition & Other School Fees due to the increased enrollment.
- ◇ EBITDA grew at a faster rate at a 29% year-on-year growth from PHP671 million in the first nine months of FY2014-15 to PHP867 million in the same period in FY2015-16.
- ◇ Gross profit also grew by 16% from PHP1,107.2 million in the first nine months of FY2014-15 to PHP1,286.0 million in the first nine months of FY2015-16. Gross profit margin slightly increased this year as direct costs increased at a slightly lower rate than revenues.
- ◇ Net income increased from PHP 459.8 million in the first nine months of FY2014-15 to PHP 577.5 million in the first nine months of FY2015-16 or 26% year-on-year. The increase in net income is largely due to the substantial increase in tuition and other school fees amounting to PHP231.5 million due to the increase in number of ongoing students and the average 5% tuition fee hike.

Strong Core Profit and Margin Profile



- ✦ Gross Margin increased slightly from 69% during the first nine months of FY2014-15 to 70% during the same period in FY 2015-16 as direct costs increased at a slightly lower rate than revenues.
- ✦ Operating Margin increased from 27.4% during the first nine months of FY2014-15 to 30.3% during the same period in FY2015-16.
- ✦ EBITDA Margin, on the other hand, increased from 42% during the first nine months of FY2014-15 to 47% during the same period in FY2015-16. This is due to the large increase in revenues from tuition and other school fees, the Group's main revenue driver, as compared to the increase in direct and operating costs excluding the impact of depreciation expenses.

Student Enrollment

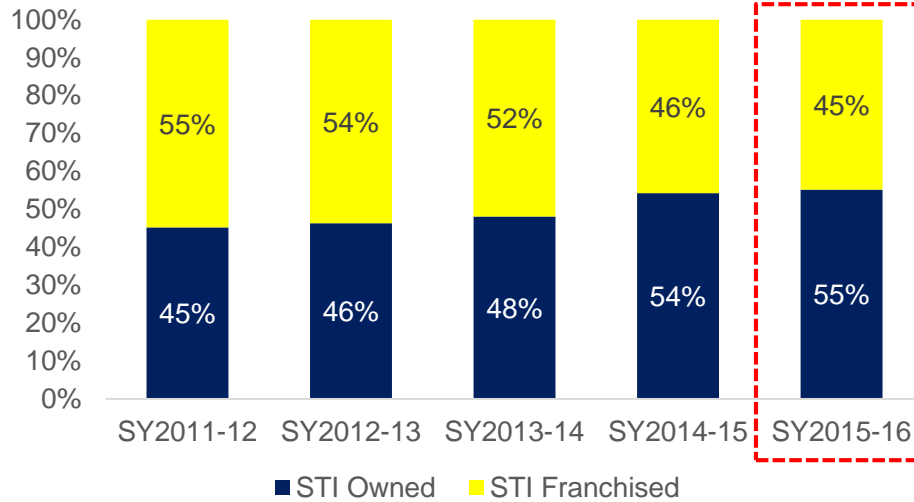


Enrollment	School Year				
	SY2011-12	SY2012-13	SY2013-14	SY2014-15	SY2015-16
STI Branded					
STI Owned	29,663	31,215	33,726	39,404	42,878
STI Franchised	35,929	36,146	36,381	33,212	34,767
STI Network	65,592	67,361	70,107	72,616	77,645
STI WNU	-	-	5,000	6,466	6,091
Total STI Branded	65,592	67,361	75,107	79,082	83,736
Non-STI Branded					
DLS STI	623	345	266	240	34
iACADEMY	524	657	822	878	994
Total Non-STI Branded	1,147	1,002	1,088	1,118	1,028
STI Holdings Network	66,739	68,363	76,195	80,200	84,764
Growth		2.4%	11.5%	5.3%	5.7%

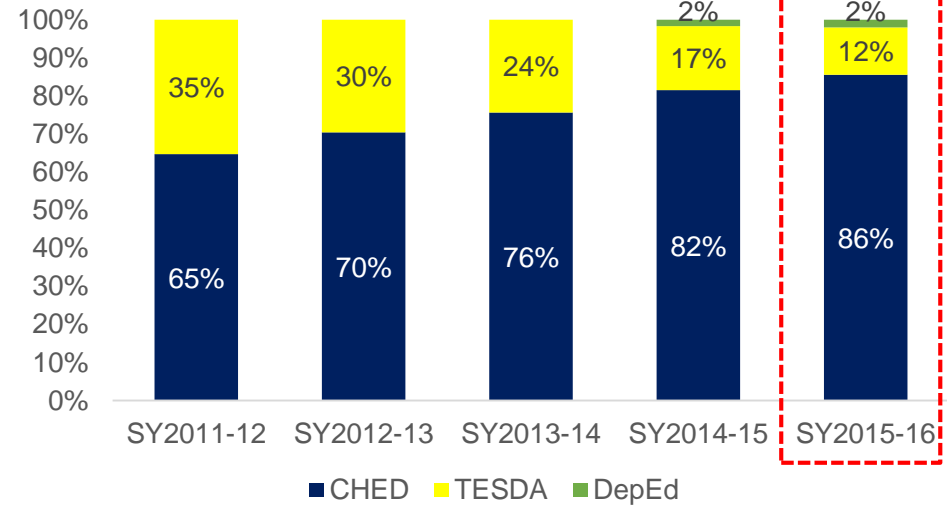
- ✦ Total enrollment at the STI Holdings network of schools as of the first quarter of SY 2015-16 was at 84,764, a combined growth rate of 5.7% year-on-year.
- ✦ Enrollees at STI owned schools increased by 8.8% year-on-year from 39,404 students in the first quarter of SY 2014-15 to 42,878 in the first quarter of SY 2015-16 driven by the completion of the new facilities
- ✦ WNU integrated in May 2014 the two schools it acquired from an STI ESG franchisee.

STI ESG Network Enrollment Profile

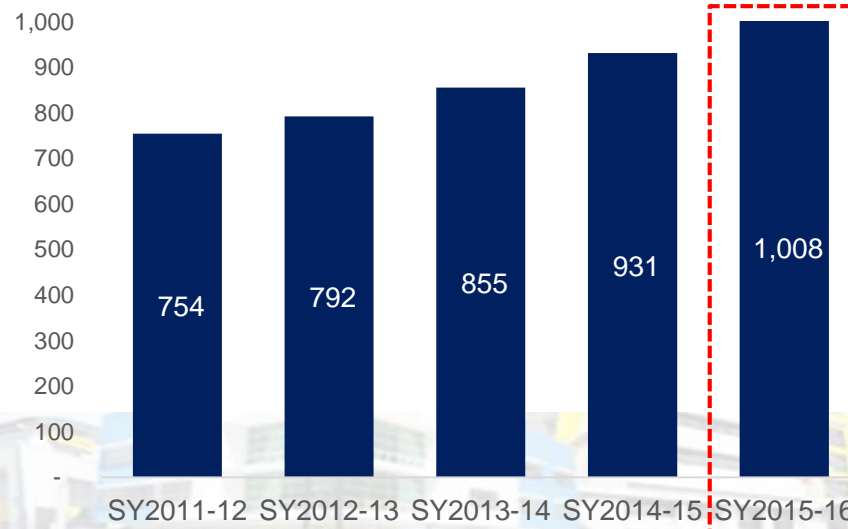
STI ESG NETWORK ENROLLMENT MIX



STI ESG NETWORK CHED/TESDA/DepEd ENROLLMENT MIX



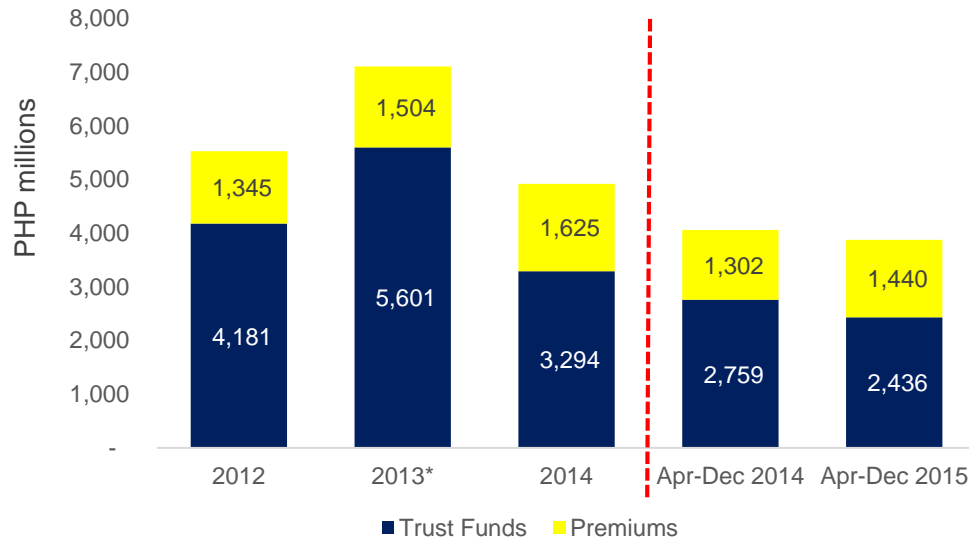
STI ESG NETWORK AVE. NO. OF STUDENTS PER CAMPUS



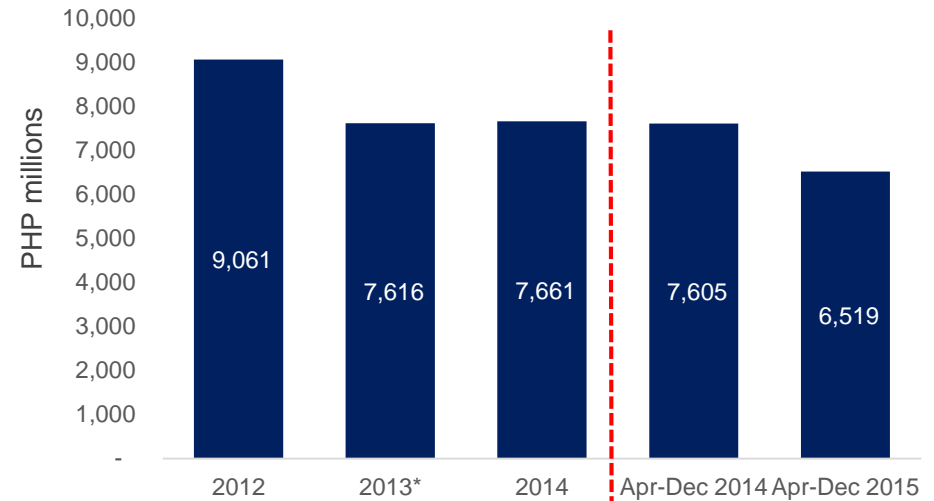
STI Investments – Financial Highlights

STI Investments Revenue

(For the years ending December 31)



STI Investments Book Value



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

- ✦ The increase in the market values of the investment portfolio of the subsidiaries of STI Investments was seen towards the end of 2012, thus the increase in book value as of December 31, 2012.
- ✦ 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 STI Investments 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 STI Investments.