

 PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	STI EDUCATION SERVICES GROUP, INC.

Date: November 17, 2025
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MONITORING

Amount	Interest Rate	Tenor	Issue Date	Maturity Date	Assigned Rating and Outlook
₱0.82 billion	6.3756%	10 years	March 23, 2017	March 23, 2027	PRS Aa Stable
Total Outstanding Bond Issuances - ₱0.82 Billion					

Obligations rated '**PRS Aa**' are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A **Stable Outlook** is defined as: "The rating is likely to remain unchanged in the next 12 months."

RATIONALE

Improved profitability supported by increasing number of enrollees

STI Education Services Group, Inc.'s (STI ESG) revenues consistently increased from ₱2.1 billion in 2022 to ₱4.4 billion in 2025, or a compound annual growth rate (CAGR) of 28.8%. This was due to the growth in number of enrollees, propelling tuition and other school fees which rose by a CAGR of 29.8%, from ₱1.8 billion in 2022 to ₱4.0 billion in 2025. PhilRatings notes that STI ESG's enrollees started to recover in School Year (SY) 2021-2022, eventually reaching 103,982 students in SY 2023-2024.

In SY 2024-2025, majority of the Company's students were enrolled in tertiary programs, accounting for 71.2% share of total. This was followed by students enrolled in secondary education with 27.3% share. The remaining 1.5% came from enrollees under the technical-vocational programs. PhilRatings notes that STI ESG recorded 121,374 enrollees in SY 2024-2025, an increase of 16.8% from the previous period. As of June 30, 2025, this was the highest number of enrollees recorded by STI ESG since SY 2015-2016.

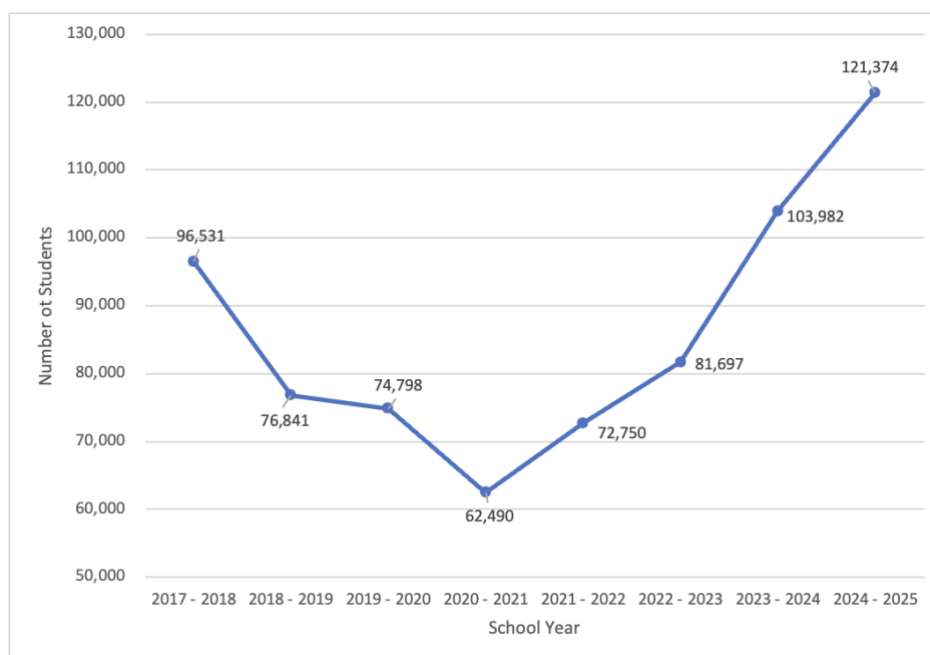


Figure 1 STI ESG's Number of Enrollees from SY 2017-2018 to SY 2024-2025

In line with the growing student population, costs and expenses likewise grew from ₱1.7 billion in 2022 to ₱2.4 billion in 2025, or a CAGR of 13.2%. Such was driven by both cost of educational services as well as general and administrative expenses. These were primarily attributed to higher instructors' salaries and benefits, an uptick on school materials and supplies expense, and higher expenditures related to student activities and programs.

In contrast, interest expense gradually declined from ₱289.3 million in 2022 to ₱233.7 million in 2025. The reduction was mainly due to principal payments made by STI ESG on its Corporate Notes and Term Loan Facilities. Additionally, STI ESG fully paid its seven-year fixed rate bonds amounting to ₱2.18 billion which matured on March 23, 2024. In terms of rental income, such improved from ₱55.0 million in 2022 to ₱108.1 million in 2025 caused by new lease agreements entered into by STI ESG in some of its investment properties.

As a result, the Company's net income significantly grew from ₱253.3 million in 2022 to ₱1.8 billion in 2025, representing a CAGR of 92.7%. Margins likewise consistently increased. Gross profit margin rose from 64.0% in 2022 to 74.2% in 2025. Net profit margin was also higher at 40.7% in 2025 from 12.2% in 2022.

PhilRatings notes that STI ESG's performance in the past three fiscal years (FY) was a notable improvement. STI ESG observes a FY ending every June 30. From 2011 to 2021, the Company's profitability has been volatile, incurring net losses in 2020 and 2021 due to the pandemic. Meanwhile, the registered bottom line in 2025 was STI ESG's highest since 2011.

Satisfactory capitalization with additional room for debt

STI ESG's capital structure has been conservative with average debt-to-equity (DE) ratio of 0.5x from 2022 to 2025. Average total debt to capitalization ratio was 33.1%.

During the period, total debt declined from ₱4.2 billion in 2022 to ₱2.5 billion in 2025. On March 23, 2024, STI ESG successfully settled its ₱2.18-billion Fixed Rate Series Seven-year Bonds through a combination of loans and internally generated cash. STI ESG drew funds from Bank of the Philippine Islands (BPI) and Metropolitan Bank & Trust Company (Metrobank), with an aggregate amount of ₱1.5 billion. On the other hand, total equity expanded from ₱5.9 billion in 2022 to ₱8.4 billion in 2025, supported by continuous plowback of earnings.

Effective cost management strategies across its network of schools

Since the COVID-19 pandemic, STI ESG has been rationalizing the number of schools in operation across the country. As of end-FY2025, the Company's network had 63 active schools across the country, down from 76 schools as of end-FY2020. The students enrolled in the affected schools were given the option to transfer to other STI institutions. Nevertheless, STI ESG's total number of enrollees were on an uptrend, as previously discussed, driving the Company's profitability.

On February 27, 2024, the Board of Directors of STI Educations Systems Holdings, Inc. (STI Holdings), STI ESG's Parent Company, signed the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA). This covered the takeover of STI Holdings of the operations of PSBA Manila and PSBA Quezon City, as well as the acquisition of licenses, trademarks, trade names, and school-related-assets owned by PSBA.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement where STI ESG was appointed to manage the operations of PSBA schools with the goal of increasing enrollment and promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG started providing its management services to PSBA Quezon City on July 1, 2024 and to PSBA Manila on August 1, 2024. In effect, PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26% of their gross revenues.

Management continues to identify strategic opportunities to improve efficiency within the Group.

BUSINESS RISK

Company Profile

STI ESG operates in the field of establishing, maintaining and operating educational institutions. Its primary revenue streams are tuition and school fees from the schools that it owns, and royalties and other fees for various educational services it provides to its franchised schools.

Established on August 21, 1983, STI ESG started as a training center offering short-term computer programming courses for college graduates and working professionals. In 1995, it was granted a permit by the Commission on Higher Education (CHED) to operate colleges and offer four-year college programs. In 2013, when the Department of Education (DepEd) launched the K to 12 program, STI ESG leveraged on its nationwide facilities and reportedly became the largest pioneer to offer Senior High School (SHS), offering Academic and Technical-Vocational-Livelihood tracks. STI ESG also offers the Junior High School (JHS) program.

As of June 30, 2025, STI ESG was 99%-owned by STI Holdings, a publicly-listed company in the Philippine Stock Exchange (PSE). STI Holdings is the holding company of the Tanco Group which focuses on education and education-related activities and investments. STI ESG is its largest subsidiary.

Operations

STI schools may be operated either by: (a) STI ESG, (b) subsidiaries and (c) franchisees. Franchisees are independent entrepreneurs who operate under the terms of a licensing agreement with the Company.

As of June 30, 2025, the STI ESG network had 63 schools across the country, comprised of 60 STI Colleges and three STI Education Centers. In terms of ownership, of the 63 schools, it wholly owned 36 college campuses and one education center. The balance of 24 college campuses and two education centers were operated by franchisees.

Table 1 STI Campuses

Area	Owned	Franchised	Total
Metro Manila	Alabang, Caloocan, Cubao, Fairview, Global City, Las Pinas, NAMEI, Novaliches, Pasay-EDSA, Sta. Mesa	Marikina, Munoz-EDSA	12
Northern Luzon	Baguio, Dagupan, Laoag, Meycauayan, San Jose Del Monte, Sta. Maria	Alaminos, Angeles, Balagtas, Baliuag, Cauayan, Malolos, San Fernando, San Jose, Tarlac, Vigan	16
Southern Luzon	Batangas, Calamba, Carmona, Legazpi, Lipa, Lucena, Naga, Ortigas-Cainta, Puerto Princesa, San Pablo, Sta. Cruz, Tanauan, Tanay	Bacoor, Balayan, Dasmaringas, Rosario, Santa Rosa, Tagaytay	19
Visayas	Calbayog, Dumaguete, Kalibo	Maasin, Ormoc	5
Mindanao	Cagayan de Oro, Davao, Iligan, Malaybalay, Valencia	Cotabato, General Santos, Koronadal, Surigao, Tacurong, Tagum	11
Total	37	26	63

Programs Offered

A wide range of associate and baccalaureate degrees, as well as technical vocational programs, are offered on the college campuses of STI ESG. These cover areas of Information and Communication Technology (ICT), Arts and Sciences, Business Management, Education, Engineering, Hospitality Management and Tourism Management. As applicable, these are accredited by the CHED and the Technical Education and Skills Development Authority (TESDA). In the education centers, on the other hand, STI ESG offers TESDA-accredited technical vocational courses for Information Technology, Multimedia Arts, Hospitality and Restaurant Services, Culinary and Tourism and Events Management, among others. In addition to the above, the Company has also been offering JHS and SHS programs.

In delivering its programs offered, STI ESG has been continuously developing its own courseware and ensuring its standard usage and delivery across its network. The courseware covers sets of teaching materials used by the instructors, from the course syllabus to other materials used throughout the duration of the course. These materials are suited to both online learning and face-to-face classes.

STI ESG also regularly reviews its existing course offerings and conducts market studies to ensure that the programs they offer continue to be up to date and to determine other relevant new programs that they can provide. Certain STI campuses also offer BS Psychology and BS Criminology programs.

Student Population

STI ESG's number of enrollees have shown an increasing trend from 72,750 in SY 2021-2022 to 121,374 in SY 2024-2025. This remained to be mainly driven by CHED students which accounted for 71.2% of the Company's total enrollees. This was followed by DepEd and TESDA with 27.3% and 1.5% shares, respectively.

PhilRatings notes that the 121,374 enrollees recorded by STI ESG in SY 2024-2025 was the highest number since SY 2015-2016.

Table 2 Student Enrollees by Type

School Year	Total Enrollees	CHED	TESDA	DEPED
		Tertiary / Post-Grad	Technical Vocational	JHS and SHS
2021 - 2022	72,750	49,005	1,040	22,705
2022 - 2023	81,697	56,876	1,447	23,374
2023 - 2024	103,982	71,159	1,682	31,141
2024 - 2025	121,374	86,447	1,760	33,167

Aside from growth in the number of enrollees, STI ESG also strives to improve the retention and migration ratios of its students. Retention ratio represents the number of students who have continued until the end of the term or semester, while migration ratio refers to the number of students that were able to move up from the previous term to the next. The Company has managed to improve both measures, as the retention rate from SY 2022-2023 and SY 2024-2025 stood at 99%, while migration ratio in SY 2024-2025 was at 93%.

Faculty

STI ESG provides continuing development programs for its faculty, which will assist them in acquiring the capabilities necessary to effectively perform their functions. The Company likewise administers a competency certification program which ensures that a faculty member possesses the level of competence needed to teach a particular course.

As of June 30, 2025, STI ESG had a total of 1,063 faculty members.

Financial Aid Programs

In its ongoing commitment to help more Filipino youth access quality education, the Group has partnered with banks and other institutions to be able to offer rebates and discounts to its students:

- **DBP Resources for Inclusive and Sustainable Education Program (DBP RISE)**

The first Memorandum of Agreement (MOA) between STI ESG and the Development Bank of the Philippines (DBP) was signed on March 17, 2021 for the implementation of DBP RISE. Such grants financial assistance to students from the ranks of underprivileged Filipino families who aim to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers the total cost of tuition fees for all year levels, as well as student support fund which covers other school fees, miscellaneous fees and living allowances that will be determined and set by DBP.

STI ESG and DBP since then have executed similar MOAs in November 2021 and in May 2023 covering continued implementation of DBP RISE for qualified students enrolled beginning SY 2021-2022 to SY 2023-2024.

- **Pag-IBIG – STI Educational Assistance Program**

Through the Pag-IBIG – STI Educational Assistance Program, Pag-IBIG Loyalty and Loyalty Plus cardholders, and their qualified dependents within the second degree of consanguinity and/or affinity can avail of a 20% partial scholarship grant on tuition fees.

- **Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs)**

The MOA for the Pag-IBIG HELPs program, a short-term educational loan initiative, was signed on December 13, 2023, with implementation set to begin in SY 2024-2025. As a partner institution, STI ESG provides qualified Pag-IBIG members with a 20% scholarship grant for their student beneficiaries. The grant is based on the member's approved loanable amount.

Job Placement Assistance

STI ESG actively monitors the employment rate of its graduates. The STI Alumni and Placement Services (STI APS) Department, through each STI School's Alumni and Placement Office, conducts surveys to track this rate. Based on recent reports as of June 30, 2025, 67% of surveyed graduates were able to secure employment within six months of graduation, slightly up from historical figures.

To boost the employability of its students, the Company's STI APS establishes partnerships with various potential employers locally and internationally through the Interactive Career Assistance and Recruitment System (I-CARES). The I-CARES is an exclusive online job search platform for STI graduates that streamlines the distribution of job opportunities from the school's employer partners and matches graduates to these openings. The number of partners that have registered to use I-CARES has significantly increased in SY 2024-2025 to 532 from 512 in SY 2023-2024. These partners are from various industries ranging from Information Technology (IT), banking, advertising, education, manufacturing, and maritime, among others.

Ownership and Management

As of June 30, 2025, STI ESG was 99%-owned by STI Holdings, a publicly-listed company in the Philippine Stock Exchange (PSE). STI Holdings is the holding company of the Tanco Group which focuses on education and education-related activities and investments.

Jesli A. Lapus (76 years old) is the Chairman of STI ESG. He was first elected as Chairman and Independent Director in September 2013. He is also a Director of STI Holdings. Dr. Lapus has the distinction of having served in the cabinets of three Philippine presidents namely: President Gloria Macapagal-Arroyo, President Fidel Ramos and President Corazon Aquino in the following capacities: Secretary, Department of Trade Industry (2010); Secretary, DepEd (2006-2010); President and Chief Executive Officer (CEO), Land Bank of the Philippines (1992-1998); and Undersecretary, Department of Agrarian Reform (1987-1989). Dr. Lapus was awarded a Doctor of Public Administration (Honoris Causa) degree by the Polytechnic University of the Philippines. He likewise completed his Master in Business Administration degree from the Asian Institute of Management.

Monico V. Jacob (80 years old) is the Vice-Chairman and CEO of STI ESG. He has been the President and CEO of STI Holdings since March 2010. Mr. Jacob is also the Chairman of Maestro Holdings, Inc. (formerly STI Investments Inc.), Philippine Life Financial Assurance Corporation, Philhealthcare, Inc., Total

Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc. (GROW), GROW Vite Staffing Services, Inc., and Rosehills Memorial Phils., Inc. He is also a partner in the law firm Jacob & Jacob.

Prior to his current position, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC). He also served as the General Manager of the National Housing Authority, and CEO of the Home Development Mutual Fund.

Mr. Jacob finished his Bachelor of Arts degree with a major in Liberal Arts from the Ateneo de Naga University and his Bachelor of Laws degree from the Ateneo de Manila University.

Eusebio H. Tanco (75 years old) is the Executive Chairman Emeritus and a Director of STI ESG. Mr. Tanco holds various key positions and directorship in different companies such as Prudent Resources, Inc., Philippines First Insurance Co., Inc., Prime Power Holdings Corporation and Mactan Electric Company., among others. He is also the President of Asian Terminals, Inc. Mr. Tanco holds a Master of Science in Economics degree from the London School of Economics and Political Science. He earned his Bachelor of Science in Economics degree from the Ateneo de Manila University. He was also conferred a Doctorate of Humanities degree (Honoris Causa) by the Palawan State University.

Peter K. Fernandez (60 years old) is the President and Chief Operating Officer of STI ESG. He is also the Vice Chairman and CEO of STI West Negros University. Prior to his appointment, Mr. Fernandez served as Executive Vice President and Chief Operating Officer of STI ESG from 2004-2016. Prior to joining STI ESG, Mr. Fernandez used to be a faculty member of the Asian Institute of Management and College of Computer Studies at the De La Salle University. Mr. Fernandez earned his Bachelor of Science degree in Electronics and Communications Engineering and Master of Business Administration degree from De La Salle University.

Yolanda M. Bautista (72 years old) has served as the Chief Finance Officer and Treasurer of STI ESG since 2003. She is likewise the Treasurer of STI Holdings' and is the Group Chief Finance Officer of Philippine Life Financial Assurance Corporation and Philhealthcare, Inc, as well as the Chief Finance Officer and Treasurer of STI West Negros University. Ms. Bautista also holds several directorships within the STI Group. She is a Certified Public Accountant and graduated Magna Cum Laude from University of Sto. Tomas with a Bachelor of Science degree in Commerce, major in Accounting.

STI Holdings' Financial Performance

Analyst's Note: STI Holdings observes a FY ending every June 30.

FY2025

In 2025, STI Holdings' total revenues increased by 18.3% to ₱5.6 billion, from ₱4.7 billion in the previous year, driven by the 15% increase in total student enrollment as well as higher tuition fees. In relation to such, tuition and other school fees rose by 18.4%, from ₱4.3 billion in 2024 to ₱5.1 billion in 2025.

Given the growth in student population, the cost of educational services increased by 8.9% to ₱1.4 billion in 2025 from ₱1.3 billion in 2024. General and administrative expenses expanded by 11.2% to ₱1.7 billion in 2025 from ₱1.5 billion in 2024, on account of higher salaries, wages and benefits, as well as professional fees.

As a result, STI Holdings generated an operating income of ₱2.4 billion in 2025, up by 32.7% from ₱1.8 billion in 2024, due to higher revenues from the growth in enrollment. Net income posted in 2025 was at ₱2.2 billion, a 37.8% increase from ₱1.6 billion in 2024. Net income margin likewise improved from 34.2% to 39.9% year-on-year.

Strategy

STI ESG aims to expand the business mainly through the continuous growth of student enrollment. It is focused on investing in capital improvement projects primarily through moving out of rented space to owned, independent campuses. Having owned campuses will enable them to better deliver on their commitment of giving students the best learning environment, in addition to top-of-the line laboratories and facilities.

As of June 30, 2025, STI ESG maintained 22 wholly-owned campuses, comprising a portfolio of constructed academic centers and renovated facilities. In addition, 10 franchised schools have undertaken construction or renovation projects to enhance their facilities. To support network-wide improvements, STI ESG extends incentives to franchisees that invest in upgrading their infrastructure.

The Company is committed to increasing enrollment capacity. As of June 30, 2025, student capacity was at 155,581 students, 72% of which was in the owned schools.

STI ESG remains committed to providing industry-aligned curricula for its students. It also provides its faculty members with access to development programs that help them acquire and improve on competencies necessary to perform their functions as effective educators.

Since the COVID-19 pandemic, STI ESG has been rationalizing the number of schools in operation across the country. As of end-FY2025, the Company's network had 63 active schools across the country, down from 76 schools as of end-FY2020. The students enrolled in the affected schools were given the option to transfer to other STI institutions. Nevertheless, STI ESG's total number of enrollees were on an uptrend, as previously discussed, driving the Company's profitability.

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FINANCIAL RISK

Analyst's Note: PhilRatings' calculation of certain ratios may differ from what the company uses and publishes. STI ESG observes a FY ending every June 30.

Table 3 Balance Sheet Items

(Amounts in Thousand Pesos)	2022	2023	2024	2025
Cash and cash equivalents	1,242,529	1,571,738	1,191,717	1,594,570
Receivables	445,126	342,011	347,232	433,059
Total current assets	1,936,211	2,162,818	1,793,299	2,297,138
Total assets	11,089,098	11,282,272	11,220,952	12,270,622
Accounts payable and other current liabilities	572,758	560,931	714,923	770,354
Total debt	4,192,748	3,920,326	2,901,082	2,543,039
Total liabilities	5,196,846	4,987,078	4,224,265	3,879,762
Total equity	5,892,252	6,295,194	6,996,687	8,390,860

Table 4 Income Statement Items

(Amounts in Thousand Pesos)	2022	2023	2024	2025
Tuition and other school fees	1,823,949	2,248,671	3,302,421	3,987,803
Sale of educational materials and supplies	29,217	106,863	126,343	118,732
Total revenues	2,079,989	2,583,152	3,696,399	4,449,528
Cost and expenses	1,663,197	1,874,799	2,221,182	2,412,378
Interest expense	(289,271)	(275,919)	(269,912)	(233,657)
Equity in net earnings (losses) of associates and joint ventures	(12,001)	15,162	18,811	22,045
Net income	253,264	621,935	1,275,793	1,813,083

Table 5 Key Financial Ratios

	2022	2023	2024	2025
Gross profit margin (%)	64.0	66.9	71.1	74.2
Net profit margin (%)	12.2	24.1	34.5	40.7
Return on average assets (%)	2.3	5.6	11.3	15.4
EBITDA interest coverage ratio (x)	3.6	4.9	8.0	11.8
Debt service coverage ratio (x)	2.3	0.5	2.7	3.4
Current ratio (x)	2.4	0.7	1.3	1.4
Debt to equity ratio (x)	0.7	0.6	0.4	0.3
Total debt / capitalization (%)	41.6	38.4	29.3	23.3
Solvency ratio (x)	2.1	2.3	2.7	3.2

Profitability**FY2024**

In 2024, STI ESG's revenues increased by 43.1% to ₱3.7 billion from ₱2.6 billion in 2023. Improvement in revenues was due mainly to the increase in student enrollment as evidenced by the increase in tuition and other school fees which grew by 46.9% to ₱3.3 billion. Consequently, revenues from educational services and royalty fees likewise increased by 17.5%, due as well to the growth in student enrollment

and improved collection efficiency of the franchise schools. Sale of educational materials and supplies increased by 18.2% on account of higher uniform sales.

The Company also incurred direct expenses, related to the delivery of educational services and operation of the business. These amounted to ₱1.1 billion in 2024, up 25.2% from ₱854.1 million in 2023, attributable mainly to higher salaries, wages and benefits. Some expenses were also consolidated into STI ESG during the period, after STI Alabang became a wholly-owned subsidiary beginning March 2023.

The above translated to a gross profit of ₱2.6 billion in 2024, a 51.9% increase from ₱1.7 billion in 2023. This resulted to a gross profit margin of 71.1% in 2024, growing from 66.9% in 2023.

Operating expenses stood at ₱1.2 billion in 2024, higher by 12.8% year-on-year, driven by merit increases to non-teaching staff and higher pension expenses following the adoption of the Multi-Employer Retirement Plan for STI ESG and its subsidiaries. Other operating expenses likewise increased primarily due to the Group's growing business activities and higher student population, which require higher operational resources and services across various expense categories.

The Company recorded interest expense of ₱269.9 million, offsetting rental income of ₱111.3 million. Other sources of income included foreign exchange gains, interest income, equity in net earnings of associates and joint ventures, dividend income, and other miscellaneous income. These resulted to net other expenses of ₱72.0 million during the year.

On the back of strong revenue performance from higher enrollees, coupled with managed expenses, STI ESG's net income for the year amounted to ₱1.3 billion, significantly up by 105.1% from ₱621.9 million in 2023. This was the third consecutive year of posting net income after a loss in 2021. Net profit margin and ROAA further improved to 34.5% and 11.3%, respectively.

FY2025

STI ESG posted 20.4% revenue growth, from ₱3.7 billion in 2024 to ₱4.4 billion in 2025. This was mainly driven by the increase in number of enrollees during the period.

Cost and expenses were well-managed as such grew by 8.6%, from ₱2.2 billion in 2024 to ₱2.4 billion in 2025, on account of the delivery of education services and operation of the business.

Other expenses — net likewise fell by 48.6%, from ₱72.0 million in 2024 to ₱37.0 million in 2025, mainly attributable to lower interest expense. STI ESG also recorded a one-time gain of ₱24.6 million from partial disposal of interest in an associate.

In August and September 2024, the Company sold a portion of its interest in STI Holdings for a total consideration of ₱25.0 million. In January 2025, STI ESG sold its interest in STI Holdings for a total consideration of ₱63.0 million. These partial disposals of STI ESG's interest in STI Holdings have resulted in gain aggregating to ₱24.6 million and was recognized as "Gain on partial disposal of interest in an associate". As a result, STI ESG's ownership interest in STI Holdings decreased from 5.05% to 4.37% as of June 30, 2025.

As a result of the foregoing, the Company continued to sustain its profitability. Net income surged by 42.1%, from ₱1.3 billion in 2024 to ₱1.8 billion in 2025. Gross and net profit margins rose to 74.2% and 40.7%, respectively. ROAA was likewise up to 15.4%.

Cash Flow and Liquidity

FY2024

Cash flows from operating activities increased by 60.3% to ₱2.3 billion in 2024 from ₱1.4 billion in 2023, attributable to higher operating income before working capital charges.

Cash outflow for investing activities grew by 173.3% to ₱727.8 million in 2024 from ₱266.3 million in 2023, used mainly for the acquisition of properties intended to be sites of STI schools. The biggest outflows were for the following: (a) acquisition of 100% of the total issued and outstanding capital stock of Clinquant Holdings, Inc. (CHI), a company that owns a 10,000 square meter real estate property in Tanauan, Batangas for ₱180 million; (b) ₱60.5 million, as 15% deposit to acquire 100% ownership of, Phosphene Holdings, Inc. (PHI), which owns the property adjacent to CHI's property; and (c) ₱45.1 million downpayment for the acquisition of a parcel of land (3,266 square meters) in Alabang, Muntinlupa City. Cash outflow for investing activities likewise included disbursements for solar panel installation, classroom expansion projects and other renovation and rehabilitation projects in various schools.

Cash used for financing activities likewise jumped by 134.2% to ₱1.9 billion in 2024 from ₱825.6 million in 2023. In March 2024, STI ESG received loan proceeds from its credit facilities from Metropolitan Bank & Trust Company (Metrobank) and Bank of the Philippine Islands (BPI) which it then used to partially finance the full redemption of its seven-year bonds amounting to ₱2.18 billion. In addition, STI ESG also made principal payment on certain interest-bearing loans and likewise distributed cash dividends to stockholders.

Due mainly to the settlement of the bonds that matured in 2024, the above resulted to a net decrease in cash and cash equivalents of ₱380.0 million to ₱1.2 billion, reversing the increase from the prior year.

Despite the decrease in cash position, an improvement in current ratio to 1.3x in 2024. This was mainly due to the current portion of long-term debt recorded in 2023 which pushed down the 2023 current ratio. The strong revenues and low leverage with the retirement of debt resulted in more than sufficient coverage ratios with EBITDA interest coverage and debt service coverage ratios (DSCR) of 8.0x and 2.7x, respectively.

FY2025

STI ESG has continued to show its ability to generate cash flows. Net cash generated from operations increased by 11.0%, from ₱2.3 billion in 2024 to ₱2.5 billion in 2025, supported by favorable movements in the Company's profitability. Such was mainly used to acquire property and equipment, as well as to settle a long-term loan. STI ESG also availed of loans to pay for other noncurrent assets. Cash and cash equivalents jumped by 33.8% to ₱1.6 billion as of end-June 2025.

Current ratio continued to improve to 1.4x. EBITDA interest coverage ratio and DSCR remained more than adequate at 11.8x and 3.4x, respectively.

Capital Structure

FY2024

Since 2021, there have been no changes in capital stock and additional paid-in capital. Growth in equity was mainly due to plowback of earnings. Such increased by 11.1% to ₱7.0 billion in 2024.

With the payment of loans and the Company's seven-year bonds, total debt dropped by 26.0% to ₱2.9 billion in 2024 from ₱3.9 billion in 2023.

DE ratio remained conservative, even improving to 0.4x in 2024. Total debt to capitalization ratio was 29.3%. PhilRatings notes that the Company's capital structure was stable, with capacity to take on some more debt financing.

FY2025

STI ESG's total debt declined by 12.3% to ₱2.5 billion as of end-June 2025. Total equity, on the other hand, was up by 19.9% to ₱8.4 billion, mainly due to retained earnings. As a result, DE ratio further improved to 0.3x.

Projections

Taking off from actual enrollment numbers in SY 2023-2024 and considering full resumption of face-to-face classes and student activities going forward, STI ESG projects enrollment numbers to gradually grow over the projected period. The enrollment trend is expected to continue favoring owned schools, which are projected to account for the majority of student enrollment.

Supported by the increasing number of enrollees, consolidated revenues are seen to post significant growth rates. In line with the top line growth, cost and expenses will likewise be higher but manageable. As a result, STI ESG forecasts its net income to consistently record increases over the projected period. Margins will remain within historical figures.

The Company will continue to use earnings to grow the business, along with well-managed debt. On the other hand, earnings retention will drive increases in shareholders' equity.

Cash flow from operations will be maintained at positive levels over the forecasted period, which will be used for planned property acquisitions, major construction projects, servicing of debt and projected dividend payments.

Financial Flexibility

As of November 10, 2025, STI ESG's Parent Company, STI Holdings, had a market capitalization of ₱14.1 billion.

ECONOMY

Gross Domestic Product (GDP)¹

The Philippine economy expanded by 5.5% in the second quarter of 2025 (2Q2025). Though reflecting a slight increase from the 5.4% growth in 1Q2025, the recorded growth for the quarter was lower than the 6.5% growth recorded in the same quarter of the previous year. This brought the country's growth in the first semester to 5.4%, just outside the 5.5% lower band of its growth target for 2025. Growth was driven by the following industries: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, 5.1%; Financial and Insurance Activities, 5.6%; and Public Administration and Defense; Compulsory Social Security, 12.8%. Among major economic sectors, Industry, Services, as well as Agriculture, Forestry and Fishing grew by 2.1%, 6.9%, and 7.0%, respectively.

Household Final Consumption Expenditure registered a 5.5% year-on-year improvement in 2Q2025, higher than the 5.3% growth in the previous quarter. Growth in 2Q2025 was supported by the increase in the following: Food and non-alcoholic beverages, 5.7%; Transport, 11.2%; Miscellaneous goods and services, 4.3%; Education, 9.7%; and Restaurants and hotels, 7.4%. Department of Economy, Planning, and

¹ <https://psa.gov.ph/content/gdp-expands-54-percent-first-quarter-2025>

Development (DEPDev) Secretary Arsenio Balisacan attributed consumption growth to cooling inflation and improving employment. Government Final Consumption Expenditure expanded by 8.7% in 2Q2025, lower than the 11.9% growth in the same period last year due to the election spending ban.

Outlook²

The Asian Development Bank (ADB) has maintained its Philippine GDP growth forecast at 5.6% for 2025, while slightly lowering its 2026 projection to 5.7% from 5.8%, according to its latest Asian Development Outlook released in September 2025. The ADB cited strong domestic demand, sustained investments, and supportive monetary policy as key growth drivers. Despite the downward revision, the ADB noted that the Philippines is expected to remain the second fastest-growing economy in Southeast Asia until 2026, following Vietnam.

The International Monetary Fund (IMF) also revised its projections, lowering its 2025 GDP growth forecast to 5.4% from 5.5%, and its 2026 forecast to 5.7% from 5.9%. The IMF cited weaker-than-expected economic performance in the first half of 2025 and the impact of higher U.S. tariffs on Philippine exports and investment. The economy expanded by 5.4% in the first six months of the year.

These updated forecasts are within or near the lower end of the Philippine government's official growth targets of 5.5% to 6.5% for 2025 and 6.0% to 7.0% for 2026.

The central bank's latest forecast places the average inflation rate at 1.7% for 2025 and 3.3% for 2026. Despite risks such as possible electricity rate adjustments and increased rice tariffs, inflation is expected to remain within the 2.0% to 4.0% target range. The Bangko Sentral ng Pilipinas (BSP) indicated that there may still be room for one more rate cut in 2025, depending on future economic data.

Inflation and Interest Rate³

Inflation rose for the second straight month to 1.7% in September 2025, from 1.5% in the previous month. This was the highest figure since the 1.8% in March 2025, but it was slightly lower than the 1.9% in the same month last year. Such also marked the seventh straight month that the headline inflation rate fell below the government's target. The PSA attributed the higher inflation rate to the increase in transport prices, from -0.3% in August to 1.0% in September. Gasoline prices declined by 0.9% in September, slower than the 6.1% dip in the previous month. Core inflation, which does not include volatile commodities such as food and energy, slightly slowed down from 2.7% in August to 2.6% in September. The figure was, however, faster than the 2.4% in September 2024. Considering the latest figure, year-to-date inflation is 1.7%. Average core inflation in the nine months was 2.4%, slower than the 3.1% in the first nine months of 2024 (9M2024).

With its outlook towards the domestic economy weakened amid declining investor confidence due to looming reports of corruption in public infrastructure spending, the BSP further cut its key policy rate by 25 basis points (bps) to 4.75% in its October meeting, its lowest since September 2022. This marked the fourth rate cut the central bank has made for the year. The BSP has so far reduced policy rates by a total of 175 bps since its first cut in August 2024.

² <https://www.bworldonline.com/breaking-news/2025/09/30/701841/adb-keeps-philippine-growth-forecast-for-2025/>
<https://business.inquirer.net/550220/imf-joins-others-cuts-ph-growth-outlook-on-tariff-woes>
<https://www.bworldonline.com/top-stories/2025/08/29/694539/bsp-cuts-rates-for-3rd-straight-meeting/>

³ <https://www.bworldonline.com/top-stories/2025/10/08/703592/philippine-inflation-quickens-to-6-month-high-in-september/>

INDUSTRY

Based on the 2022 Program for International Student Assessment released by the Organization for Economic Cooperation and Development (OECD), Filipino students aged 15 years old remained one of the weakest in the areas of Mathematics, Reading and Science. The Philippines ranked 77th out of 81 countries and performed below than the global average in all categories. According to Philippine Business for Education (PBEd), there is much work that needs to be done for the Philippine education system.

The Second Congressional Commission on Education (EDCOM 2) provided recommendations to address the issues of the country's education sector. These include: streamlining of textbook procurement; decongesting the workload of public teachers; prioritizing the poorest students in the Tertiary Education Subsidy; and creating a coordinating body among the DepEd, the CHED, and TESDA. In relation to such, Senator Sherwin Gatchalian, EDCOM 2 co-chairperson, filed Senate Bill No. 2017 or the National Education Council Act. This seeks to regulate a system of national coordination, planning, monitoring, evaluation and management between and among DepEd, CHED and TESDA.

CHED created a Technical Working Group and developed guidelines and evaluation process that will eventually phase out teacher education degree programs in poor-performing teaching education institutions. The Commission expects such to address teacher quality issues that ultimately influence learning outcomes. It plans to engage Centers of Development and Centers of Excellence in teacher education and to expand a technical panel for teacher education to include the DepEd curriculum development and learner assessment specialists.

According to education experts, upskilling teachers and utilizing new technologies remain the top priorities for the Philippine education sector. Schools have still adopted online platforms as one of the primary modes of learning amid returning to face-to-face classes. In relation to such, Artificial Intelligence (AI) poses risks to the integrity of the learning process despite being a mechanism to enhance efficiency and efficacy. In relation to such, Turnitin Philippines, an online plagiarism detection company, has partnered with local universities to train teachers in using AI to help them grade papers online. Meanwhile, according to the Asian Development Bank, education technology should be maximized to bridge the skill gap due to rapid technological advancements. Approximately 20% of the country's workforce could lose their jobs due to automation.

For SY 2023-2024, DepEd registered a total of 26.9 million students, lower than its target of 28.8 million enrollees and pre-pandemic level of 27.0 million. It should be noted that the figure includes all enrollees from public and private kindergarten, elementary and high schools, Philippine schools overseas and the Alternative Learning System (ALS). CHED, on the other hand, had ordered state universities and colleges (SUCs), as well as local universities and colleges (LUCs), to cease offering the SHS program starting SY 2024-2025. Based on a CHED memorandum, the implementation of SHS programs in SUCs and LUCs should only be limited to the K to 12 transition period which was only from SY 2016-2017 to SY 2020-2021. In connection with such, DepEd issued a notice that there should be no more Government Assistance to Students and Teachers in Private Education (GATSPE) beneficiaries from the SUCs and LUCs. The affected SHS students then have two options: (1) enroll in public schools offering basic education, or (2) enroll in private schools and avail of the voucher program.

In February 2024, the US-Philippines Partnership for Skills, Innovation, and Lifelong Learning (UPSKILL) program was launched and will be implemented for the next five years. This program aims to bring together US universities, Philippine government agencies, and private sector partners to promote innovation and entrepreneurship in higher education institutions. Its initiatives include faculty and staff

training, curriculum improvements, and increasing community outreach and technology transfer, among others. The UPSKILL program, a ₱1.6 billion project, is expected to boost the country's higher education through training and curriculum improvements.

In June 2024, Vice President Sara Duterte resigned from her post as Secretary of the DepEd. She remains as the country's Vice President.⁴ In her place, in July 2024, Former Senator Sonny Angara was appointed to the position.⁵

In November 2024, DepEd confirmed the Senate's approval of its ₱793.7 billion budget for 2025, with Senator Pia Cayetano as the budget sponsor.⁶ This translates to a 4.0% increase from the agency's 2024 and is roughly 3.0% of the country's GDP.

In the latest report of PBE, the state of Philippine education remains in critical condition in 2025 as quality education declines and learning gaps wide. This calls for urgent and unified reforms to prevent further deterioration of the education sector in the country. PBE cited outdated learning materials, insufficient infrastructure and inadequate teacher training, among others, as key factors of worsening learning crisis. Such led to low literacy and numeracy rates, deteriorating student performance, overworked teachers, and a disconnect between education and employment. In particular, PBE emphasized that nine out of 10 learners cannot understand simple text, with only 7.0% of students complete pathway from Grade 1 to college.⁷

⁴ <https://www.philstar.com/headlines/2024/06/19/2364012/sara-duterte-resigns-deped-secretary>

⁵ <https://www.philstar.com/headlines/2024/07/20/2371644/sonny-angara-sworn-new-deped-secretary>

⁶ <https://mb.com.ph/2024/11/08/dep-ed-welcomes-approval-of-budget-for-2025>

⁷ <https://mb.com.ph/2025/07/07/state-of-philippine-education-2025-how-bold-reforms-can-turn-crisis-into-opportunity>