

### PhilRatings Upgrades Rating for STI ESG's Outstanding Bonds to PRS Aa

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aa**, with a **Stable Outlook**, to STI Education Services Group, Inc.'s (STI ESG) outstanding bonds amounting to ₱820.0 million. This represents an upgrade from the previous rating of PRS A plus, with a Positive Outlook.

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 be maintained and or to remain unchanged in the next 12 months."

PhilRatings identified the following key considerations in the assignment of the rating and the corresponding Outlook: a) STI ESG's improved profitability supported by increasing number of enrollees; b) Its satisfactory capitalization with additional room for debt; and c) Its effective cost management strategies across its network of schools.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to STI ESG and may change the ratings and Outlook at any time, should circumstances warrant a change.

Established on August 21, 1983, STI ESG is involved in establishing, maintaining, and operating educational institutions. It currently provides Junior High Schools (JHS), Senior High School (SHS) and tertiary education. Furthermore, it offers post-secondary and lower tertiary non-degree programs, as well as post-graduate courses.

STI ESG's 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 121,374 students in SY 2024-2025. As of June 30, 2025, this was the highest number of enrollees recorded by STI ESG since SY 2015-2016.

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.

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 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.

STI ESG's capital structure has been conservative with an 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. On the other hand, total equity expanded from ₱5.9 billion in 2022 to ₱8.4 billion in 2025, supported by the continuous plowback of earnings.

It should be noted that PhilRatings' calculation of certain ratios may differ from what the company uses and publishes.

Since the COVID-19 pandemic, STI ESG has been rationalizing the number of schools in operation across the country. 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. This was down from 76 schools as of end-June 2020. 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, 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.