



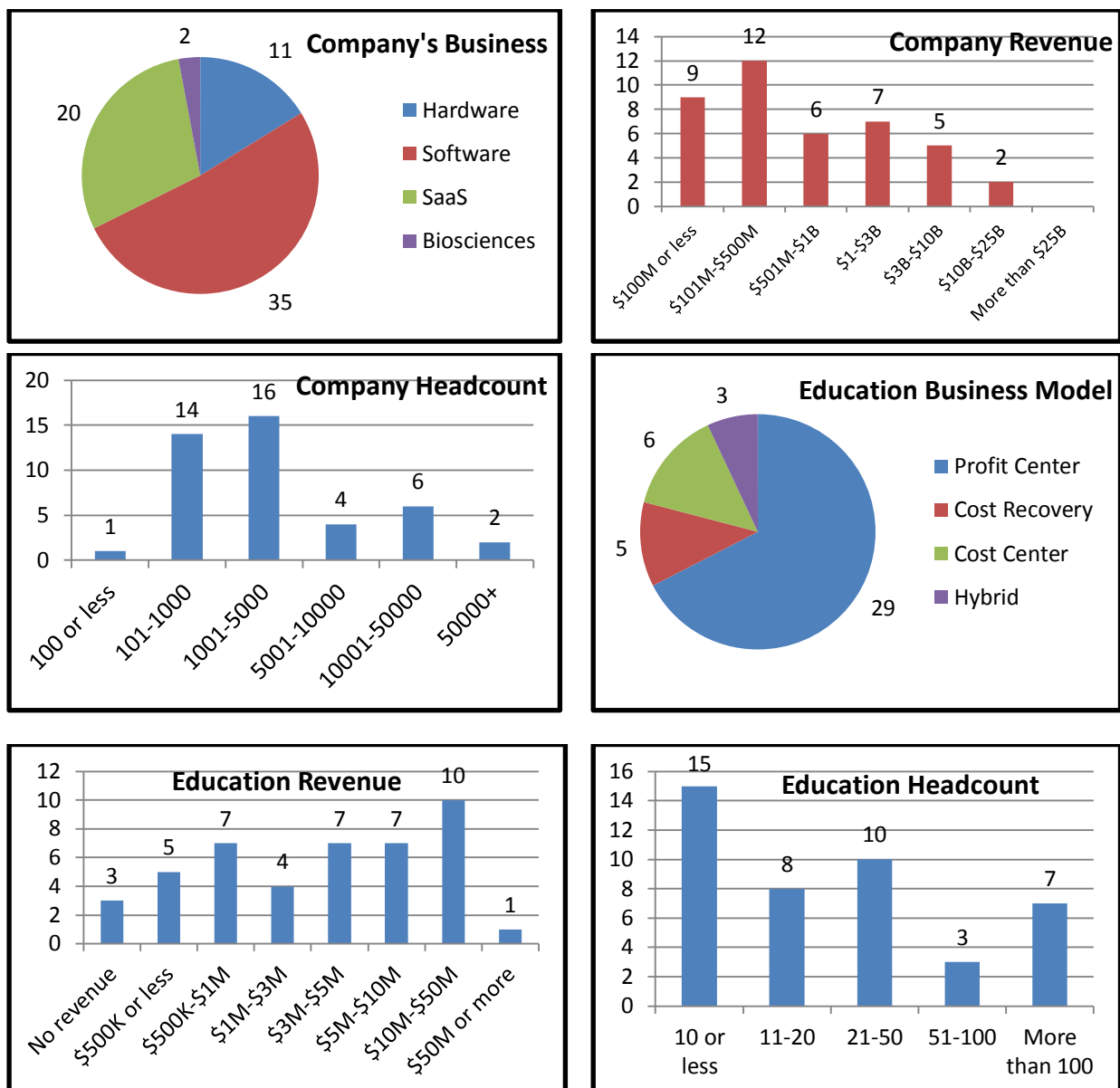
## CEdMA Training Market Barometer

### 2<sup>nd</sup> Quarter 2012 actual and forecast for 3<sup>rd</sup> Quarter 2012

#### Introduction

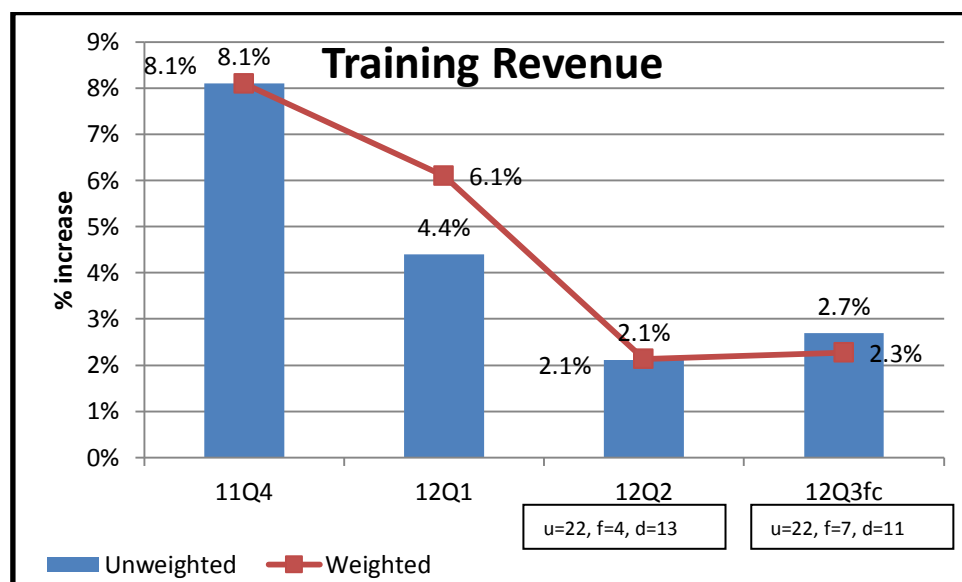
This report is compiled by CEdMA for its members about their Education businesses. It is based around a series of absolute growth or decline percentages in the range  $\pm 12.5\%$ . Revenue and volumes refer to training services delivered in the quarter and not future bookings. Members were asked to indicate whether their data was for the global business or that for North America.

There were 39 responses for global and only five for North America so the 44 profiles are as follows:

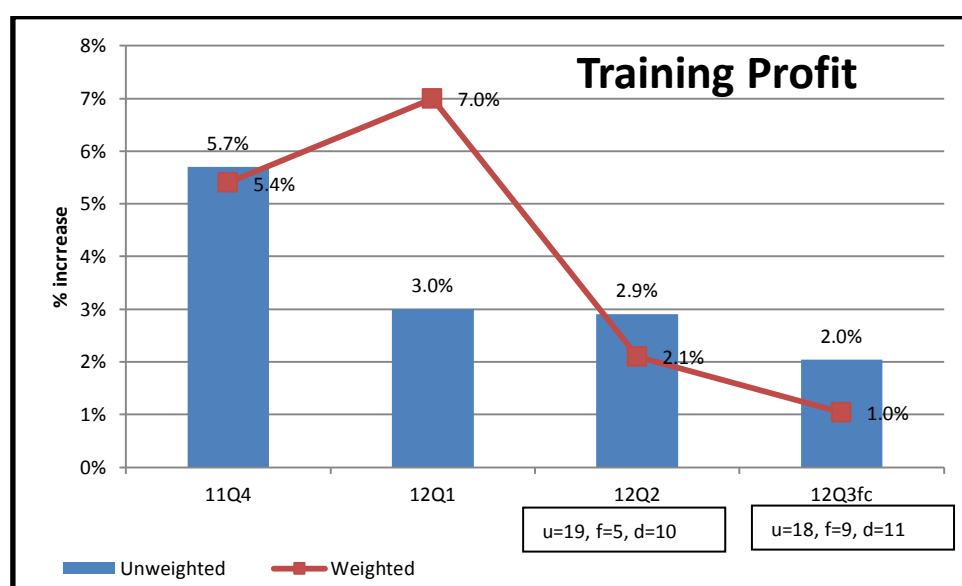


## Revenue and Profit

The unweighted average is the average of all responses whereas the weighted average uses the size of the company in terms of number of the relevant education revenue multiplied by the growth/decline rate, so larger companies have a bigger impact. The charts also indicate the number of members who show for their business an increase (Up=u), flat business (f) and a decline (Down=d).



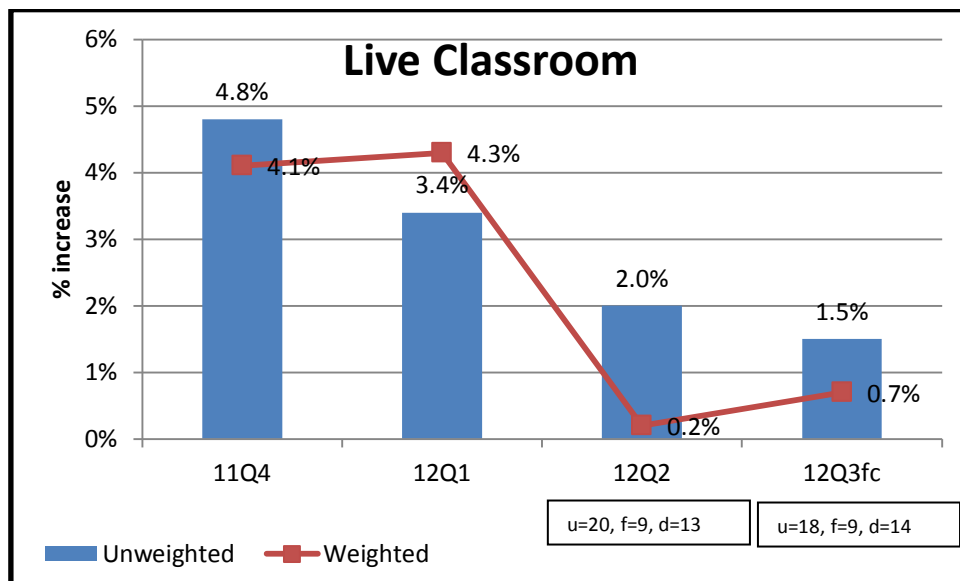
Both the unweighted total training revenue and the weighted total training revenue had a smaller growth in 12Q2 as forecast in the last survey. However, both have been given a slightly higher number in the 12Q3 forecast. The weighted value itself is marginally lower which suggests that the larger companies are on average increasing at a reduced rate than the average. In general, the learning market seems still to be growing, but at a lower rate than in 2011.



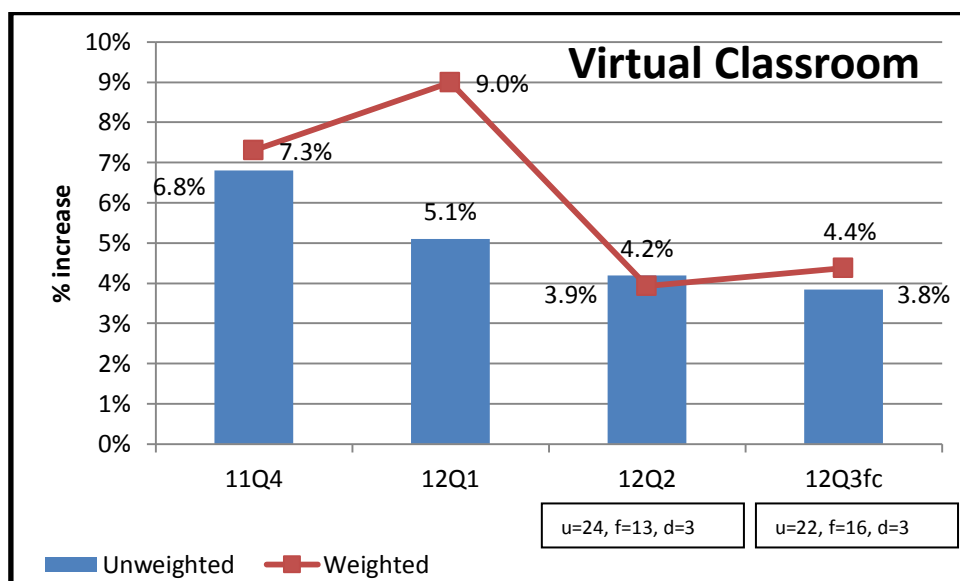
This is similar for training profit. The larger companies are showing a smaller profit increase in 12Q2 and also forecasting a smaller profit increase than the average for 12Q3. The profit growth is also forecast to be lower than the revenue rate, which is a change from the last report, which indicates that the smaller revenue eats into margins.

### Activities (Customer and Partner Training)

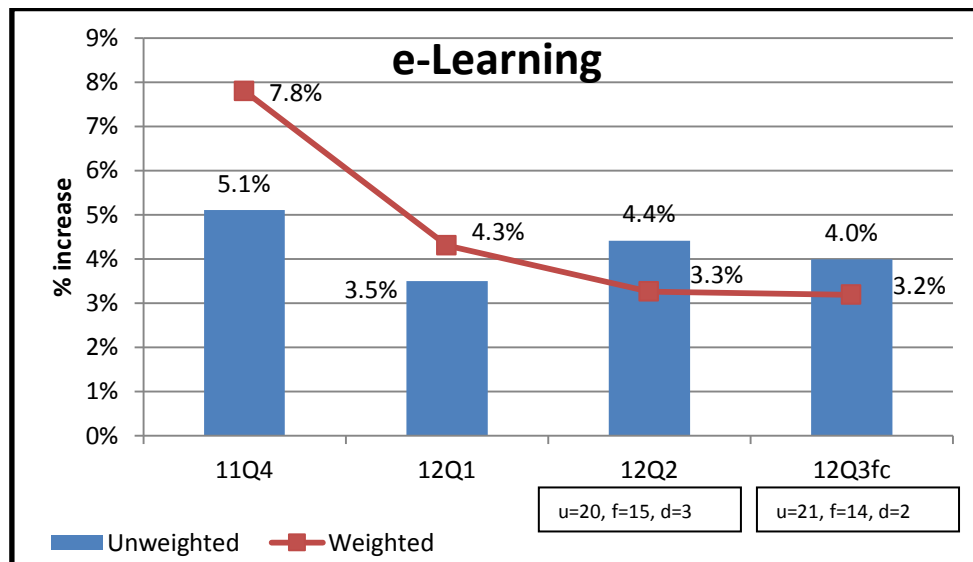
Live classroom is still increasing but the rate has been slowing down for the third quarter in a row, as shown here. Larger members are showing slower growth numbers.



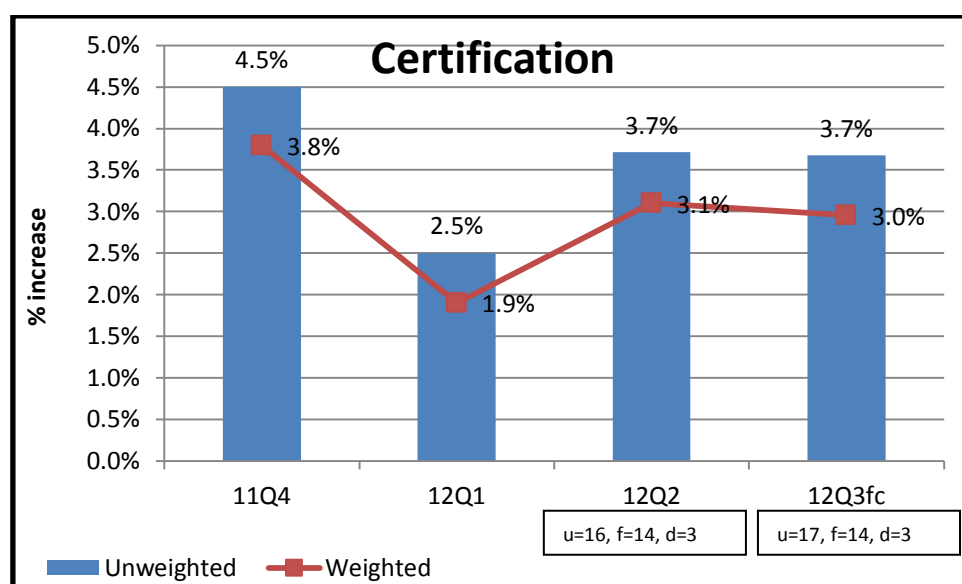
Virtual classroom on the other hand is growing faster, and slightly more for the larger companies who potentially jumped on board much earlier. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.



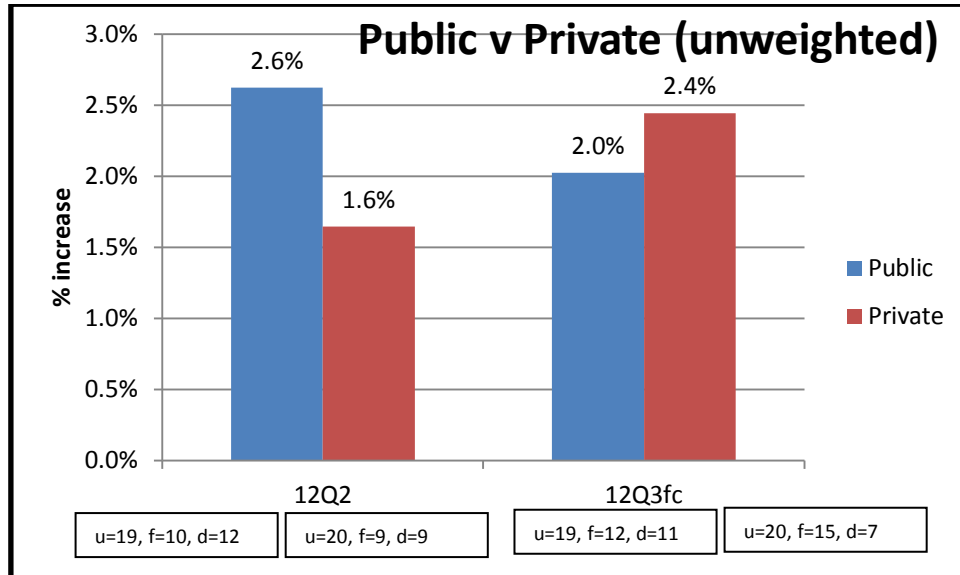
e-Learning continues to grow as shown by the unweighted averages. However, there was slowing growth in the weighted values suggesting that some of the larger members are seeing a slowdown. In general, the growth is about the same as virtual, but here the larger companies are now showing smaller increases, unlike before.



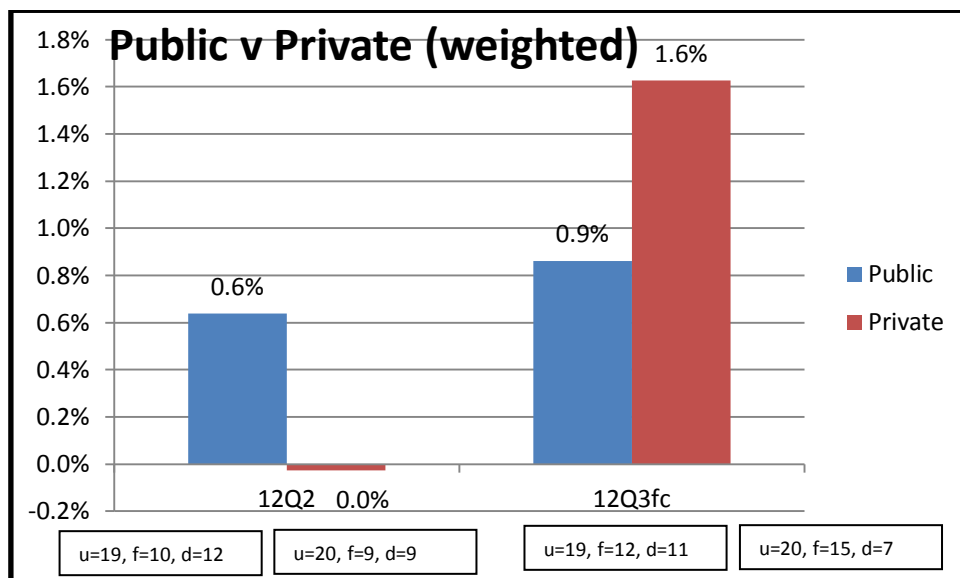
Certification increases were slowing down overall in 12Q1, but the actual for 12Q2 and the forecast for 12Q3 shows a turnaround.



For the first time, we included questions on public classes and private classes. While the results show small increases in any case, the public class increase was slightly larger than the private class increase in 12Q2 but the 12Q3 forecast shows it the other way.

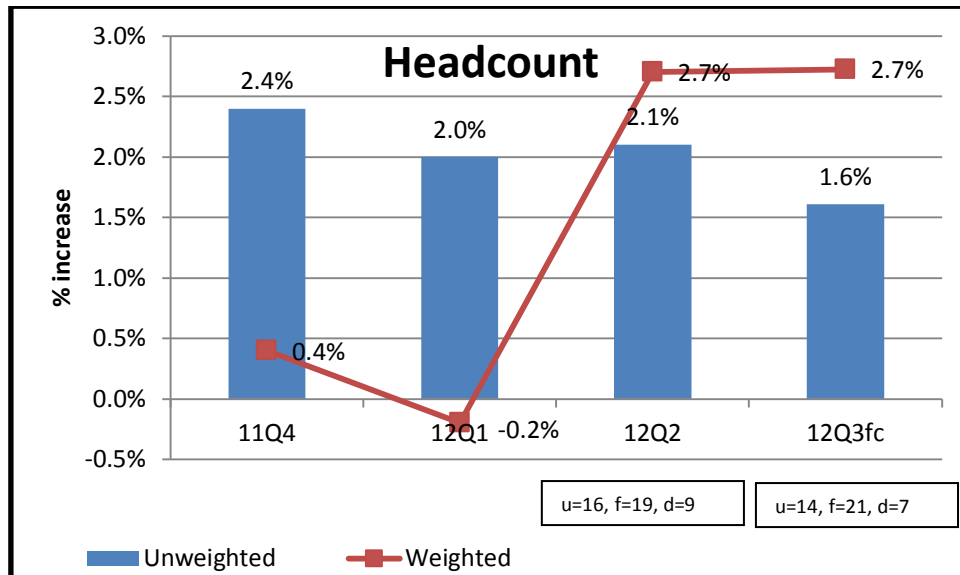


When weighting is taken into account, the percentage increases are even smaller, indeed flat for private in 12Q2. However, there is a modest increase showing for 12Q3.

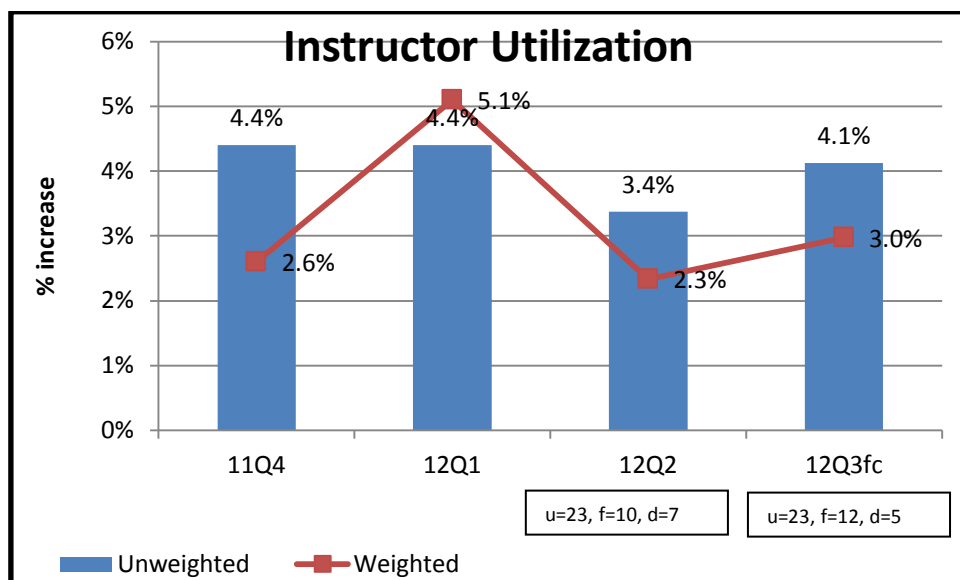


## Team

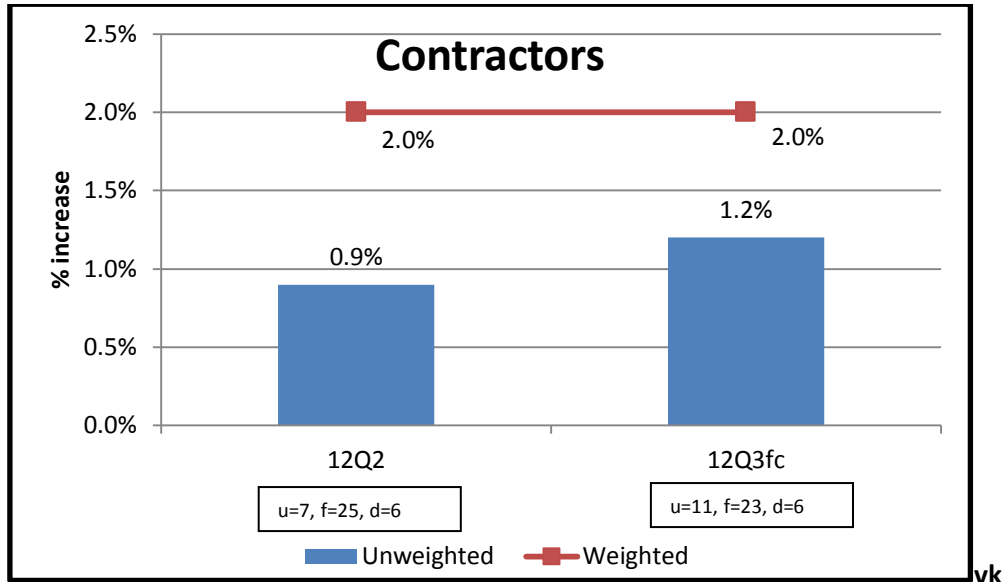
There has been a slight turnaround in the headcount numbers, both for 12Q2 and the 12Q3 forecast. Also, it's more pronounced for larger companies, which might explain a smaller increase in their profit percentages.



Maybe as a result of more hiring, the instructor utilization increases are smaller than previously forecast, again especially for the larger companies.



We also added a question on the use of contractors this time, too. While the results overall show tiny increases, the weighted increase is higher, showing that larger members are more likely to increase their use of contractors.



**Which subject areas saw the biggest increases in your training revenues in the last 3-6 months?**

1. Product application training (this means mostly creation of forms and code scripts)
2. We have a single subject area, training on the Crossbeam platform, Advanced and Essential levels; We saw biggest increase in the Advanced class revenues.
3. E-learning and SaaS training offering
4. Basic configuration and management courses
5. Software administration training
6. Subscription services
7. Customized problem sets; new product features
8. Advanced level administration
9. Not a P&L, so NA
10. Q2 2012 v Q1 2012 - Account Specific increases 17%
11. Technical, in-depth presentations among existing customer base
12. Across the board
13. Process Engineering
14. Advanced topics for existing projects, such as performance optimization.
15. Certs
16. Process training
17. Unsure of question - we increased all classes on product and applications
18. Automotive
19. Virtual training and eLearning
20. Elearning and custom training content/program development
21. Administration Module

22. Admin and End User
23. Core Product training
24. New products; IP networking products
25. Customer training on use of products; Customer transition to new product technologies
26. New hardware products
27. SaaS
28. Certification; Virtual Training
29. Data Quality
30. Private virtual courses, e-learning portal
31. More on-site training being delivered

**Which subject areas saw the biggest decreases in your training revenues in the last 3-6 months?**

1. Instructor led Essentials class revenues, replaced by eLearning Essentials revenues ( 50%).
2. Long class-room instructor lead training ( more than 10 days )
3. None
4. None - we are a high growth company right. So nothing is trending down at the moment.
5. Public classes on the West Coast
6. Fundamental administration
7. NA
8. Q2 2012 v Q1 2012 - Scheduled Course decreases 27%
9. Core training
10. None
11. Advanced Process Control
12. Introductory Linux
13. Intro training
14. None
15. Aerospace.
16. Live Classroom
17. Standard dedicated/private classes and simple tailoring activity
18. Reporting
19. We did not exist prior to 6 months ago so hard to evaluate
20. Legacy products
21. Older SW products
22. Crystal Reporting
23. Dedicated classroom training
24. Master Data Management
25. Customization of courseware, physical classroom courses

**What were the two greatest challenges you faced in running your business in the last 3-6 months?**

1. Lack of agility to respond to unexpected customer training demands; Extending the curriculum to include coverage of topics that don't fit into existing courses
2. Finding resources to refresh content while maintaining an aggressive delivery schedule.
3. EMEA economy/recession; pressure for more sales enablement activities from internal sales team
4. Rapid growth of company (doubled in size in the past year); therefore, scaling processes, resources, and tools with company growth.
5. Time and resources
6. Global delivery schedule to meet up with demand; Finding quality talent.



7. Restructuring our courses to meet new product architecture; Establishing additional e-learning offerings
8. Declining headcount, declining travel budget
9. We are being asked to deliver fully subsidized partner training, as well as internal technical training. This has had a huge impact on our revenue and margins.
10. Being undercut by our partners on price.
11. #1 - Lack of resources with in-depth product expertise to create custom content. #2 - Difficulty in generating reports / getting data from different sources
12. Uncertainty continues globally, focus on Europe; Where we have subscription revenue in accounts; pushing accounts to fully utilize their subscription so that they see an increased ROI at renewal time
13. Converting sales into revenue. Expanding portfolio without added resources.
14. Scale and Innovation
15. Margins / Global Instructor Coverage
16. Recession in Europe is causing customers to cancel or postpone projects, or to increase the number of approvals required for purchases - this is slowing sales; Tightened export controls (we have some high tech products that the US Dept of Commerce watches closely) is slowing export clearance, and sales approvals, to destinations in APAC.
17. EMEA economic climate; Sales traction
18. European economy, decline of in-center business
19. Headcount , Keeping up with course updates with no resources
20. Making training more mobile.
21. Low product sales; low government funding
22. Finding qualified instructors; Dealing with a LMS that is a POS.
23. Cancelled public courses.
24. Many large customers have completed their transition to new technology resulting in a decrease in training demand; Creating new offerings to increase "repeat" business
25. Budget restrictions for travel and overall partner and customer training budget
26. Acquisition of our company and therefore many changes in processes
27. Ramping to add a new product line; Developing new elearning content with existing staff
28. Starting it up
29. Sales attach rates; Marketing; Uneven business demands
30. Cancellation rates; Doing more with less resources under tighter budget constraints
31. Unpredicted increase in instructor-led training course requests
32. Announcement of new products and the effective introduction times can cause confusion for customers and inhibit their training purchasing decision; Continued global economic uncertainty.
33. Not enough resources to handle increased training demand; Fighting for budget to hire more resources
34. How to set goals for the following year (how to forecast); How to use hardware in lab exercises in virtual classes
35. Accurately forecasting revenue; Instructor Skills in new and broader technologies
36. Decreasing product business; headcount reductions
37. Budget constraints, time constraints
38. Limited resources; A lot of foundation things still need to be put into place.
39. Money is still tight, and I know that in almost every case, education is usually the first thing cut from an order, and custom education is the first education-related thing to go. We also faced more partner pressure with them competing with us in deals than ever before.
40. Being able to keep up with demand and not having enough instructors

**Please add any other comments or observations you have on the state of the IT training market**

1. Definite downturn in last 6 weeks; smaller numbers on scheduled public classes, and no pipeline for special onsites (could be seasonal influences - holidays)
2. Strong growth in APAC and VLT & e-learning
3. It appears that onsite class sizes are smaller and less people are being trained internally
4. IT money is tight in EMEA in general. IT money seems to be designated for large migrations to SAP, and other new implementations. Nothing left for maintenance on existing implementations. Training dollars seem to follow these trends.
5. The IT Training Market is mirroring other industries in diversifying. Traditional training for a fee and certification programs are still prevalent. However, a growing number of companies trying to break in to new markets provide training for free with their software. Often, this training is really video demos, but the fact is someone can learn the software from these videos. Of course, user-generated content also continues to grow and as the tools get better, the quality is also going up.
6. Seems many companies are holding back. Internal travel freezes, more inquiries on virtual training, and smaller, shorter training requests.
7. A gold standard for self-paced has yet to be developed - from Authorware to Flash/ColdFusion to Captivate/Articulate. The tools and methods for creating content that is easily consumed with a moderate development effort remains to be found for technical training. What is the equivalent of Kahn Academy for our industry? The future may be mobile but course architecture and methods still need to find a highly reliable, scalable, and successful way of building knowledge in our respective customer communities (and I think we all know by now that it will never be a single silver bullet).
8. Customers want the most value - not just for their money, but for their time. Most of our private classes have tailored agendas.
9. More customers tougher in negotiating or "nit-picking" in contracts; lots of mergers and acquisitions impacting customer buying cycles.
10. More people are finding alternative training resources by searching on-line for what they need when they need it.
11. We seem to be in a shift. My department didn't really exist 6 months ago and I am back in a familiar market. What is interesting is we have a very divided student pool. Some/a lot of our customers are "old school" and still want ILT and Onsites while we have a younger more agile pool of students that do not want the "hassle" of attending a class and rather self-learn/self-explore. And being in the SaaS space we have the challenge of meeting real-time learning expectations.
12. Asia Pacific Region grew
13. Healthy, and the trend is more onsites and less public classes, plus greater uptake on WBT/VCT. The constant thread is less student travel.
14. Great difficulty finding qualified trainers
15. Customers have fully accepted (at least in the US) that virtual training can be equally as effective as classroom training, with all the associated benefits. The only exception to that rule seems to be in Public Sector deals, where those folks still demand face to face classroom or onsite training.