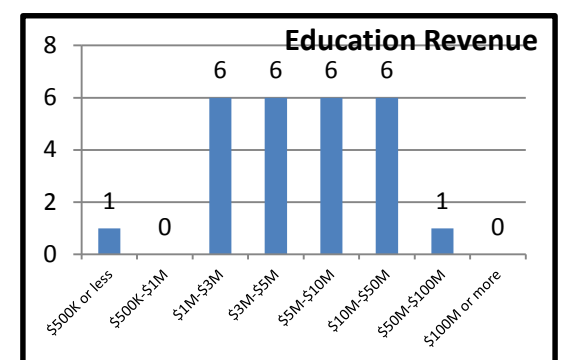
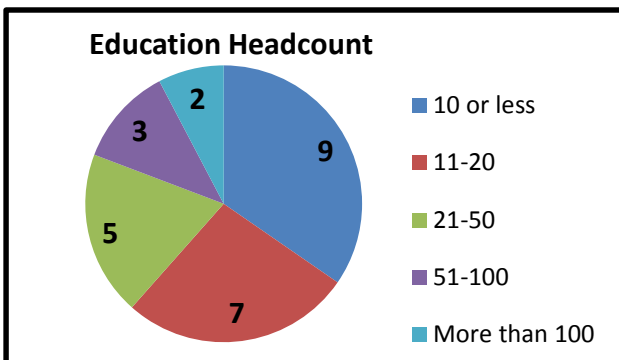
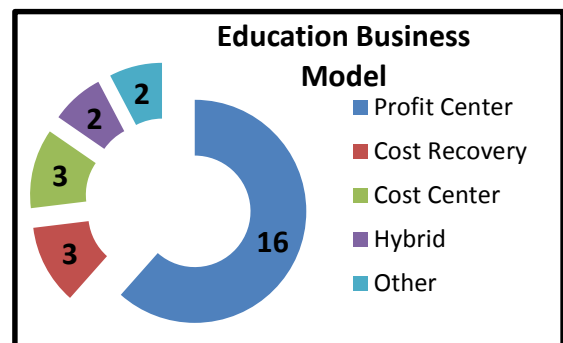
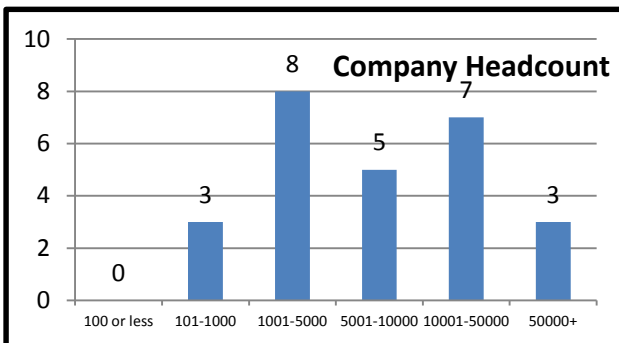
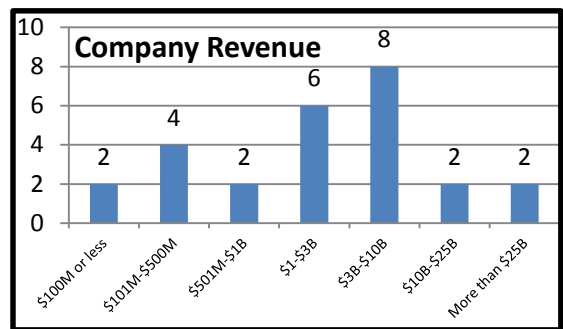
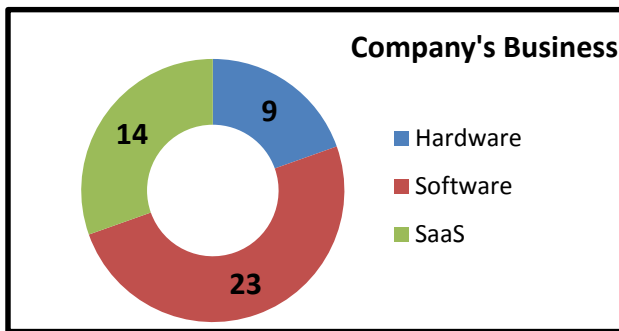


CEdMA Europe Market Barometer

3rd Quarter 2014 and forecast for 4th Quarter 2014

Introduction

This report is compiled by CEdMA Europe for its members from input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +/- 12.5%. Please note that was changed for 11Q4 and so the quarter numbers prior to that have been adjusted accordingly to be consistent with 11Q4 and going forward. Revenue refers to training services delivered in the quarter and not future bookings. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. This report for 14Q4 actuals and 15Q1 forecast is based on input from 26 companies.



Summary

The unweighted average uses all responses as entered, whereas the weighted average uses the size of the revenue, taking the relevant education value, so larger companies have a bigger impact. These observations are weighted and based on trendlines of 4-period moving averages, giving yearly changes.

Revenue: Down to negative 2% during 2014, having been flat during 2013.

Profit: Recovered from a low of negative 2% during 2013 to flat during 2014.

ILT: Fallen to negative 2% during 2014 from flat during 2013.

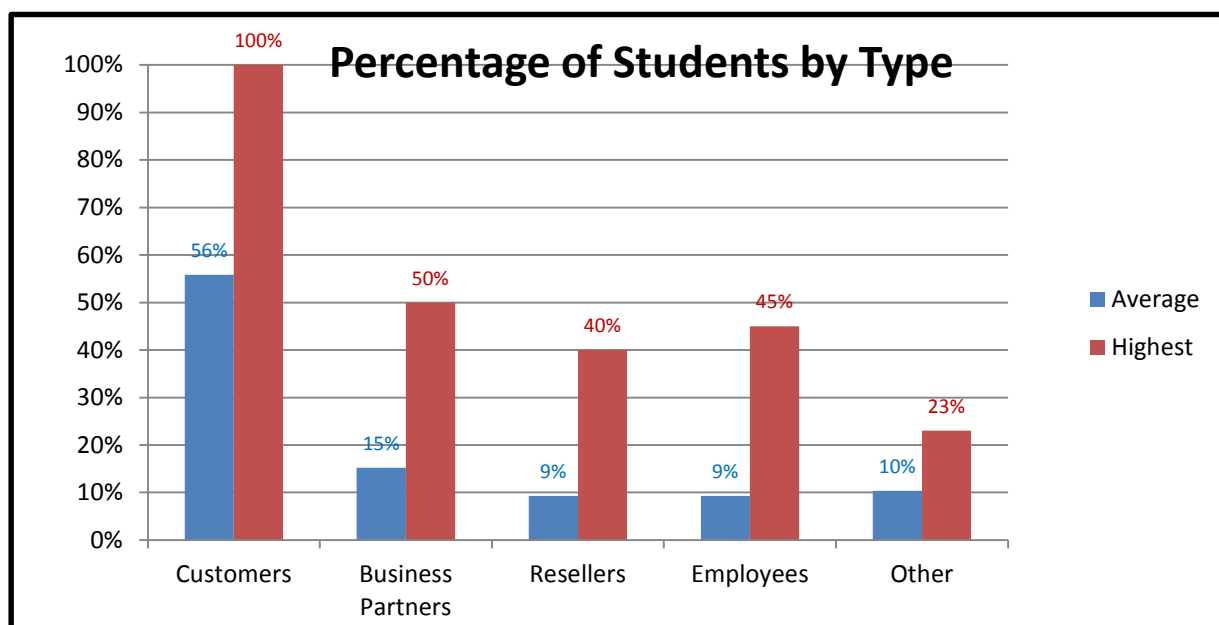
VILT: Dropped from 6% during 2013 to 1-2% during 2014 (larger companies were using VILT earlier but are they now slowing a little?).

Learning Technologies: It's now showing a decrease of 3% during 2013 and 2014, reflecting the volatility in this area, from flat during 2012.

Training Support Services: It has dropped from over 2% in 2012, then to a decrease of around 3% in 2013, but a recovery to only a 1% decrease in 2014.

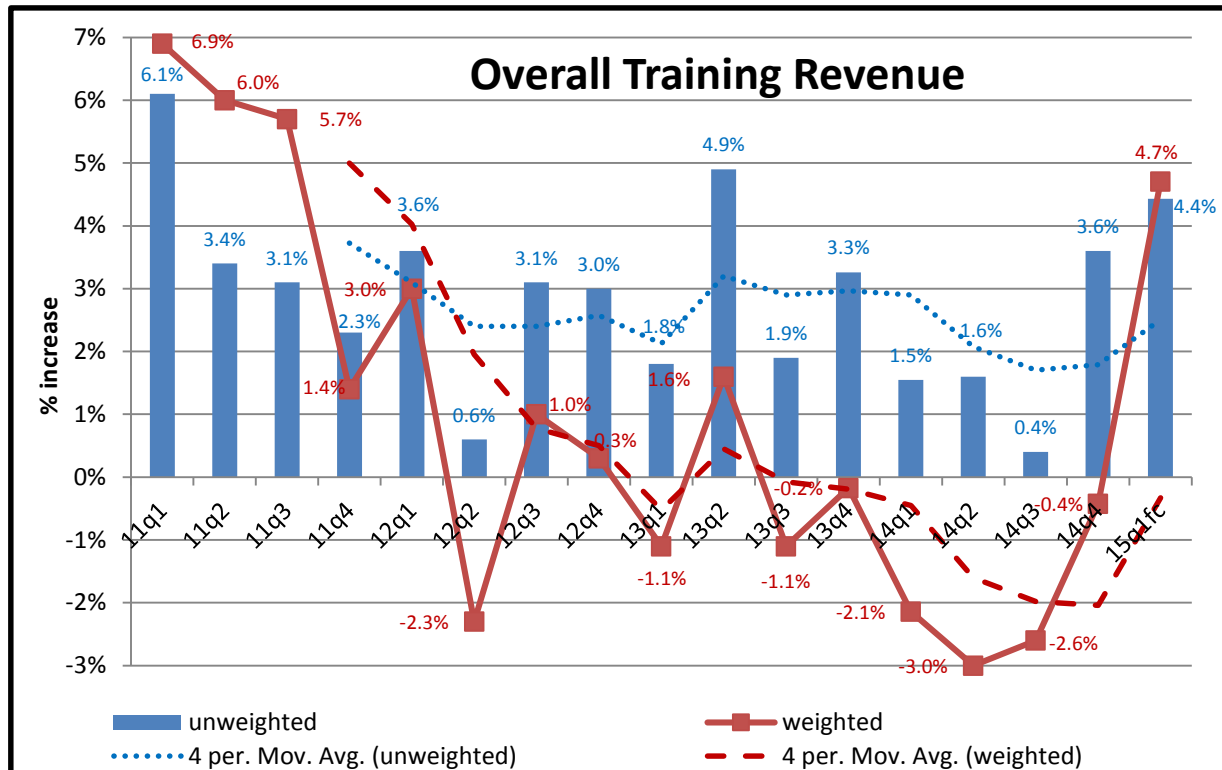
Certification: Larger companies, having been in the game much earlier, are more mature and therefore show smaller increases to make the overall average around 3% for 2014.

Public versus Private: For ILT, even private classes have now fallen to flat, while public classes are decreasing around 3%. For VILT, the increase for public is 3% during 2014 from 7% during 2013. Private has dropped to 1% during 2014 from 7% during 2013.



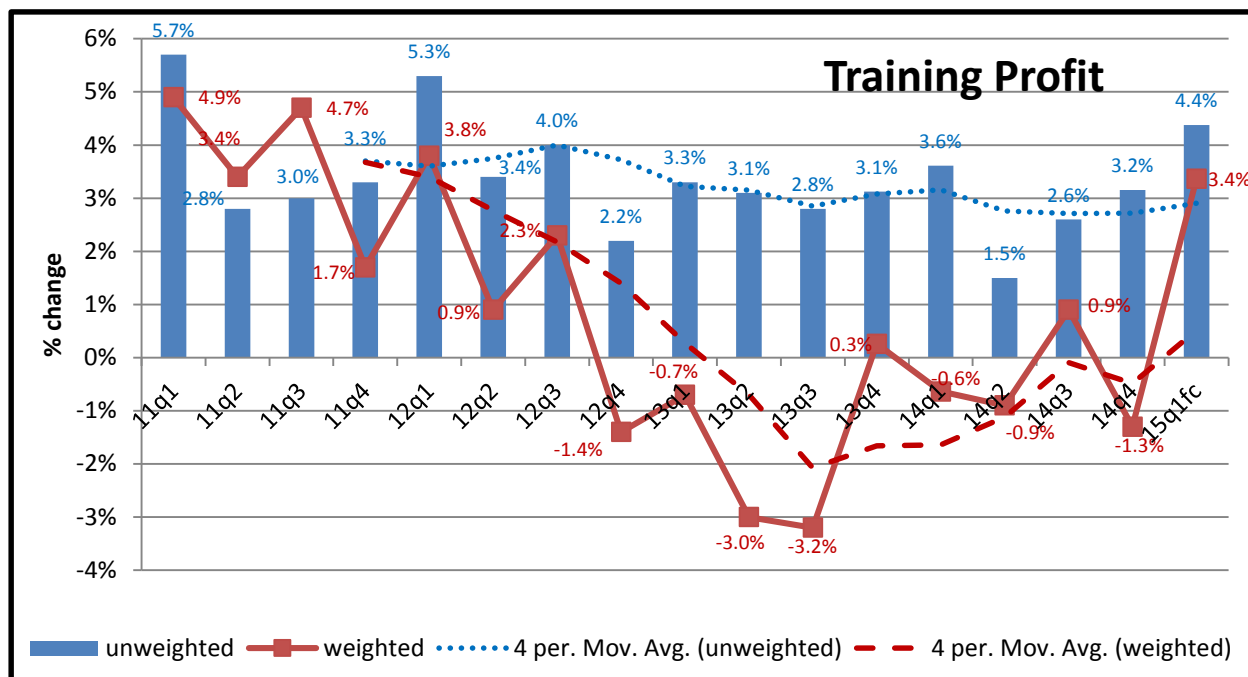
Training Revenue

The unweighted total training revenue grew 3.6% in 14Q4 (u=15, f=1, d=9) against a forecast in the last report of 4.2%. When considering the weighted numbers, there was a fall of 0.4% against a forecast of 3.8% increase last time. The forecasts for 15Q1 (u=16, f=3, d=3) show a 4.4% increase for unweighted and a 4.7% increase for weighted, a turnaround. The unweighted trendline shows an ongoing revenue increase of around 2%, but when size of company is taken into account, it's around negative 2%.



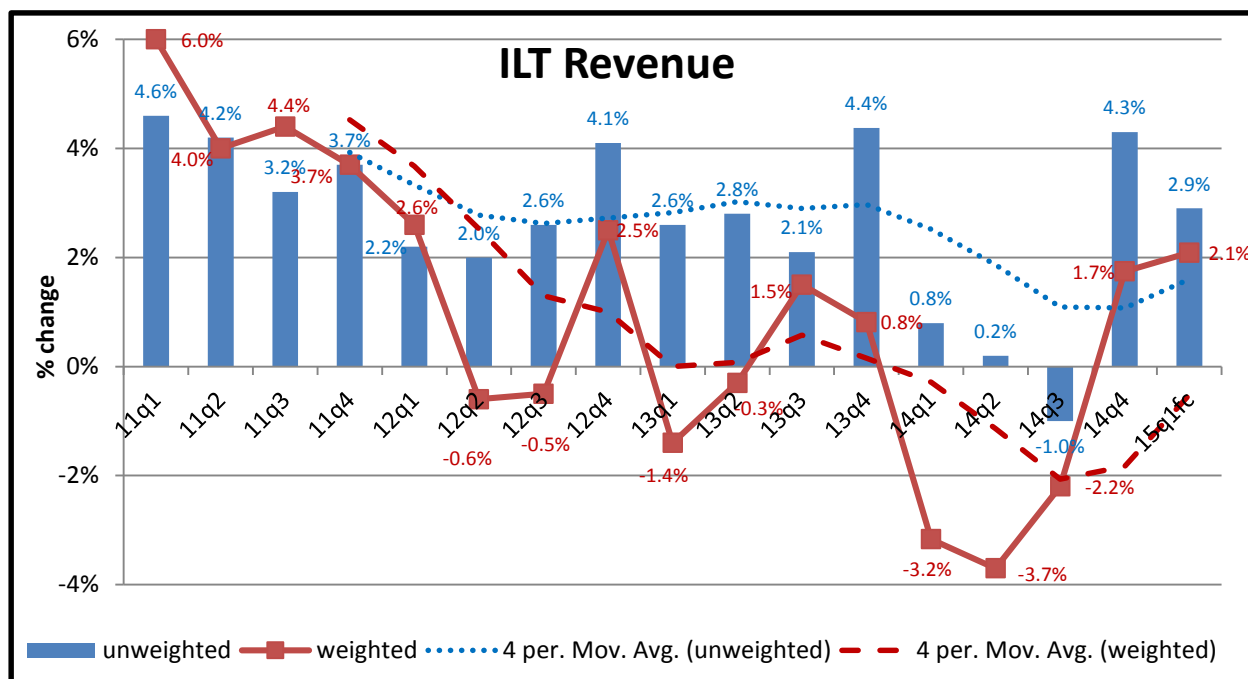
Training Profit

The unweighted total training profit grew 3.2% in 14Q4 (u=14, f=4, d=5), against the forecast in the last report of 3.6%. And, with the weighted numbers, there was a decrease of 1.3% against a forecast of 1.1% last time. The unweighted forecast for 15Q1 (u=13, f=5, d=2) is 4.4% increase and the weighted forecast is an increase of 3.4%. The unweighted trendline shows an ongoing profit increase of around 3% over the last two years but when size of company is taken into account, it is recovering to flat, having shown a decrease of 2% during 2013.

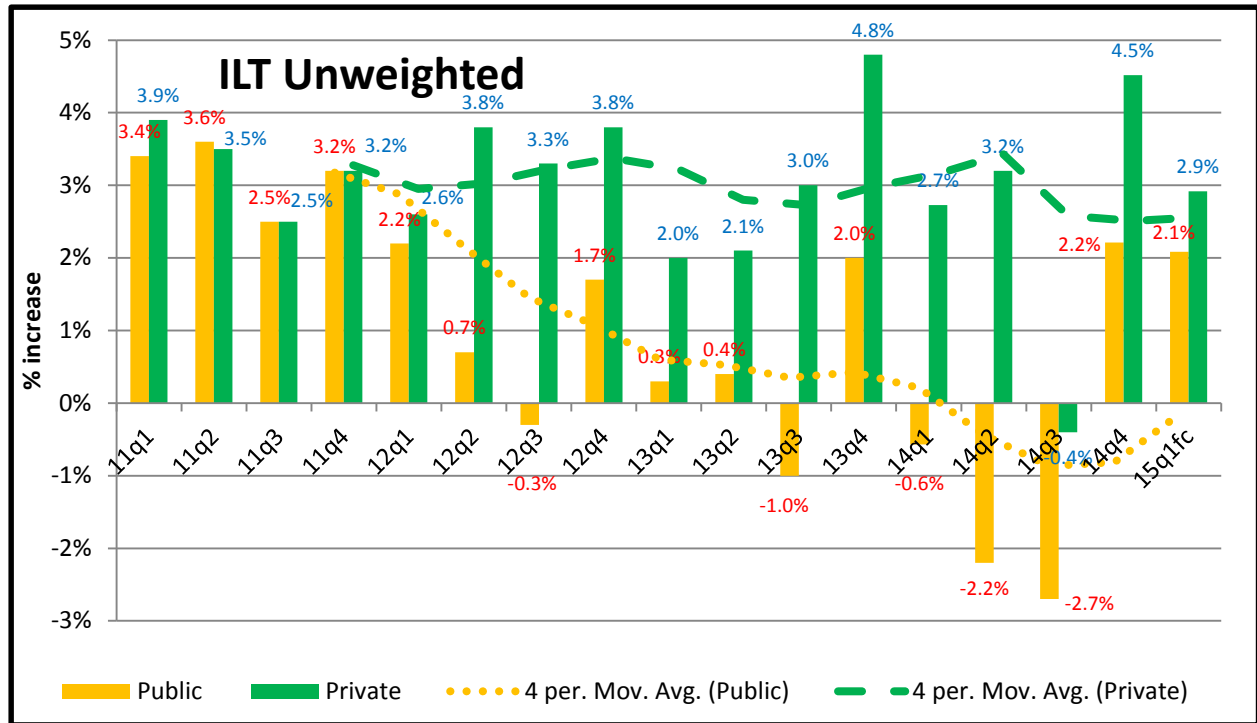


Instructor-led Training

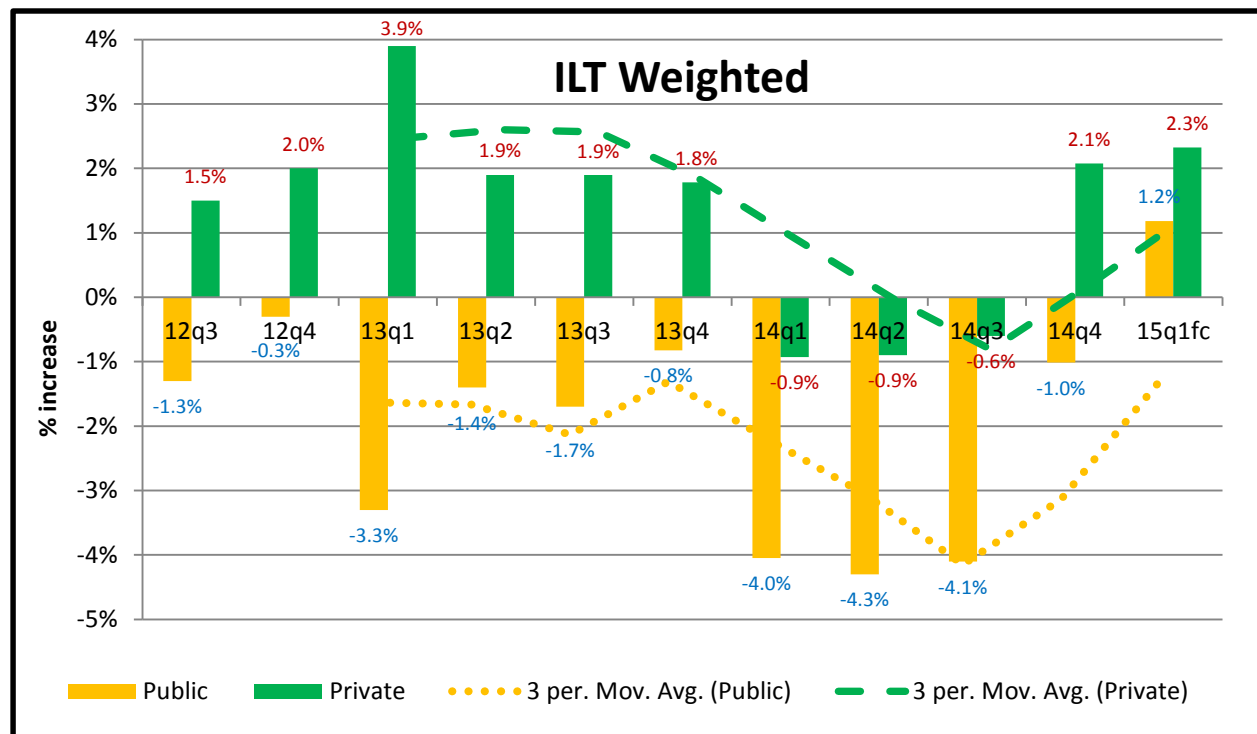
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 14Q4 decrease of 4.3% (u=15, f=0, d=10) was higher than that predicted in the last report (increase of 3.2%). The weighted number was an increase of 1.7% against a forecast increase of 2.0%. The forecast unweighted increase for 15Q1 (u=13, f=4, d=8) is 2.9%, with weighted at 2.1%, a turnaround. The unweighted trendline shows an ongoing ILT increase dipping to about 1% but when size of ILT revenue is taken into account, it has dropped to around negative 2%.



We are now asking you to forecast both public and private classes and so have enough history to show that while private ILT classes show an increase of around 2-3%, public ILT classes have dipped below flat. This shows the unweighted values.

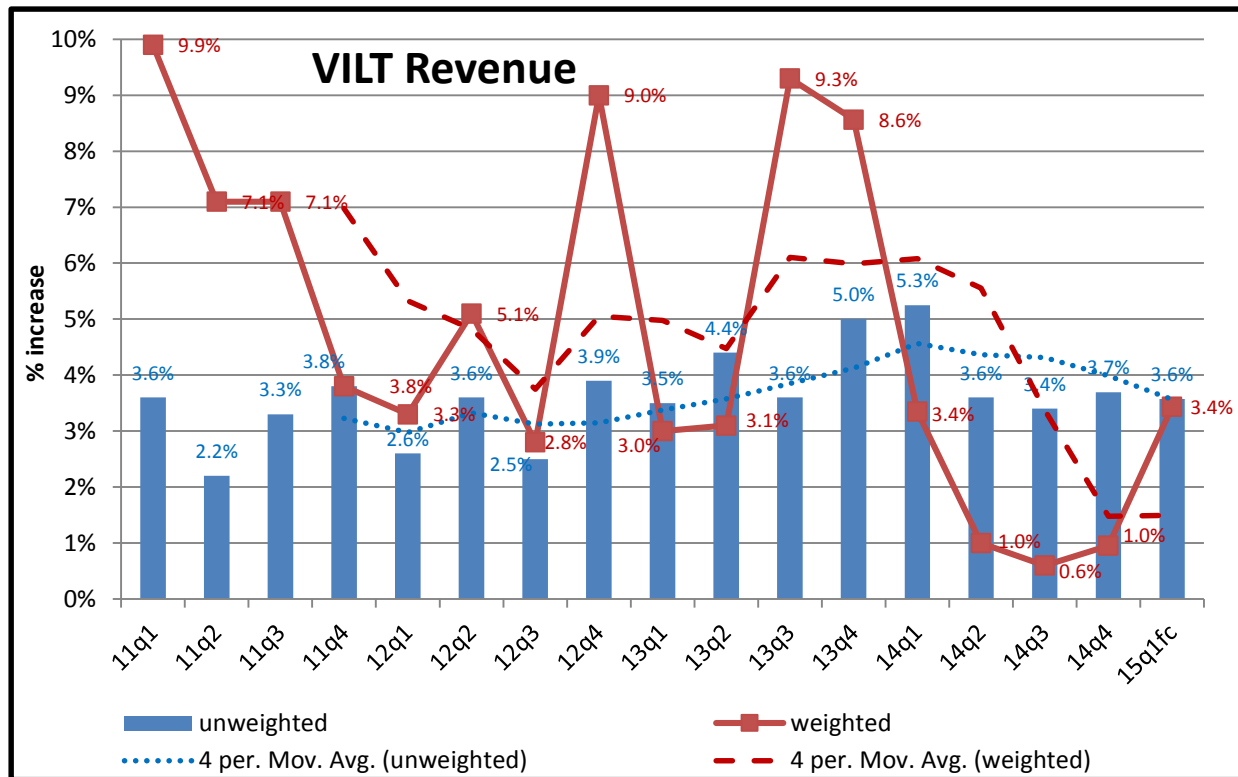


When weighted values are calculated, private classes have now fallen to flat, while public classes are decreasing around 3%. However, this looks to have bottomed out.

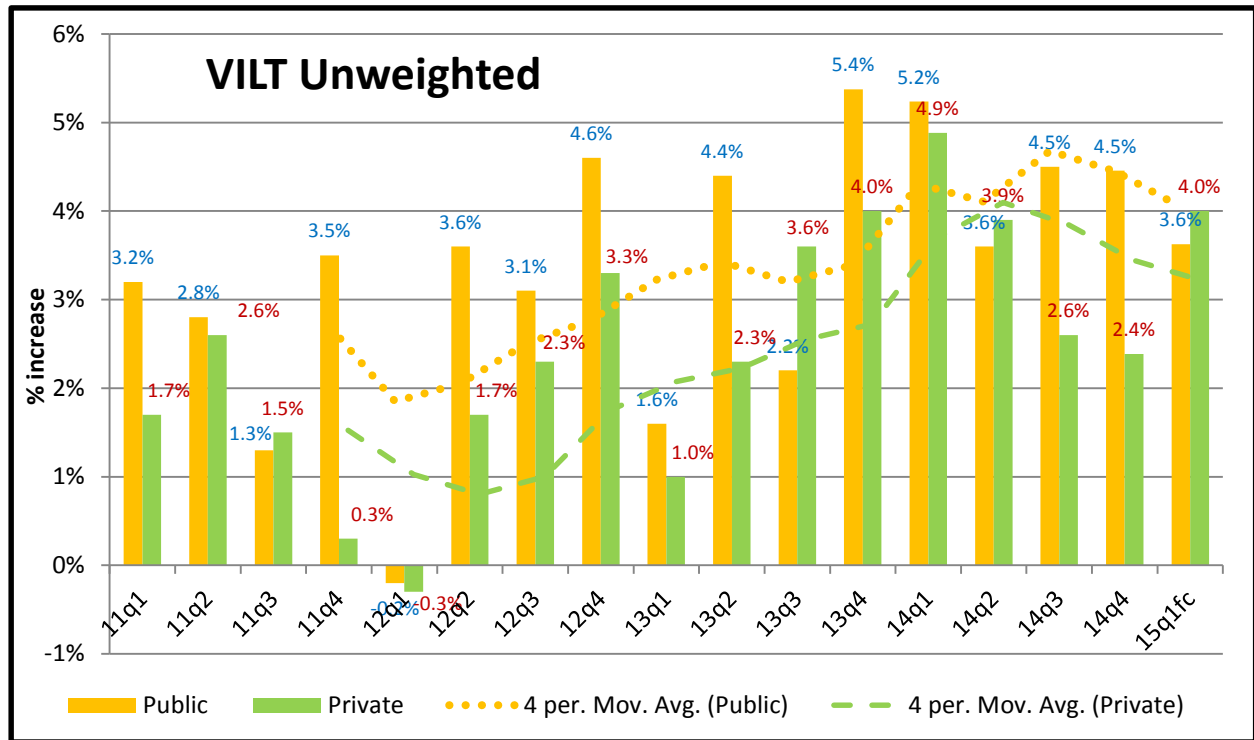


Virtual Instructor-led Training

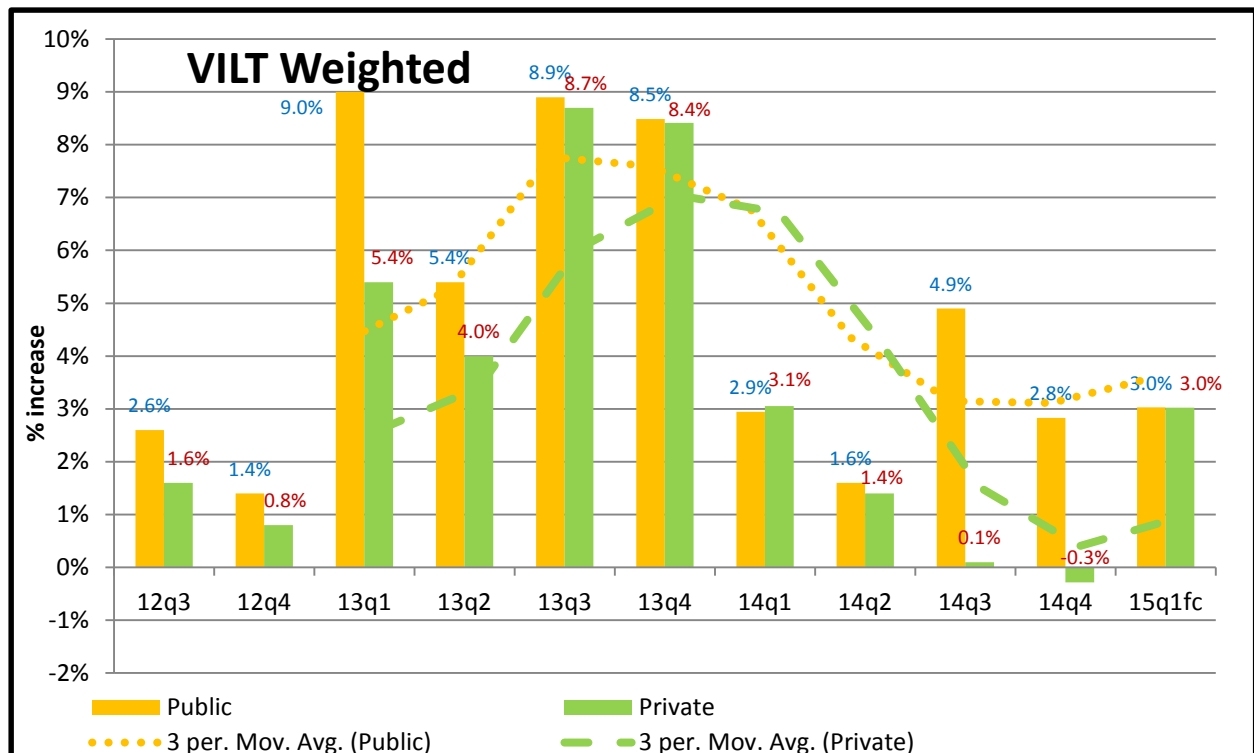
On the other hand, the VILT increase has stalled a little over the last three quarters. The unweighted 14Q4 increase of 3.7% (u=12, f=9, d=2) compared with the 3.8% forecast in the last report. The weighted increase of 1.0% was under the forecast of 3.6%. The forecasts for 15Q1 (u=13, f=5, d=3), however, are a little brighter, with increases of 3.6% unweighted and 3.4% weighted. The unweighted trendline shows an ongoing VILT increase of around 4% but when size of VILT revenue is taken into account, it has dropped from 6% to under 2% over the last year (larger companies were using VILT earlier but are they now slowing towards flat). Note that 3 of the 26 don't use VILT.



We are now asking you to forecast both public and private classes and have enough history to show that both public and private VILT classes show a consistent steady increase of around 4%. This shows unweighted values.



When weighted values are used, the increases for public have dropped to around 3% with private to flat, from 7% a year ago.



Learning Technologies Revenue

We are no longer breaking out the various components within learning technologies, but members are asked to include the following when considering their input.

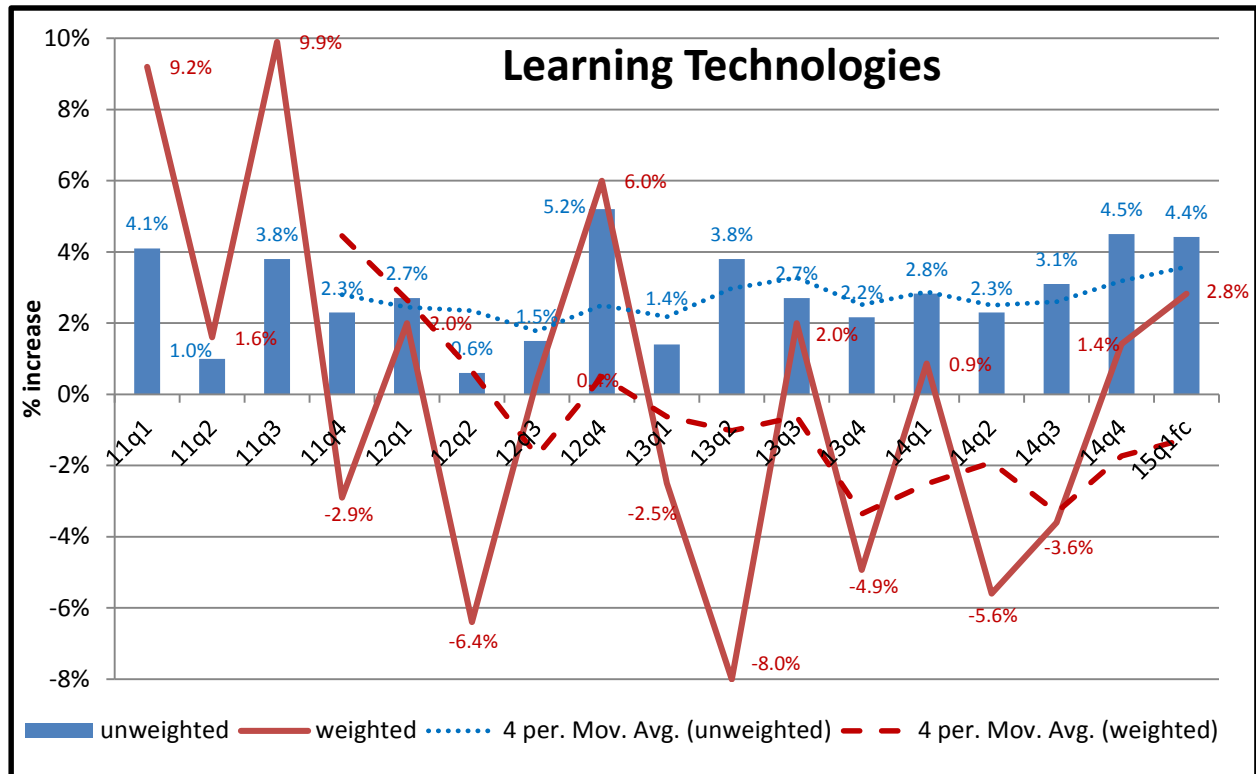
Generic Content includes generic courseware, templates, and models.

Tools include authoring, performance support, virtual labs, simulation, collaboration, modelling, and assessment tools.

Infrastructure includes LMS/ LCMS/CLS, enterprise content management, performance management, competence management, e-skills portfolio management, social networks **Development:** the facilitation of client content and bespoke development of solutions using learning technologies

Consultancy: services that support the client in the application of learning technologies - includes strategy, vision and direction, engagement models, advice and guidance.

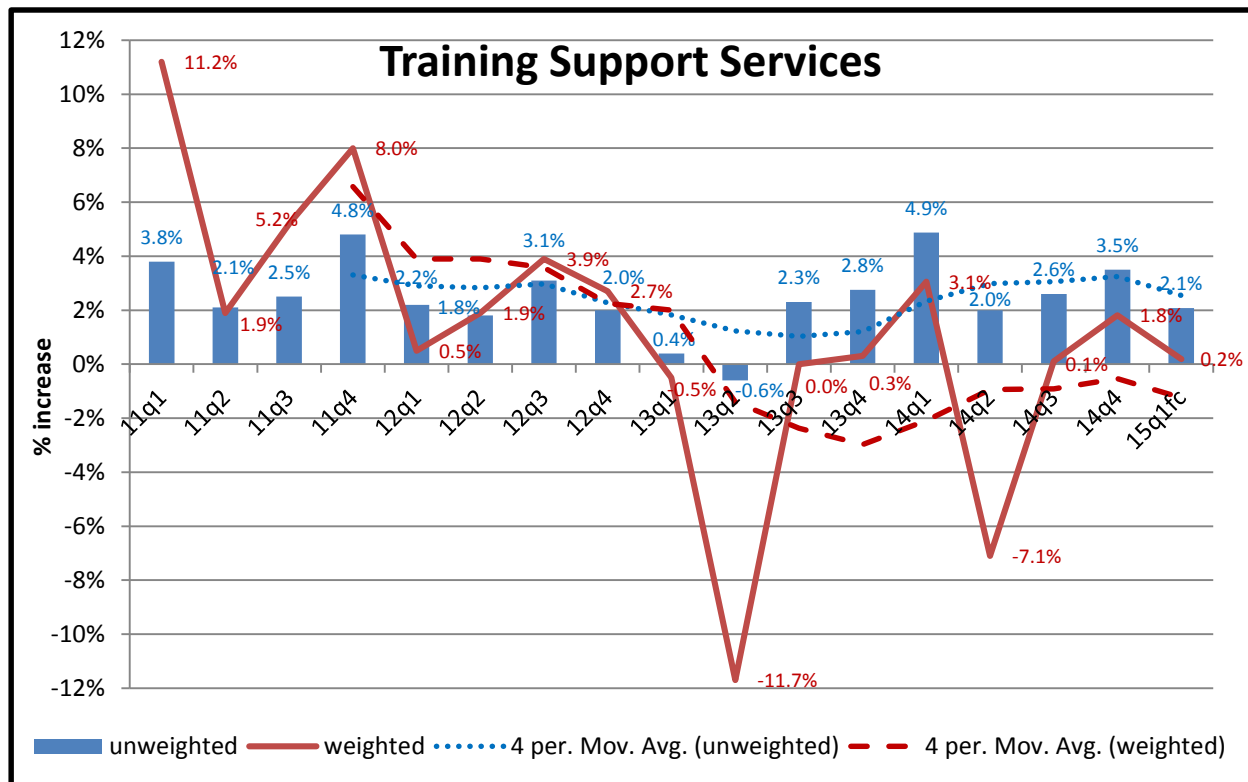
15 of the 26 companies reported activity in this area. The forecasts in the last report were 4.1% increase and 6.4% increase for unweighted and weighted, respectively, and the results for 14Q4 (u=10, f=2, d=3) were 4.5% and 1.4%. The forecast for 15Q1 (u=9, f=2, d=2) is an increase of 4.4%, with weighted at 2.8%. This shows how large projects within larger companies can have a significant effect on these averages. The unweighted trendline shows an ongoing Learning Technologies increase around 3% over the last three years but when size of revenue is taken into account, it is now showing a decrease of 2%, again reflecting the volatility in this area.



Training Support Services

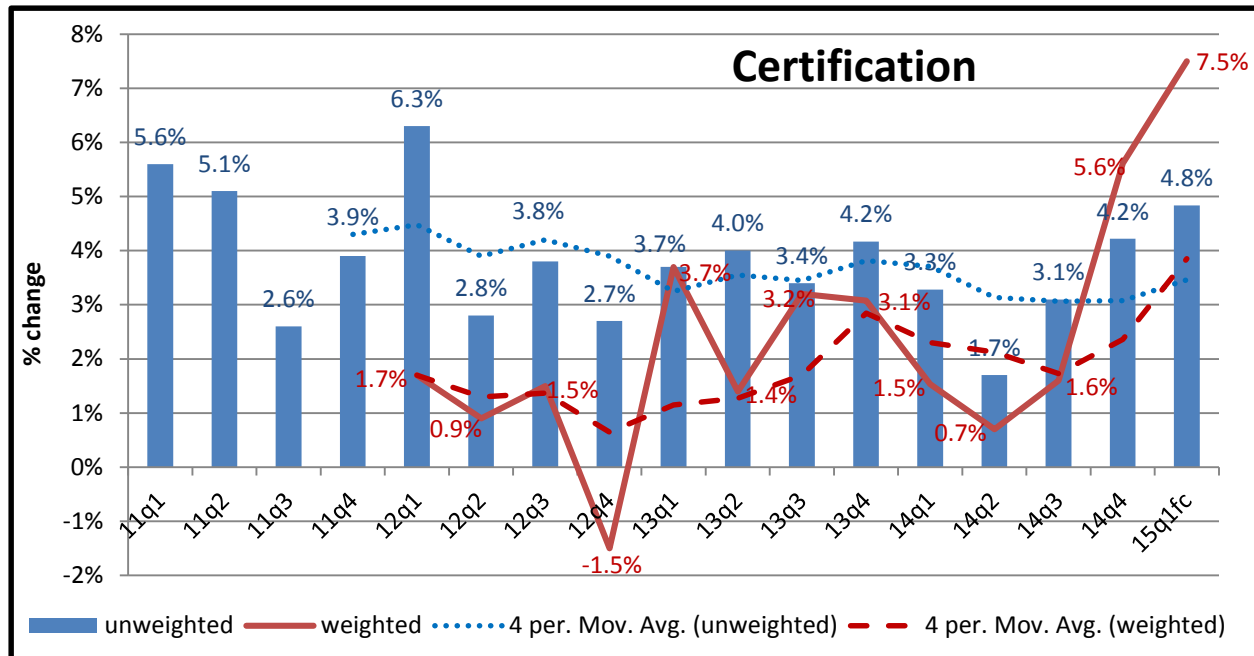
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 15 companies reporting activity in this area and so the quarterly figures may be affected significantly by a single input. The forecasts in the last report were a 2.5% increase and a 5.7% increase for unweighted and weighted, respectively. The results for 14Q4 (u=7, f=6, d=2) were 3.5% increase and 1.8% increase, respectively. The forecasts for 15Q1 (u=5, f=4, d=3) show an increase of 2.1% for unweighted and 0.2% for weighted. The unweighted trendline shows that the increase hovering around the 2-3% mark over the last three years. When size of revenue is taken into account, it has dropped from +6% to negative 3% but back to nearly flat, again reflecting the volatility in this area.



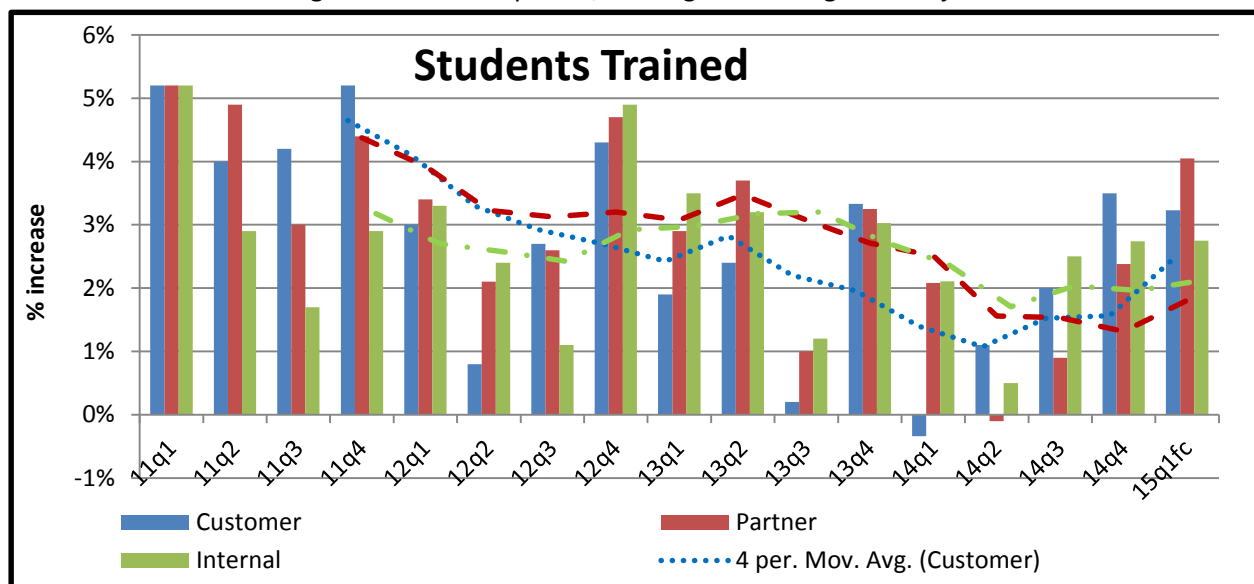
Certification Tests Administered

Overall, certification has averaged an increase of 3-4% per year-on-year quarter when unweighted. The weighted scores show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases (around 2-3%). The spread numbers for 14Q4 (u=8, f=7, d=1) and 15Q1 (u=9, f=4, d=2) are much higher, as are the forecasts, suggesting a possible resurgence. 16 out of the 26 companies offer certification.

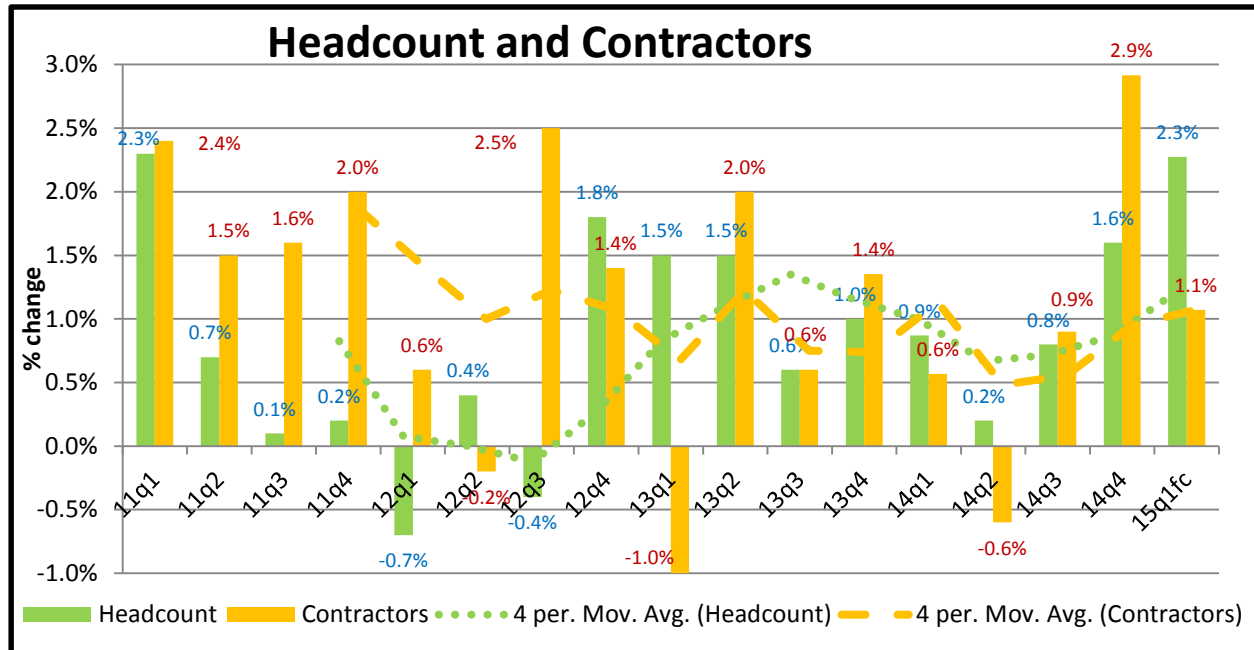


Miscellaneous

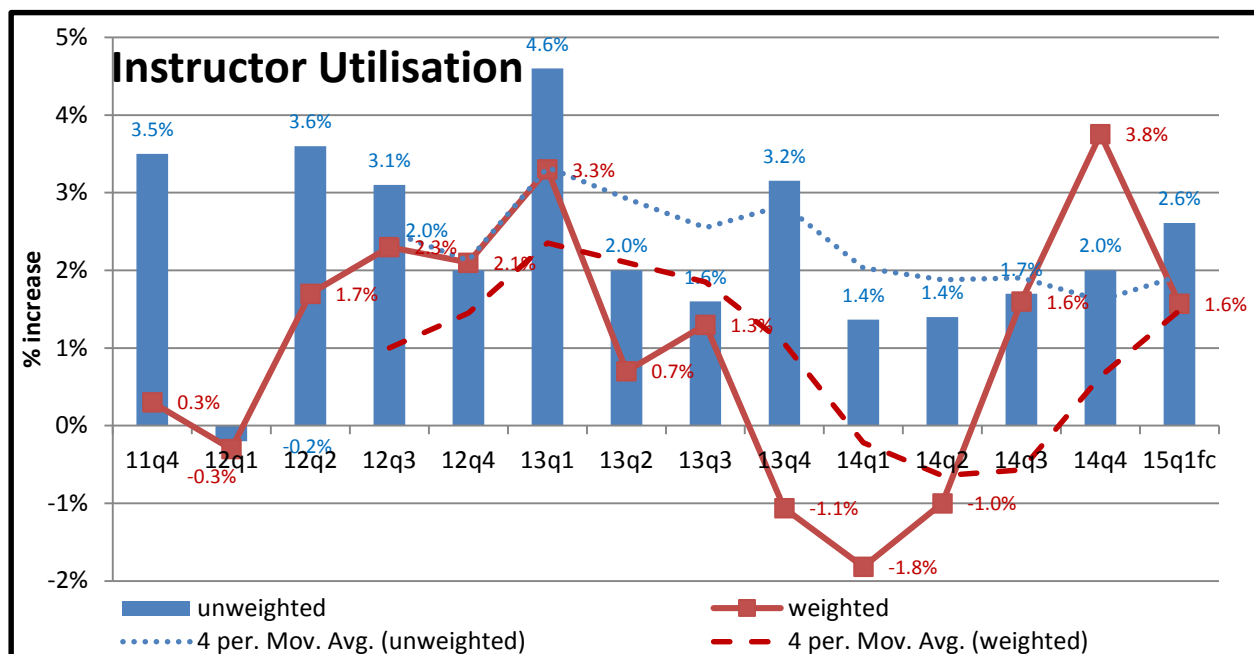
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period, although decreasing to 1-2% just now.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year but show slightly higher numbers for 14Q4 and forecasted 15Q1.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 2.0% increase, weighted being only flat at 0.1%. The 14Q4 result (u=9, f=9, d=7) was 2.0% and 3.8% for unweighted and weighted, respectively, while the 15Q1 (u=9, f=11, d=3) forecasts are 2.6% and 1.6%. The trendlines follow each other quite closely but 2-3 percentage points apart, with unweighted being the higher at just under 2%. However, the weighted value has now climbed into positive territory.



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

1. Training related new product launches
2. Private events
3. No change - public courses
4. VILT
5. Increase in attached product sales vs APOS standalone training orders; End user migration training orders have increased by double digits year over year
6. Onsite Training for end customers (private ILT and VILT)
7. Custom training; VILT Onsite
8. Onsites
9. NAS; All flash.
10. No substantial increases notable
11. Database and Technology; Cloud solutions
12. Custom learning solutions
13. SaaS solutions
14. Video & Audio User training
15. Onsite courses
16. New courses covering Overview of our product suite capabilities; Intro to reporting; Certification prep courses
17. Our technology courses. Same last quarter, specifically Load Balancing and Web site protection
18. Pretty flat, but storage still in front
19. ILT & VILT revenue
20. NetBackup; Enterprise Vault
21. Classroom training for our standard single sign on products
22. VxWorks 7
23. Customization of manuals. Onsite private classes - Still the same
24. Customers purchasing Learning Credits (prepay of training for forthcoming year) One2One knowledge transfer days have increased as customers want very focused training on their exact requirements rather than a generic course
25. Large education projects including learning adoption
26. Certification Prep

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

1. Older product training
2. Public scheduled ILT courses
3. Onsites
4. Old products
5. Big Data storage - continues to drop vs last year
6. Training of partners, as the Channel Team has a own training offering to partners - mainly for free.
7. VILT Public
8. None

9. High end storage
10. All decreases; most notably in Account Specific courses
11. public ILT
12. Continued private ILT in Germany due to project phasing
13. Adoption Services; Public Schedule
14. Old products coming to end of life
15. Networking is an issue
16. Altiris
17. All growth - no decrease
18. Public class training
19. Bottoms on seats in scheduled classes
20. Ad hoc onsite requests are still down; Courses on specific tools are down
21. Open classes in our training center
22. Marketing, Year End Training

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

1. Education attachment to product sales
2. Slowdown in demand prior to major release of core product; Driving change in business model
3. Demand creation of VILT in a market that never had VILT before
4. On-going strategy changes internally impacting focus and message; Slow to market with training content in support of new product releases
- 5.
6. Cost of running training (+ Margin)increasing # of deals in developing regions of EMEA (Due to price strategy)
7. Resourcing; Hiring
8. Course viability exceeding break even numbers, minimize cancellation
9. Training that was formerly available through purchase of either courses or subscription has been bundled into product subscription; and while that doesn't exclude a customer having to purchase, the sales force hasn't learned how to sell this broadly to the users along with the training component.
10. Compensating for reduction in public scheduled training; Migrating customers to subscription-based online learning platform; Migrating instructors to become online moderators for social learning
11. Re-thinking our delivery model
12. Internal demand for product enablement exceeding capacity. New product features, so this will only continue.
13. Dealing with growth with limited internal resources
14. We're in a period of constant change. Operations has been centralised. Education sales has been merged with Consulting and Premium Support sales to form Services sales. It's taking time to bed in and there is currently a lack of focus on building a strong pipeline.
15. Scaling up delivery to support 40%+ growth; Aligning with several other internal organisations which provide elements which encroach on formal training e.g. free webinars and events funded from marketing
16. Authorised training centres not growing enough, demand outstripping capability
17. Marketing and usable distribution lists; Internal infrastructure changes - will sort itself out in next quarter

18. Hiring
19. Moving our End User business to Authorized Training Partners; Sales engagement internally to promote new model.
20. Scaling the administration function in the business to cope with the growth (100% Q/Q)
21. Need to implement a valuable eLearning solution
22. We are seeing more customers requiring bespoke classes and customised classes prior to their system being built. This of course causes issues as there is nothing to base the training on.
23. These still apply; trying to move forward with an investment in elearning is proving challenging internally. As the software becomes stable trying to find new courses which will attract delegates
24. Sell future large projects in a software and consulting product area which declines; maintain adequate training pricing and with that the margin
25. Managing Growth globally, maintaining instructor quality, ramping. Burning down of backlog (booked revenue).

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

1. The budget is there just continuing to work hard to get it
2. Our results directly trend towards the overall Services sales of our organisation. We are on the back of a strong year but facing a real challenge to maintain this. Pipelines already causing concern for 2015.
3. 'Y Generation' learning is very different today... we (in IT Edu) are playing catch up with new learning styles, mobile engagement etc.
4. Some contracts slipped out to Q1 2015
5. There has been a distinct increase in the number of students being trained by authorised training centres
6. ILT continues to drift down as customers adopt cloud and need fewer techies. Bit of an optimism boost in elearning.
7. Very positive in niche areas where tied directly to product sales.
8. customers want training focused on their projects and environments
9. Customers seem to be booking scheduled courses later and later making it difficult to manage - I have cancelled courses only to be contacted by customers saying that they were planning on attending yet the course was less than 2 weeks away.
10. Particularly strong in Germany, UK and Eastern Europe, ok in France and Italy, challenging in other regions/countries