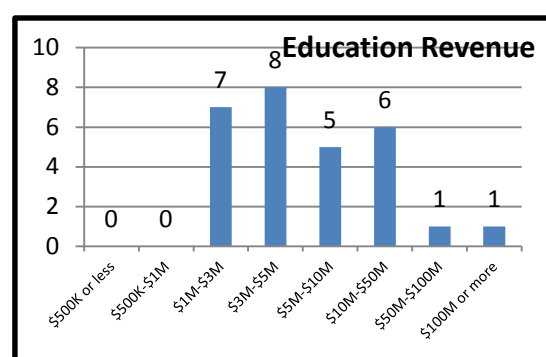
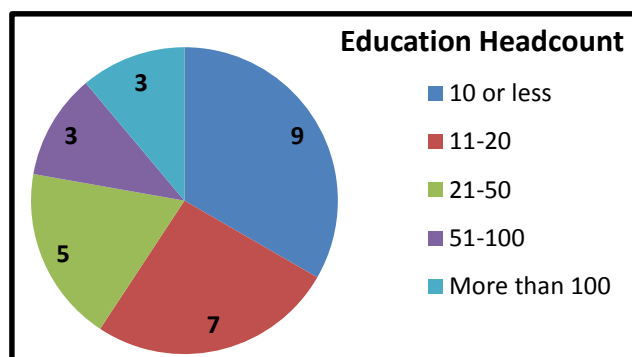
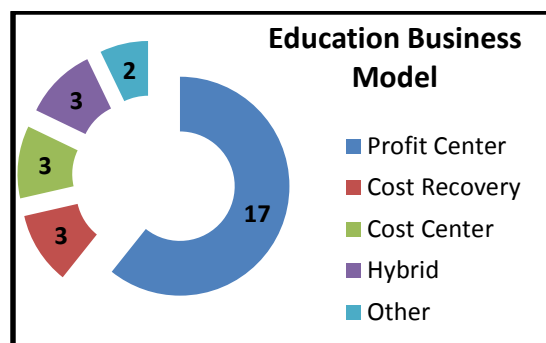
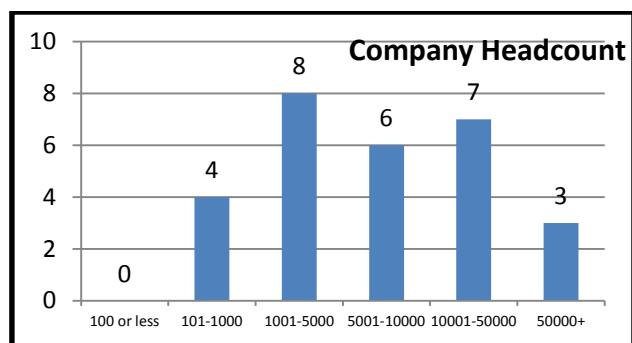
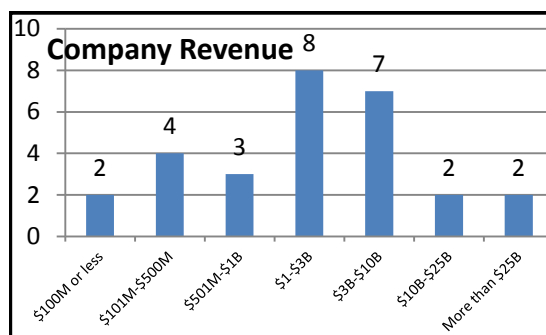
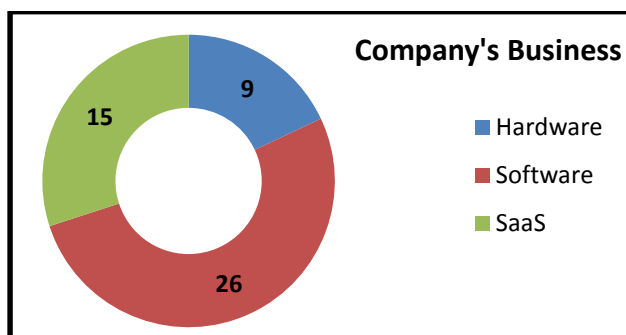


CEdMA Europe Market Barometer

1st Quarter 2015 and forecast for 2nd Quarter 2015

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 $\pm 12.5\%$. 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 15Q1 actuals and 15Q2 forecast is based on input from 28 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.

Revenue: Down to negative 2% for each of the last 7 quarters.

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

ILT: Fell to negative 2% during 2014 but now tending towards flat.

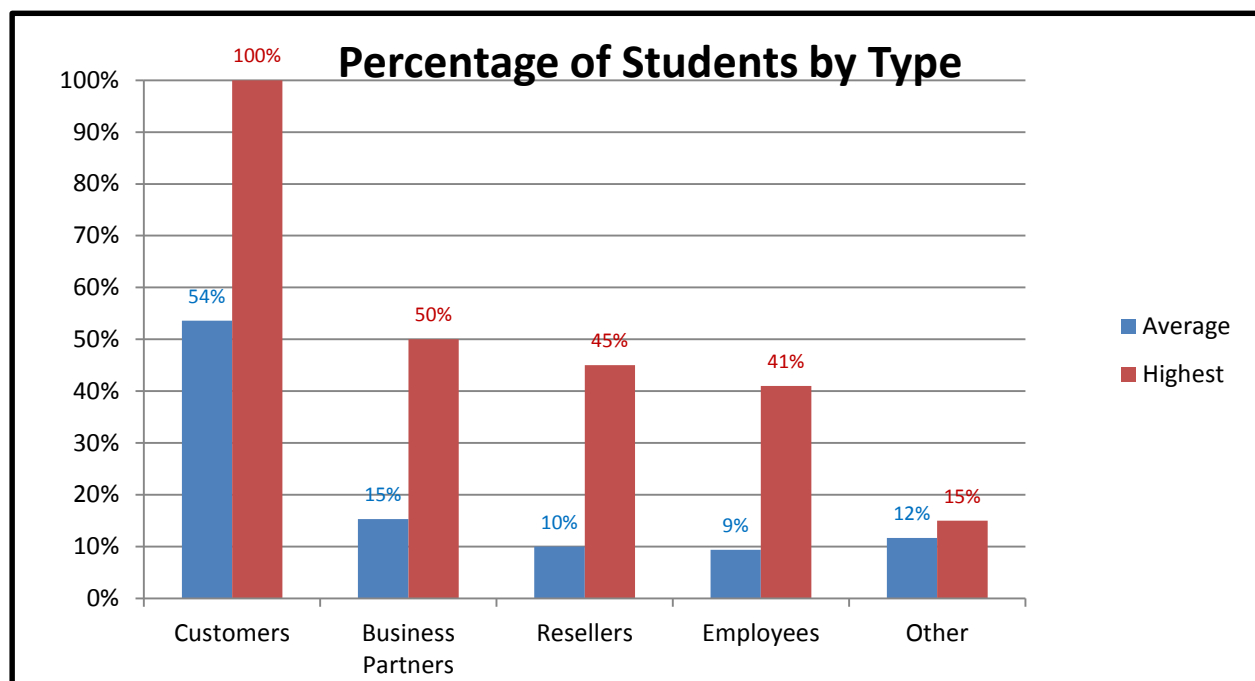
VILT: Dropped from 6% during 2013 to 1-2% since then (larger companies were using VILT earlier but are they now slowing a little?).

Learning Technologies: It's now showing a decrease of 2% for each of the last 6 quarters.

Training Support Services: It's now showing nearly flat for each of the last 8 quarters.

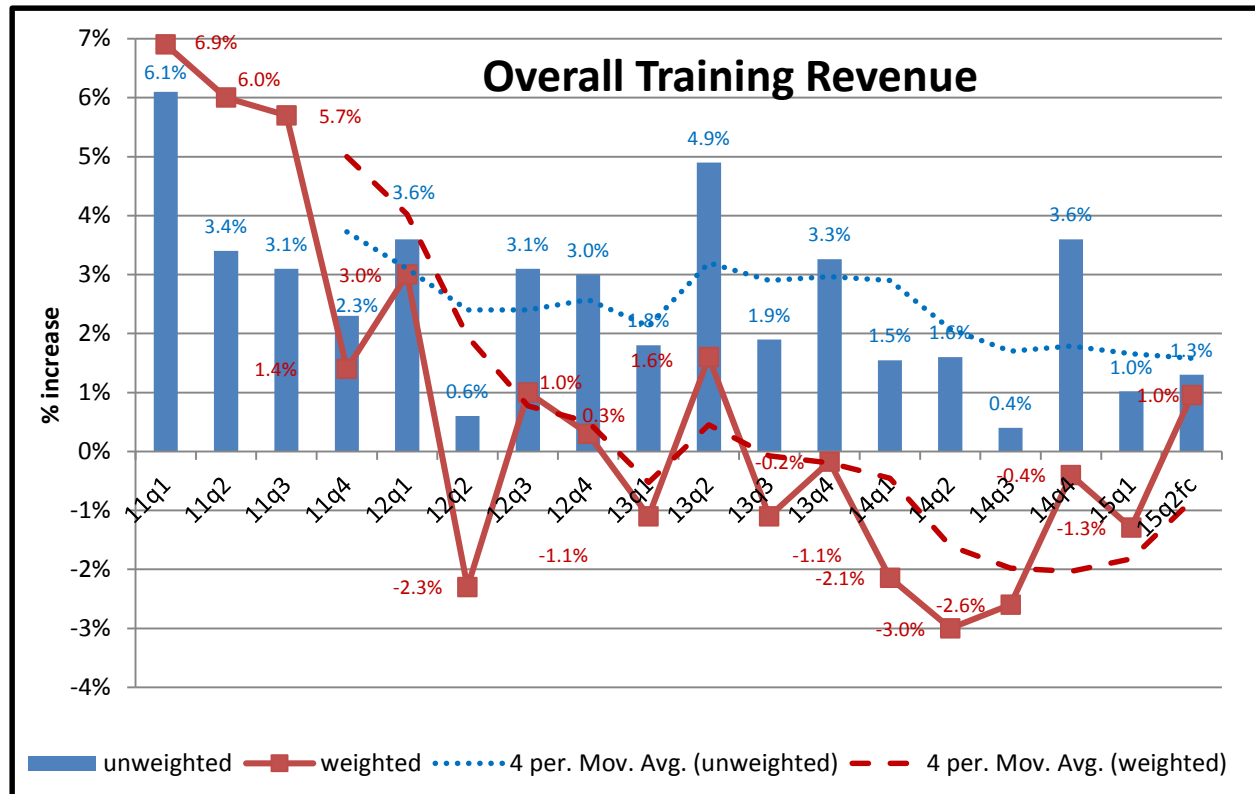
Certification: The increase by quarter is now 3%, better for larger companies than in 2013-14.

Public versus Private: For ILT, even private classes have now fallen to flat, while public classes are decreasing around 2%. For VILT, the increase for public is 3% having fallen from 7% during 2013. Private has dropped to 1% increase from 7% during 2013.



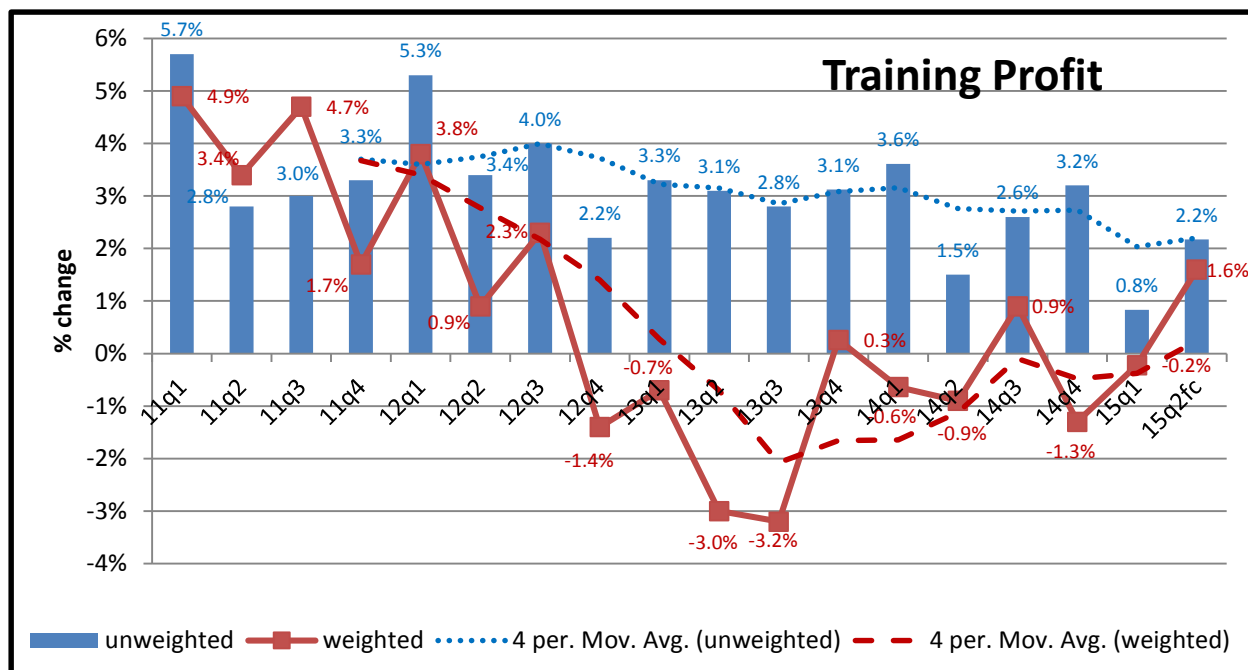
Training Revenue

The unweighted total training revenue grew 1.0% in 15Q1 (u=11, f=2, d=14) against a forecast in the last report of 4.4%. When considering the weighted numbers, there was a fall of 1.3% against a forecast of 4.7% increase last time, disappointing. The forecasts for 15Q2 (u=9, f=8, d=8) show a 1.3% increase for unweighted and a 1.0% increase for weighted. The unweighted trendline shows an ongoing revenue increase of around 1-2%, but when size of company is taken into account, it's around negative 2%.



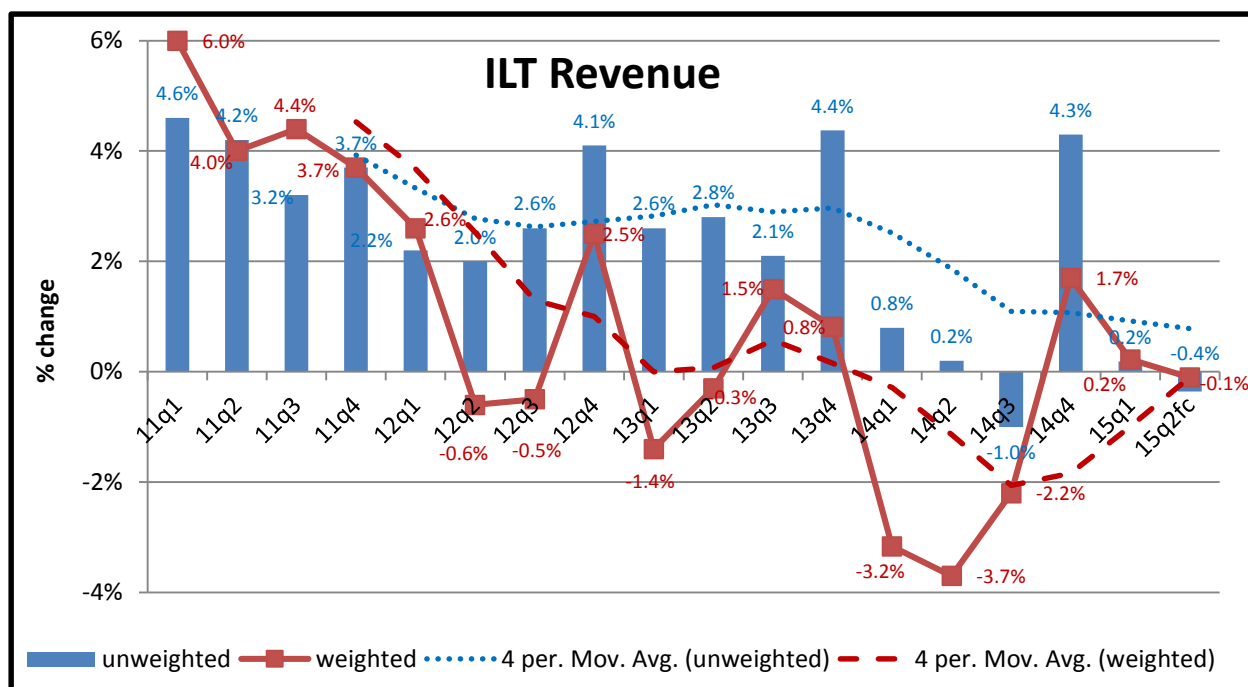
Training Profit

The unweighted total training profit grew 0.8% in 15Q1 (u=10, f=6, d=8), against the forecast in the last report of 4.4%. And, with the weighted numbers, there was a decrease of 0.2% against a forecast of 3.4% last time, again disappointing. The unweighted forecast for 15Q2 (u=12, f=7, d=4) is 2.2% increase and the weighted forecast is an increase of 1.6%. The unweighted trendline shows an ongoing profit increase of 2-3% over the last two years but when size of company is taken into account, it is recovering to flat, having shown a decrease of 1% during 2013-14.

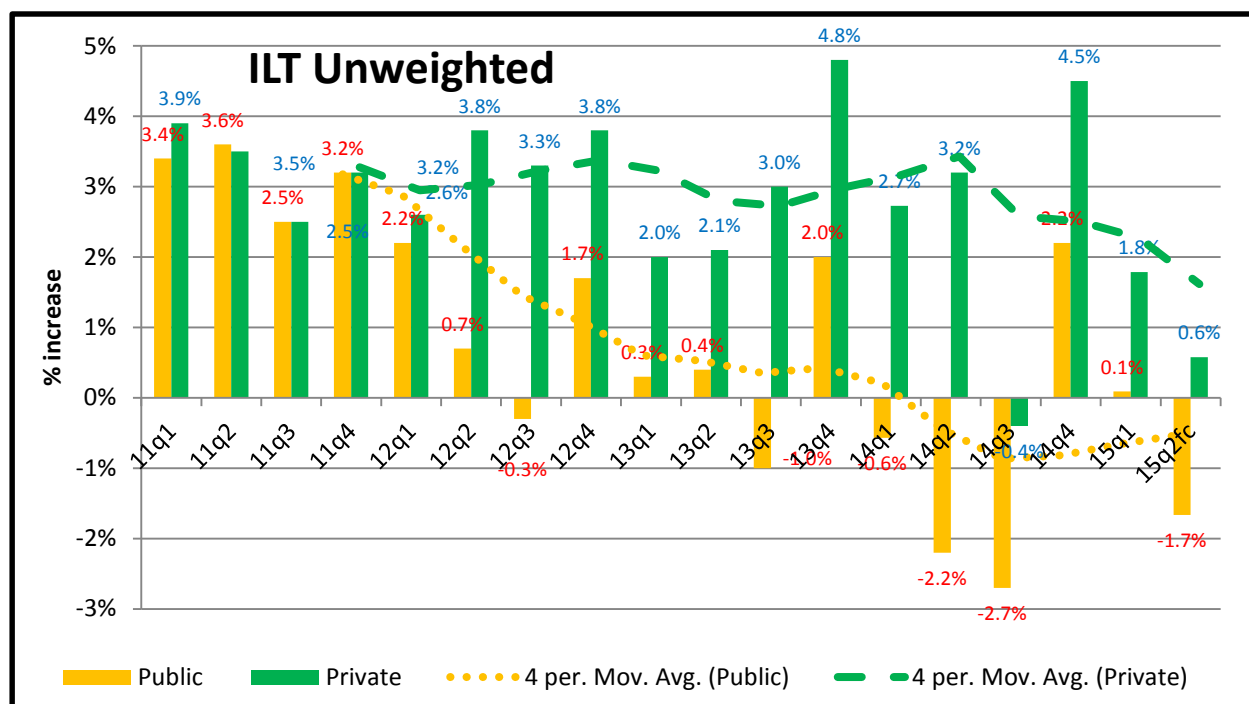


Instructor-led Training

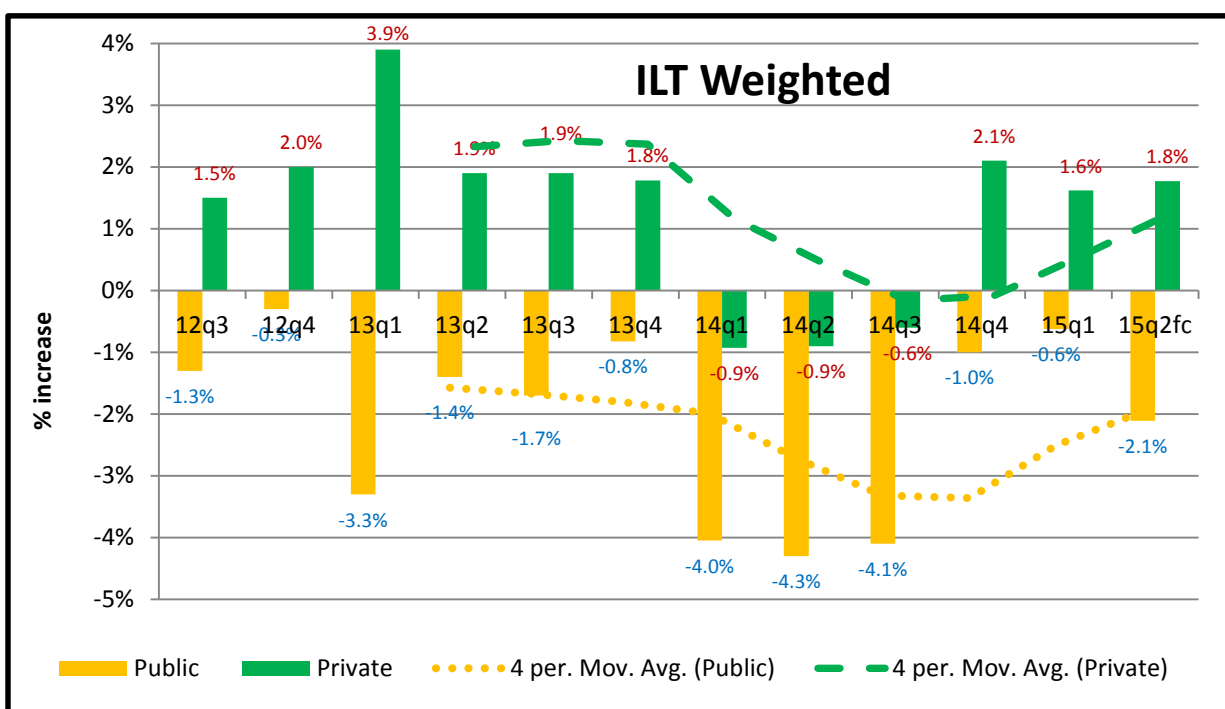
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 15Q1 increase of 0.2% (u=9, f=3, d=15) was much lower than that predicted in the last report (increase of 2.9%). The weighted number was also an increase of 0.2% against a forecast increase of 2.1%. The forecast unweighted decrease for 15Q2 (u=11, f=4, d=13) is 0.4%, with weighted also negative at 0.1%. The unweighted trendline shows an ongoing ILT increase dipping to about 1% but when size of ILT revenue is taken into account, it is recovering towards flat.



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%, public ILT classes have dipped below flat. This shows the unweighted values.

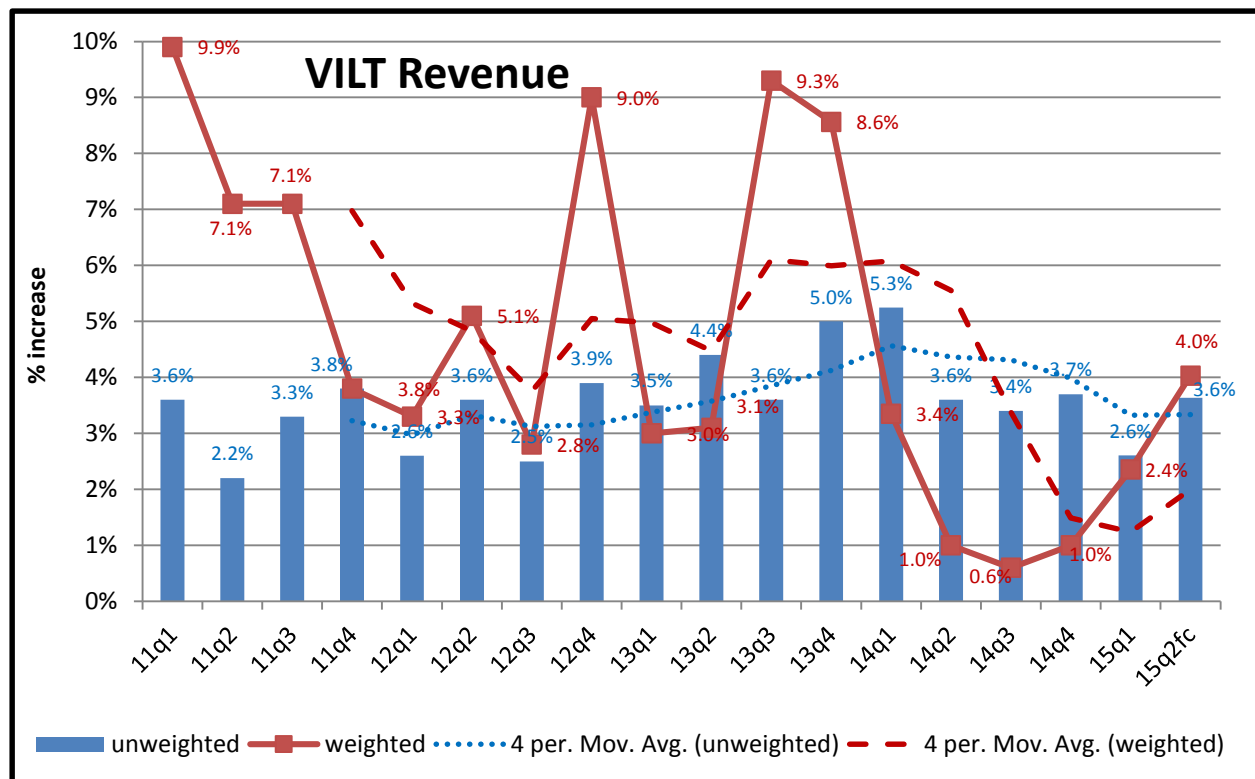


When weighted values are calculated, private classes are turning up towards a 1% increase, while public classes are decreasing around 2-3%. However, this looks to have bottomed out.

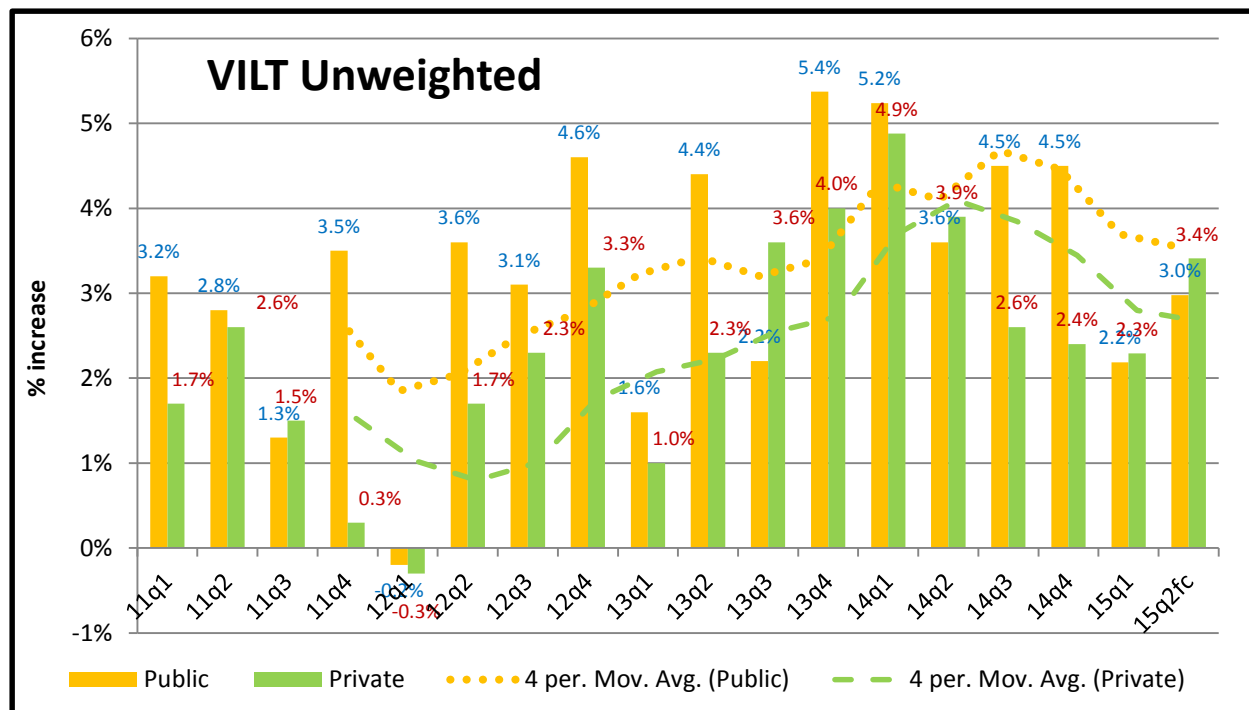


Virtual Instructor-led Training

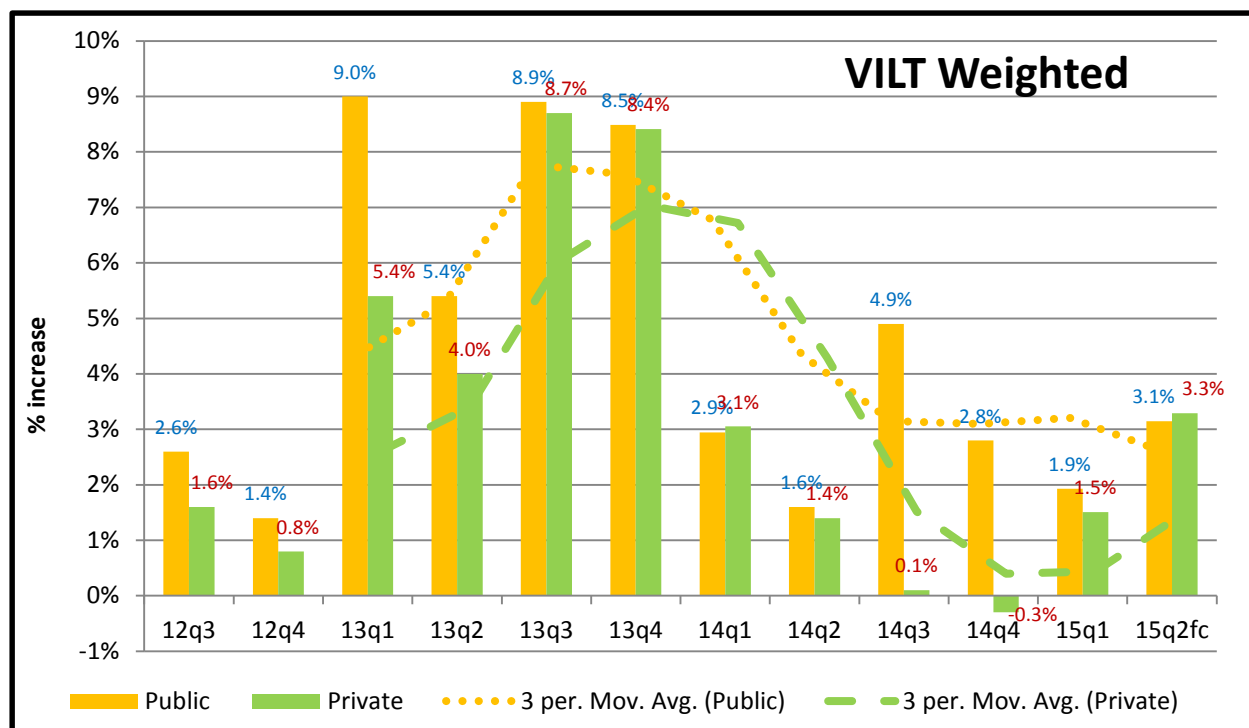
On the other hand, the VILT increase has stalled a little over the last three quarters. The unweighted 15Q1 increase of 2.6% (u=11, f=11, d=2) was under the 3.6% forecast in the last report. The weighted increase of 2.4% was also under the forecast of 3.4%. The forecasts for 15Q2 (u=12, f=8, d=2), however, are a little brighter, with increases of 3.6% unweighted and 4.0% weighted. The unweighted trendline shows an ongoing VILT increase of around 3-4% 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 4 of the 28 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 3-4%. This shows unweighted values.



When weighted values are used, the increases for public have dropped to around 3% with private almost 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.

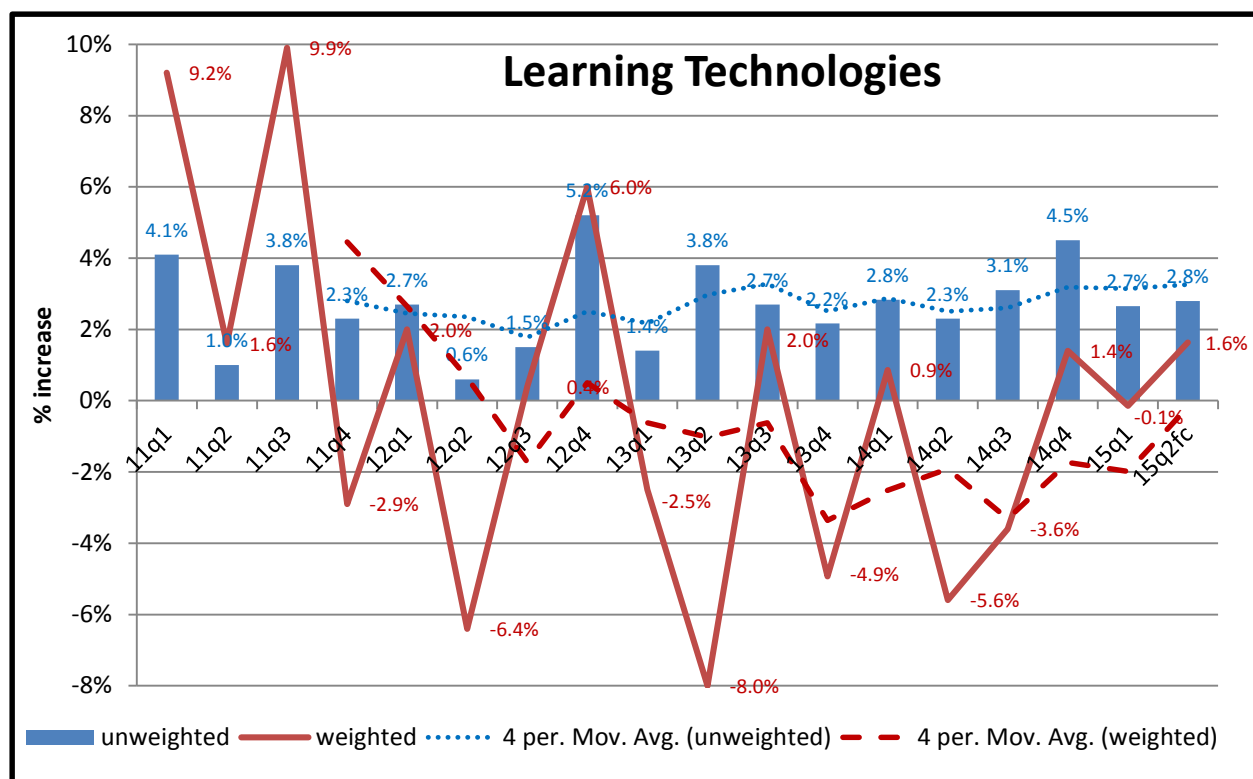
Generic Content includes generic courseware, templates, and models.

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.

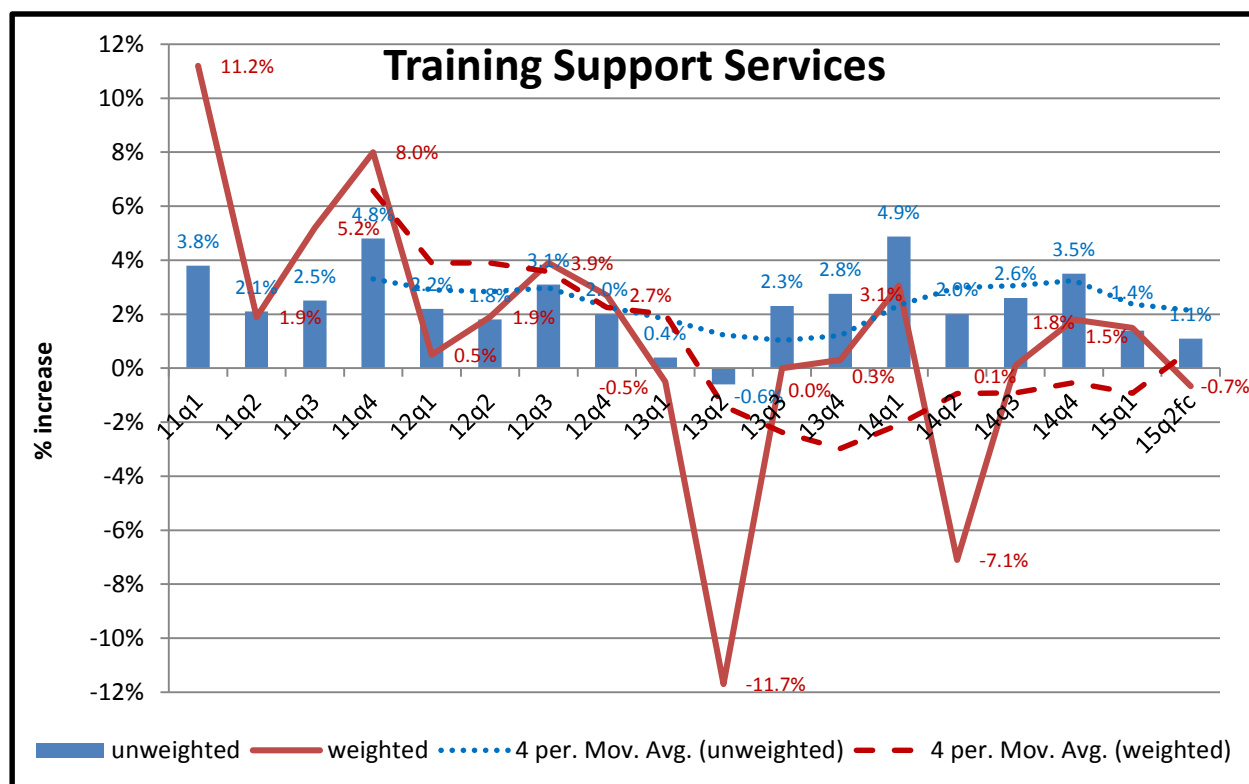
17 of the 28 companies reported activity in this area. The forecasts in the last report were 4.4% increase and 2.8% increase for unweighted and weighted, respectively, and the results for 15Q1 (u=9, f=3, d=4) were 2.7% and -0.1%. The forecast for 15Q2 (u=7, f=6, d=4) is an increase of 2.8%, with weighted at 1.6%. 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

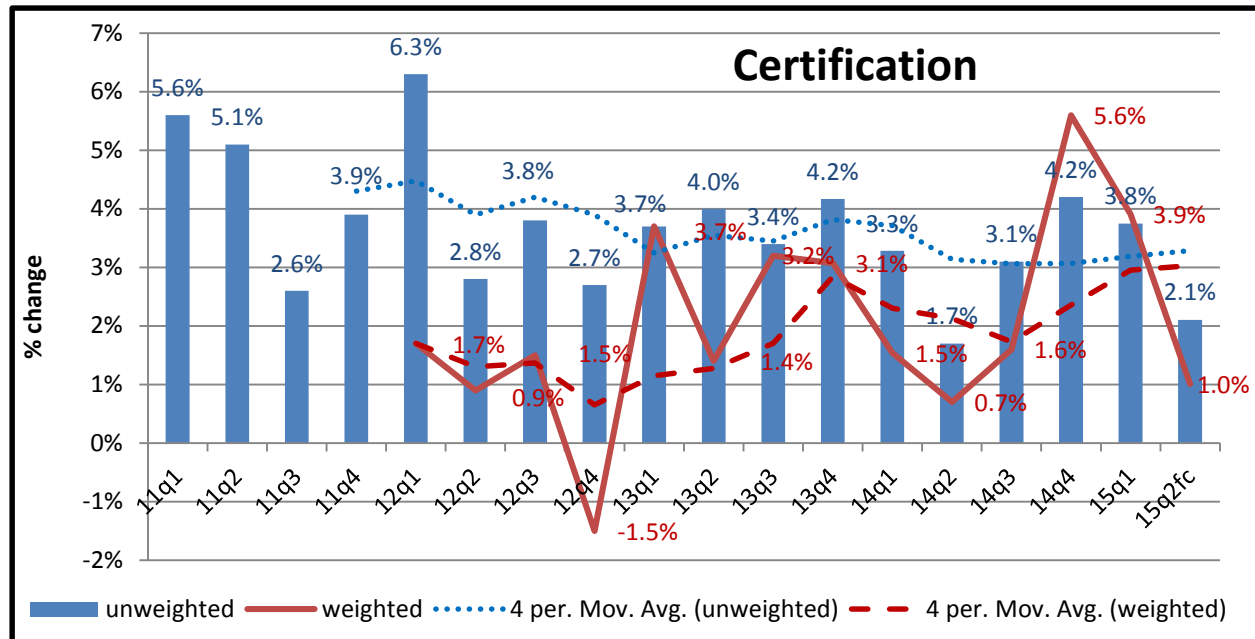
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 18 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 2.1% increase and a 0.2% increase for unweighted and weighted, respectively. The results for 15Q1 (u=7, f=8, d=3) were 1.4% increase and 1.5% increase, respectively. The forecasts for 15Q2 (u=3, f=9, d=4) show an increase of 1.1% for unweighted but -0.7% 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.



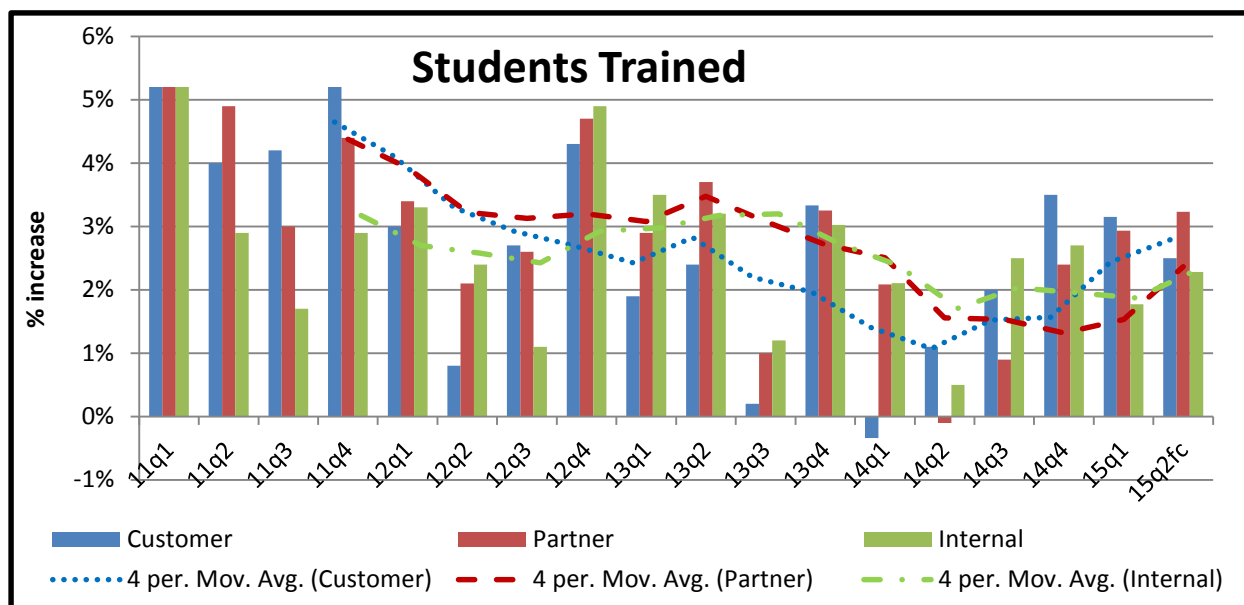
Certification Tests Administered

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 15Q1 (u=9, f=5, d=4) and 15Q2 (u=9, f=5, d=5) are similar, but the forecasts are lower at 2.1% and 1.0% for unweighted and weighted, respectively. 19 out of the 26 companies offer certification.

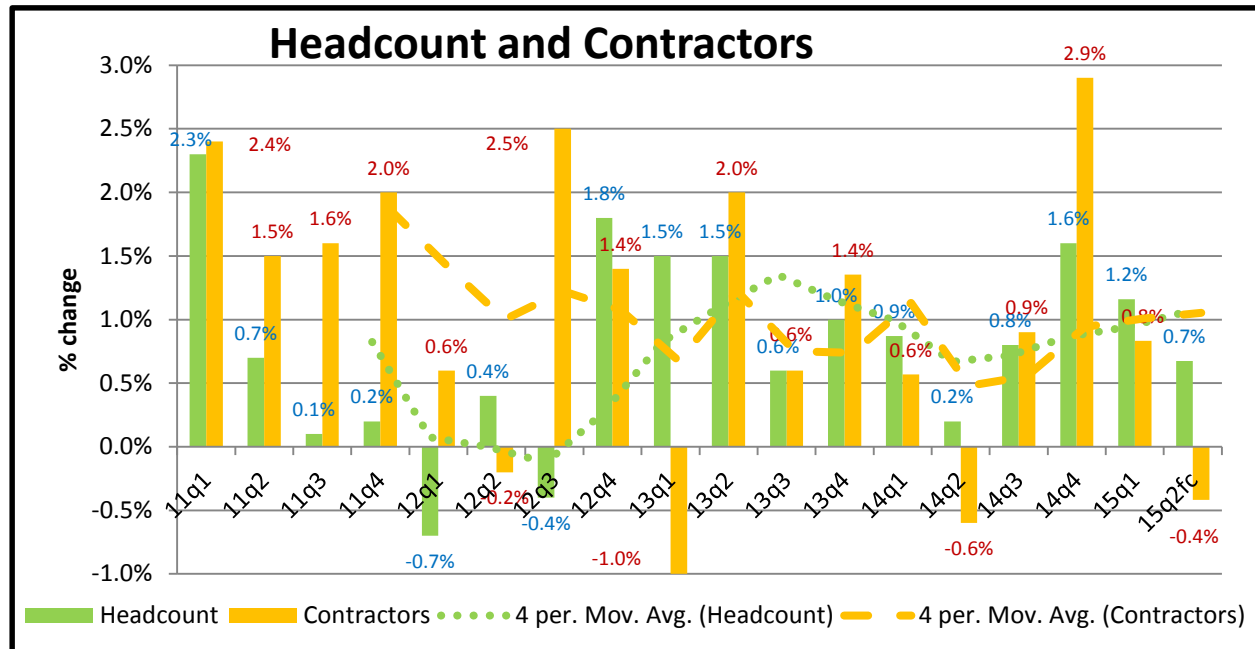


Miscellaneous

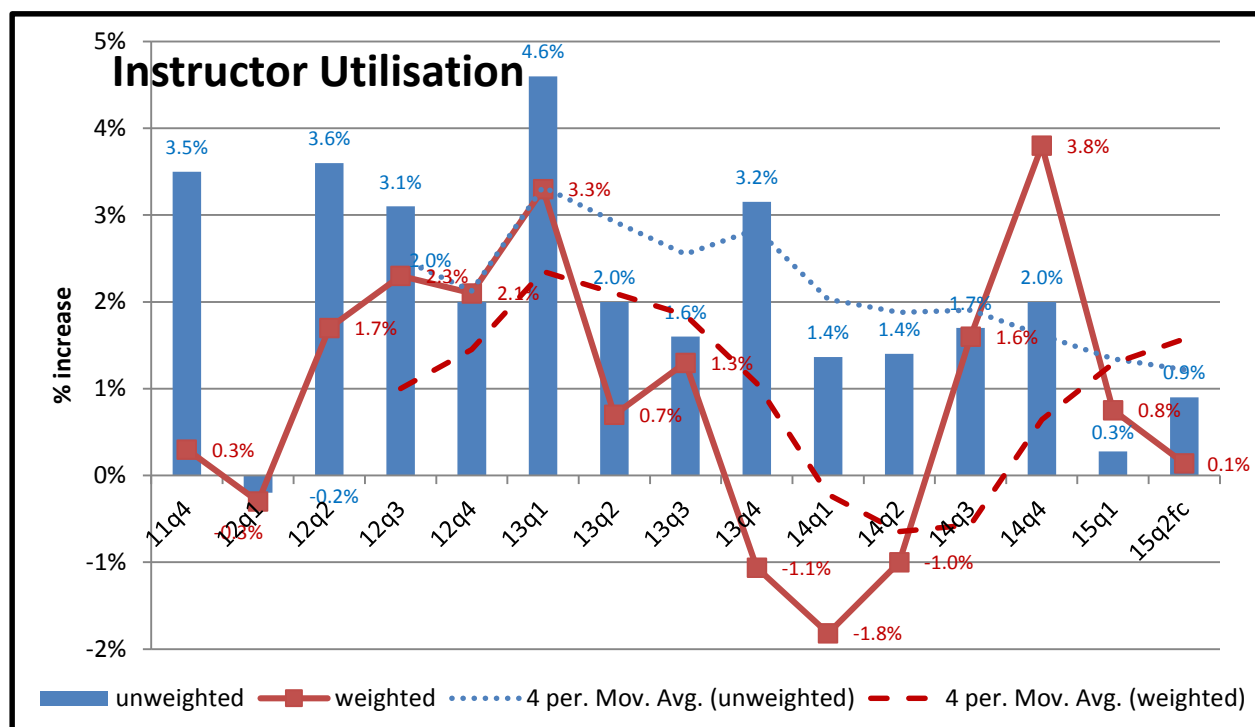
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year with contractors showing more volatility.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 2.6% increase, weighted being 1.6%. The 15Q1 result ($u=5$, $f=16$, $d=6$) was 0.3% and 0.8% for unweighted and weighted, respectively, while the 15Q2 ($u=7$, $f=14$, $d=4$) forecasts are 0.9% and 0.1%. The trendlines are now showing an increase of just above 1%.



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

1. Online Self-Study (eLearning) Subscription
2. NetBackup; Enterprise Vault
3. Aside from Learning Credit (prepaid training) for year end, not a lot!
4. Customisation of manuals, translations into new languages.
5. ILT & VILT revenue
6. Custom training; VILT Onsite
7. Web Application; Firewall and general security courses
8. Project Based Training; Tailored courses
9. Onsite Training for end customers (private ILT an VILT)
10. Storage and Cloud still developing. Security showing good signs
11. Database
12. SaaS solutions
13. Technical Recertification training
14. Private events
15. Identity workflow management
16. Private onsites
17. No substantial increases notable
18. training related new product launches
19. VILT
20. Onsites
21. Virtual classes – public; Authorised Training partners; eLearning
22. Storage management
23. Database and Technology; Cloud solutions
24. Custom learning solutions
25. Big Data, Spark

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

1. Marketing, Year End Training
2. Altiris
3. Demand for scheduled training is sporadic, courses which usually fill are having to be cancelled and we are suffering from low fill rates which is concerning
4. Decrease across all business lines
5. Bottoms on seats in scheduled classes. - still the same
6. VILT Public
7. Old products coming to end of life
8. Public Schedule continues to dip
9. ILT of public classes was mainly flat
10. Networking and VMware
11. Apps

12. Perpetual Learning technology License being replaced by SaaS, hence Revenue reduction in quarter.
13. Partner delivered courses
14. Access Management
15. All decreases; most notably in Account-specific courses
16. Older product training
17. Old products
18. Public ILT; Private on-site classes
19. High end storage
20. Public class training and Private onsite training
21. Public ILT

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

1. Managing Growth globally, maintaining instructor quality, ramping. Burning down of backlog (booked revenue).
2. Moving our End User business to Authorized Training Partners. Sales engagement internally to promote new model.
3. Still struggling to get approval for eLearning and a new LMS. Balancing customer service vs the need for revenue - running courses with very low fill rates
4. Sell future large projects in a software and consulting product area which declines. Maintain adequate training pricing and with that the margin
5. 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.
6. Hiring, LMS
7. Cost of running training (+ Margin) increasing # of deals in developing regions of EMEA (due to pricing strategy)
8. Expanding certifications; Growing tests at customers
9. Euro down 23%, lack of demand for single company courses.
10. Being tied to services rate cards for key customer engagements resulting in a lower margin for education programmes. No Marketing support or budget.
11. Outsourcer after 4 years still requires too much handholding; getting customer interest up for VILT in EMEA-; hiring and onboarding 5 net new people took way longer than expected; introducing a new LMS is a MONSTER project and eats time and time
12. Business systems migration - Internal issue
13. Filling public classes. Ongoing weak performances in France & DE as well as weakness in UK
14. Internal demand for product enablement exceeding capacity. New product features, so this will only continue.
15. Internal change management on a new approach to Certification; Dealing with growth with limited internal resources
16. Launching new products!
17. Getting commercial sign off to start a certification programme; Implementing a new remote labs system
18. Actively transitioning a formerly all training sales team to a user advocacy function and this modification has created some challenges during the process of transition. With this change the training conversations have to begin to shift back to the named account representatives in Corporate (outside) accounts and to potentially several sales representatives as our inside sales teams have transitioned to product-specific tasks per rep whereby any one of several reps of

could be having a training conversation. It's going to take some additional time to work through this change internally.

19. Education attachment to product sales; Replacement headcount
20. Demand creation of VILT in a market that never had VILT before
21. Outsourcing training delivery; Local language course materials
22. Declining delegate numbers, while maintaining a schedule that meets expectation
23. Compensating for reduction in public scheduled training; Migrating customers to subscription-based online learning platform
24. Need to implement a valuable eLearning solution
25. Re-thinking our delivery model - all coming from Consulting or 3rd parties.
26. Ramping new instructors; Expanding through partners in Middle East

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

1. Demand seems even more sporadic than usual and customers are having issues in trying to obtain budget
2. There has been a distinct increase in the number of students being trained by authorised training centres
3. We are launching our Learning Subscription next quarter (Q2) and are super excited!
4. ILT continues to drift down as customers adopt cloud and need fewer techies. Encouraging leading growth for VILT through improved scheduling with growing adoption across EMEA
5. Governments in Eurozone have started spending again - helping to offset weakness in traditionally strong European countries.
6. Onsite ILT revenue has declined but volume is up significantly.
7. More challenging to make profit than revenue.
8. Customers want training focused on their projects and environments
9. Mobile/tablet and learning styles are disrupting the market.