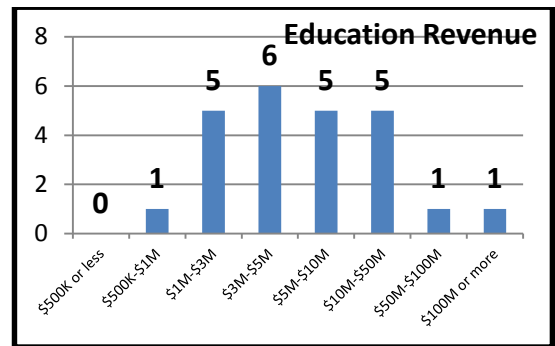
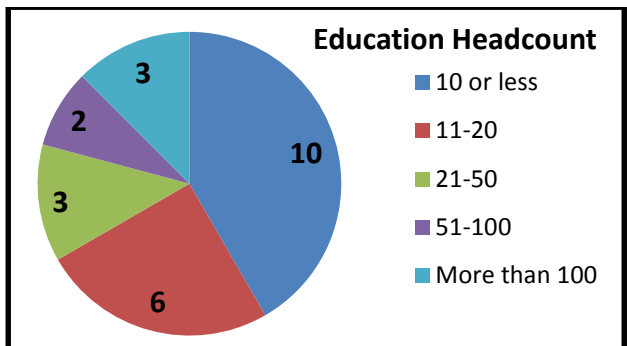
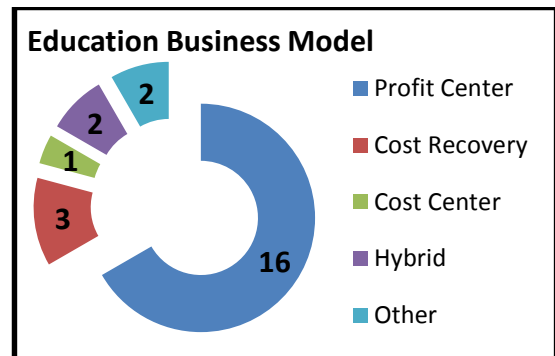
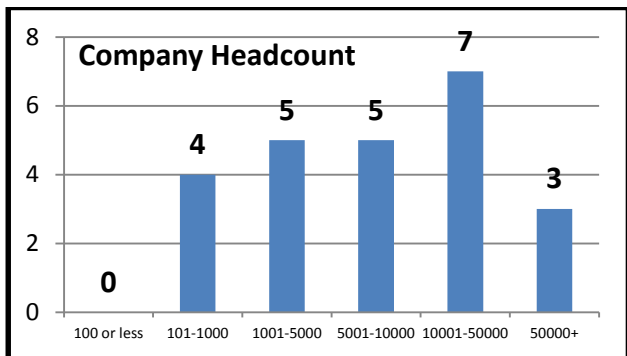
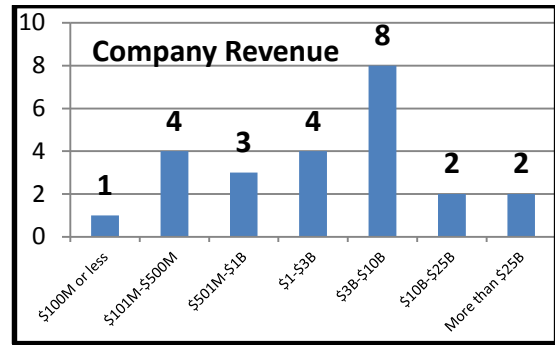
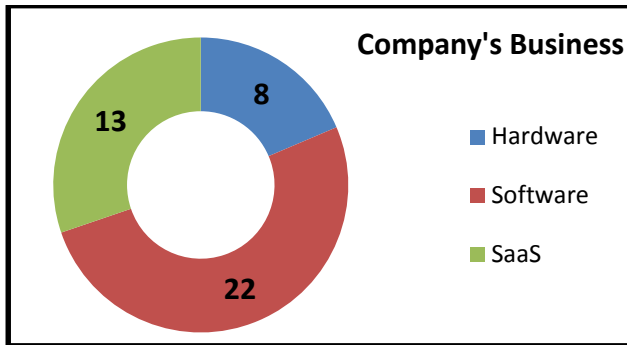


CEdMA Europe Market Barometer

2nd Quarter 2015 and forecast for 3rd 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 +/- 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 15Q2 actuals and 15Q3 forecast is based on input from 24 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: Having been down to negative 2% for each of the last 7 quarters, showing signs of recovery.

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

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

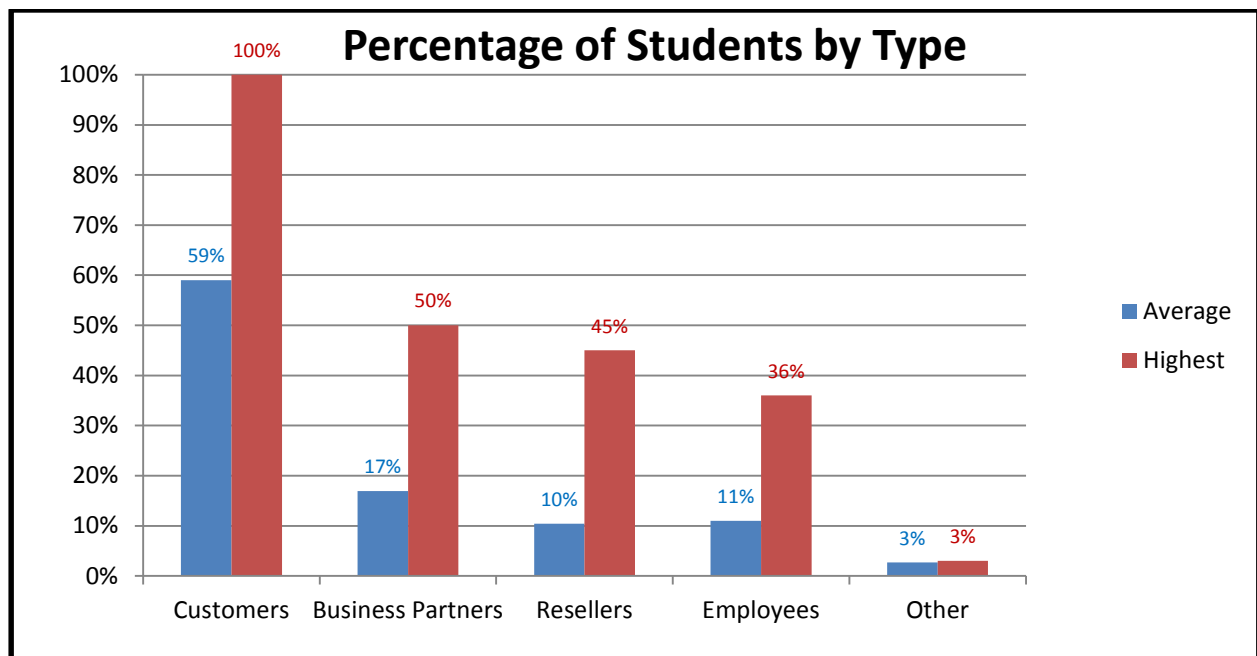
VILT: Dropped from 6% during 2013 to 1-2% since then (larger companies were using VILT earlier but are they now slowing a little?).

Learning Technologies: Recovered from a decrease of 2% for each of the last 7 quarters to flat.

Training Support Services: It's now showing flat having been negative 1-2% for two years.

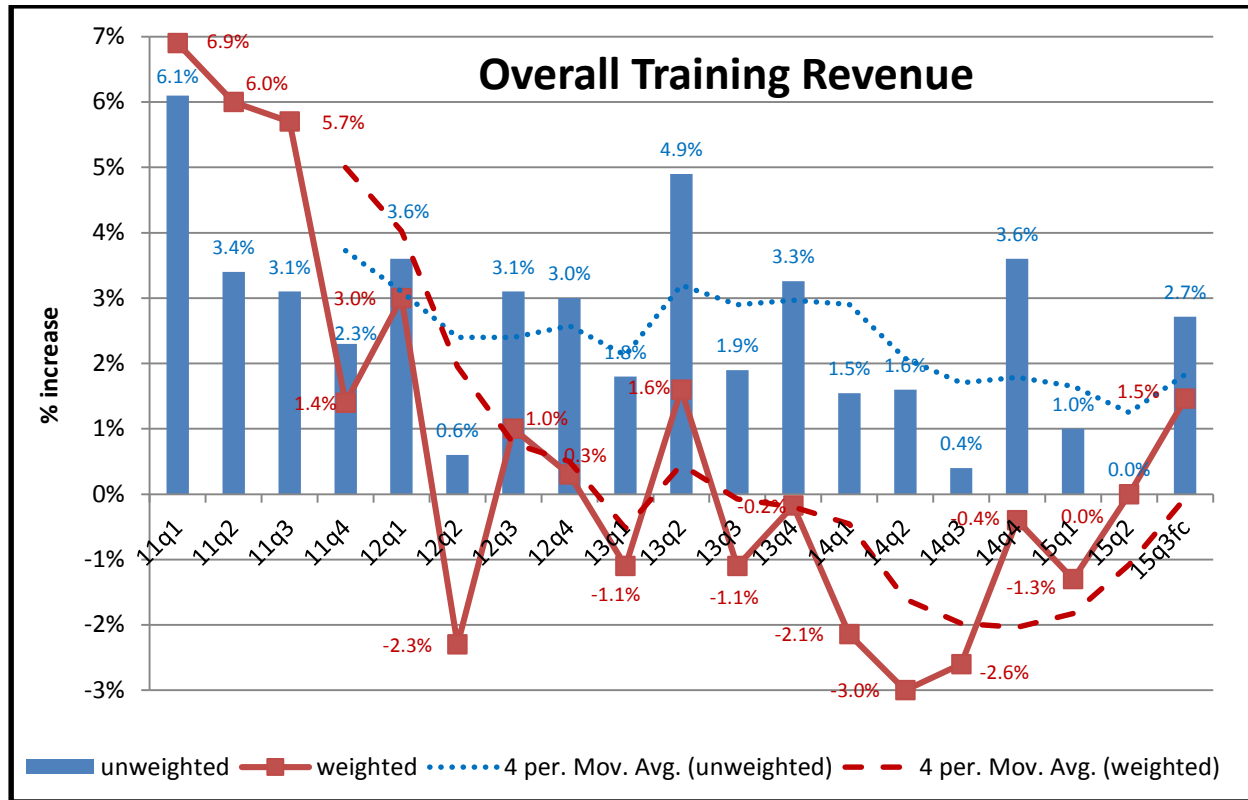
Certification: The trendline has risen to a 4% increase.

Public versus Private: For ILT, the trendline for private classes has risen to over 1%, while public classes are decreasing around 1-2%. For VILT, the increase for public is 2% having fallen from 7% during 2013. Private has dropped to 1% increase from 7% during 2013.



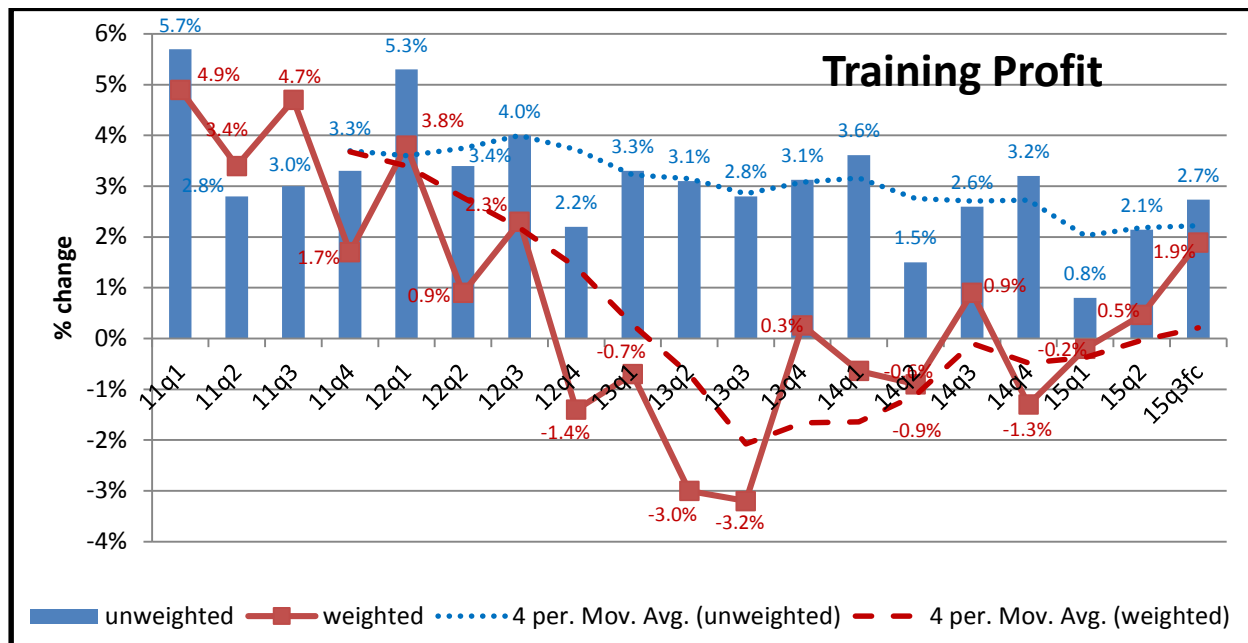
Training Revenue

The unweighted total training revenue was flat in 15Q2 (u=11, f=5, d=7) against a forecast in the last report of 1.3%. When considering the weighted numbers, it was also flat against a forecast of 1.3% decrease last time. The forecasts for 15Q3 (u=9, f=10, d=4) show a 2.7% increase for unweighted and a 1.5% 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 1-2%.



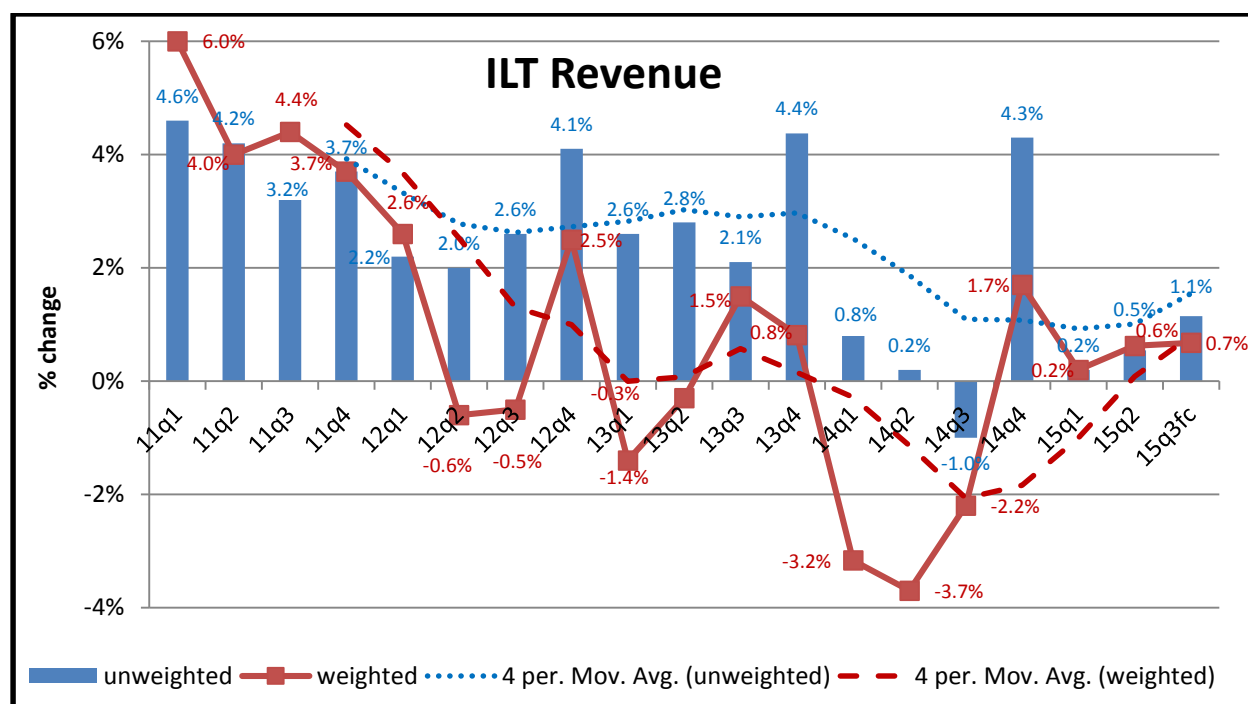
Training Profit

The unweighted total training profit grew 2.1% in 15Q2 (u=11, f=7, d=3), against the forecast in the last report of 2.2%. And, with the weighted numbers, there was a increase of 0.5% against a forecast of 1.6% last time. The unweighted forecast for 15Q3 (u=10, f=8, d=3) is 2.7% increase and the weighted forecast is an increase of 1.9%. 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 1-2% during 2013-14.

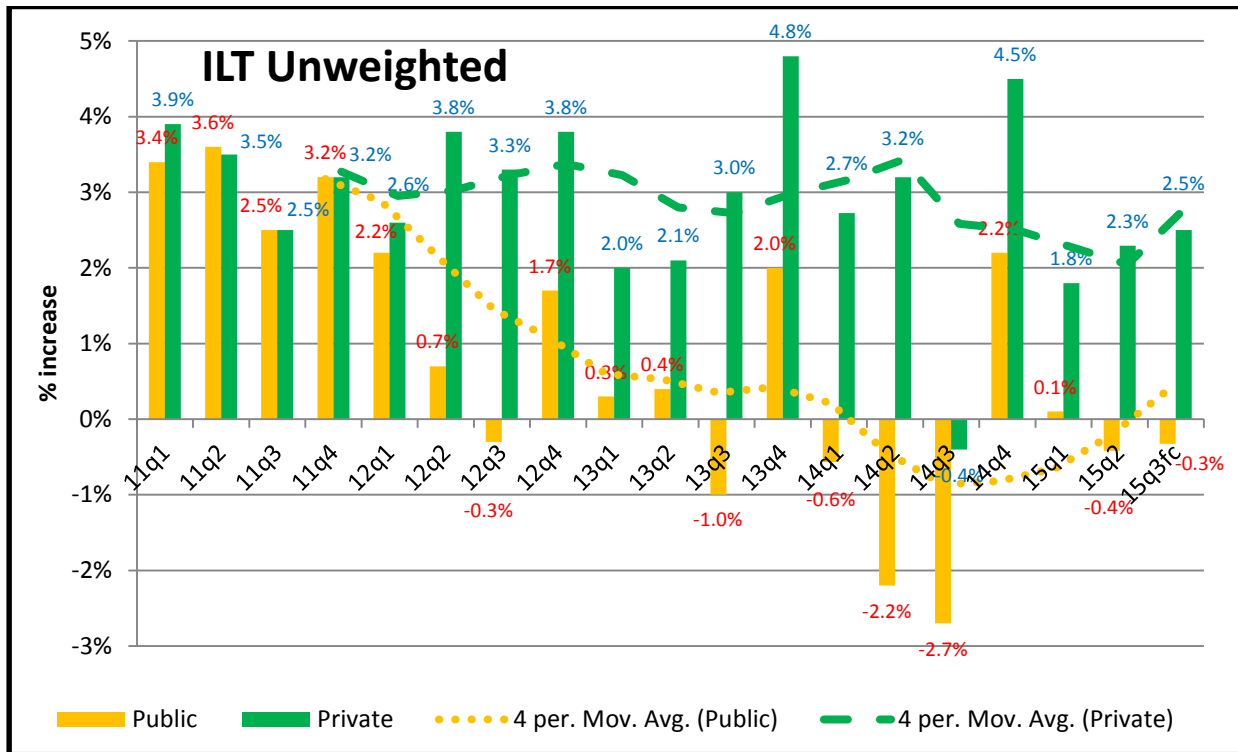


Instructor-led Training

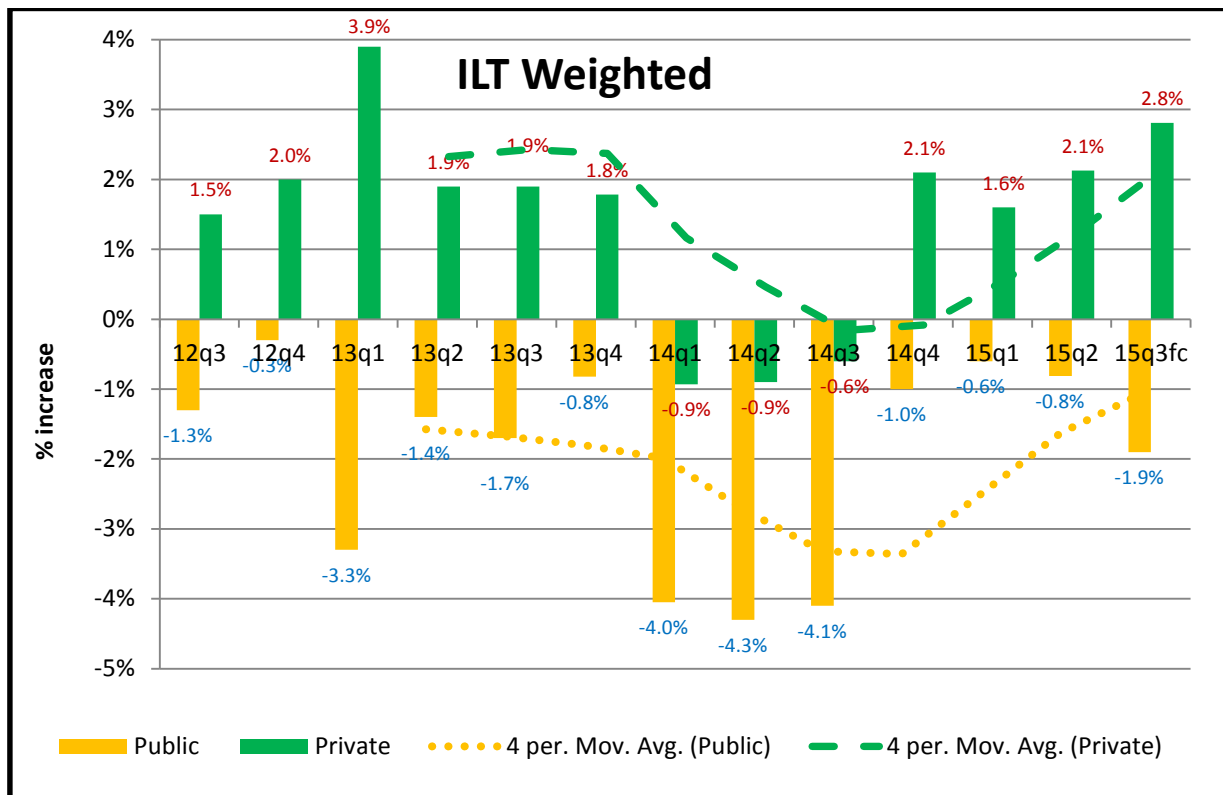
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 15Q2 increase of 0.5% (u=9, f=4, d=10) was slightly higher than that predicted in the last report (decrease of 0.4%). The weighted number was an increase of 0.6% against a forecast decrease of 0.1%. The forecast unweighted increase for 15Q3 (u=8, f=5, d=11) is 1.1%, with weighted at 0.7%. 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 are recovering to flat from negative 1%. This shows the unweighted values.

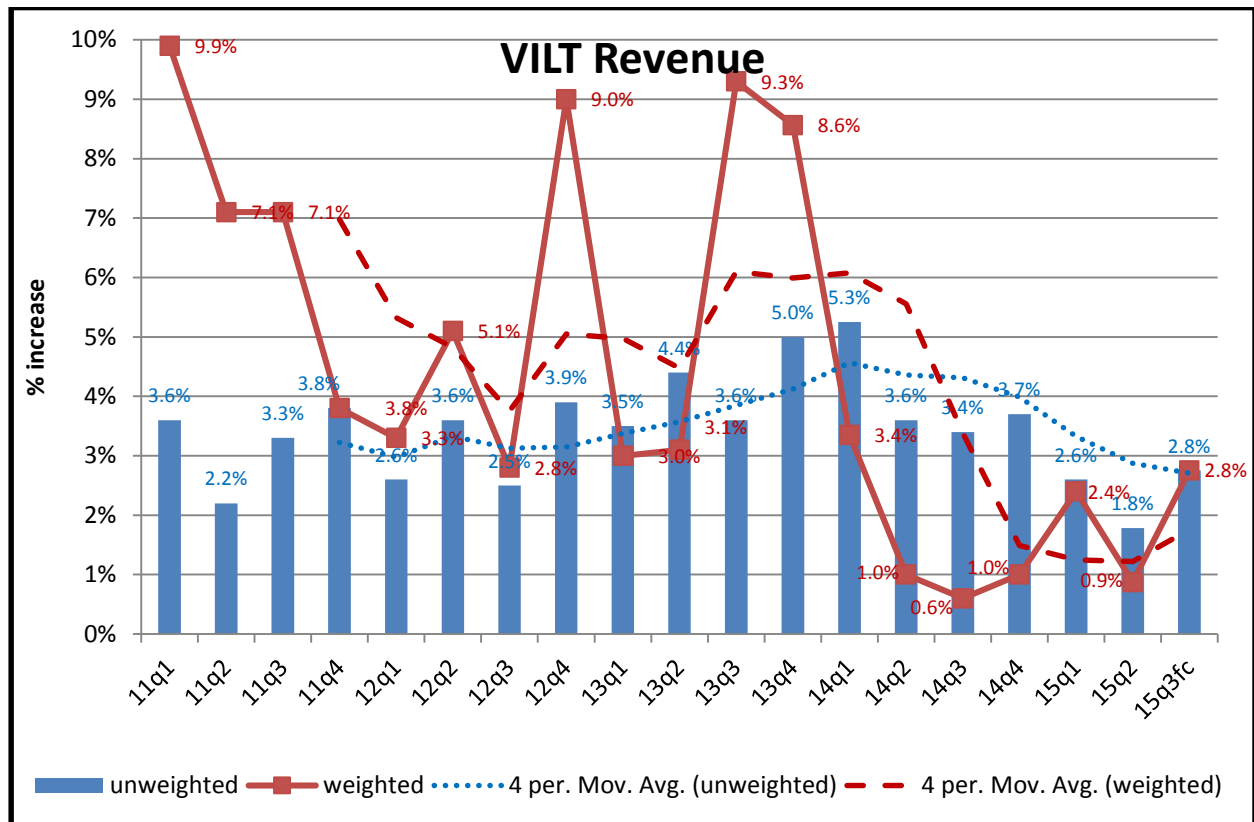


When weighted values are calculated, private classes are rising to a 1-2% increase, while public classes are decreasing around 1-2%, having been as low as negative 3%.

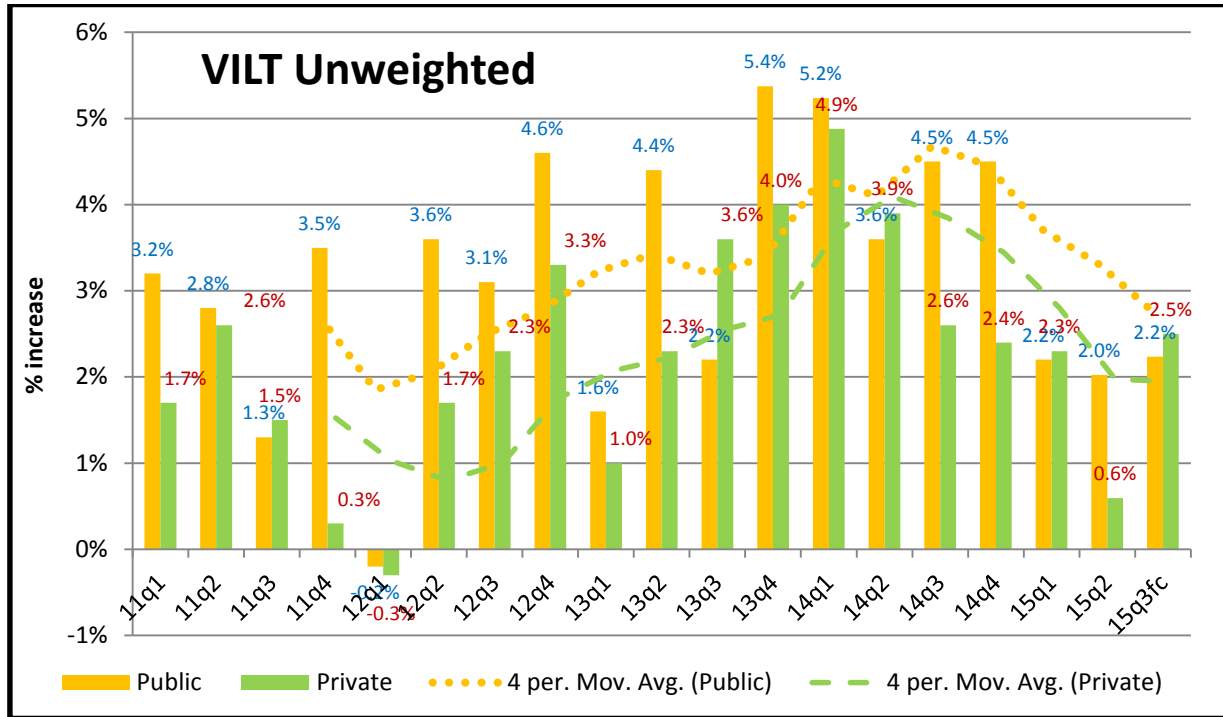


Virtual Instructor-led Training

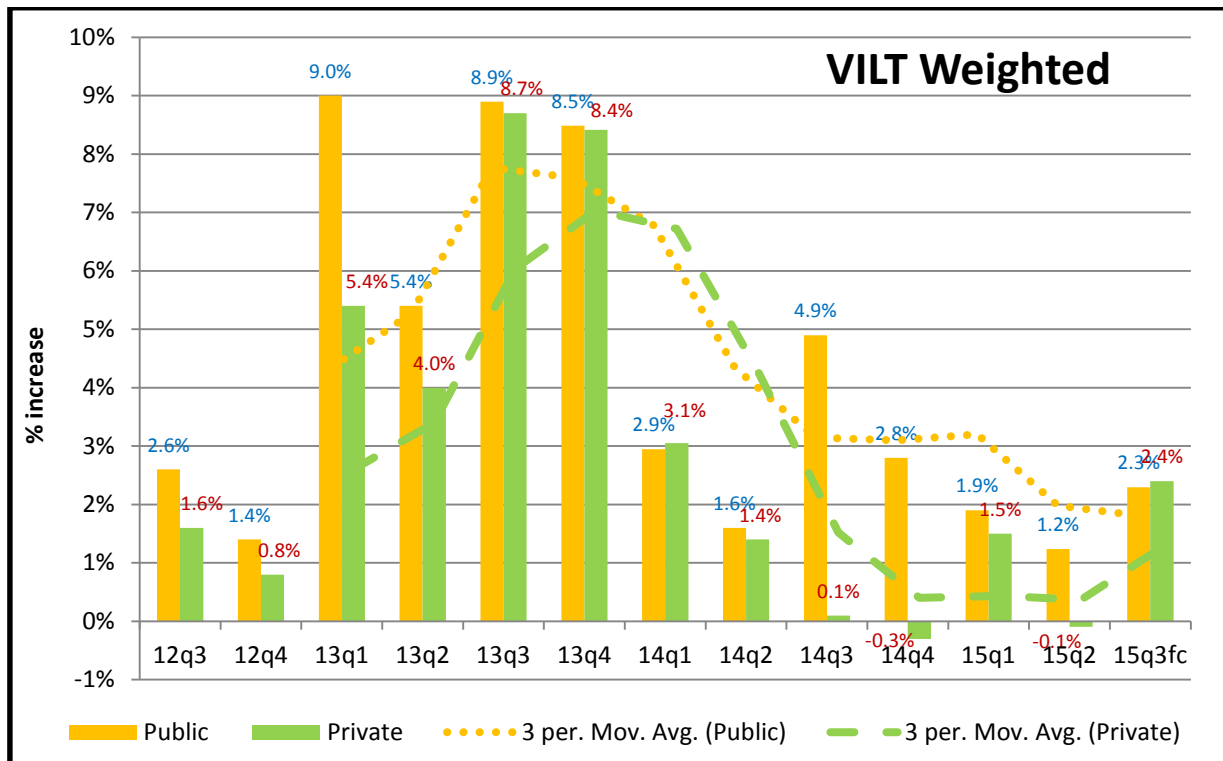
On the other hand, the VILT increase has stalled a little over the last year. The unweighted 15Q2 increase of 1.8% (u=9, f=10, d=2) was under the 3.6% forecast in the last report. The weighted increase of 0.9% was also under the forecast of 4.0%. The forecasts for 15Q3 (u=10, f=8, d=2), however, are a little brighter, with increases of 2.8% for both unweighted and weighted. The unweighted trendline shows an ongoing VILT increase of around 3% but when size of VILT revenue is taken into account, it has dropped from 6% to 1-2% over the last year (larger companies were using VILT earlier but are they now slowing towards flat). Note that 3 of the 284 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%, although falling in the last year. This shows unweighted values.



When weighted values are used, the increases for public have dropped to 2% with private almost to flat, from 7% around two years 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.

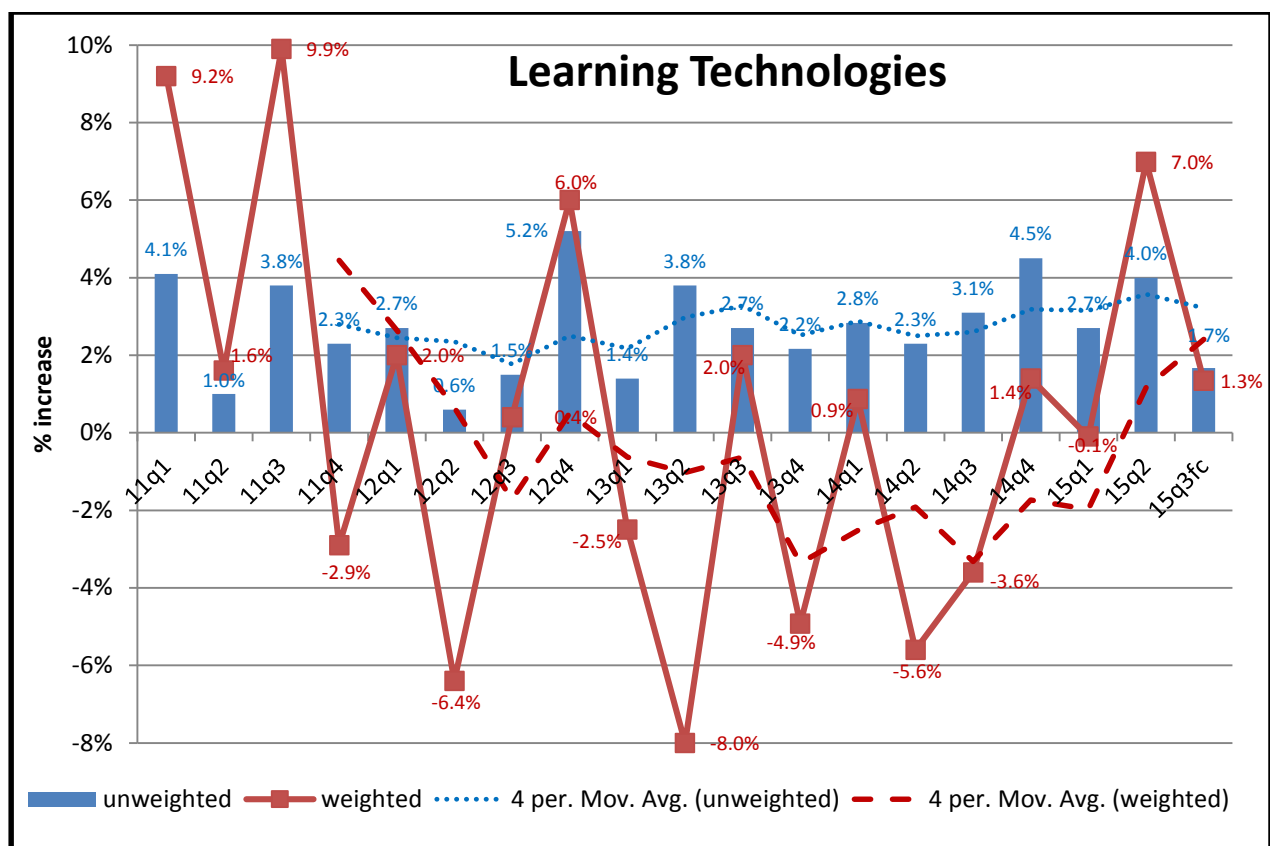
Generic Content includes generic courseware, templates, and models.

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.

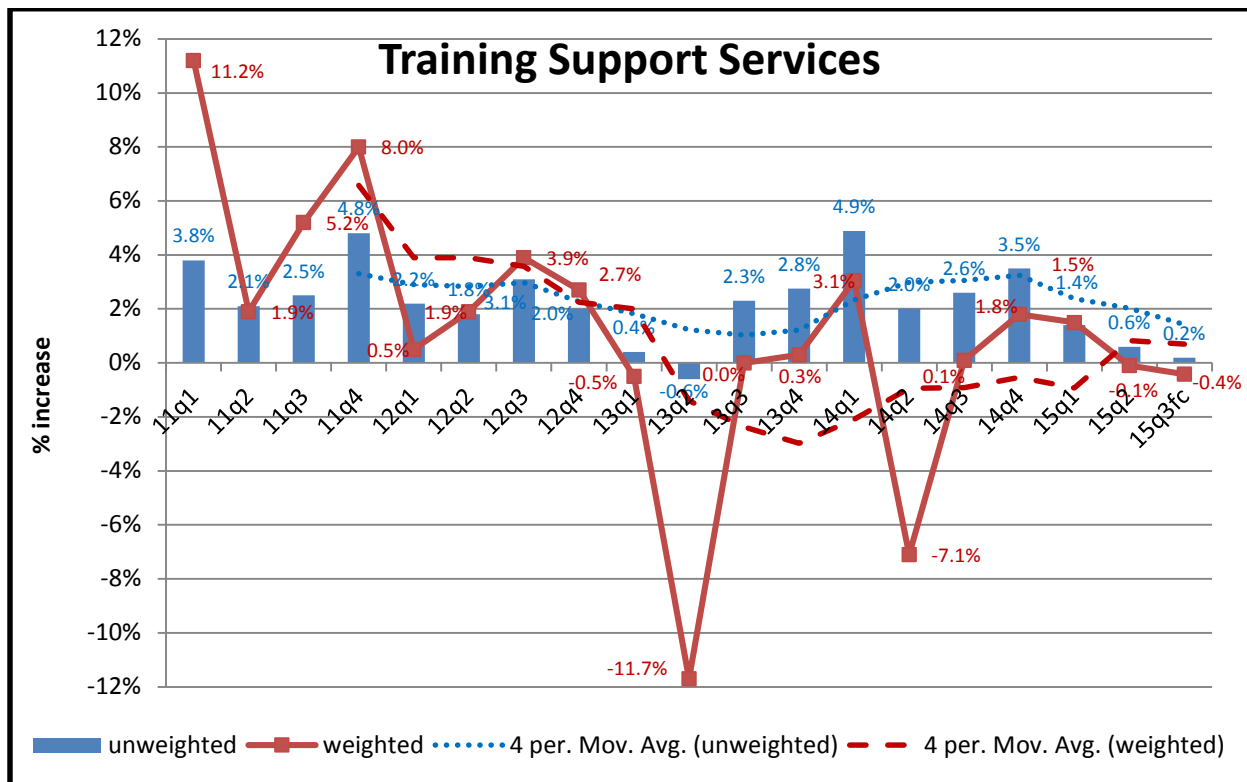
15 of the 24 companies reported activity in this area. The forecasts in the last report were 2.7% increase and 0.1% decrease for unweighted and weighted, respectively, and the results for 15Q2 (u=6, f=7, d=2) were 4.0% and 7.0%. The forecast for 15Q3 (u=5, f=7, d=3) is an increase of 1.7%, with weighted at 1.3%. 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 has just recovered to flat from negative 4%, again reflecting the volatility in this area.



Training Support Services

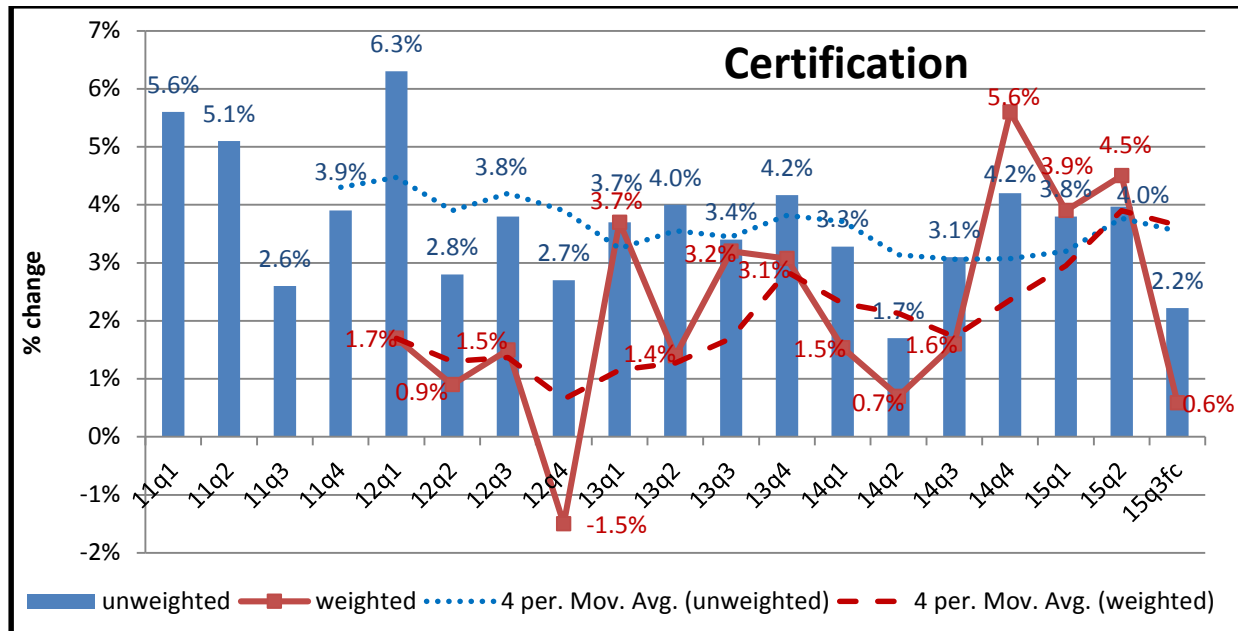
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 14 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 1.1% increase and a 0.7% decrease for unweighted and weighted, respectively. The results for 15Q2 (u=7, f=6, d=1) were 0.6% increase and 0.1% decrease, respectively. The forecasts for 15Q3 (u=3, f=8, d=2) show an increase of 0.2% for unweighted but -0.4% 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 flat, again reflecting the volatility in this area.



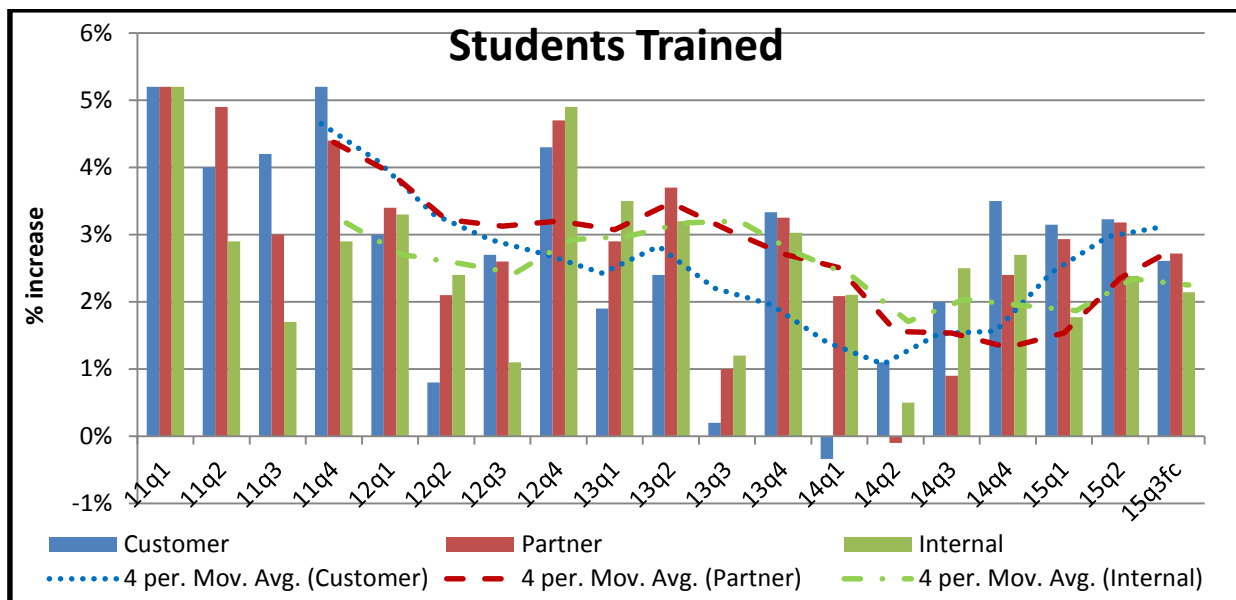
Certification Tests Administered

Overall, certification has averaged an increase of 3-4% per year-on-year when unweighted. In that four-year period, the weighted scores have grown from a 1% increase to 3-4%, too, showing a resurgence in the larger companies. The increases for 15Q2 (u=9, f=4, d=4) are 4.0% and 4.5% for unweighted and weighted, respectively. For 15Q3 (u=9, f=6, d=3) the forecasts are lower at 2.2% and 0.6%. 18 out of the 24 companies offer certification.

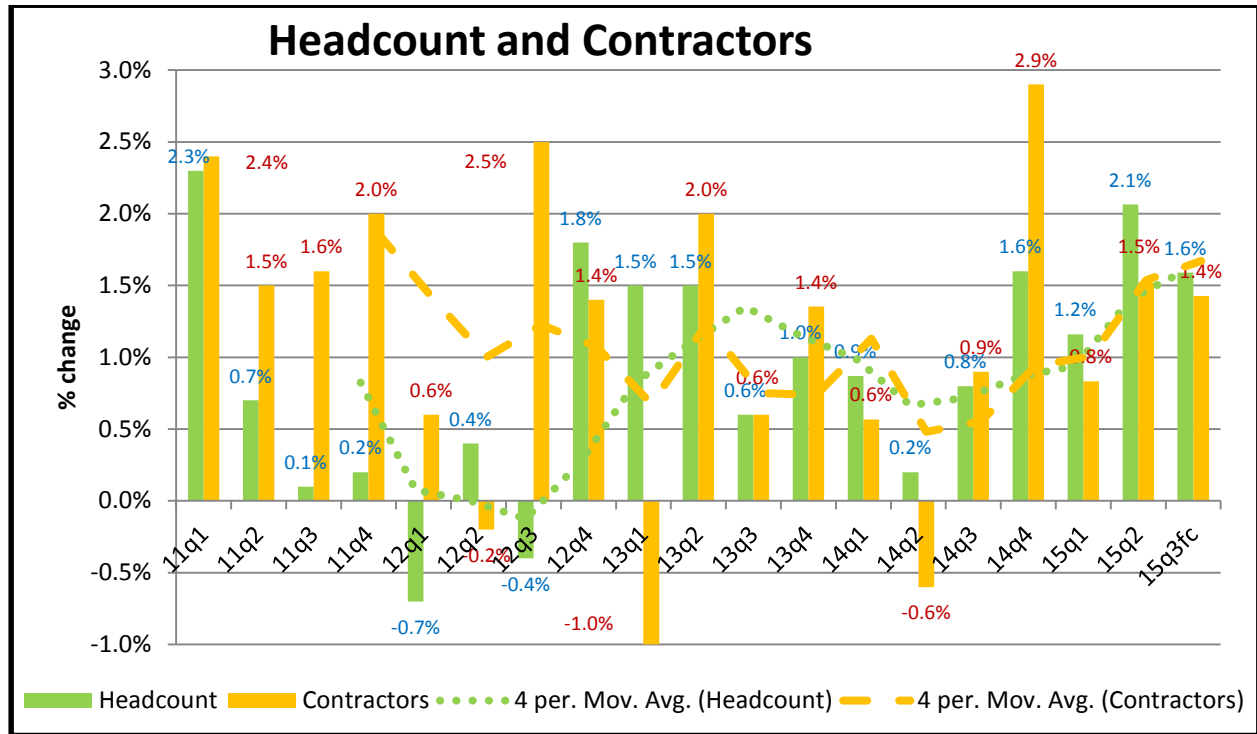


Miscellaneous

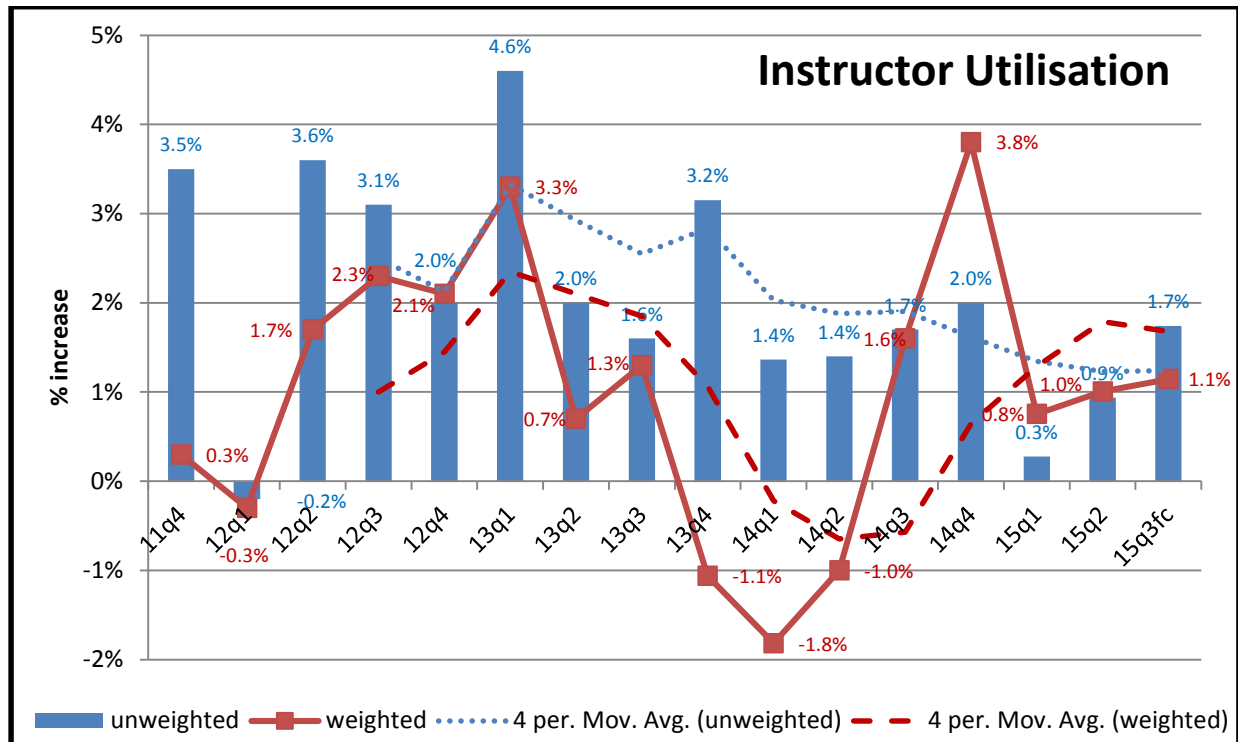
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year, but rising slightly for the moment, 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 0.9% increase, weighted being 0.1%. The 15Q2 result ($u=5, f=16, d=6$) was 0.9% and 1.0% for unweighted and weighted, respectively, while the 15Q3 ($u=7, f=14, d=4$) forecasts are 1.7% and 1.1%. The trendlines are now showing an increase of 1-2%.



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

1. Database and Technology Cloud solutions
2. Database
3. Online Self-Study (eLearning) Subscription
4. Private onsites
5. Onsite courses - especially customers using their prepaid Learning Credit; creation of bespoke courses; Informal one2one training is also performing well
6. Internet of Things training
7. Security is developing, storage is still top selling
8. Custom learning solutions - continues to grow
9. Onsites
10. SaaS solutions, but also new Technology perpetual Licenses.
11. CGNAT and security courses
12. Identity workflow management
13. Big Data, Spark
14. New courses covering: Overview of our product suite, capabilities; Intro to reporting; Certification prep courses
15. Channel Partner; Subscription Revenue
16. Storage management
17. Virtual classes – public; Authorised Training partners; eLearning
18. User Adoption Services; Onsite courses
19. Training related new product launches
20. Private events
21. ILT & VILT revenue

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

1. Apps
2. Marketing, Year End Training
3. Scheduled continues to be down significantly on last year resulting in cancelled courses
4. Decrease across all business lines, but mainly on traditional products
5. Server training has taken a plunge; Cloud is yet to deliver its promise
6. Public ILT
7. VILT Public
8. Perpetual Learning technology Licenses. Being replaced by SaaS, hence Revenue reduction in quarter.
9. Old products coming to end of life
10. Scheduled Course revenue is down the largest percentage; however, it's also the largest percentage increase in attendance as we classify Special Interest Group courses under our Scheduled Course umbrella and don't charge for Special Interest Groups
11. High end storage
12. Certifications; Private on-site classes
13. Public Schedule continues to dip

14. Older product training
15. Partner delivered courses

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

1. Compensating for reduction in public scheduled training; Migrating customers to subscription-based online learning platform
2. Filling public classes. Ongoing weak performances in France & DE as well as weakness in UK
3. Managing Growth globally, maintaining instructor quality, ramping, HIRING!!!
4. Supporting the company split. Returning to P&L and charge for training model
5. As demand for onsite courses increases this puts additional pressure on the trainers as they are travelling more than before. Still can't get traction with virtual and as scheduled is down this results in either cancelled courses or running with low numbers
6. Sell future large projects in a software and consulting product area which declines; maintain adequate training pricing and with that the margin
7. Website migration; Ability to generate mailing lists for marketing
8. Bedding in our new delivery model (3rd parties and consultants)
9. Change in company strategy/direction; High turnover of sales staff; product sales decrease
10. Capacity to deliver; Customers looking for more tailored onsites
11. Internal demand for product enablement exceeding capacity. Margins being pressured through increased use of Contractors and cost of bringing on additional resources.
12. Euro down 23%, lack of demand for single company courses - on-site courses especially
13. Engaging a growing sales team
14. Managing expenses and margin.
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. 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.
17. Downturn in the US market just being covered by growth in EMEA and APAC
18. Declining delegate numbers, while maintaining a schedule that meets expectation
19. Countries serviced only by Authorized Training providers; Local language course materials
20. Lack of headcount; Lack of services sales
21. Education attachment to product sales, as always; Speed in processing replacement headcount
22. Stimulating the reseller channel; Growing and building an extended open enrolment business
23. Hiring, LMS

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

1. Governments in Eurozone have started spending again - helping to offset weakness in traditionally strong European countries.
2. Demand for bespoke training has increased - this is reflected with increases in onsite courses and informal one2one sessions.
3. The market varies a lot across EMEA. Attach is good in smaller countries probably because the education teams are closer and integrated into the sales teams. The 70:20:10 ratio becomes more apparent as time moves on.
4. Just in time learning, mobile continue to disrupt our market
5. Shorter timeframe for bookings and more customer specific expected.
6. There has been a distinct increase in the number of students being trained by authorised training centres
7. Onsite ILT revenue has declined but volume is up significantly
8. Continues to be difficult to meet client expectations for real time, solutions/implementation enablement in local language.