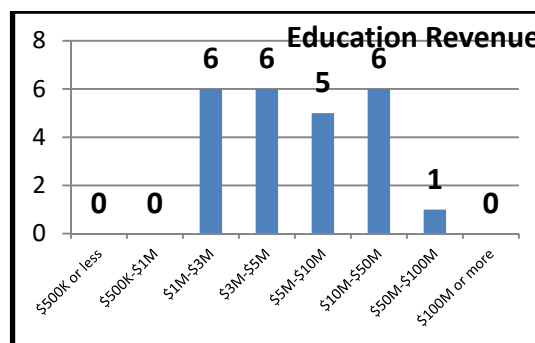
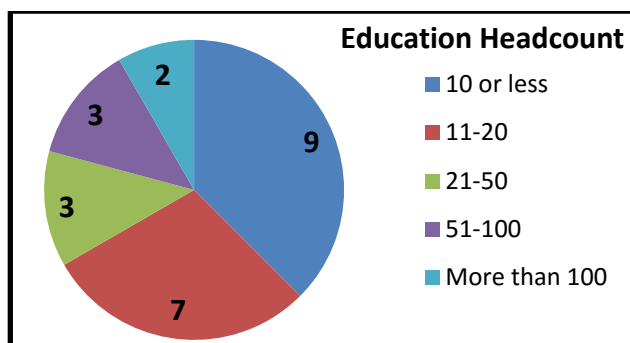
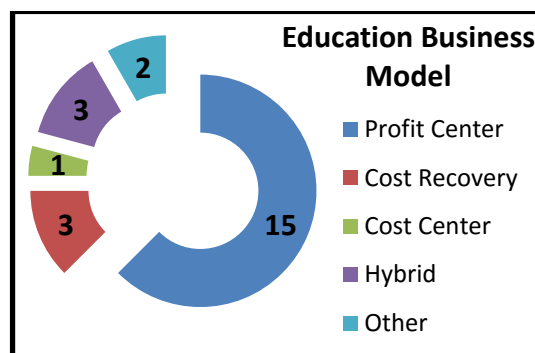
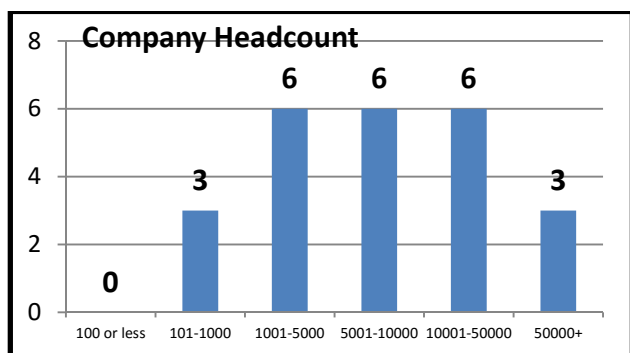
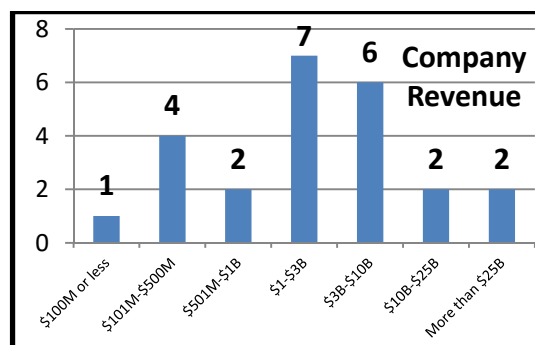
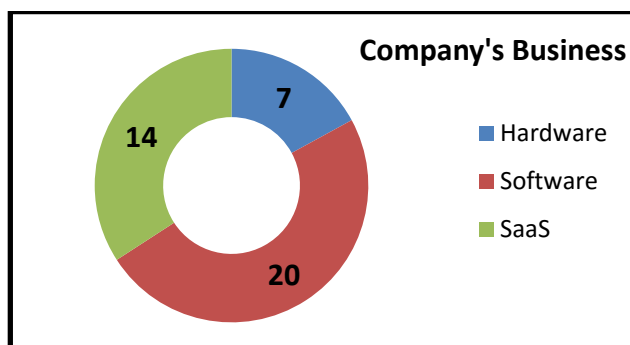


CEdMA Europe Market Barometer

3rd Quarter 2015 and forecast for 4th 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 15Q4 actuals and 15Q4 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% in 2014, it's now better at negative 1%.

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.

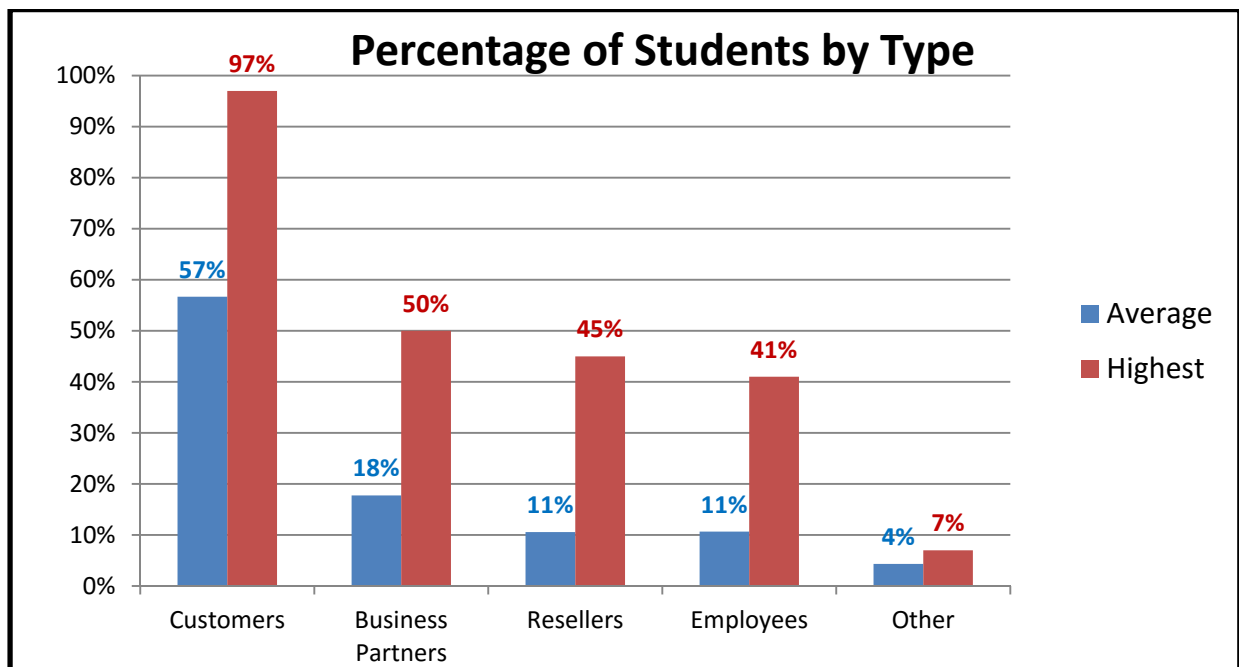
VILT: Dropped from 6% during 2013 to 2% now (larger companies were using VILT earlier but are they now slowing a little?).

Learning Technologies: Recovered from a decrease of 2% for each of the last 2 years to 1% increase.

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

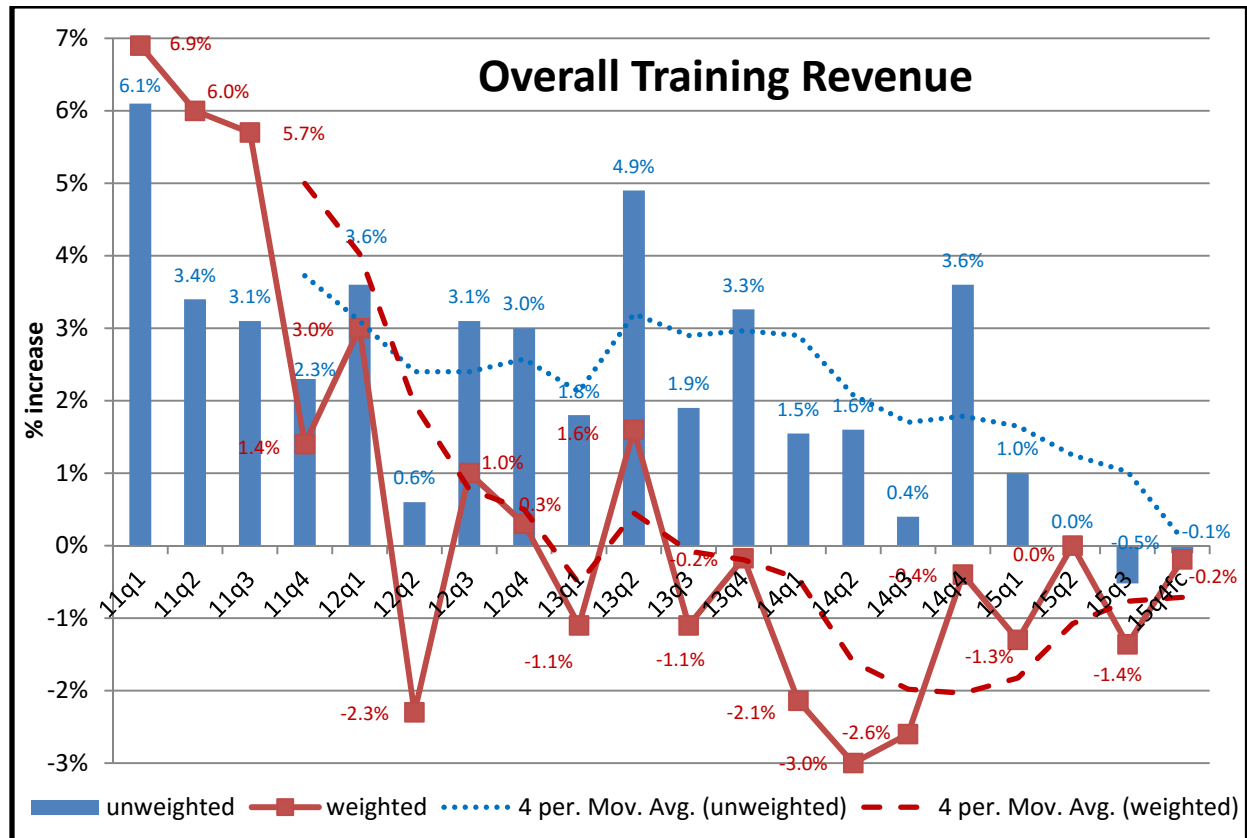
Certification: The trendline has risen to nearly 4% increase.

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



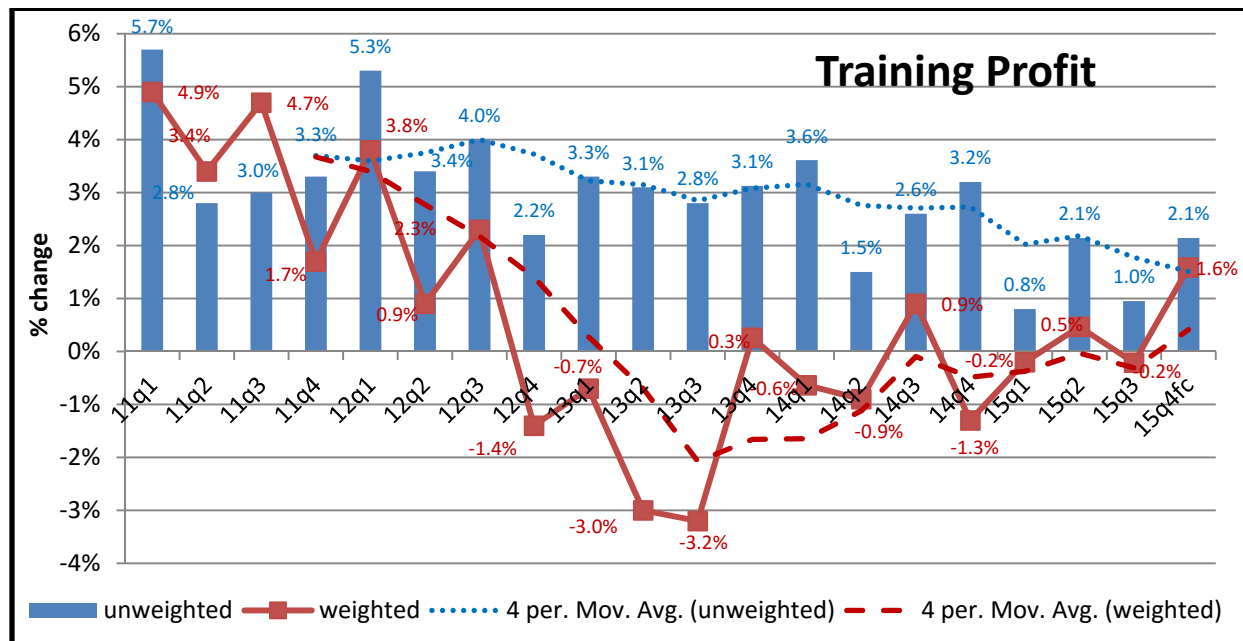
Training Revenue

The unweighted total training revenue was a 0.5% negative in 15Q3 (u=8, f=3, d=13) against a forecast in the last report of 2.7%. When considering the weighted numbers, it was a 1.4 negative against a forecast of 1.5% increase last time. The forecasts for 15Q4 (u=8, f=5, d=11) show flat for both unweighted and weighted. The unweighted trendline shows an ongoing increase of 1%, but when size of company is taken into account, it's around negative 1%.



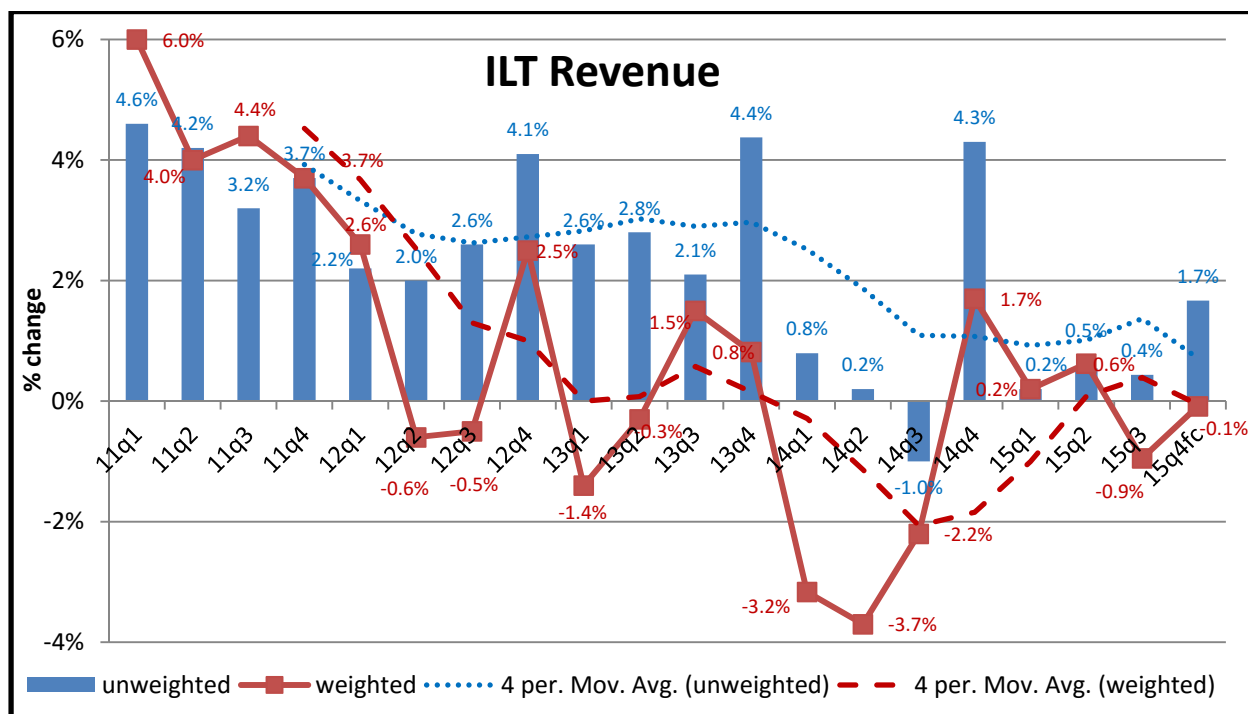
Training Profit

The unweighted total training profit grew 1.0% in 15Q3 (u=8, f=5, d=8), against the forecast in the last report of 2.7%. And, with the weighted numbers, there was a decrease of 0.2% against a forecast of 1.9% last time. The unweighted forecast for 15Q4 (u=10, f=5, d=6) is 2.1% increase and the weighted forecast is an increase of 1.6%. The unweighted trendline shows an ongoing profit increase of 2% over the last year but when size of company is taken into account, it is recovering to flat.

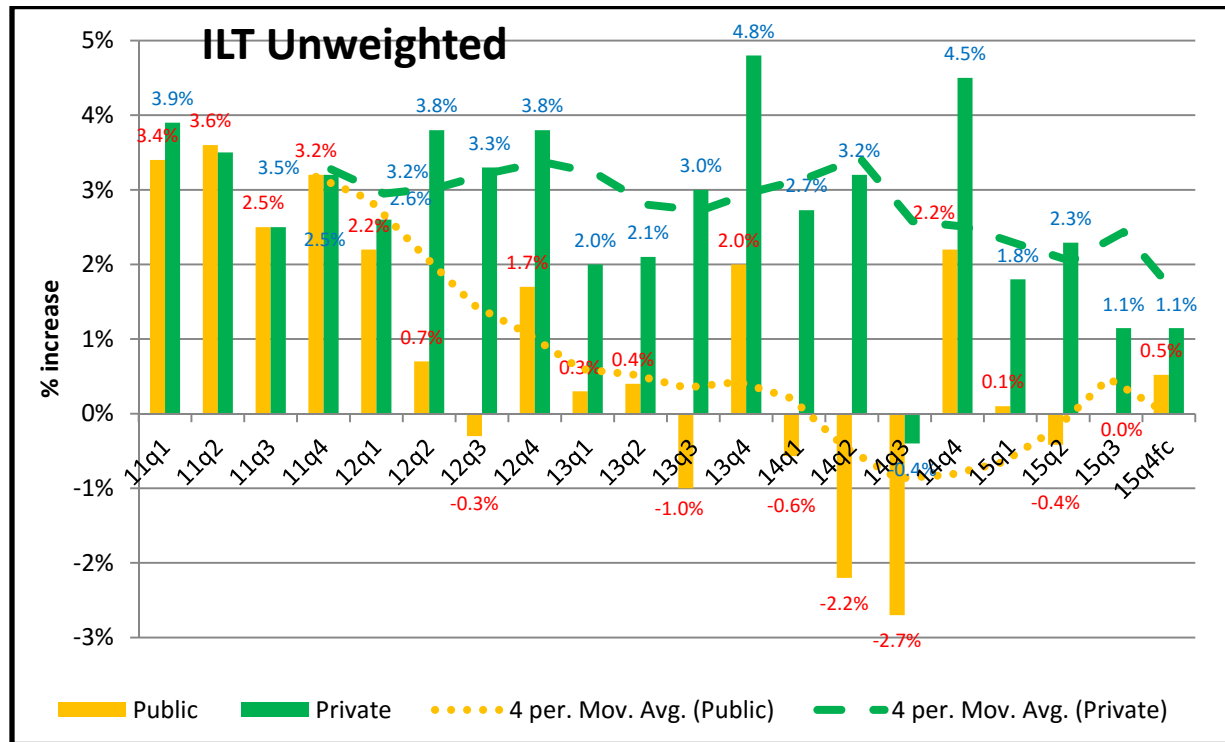


Instructor-led Training

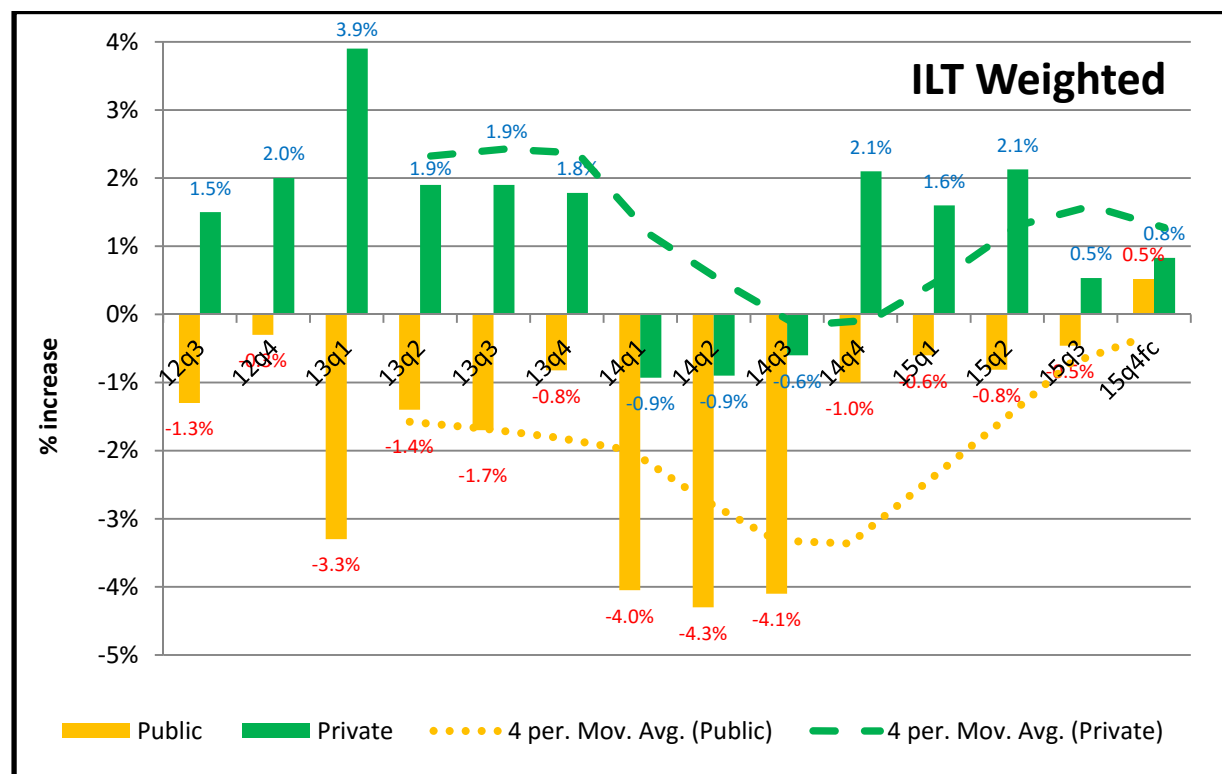
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 15Q3 increase of 0.4% (u=9, f=1, d=13) was lower than that predicted in the last report (increase of 1.1%). The weighted number was a decrease of 0.9% against a forecast increase of 0.7%. The forecast unweighted increase for 15Q4 (u=12, f=2, d=10) is 1.7%, with weighted at flat. The unweighted trendline shows an ongoing ILT increase of 1% but when size of ILT revenue is taken into account, it has recovered to 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 recovered to flat from negative 1%. This shows the unweighted values.

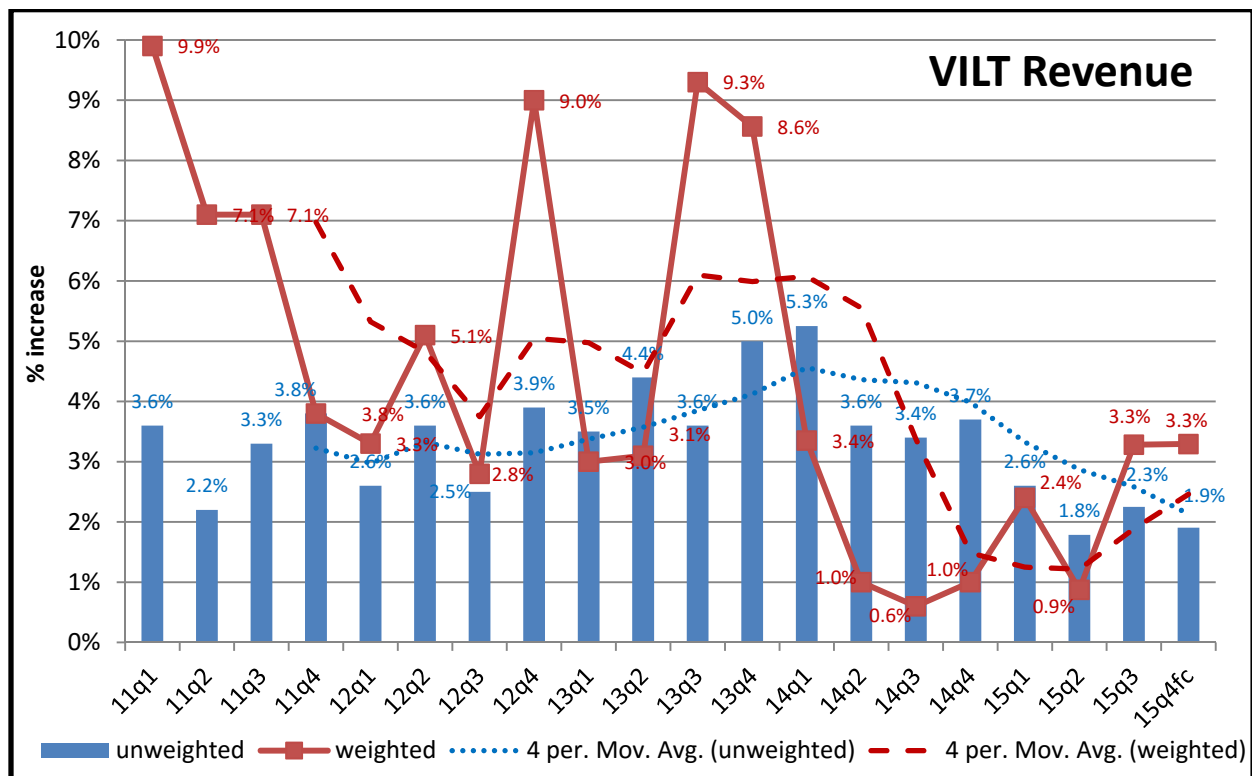


When weighted values are calculated, private classes have risen to a 1-2% increase, while public classes are decreasing around 1%, having been as low as negative 3%.

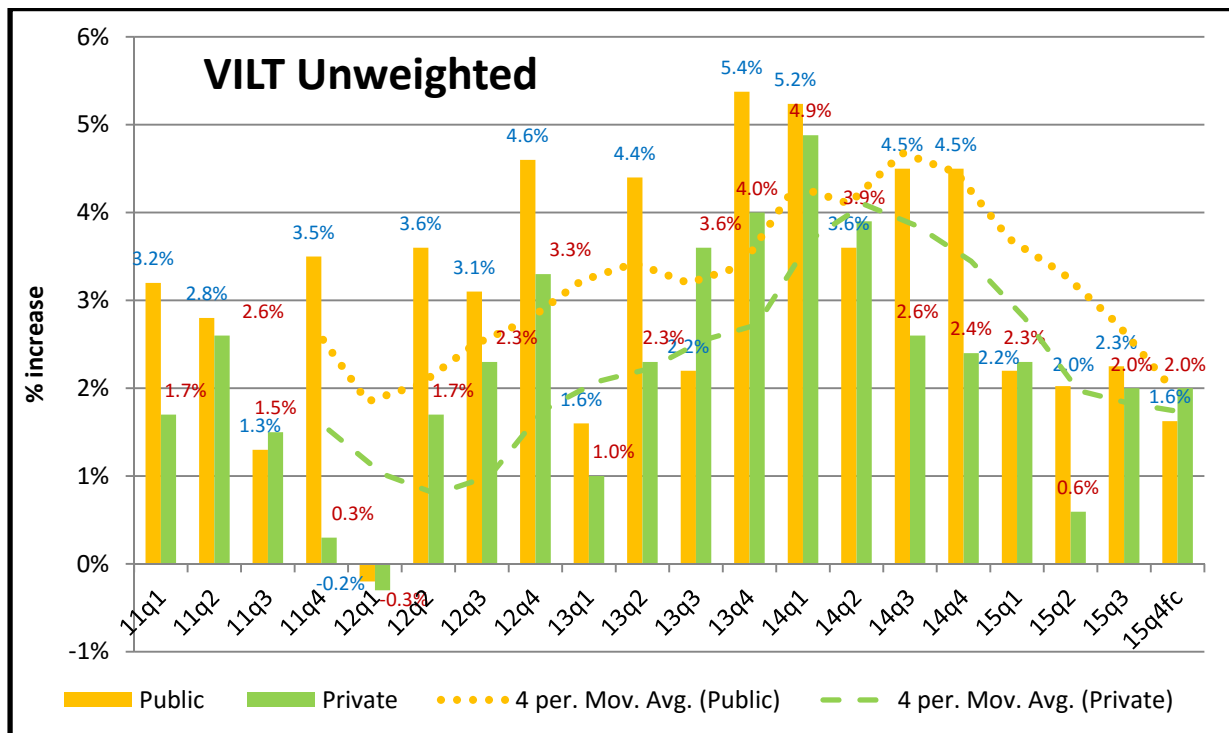


Virtual Instructor-led Training

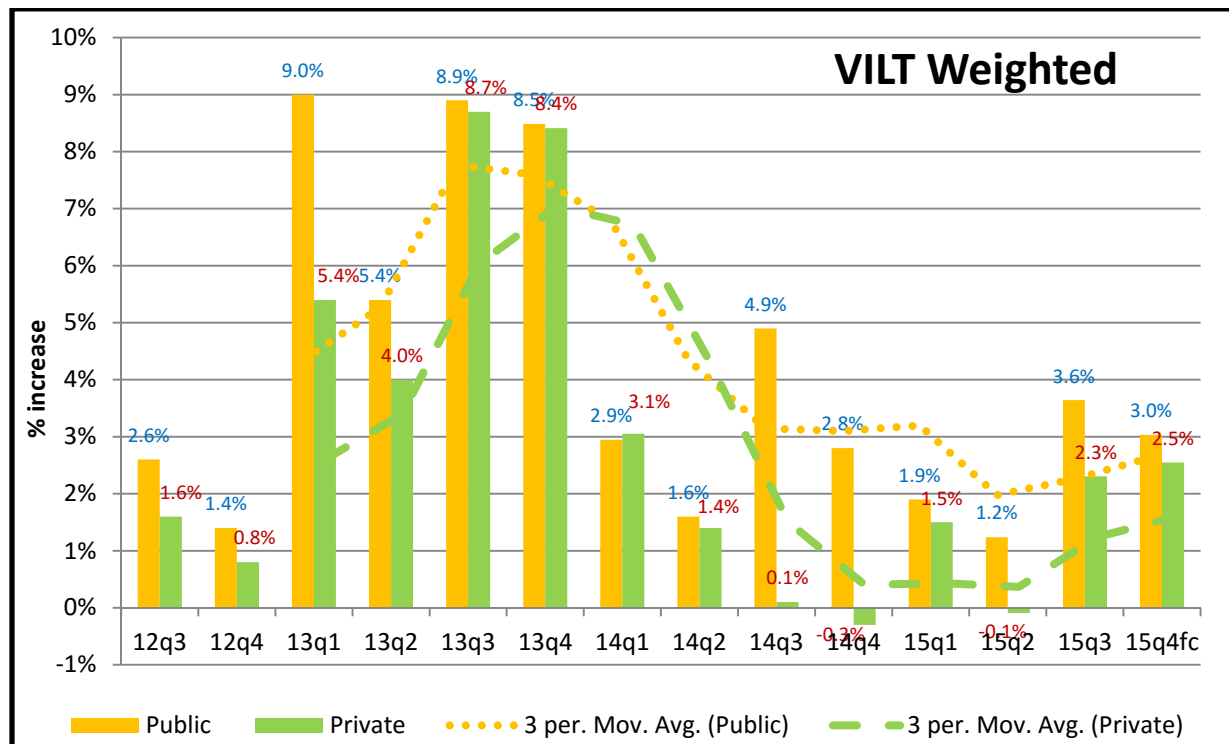
On the other hand, the VILT increase has stalled a little over the last 18 months. The unweighted 15Q3 increase of 2.3% (u=9, f=4, d=7) was under the 2.8% forecast in the last report. The weighted increase of 3.3%, however, exceeded the forecast of 2.8%. The forecasts for 15Q4 (u=10, f=7, d=4) are similar, with increases of 1.9% for unweighted and 3.3% for weighted. The unweighted trendline shows an ongoing VILT increase of 2-3% but when size of VILT revenue is taken into account, it has dropped from 6% in 2013 to 2% currently (larger companies were using VILT earlier but are they now slowing towards flat). Note that 3 of the 24 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 2-3%, although falling over the last year. This shows unweighted values.



When weighted values are used, the increases for public have dropped to 2-3% with private to 1%, from 7% 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.

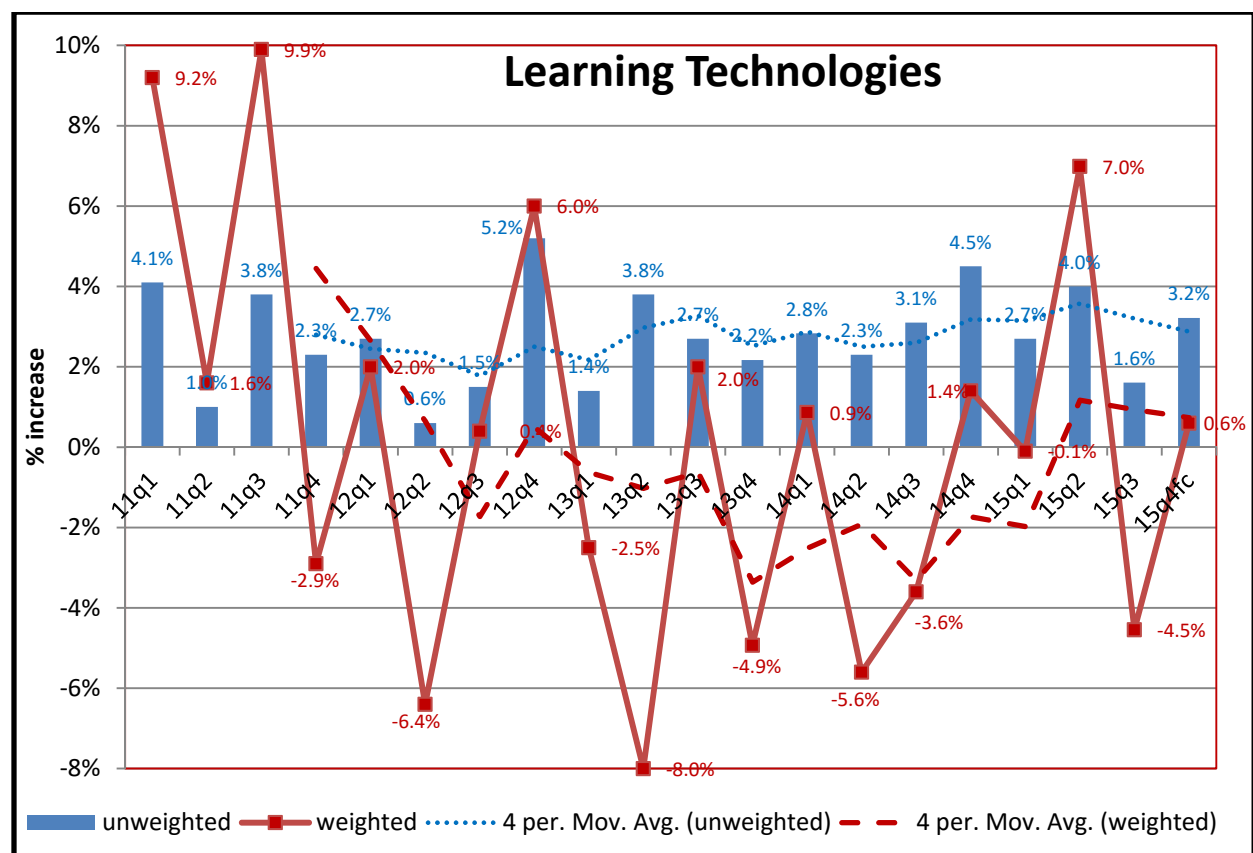
Generic Content includes generic courseware, templates, and models.

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.

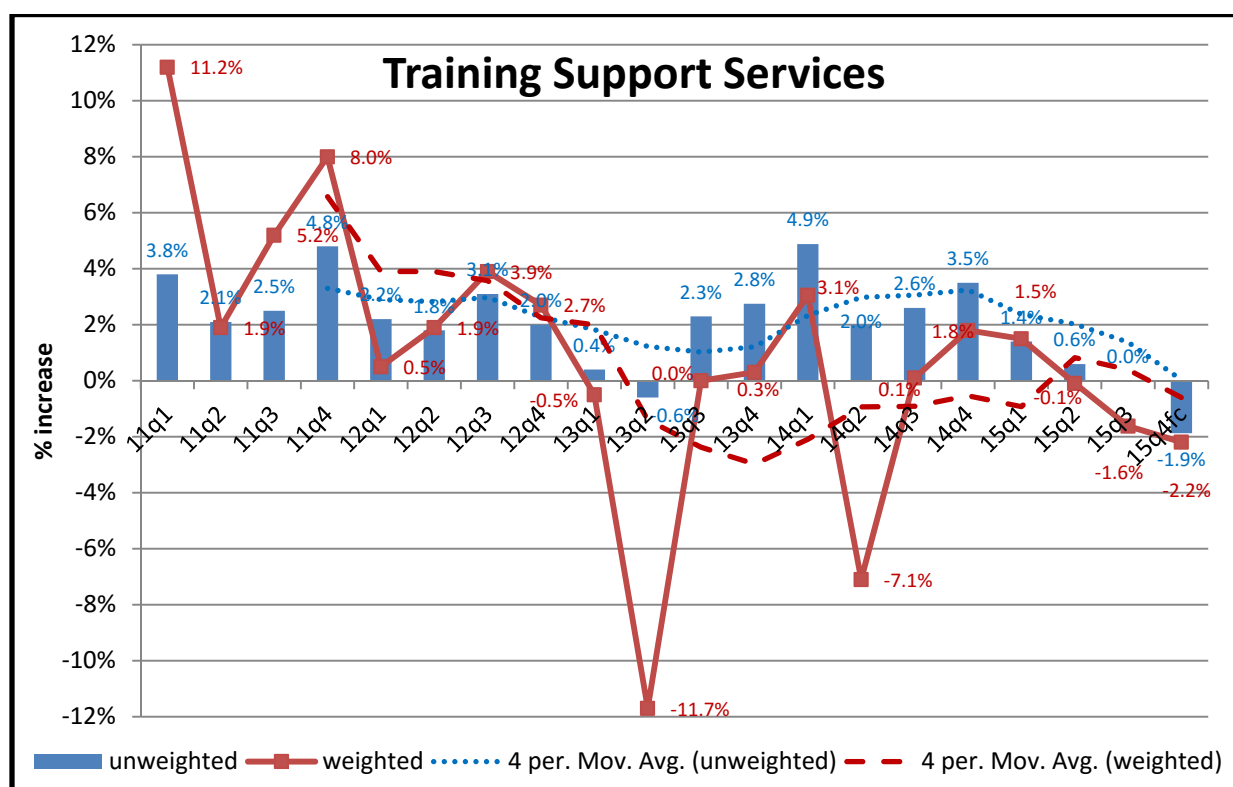
14 of the 24 companies reported activity in this area. The forecasts in the last report were 1.7% increase and 1.3% increase for unweighted and weighted, respectively, and the results for 15Q3 (u=6, f=3, d=5) were positive 1.6% and negative 4.5%. The forecast for 15Q4 (u=8, f=4, d=2) is an increase of 3.2%, with weighted at 0.6%. 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 has just recovered to positive 1% from negative 3% in 2014, again reflecting the volatility in this area.



Training Support Services

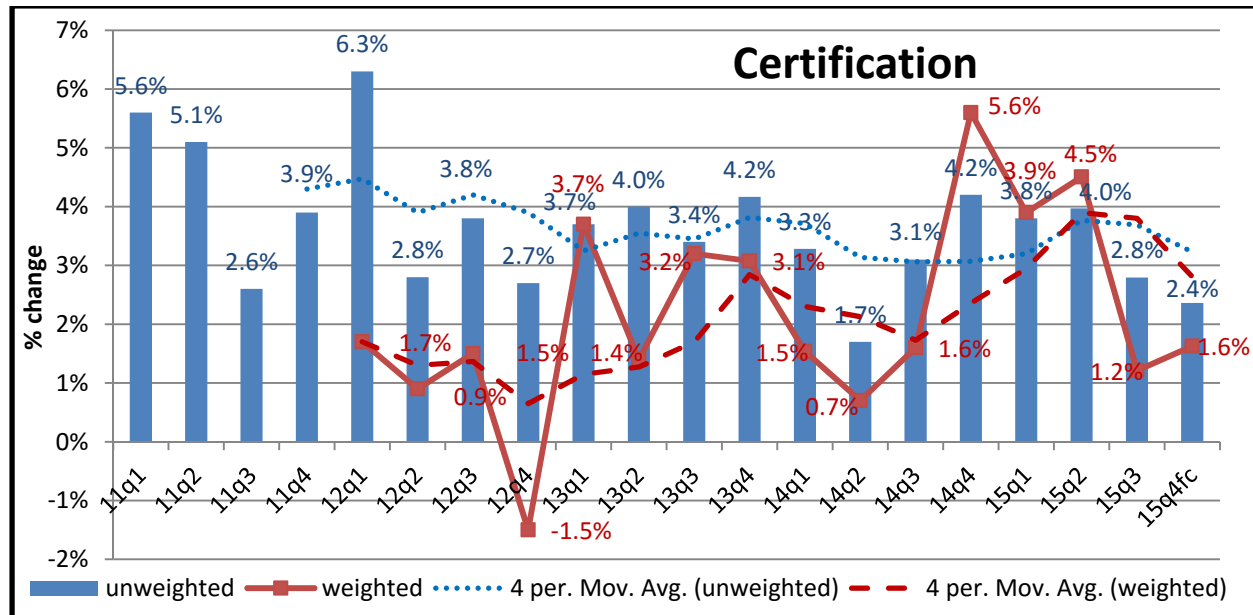
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

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 0.2% increase and a 0.4% decrease for unweighted and weighted, respectively. The results for 15Q3 (u=2, f=8, d=4) were flat and 1.6% decrease, respectively. The forecasts for 15Q4 (u=1, f=7, d=4) show a decrease of 1.9% for unweighted and 2.2 % for weighted. The unweighted trendline currently shows that the increase of 1%. When size of revenue is taken into account, it is now flat.



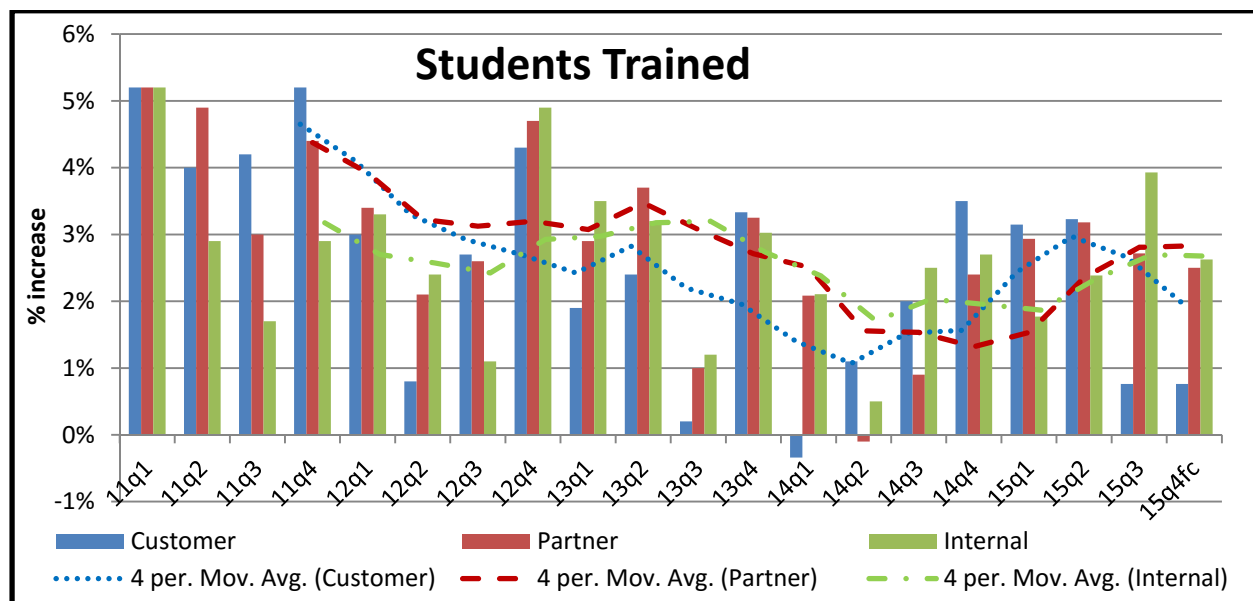
Certification Tests Administered

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 15Q3 (u=8, f=6, d=3) are 2.8% and 1.2% for unweighted and weighted, respectively. For 15Q4 (u=11, f=5, d=2) the forecasts are 2.4% and 1.6%. 18 out of the 24 companies offer certification.

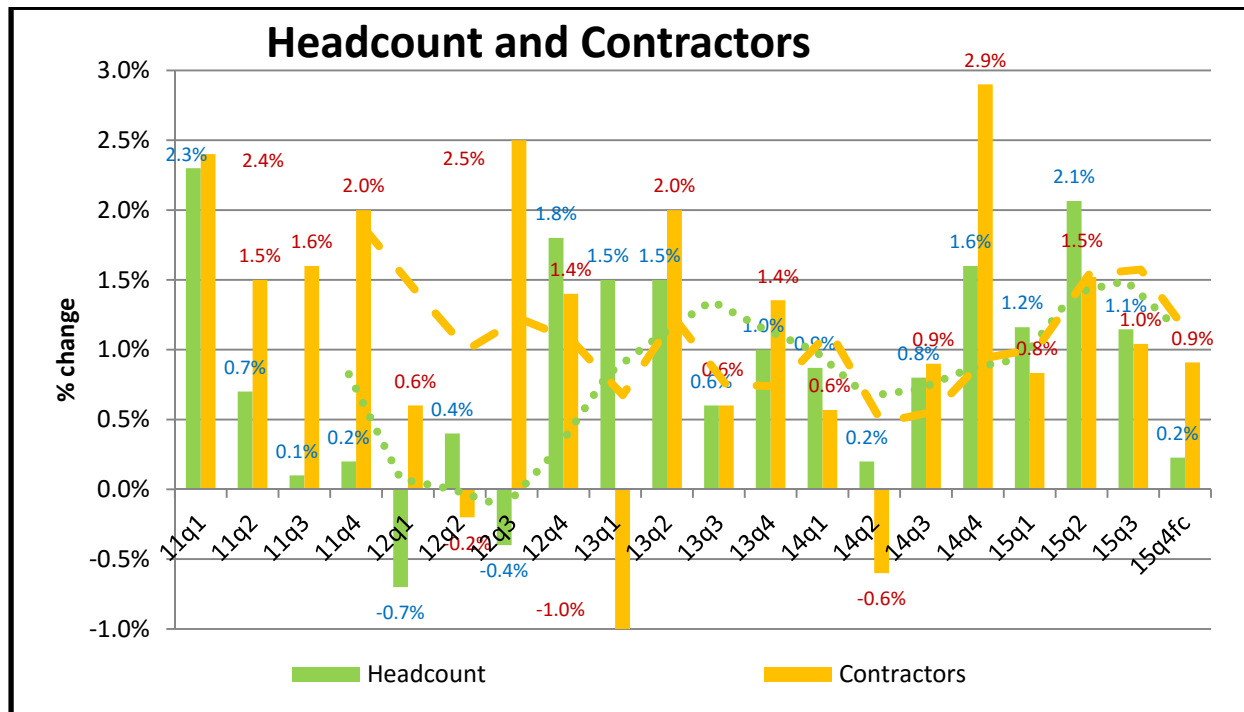


Miscellaneous

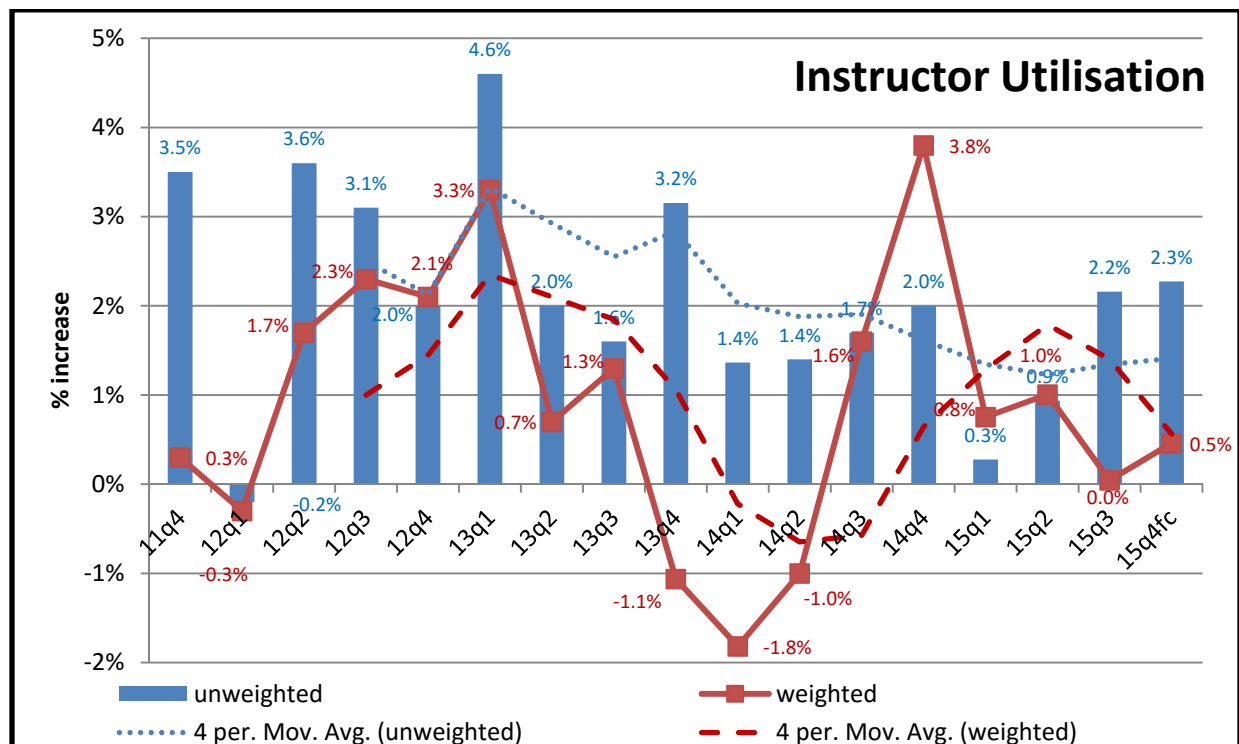
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year, but rising slightly for the moment.



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 15Q3 result ($u=7$, $f=11$, $d=4$) was 2.2% and flat for unweighted and weighted, respectively, while the 15Q4 ($u=7$, $f=11$, $d=2$) forecasts are both 0.5%. 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. Online Self-Study (eLearning) Subscription
2. Onsite courses in general; had a significant win with a particular customer for a bespoke course which we will be delivering a number of times. This is partly why our onsite business has increased significantly; August was surprisingly strong month for onsite courses which is highly unusual
3. Internet of Things training
4. Focus on User Adoption; 'self-directed' learning making progress
5. CGNAT and security courses
6. Training-related new product launches
7. SaaS solutions; new product training.
8. Still looking at Security end user training as a growth in projects. Storage and Networking have been ahead of target
9. Identity workflow management
10. Public schedule
11. ILT & VILT revenue
12. VILT
13. Video editing; Storage
14. Onsite Training for end customers (mainly private ILT)
15. New product releases
16. Online content
17. Private Workshops covering combination of Admin courses; Private Workshops covering combination of Developer courses
18. Database and Technology Cloud solutions
19. Developer, Spark, Administration
20. OnDemand VILT

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

1. Private onsites in 3Q - holiday season?
2. End User 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 and In-center
5. Public ILT continues to be challenge.
6. Old products coming to end of life
7. Older product training
8. Perpetual Learning technology Licenses. Being replaced by SaaS, hence Revenue reduction in quarter.
9. Server training still declining.
10. Partner delivered courses
11. n/a
12. VILT Public; Classroom Public ILT
13. Current products are starting to reach training saturation

14. ILT of public classes was mainly flat
15. High end storage
16. Public classes
17. None
18. None
19. Public ILT

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

1. Getting attach rate to product sales
2. Managing Growth globally; HIRING!!!
3. Due to the increase in requests for onsite courses trainers are feeling under pressure as they are travelling a great deal which impacts their quality of life. Due to scheduled attendance being lower than usual, finding a balance between profitability and customer satisfaction
4. Sell future large projects in a software and consulting product area which declines; maintain adequate training pricing and with that the margin
5. Launching new subscription service
6. Euro down 23%, lack of demand for single company courses - on-site courses especially
7. Education attachment to product sales, as always. Local revenue growing but is impacted by the prevailing low currency exchange
8. Internal demand for product enablement exceeding capacity.
9. Marketing and customer mailshot lists are nightmare in a big company. Product division attach is an uphill struggle
10. Engaging a sales team when they are under pressure
11. Growing enterprise accounts
12. Hiring, LMS
13. Change in company strategy/direction; High turnover of sales staff; product sales decrease
14. Supporting the company split. Returning to a revenue-generating business
15. Demand creation of VILT in a market that never had VILT before
16. Continued downturn in the US market just being covered by growth in EMEA and APAC
17. Outsourcer after 4 years still requires too much handholding; getting customer interest up for VILT in EMEA; hiring and onboarding the net new people took way longer than expected; introducing a new LMS was and still is a MONSTER project and eats time
18. Managing new delivery methodologies including SPOC (Small Private Online Course); Flexible content delivered over 3 weeks rather than 5 days; Hybrid - Combination of ILT and OILT for the same event.
19. Expanding certifications; growing tests at customers
20. Aligning with several other internal organisations which provide elements which encroach on formal training, for example, free webinars and events funded from marketing
21. Compensating for reduction in public scheduled training; Migrating customers to subscription-based online learning platform
22. Shifting delivery model to include asynchronous training. ATP revenue flat.
23. Timely content, for both new products and updates

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

1. It's all about subscription selling models.
2. Budgets are being continually squeezed - this could account for the fall in demand for scheduled as usually delegates will incur travel and hotel expenses on top of the course cost
3. Continues to be volatile - just in time learning, mobile continue to disrupt our market
4. There has been a distinct increase in the number of students being trained by authorised training centres
5. 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.
6. Revenue has declined across the board but volume is up significantly.
7. We have launched our Learning Subscription (in Q2) with some success but Q4 we are seeing 400-450% increase!