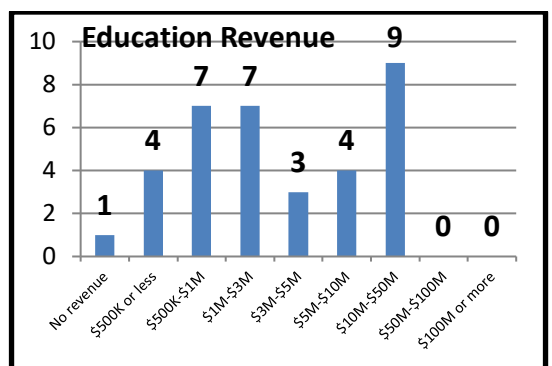
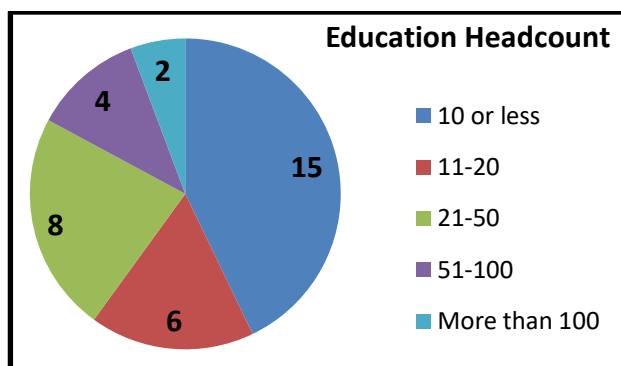
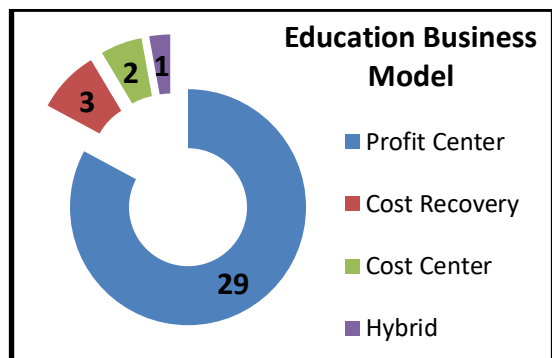
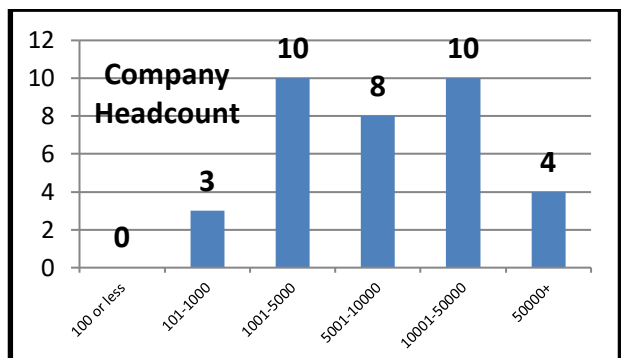
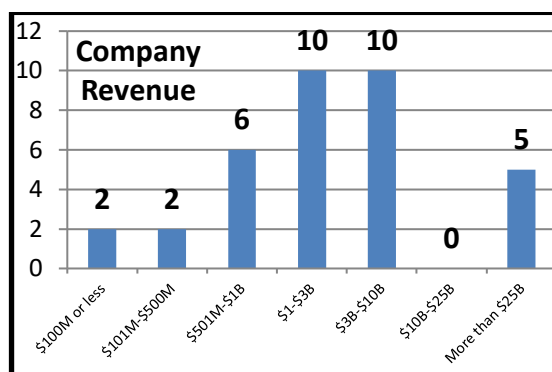
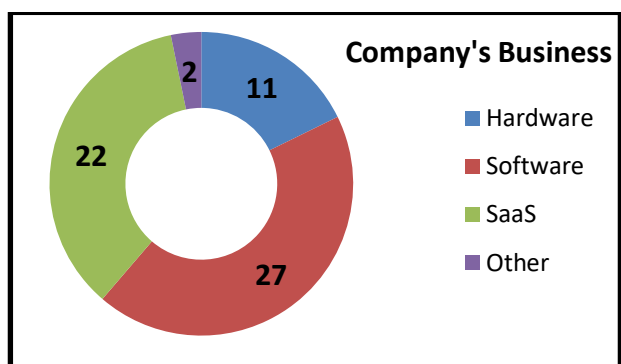


CEdMA Europe Market Barometer 3rd Quarter 2016

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 $\pm 12.5\%$. 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 16Q3 actuals is based on input from 35 companies.



Changes to the Barometer

In response to member suggestions, we have changed the survey in the following ways from 16Q1:

1. We only collect data **about the quarter just ended**, not the "current" quarter
2. All questions **ask about revenue**, not some about volumes
3. We ask about the major modalities such as ILT, VILT and eLearning, plus additional services.

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.

Total Revenue is defined as all recognized revenue. Having been down to negative 2% in 2014, it's recovered to positive 1%.

Operating Profit is revenue minus all fixed and variable costs, excluding allocations, divided by revenue. It has recovered from a low of negative 2% during 2013 to a 2-3% increase now.

Live Classroom (ILT) is all revenue when the instructor is in the same physical location. It fell to negative 2% during 2014 but is now showing just under negative 1%.

Virtual Classroom (VILT) is all revenue for instructor-led training via the web, with or without virtual labs. It dropped from 6% during 2013 to 1% in 2014 but is 3-4% now.

Public (scheduled) classes is revenue for ILT and VILT and now showing negative 1%, having been negative 3-4% in 2014.

Private (one-customer) classes is revenue for ILT and VILT, and showing an increase of 3-4%.

Self-paced is all revenue generated by training students without instructors, such as eLearning, video, and can be paid per use or by subscription. It's now showing a 5% increase having been as low as negative 4% during 2014.

Certification is all revenue for certification business, such as exam fees and exam prep services, but excluding any exam prep training which is accounted under ILT/VILT/self-paced. The trendline is now 2%

Learning Consulting is all revenue generated by non-training education business like learning needs analysis, customization of material assessments, and mentoring/coaching after training. There was a decrease of 2.2% in 16Q1 compared to the same quarter in 2015, which turned around to an increase of 1.4% in 16Q2 and steadied at 1.3% in 16Q3.

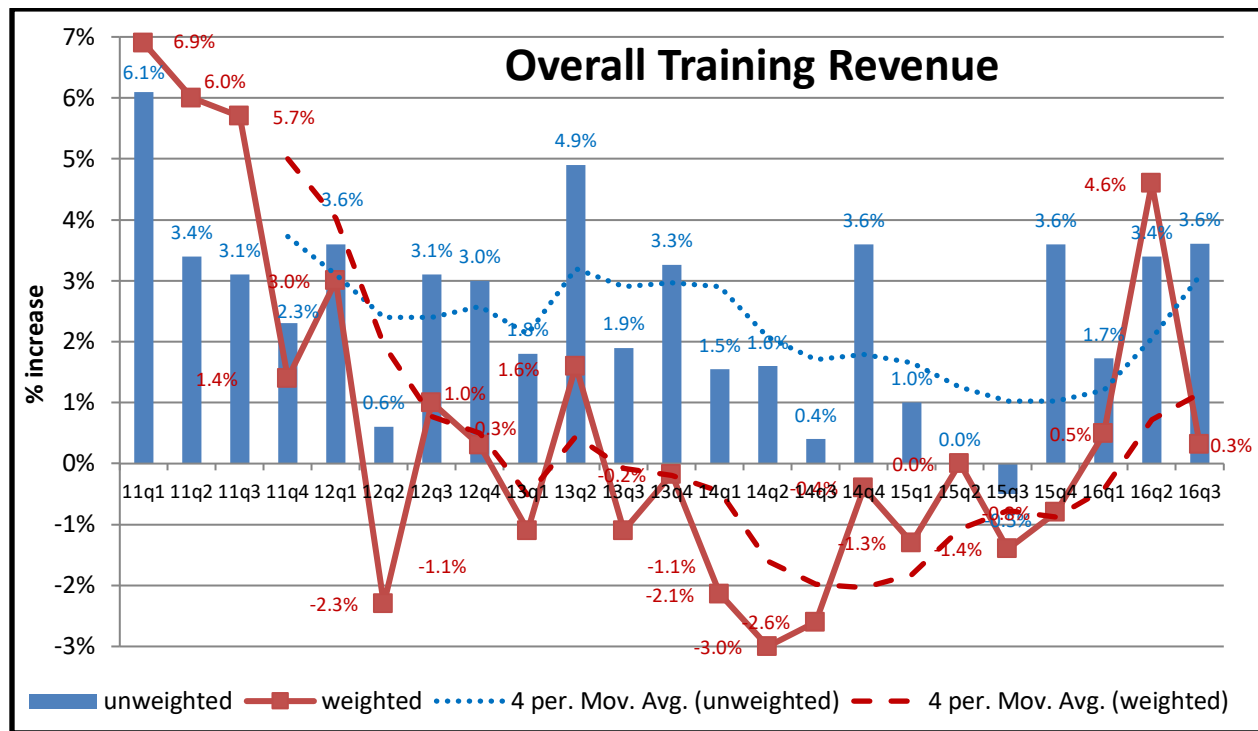
Learning Technologies is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. There was an increase of 3.6% in 16Q1 compared to the same quarter in 2015 which increased to 6.3% in 16Q2, but is flat for 16Q3.

New Learning Modalities is all revenue for social learning, gamification, microlearning, mobile. There was an increase of 12.2% in 16Q1 compared to the same quarter in 2015 which has slowed to 2.6% increase in 16Q2, but risen to 6.5% in 16Q3.

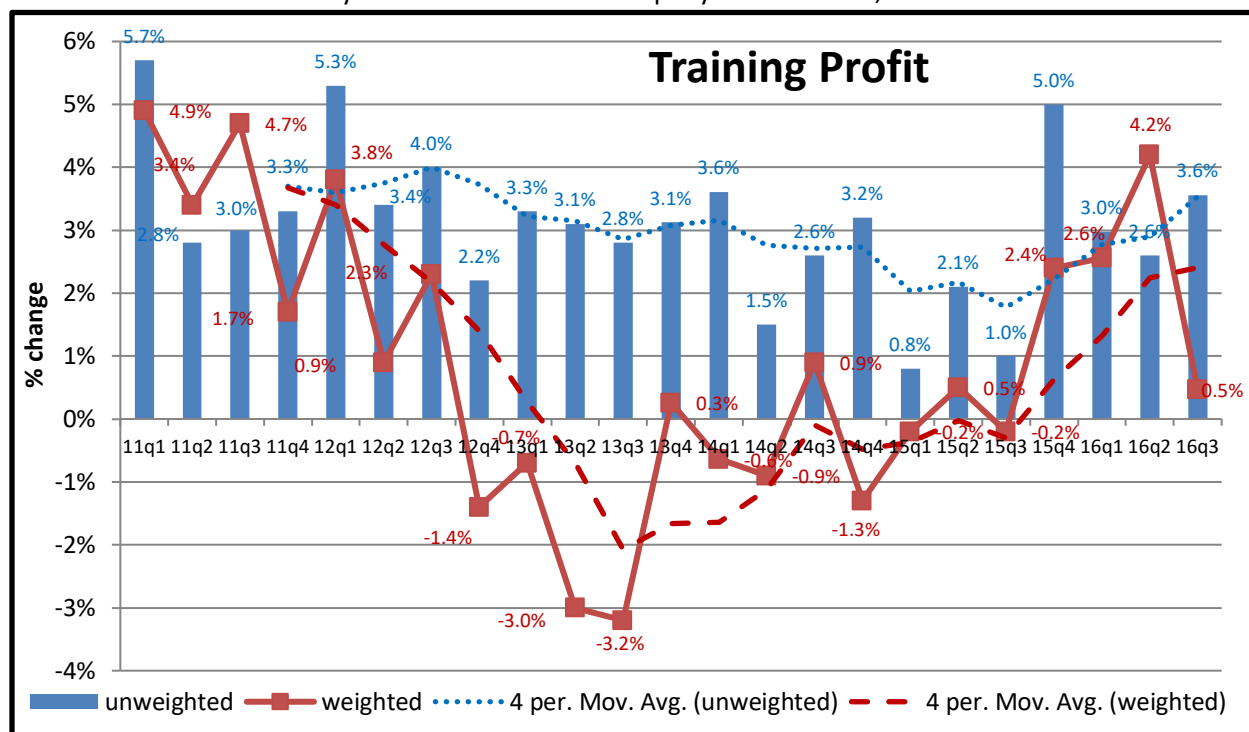
Subscriptions include all revenue from any of the above modalities included in subscriptions. There was an increase of 11.3% in 16Q3 compared to 15Q1 which has slowed to 4.3% increase in 16Q2, but jumped back up to 10.3% in 16Q3.

Training Revenue and Profit

The unweighted total training revenue increase was a 3.6% in 16Q3 (u=19, f=5, d=10). When considering the weighted numbers, it was a 0.3%. The unweighted trendline shows an ongoing increase of 3%, but when size of company is considered, it's recovered to positive 1%.

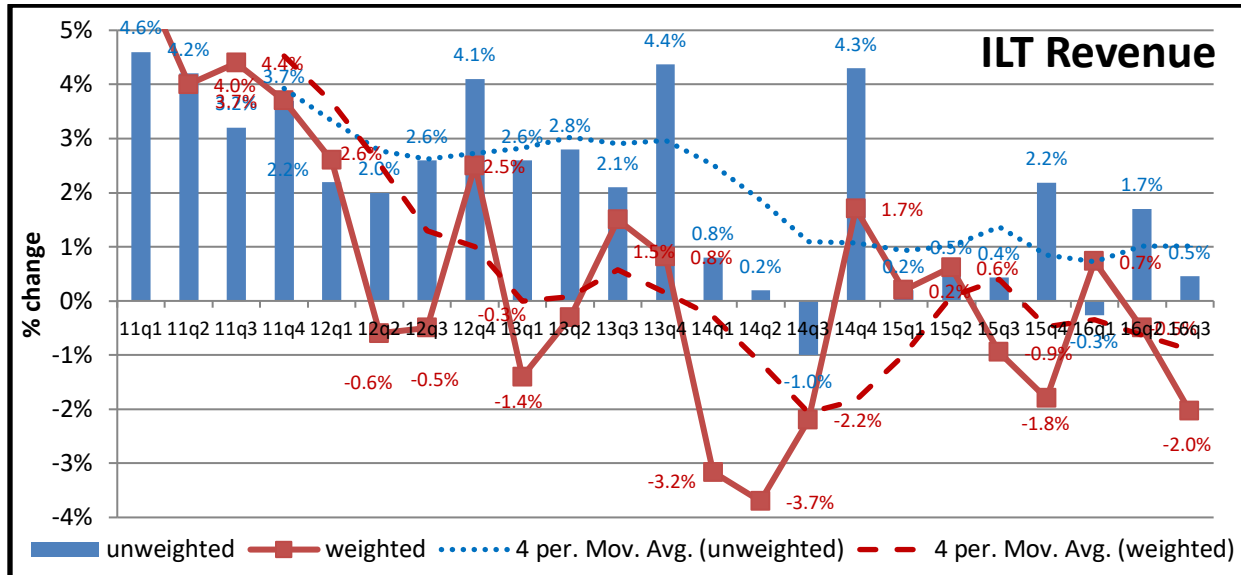


The unweighted total training profit grew 3.6% in 16Q3 (u=19, f=10, d=4). And, with the weighted numbers, there was an increase of 0.5%. The unweighted trendline shows an ongoing profit increase of more than 3% over the last year but when size of company is considered, it has now risen to 2%.



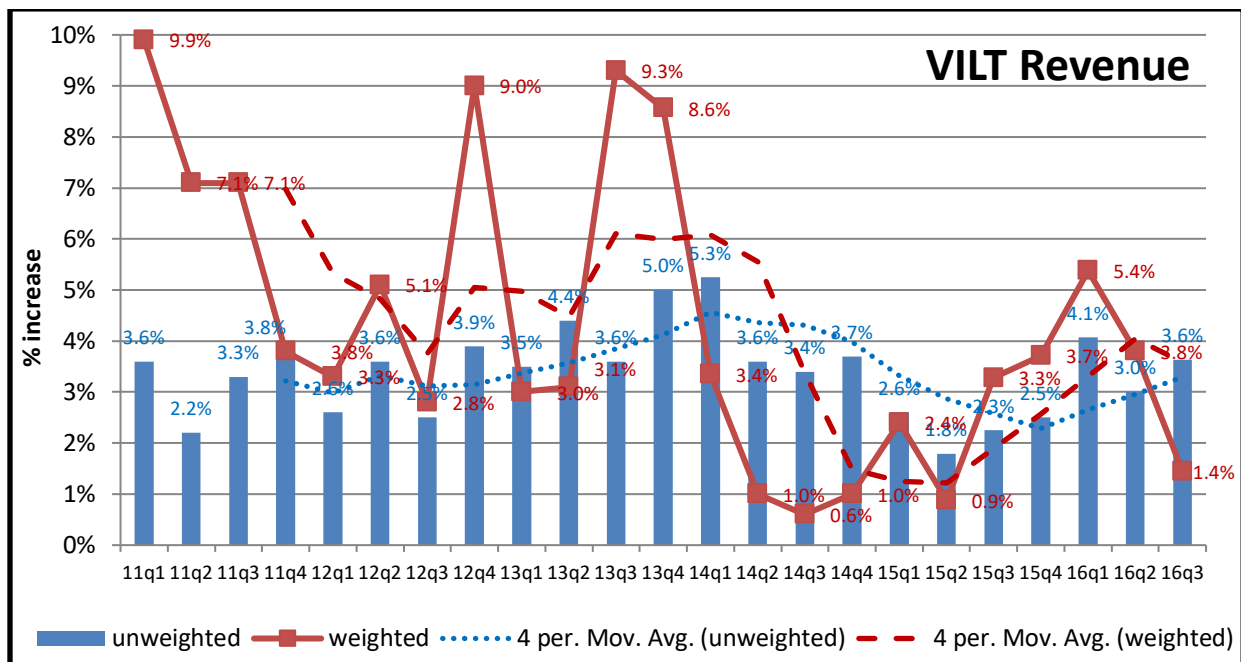
Live Instructor-led Training

This chart below suggests that ILT **revenue** for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 16Q3 increase was 0/5% (u=13, f=9, d=11) whereas the weighted number was a decrease of 2.0%. The unweighted trendline shows an ongoing ILT increase of 1% but when size of ILT revenue is considered, it is a point under flat.

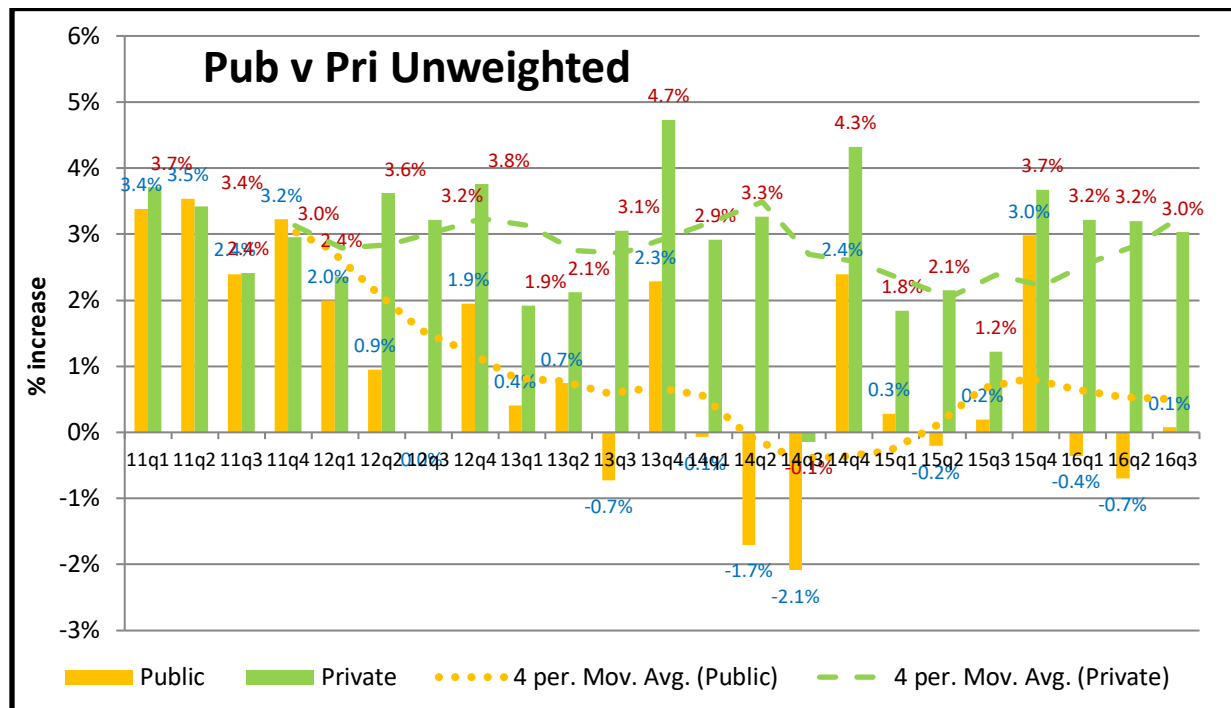


Virtual Instructor-led Training

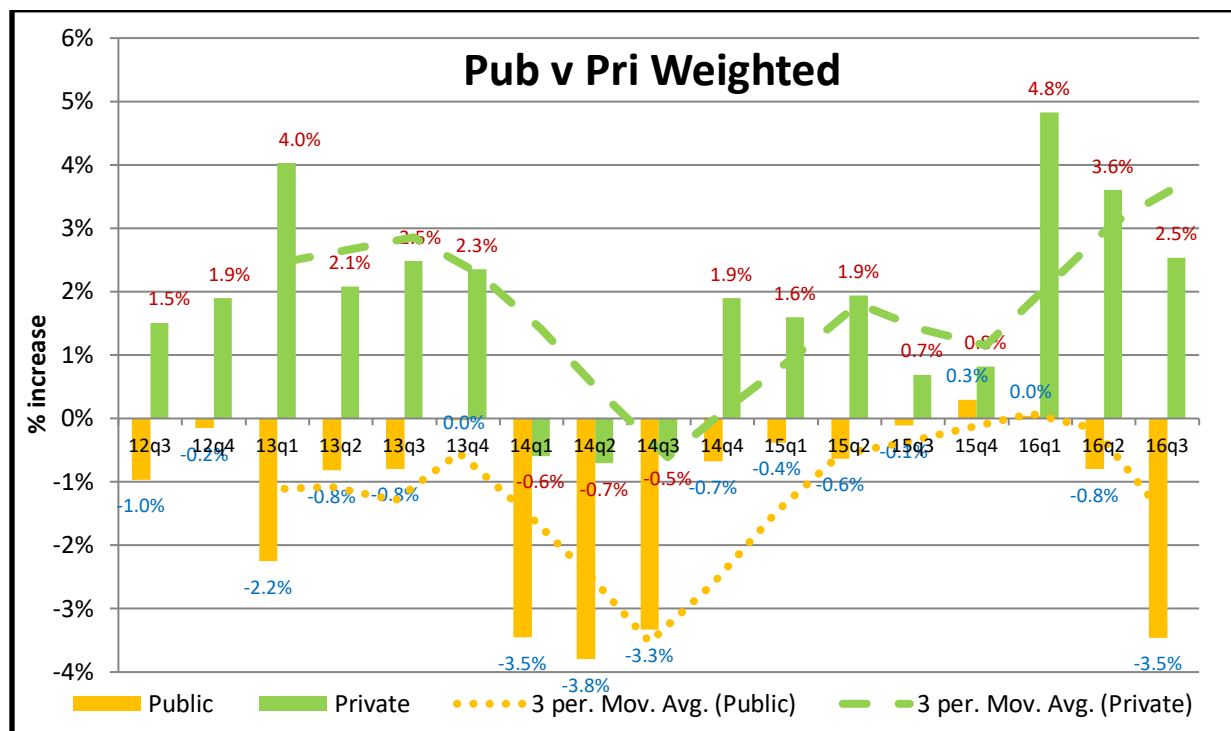
On the other hand, the VILT increase fell badly in 2014 but is now recovering. The unweighted 16Q3 **revenue** increase is 3.6% (u=19, f=10, d=2) and the weighted increase is 1.4%. The unweighted trendline shows an ongoing VILT increase of 3% but when size of VILT revenue is considered, it was 6% in 2013 but is now just under 4%, having been from 1% in 2014. Note that 4 of the 35 don't use VILT.



We are now asking you to forecast both public and private classes and have enough history to show that private classes show a consistent steady **revenue** increase of around 3%. Public classes have recovered from a period of decreases to show half a point **revenue** increase. This shows unweighted values.

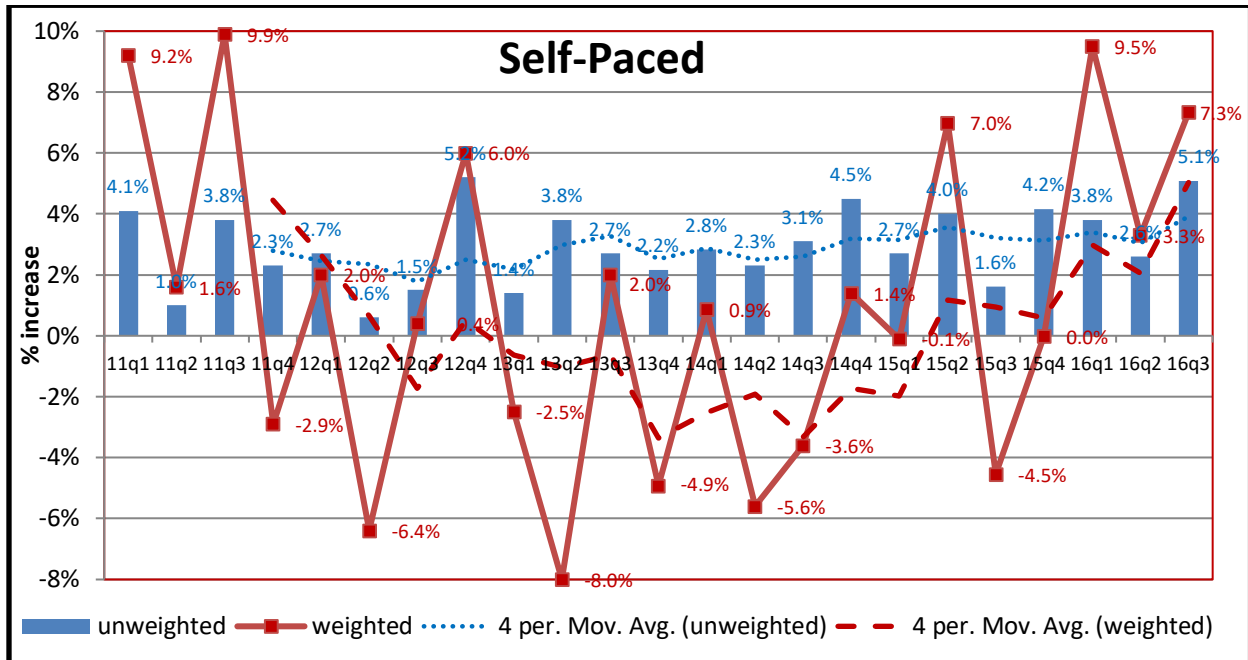


When weighted values are used, the **revenue** increases for public have dipped to negative with private over 3% increase.



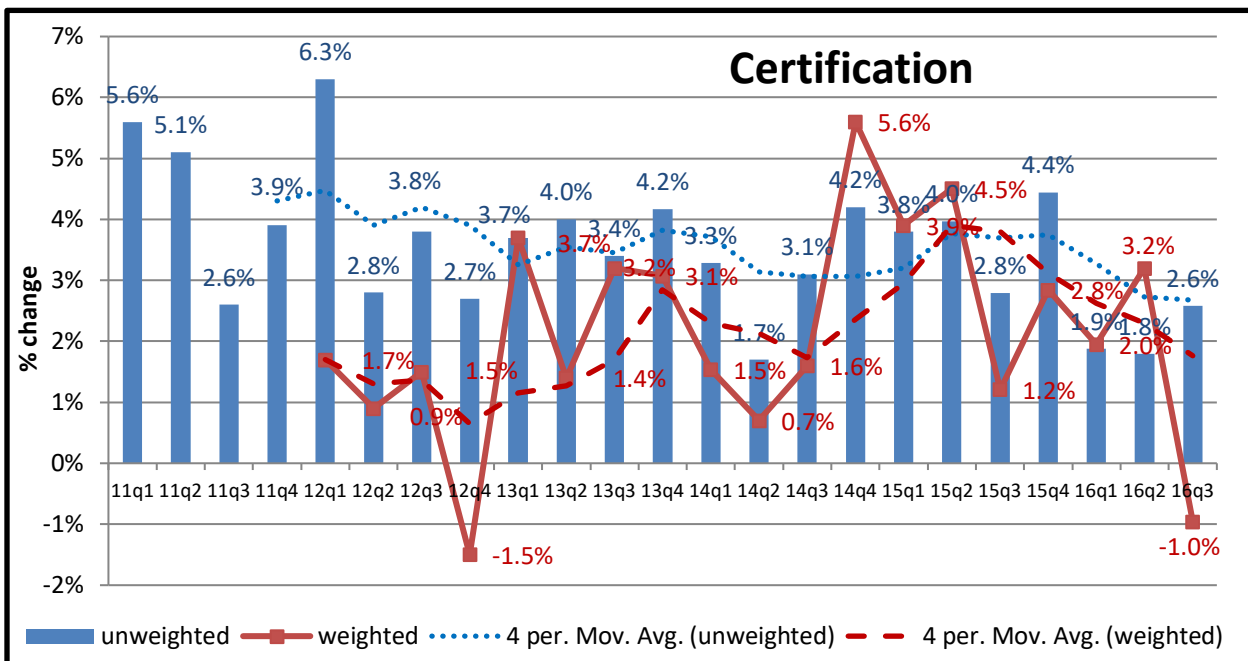
Self-Paced

The results for 16Q3 (u=17, f=11, d=0) were 5.1% increase unweighted and 7.3% increase weighted. This shows how large projects in larger companies can have a significant effect on these averages. The 4-period moving average shows a 4% increase for both unweighted and weighted. Only 28 reported.



Certification

Overall, certification has averaged an increase of 3-4% year-on-year when unweighted. In that four-year period, the weighted scores grew from a 1% to 4%, too, showing a resurgence in the larger companies, but has now fallen back to 2%. The **revenue** increases for 16Q3 (u=11, f=15, d=4) are 2.6% and negative 3.2% for unweighted and weighted, respectively. 30 out of the 35 companies offer certification.



Learning Consulting

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	18	4	11	3	0.1%	(2.2%)
16Q2	18	6	9	3	1.0%	1.4%
16Q3	22	5	12	5	0.2%	1.3%

Learning Technologies

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	16	2	12	2	0.0%	3.6%
16Q2	17	2	14	1	1.0%	6.3%
16Q3	20	3	15	2	0.9%	0.8%

New Learning Modalities

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	15	6	9	0	2.7%	12.2%
16Q2	17	4	13	0	1.5%	2.6%
16Q3	20	6	14	0	2.3%	6.5%

Subscriptions

Period	# responses	# up	# flat	# down	unweighted	weighted
16Q1	20	10	10	0	4.5%	11.3%
16Q2	20	9	10	1	4.3%	4.3%
16Q3	24	11	11	2	4.5%	10.3%

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

1. VILT and ILT
2. Across the board
3. Storage and virtualisation
4. Private onsite courses
5. New version of core software products
6. Virtual Class delivery
7. New product training
8. Onsite and tailored delivery
9. Custom course creation
10. Customised on-site training
11. elearning
12. Onsite delivery
13. New product training; Partner training - this does not necessarily come with revenue
14. Private workshops and custom training
15. Async training
16. Tutoring and Customised Training
17. eLearning subscriptions. New for fiscal '16.

18. Technical Support
19. Cloud; Database technology
20. Custom Training
21. Training Subscription and Onsites Classes
22. Storage
23. Administration
24. Public Virtual Training
25. Learning Technologies, substantial effect of year on year move to SaaS from Perpetual Licences

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

1. Certifications
2. Windows 7,8.x
3. Lower fill rates for scheduled courses; Our software has not changed dramatically for a while now and therefore there is less need for training - we do have a new software offering but take up will take time
4. Old versions of core software products
5. Public schedule live classroom based
6. Public schedule
7. Live classes (we've moved all public classes to Virtual in EMEA)
8. Public schedule training
9. Internal training
10. Public classes
11. Private Training
12. In Center public classes.
13. Industry specific courses
14. Public and Adoption Services
15. Public enrollment classes (ILT)
16. VMware
17. eCommerce
18. Public Classroom Training
19. On Site classroom delivery - typical Project phasing

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

1. Generating volume for certification
2. Content updates due to software versions upgrading; Continuing to have very little training in local language.
3. Hiring; And hiring again!
4. Managing both an ATC program and my company's business
5. Cost increases in UK and mainland Europe. Pricing challenges in Middle East and Africa.

6. Trying to implement an elearning offering, after a great deal of effort our US branch has decided to widen their offering negating the need for ours. Everyone wants to book things very last minute, even onsite courses which makes it a challenge trying to resource these requests
7. Exchange rate differences year on year.
8. Grey market activity and product mix proposition
9. Predictability and forecasting
10. Resourcing and getting information on new products early enough
11. Channel sales of training in decline. New product version launch and bringing training in line with changes to the platform.
12. Capacity
13. Scale and new hire
14. Setting up a subscription model and all that it entails
15. Training attachment to product deals; Prompt training development in time for new products
16. Creating single customer-facing proposition covering all the learning options available from all divisions of the company; Automation of processes
17. Recruiting instructors; Recruiting instructors
18. Budget no longer being available; Training being used as leverage to win software deals
19. Training program delays impacted by delayed customer go-lives. Low price competition in certain markets.
20. Driving the academic market to keep content up to date
21. Move from on-premise to cloud business model
22. Headcount reduction; No Marketing Budget
23. Keeping the corporate sales team engaged and up-to-date with Training Info' Stabilize our new LMS
24. Attach and internal representation
25. Hiring and maintaining/increasing attach rates.
26. Changing Operating Model - selling Training Again.
27. Slowdown in ILT was anticipated - hence the ability to contribute a positive Pre-Tax profit

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

1. Revenue is no longer a driver for me - student days is the measure i use now.
2. Difficulty in determining trends of ILT vs. self-paced (is the latter even viable in EMEA?).
3. The last 3 months coincide with our last quarter of the FY, so it is always generally a bigger quarter. Big drop in the classroom based attendance numbers and classes run as a result.
4. We did a price comparison review in March and found that day rates were on the increase. could be due to many US companies raising prices to compensate for currency exchange rates vs the US\$
5. More customers are looking to deliver their training themselves through a Train the Trainer program. IP protection is a concern. Customers in EMEA seem unwilling to move to digital guides and continue to rely on expensive paper manuals.