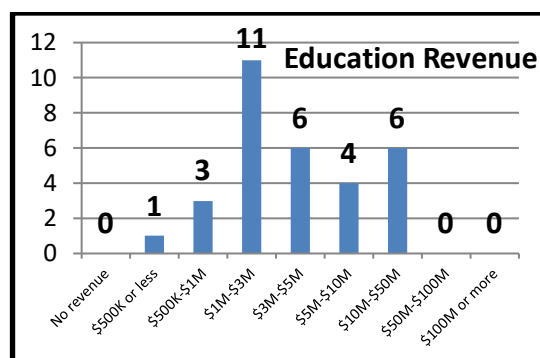
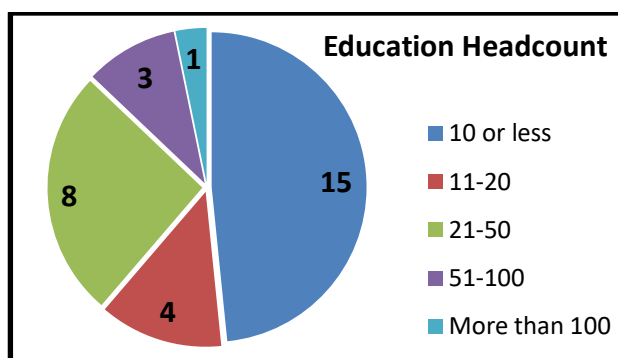
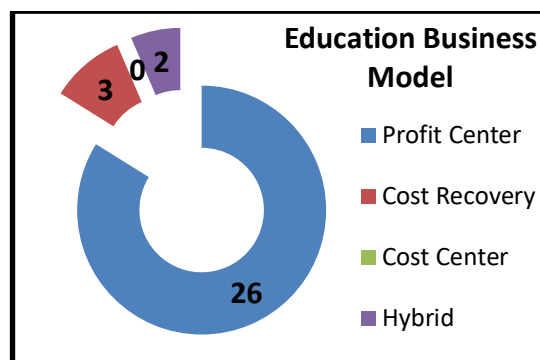
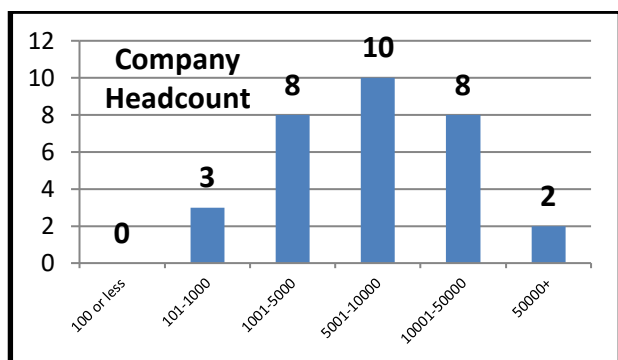
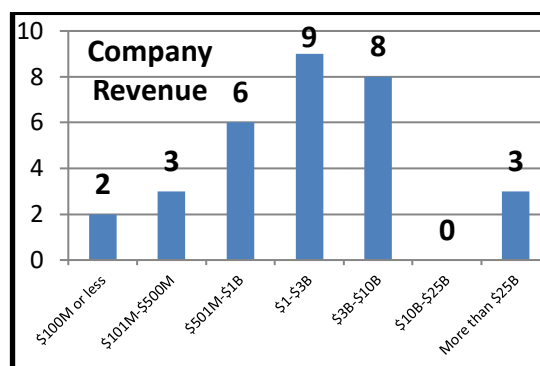
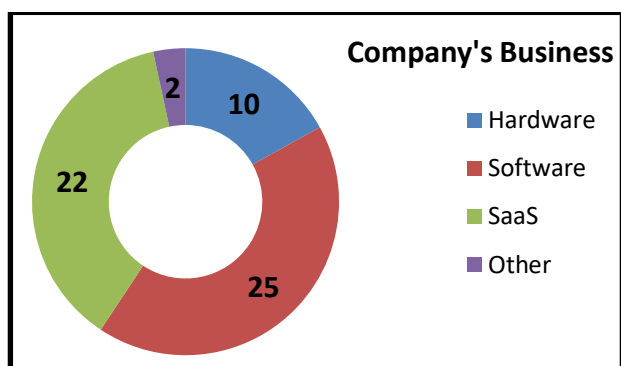


CEdMA Europe Market Barometer 2nd Quarter 2017

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 17q2 actuals is based on input from 31 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 growth 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 recovered to positive 2% increase in 2016, but is now showing just under 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% increase in 2016, but has just slipped to below 2% in 17q2.

Live Classroom (ILT) is all revenue when the instructor is in the same physical location. It fell to negative 2% during 2014, recovered to flat in 2015, but is now showing a 1-2% decrease.

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 then 3-4% in 2016 but now back to 2%,

Public (scheduled) classes is revenue for ILT and VILT and now showing negative 3%, having been flat during 2015 but negative 3-4% in 2014.

Private (one-customer) classes is revenue for ILT and VILT, and showing an increase of 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 an increase of 6% 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 a 1-2% increase, down from a high of 4% in 2014-15.

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 but after small increases in subsequent quarters, it dipped to negative 3.2% in 17q2.

Learning Technologies is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. After increases of 3.6% in 16q1 and 6.3% in 16q2, subsequent quarters have been either just above or below flat.

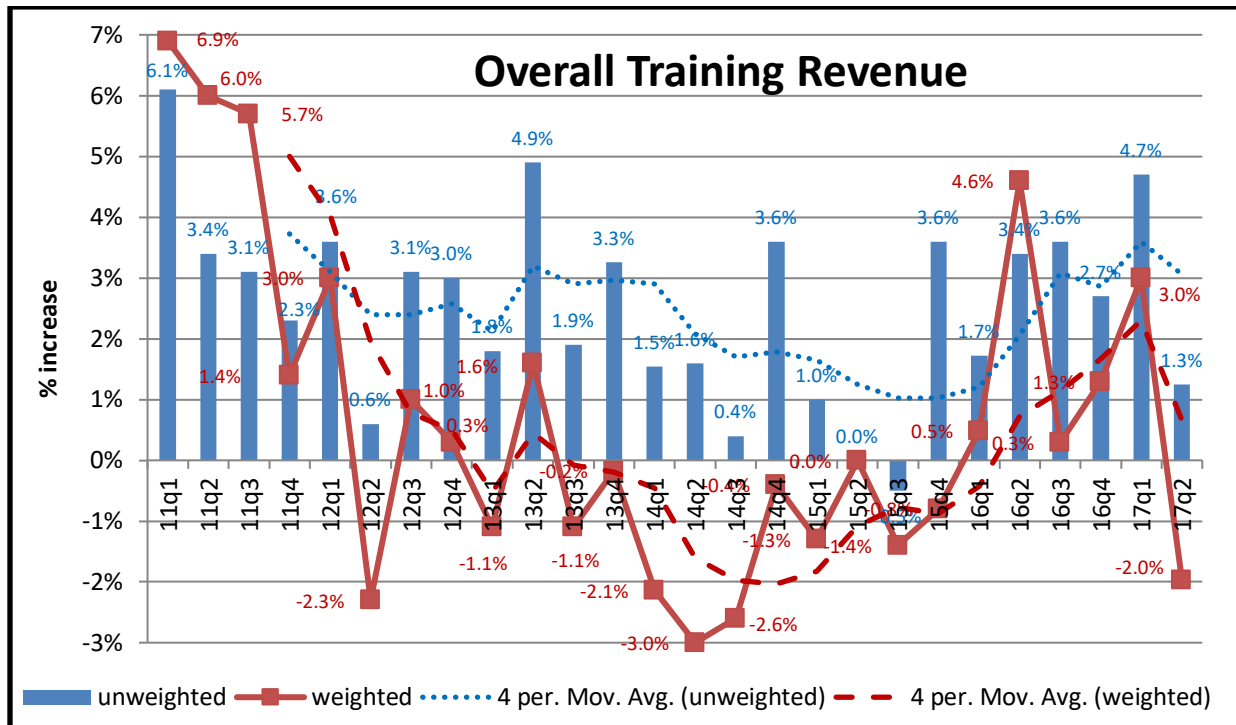
New Learning Modalities is all revenue for social learning, gamification, microlearning, mobile. There have been increases averaging just under 8% in 2016, with 9.4% in 17q1, but down to 0.9% in 17q2.

Subscriptions include all revenue from any of the above modalities included in subscriptions.

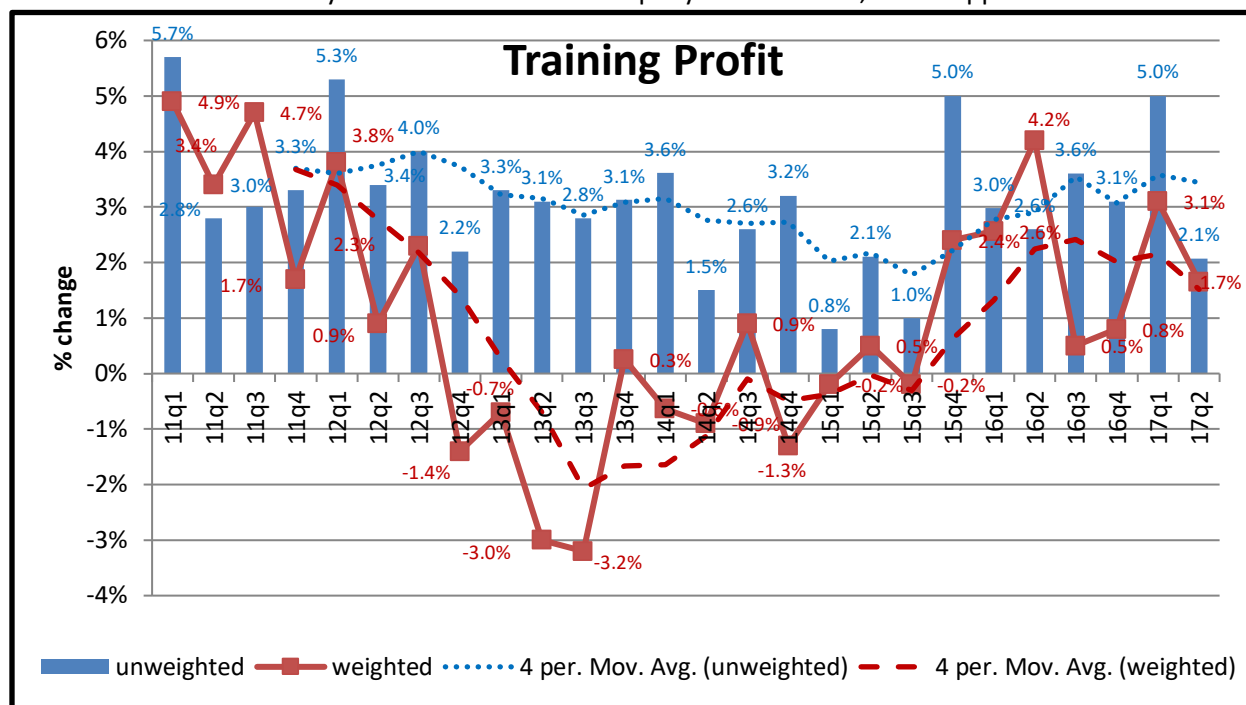
Subscription revenue has grown on average 8% during 2016, 17q1 was 6.1% increase, but this fell to 1.7% in 17q2.

Training Revenue and Profit

The unweighted total training revenue increase was a 1.3% in 17q2 (u=17, f=3, d=10). When considering the weighted numbers, it was negative 2.0%. The unweighted trendline shows an ongoing increase of 3%, but when size of company is considered, it's dropped to just under positive 1%.

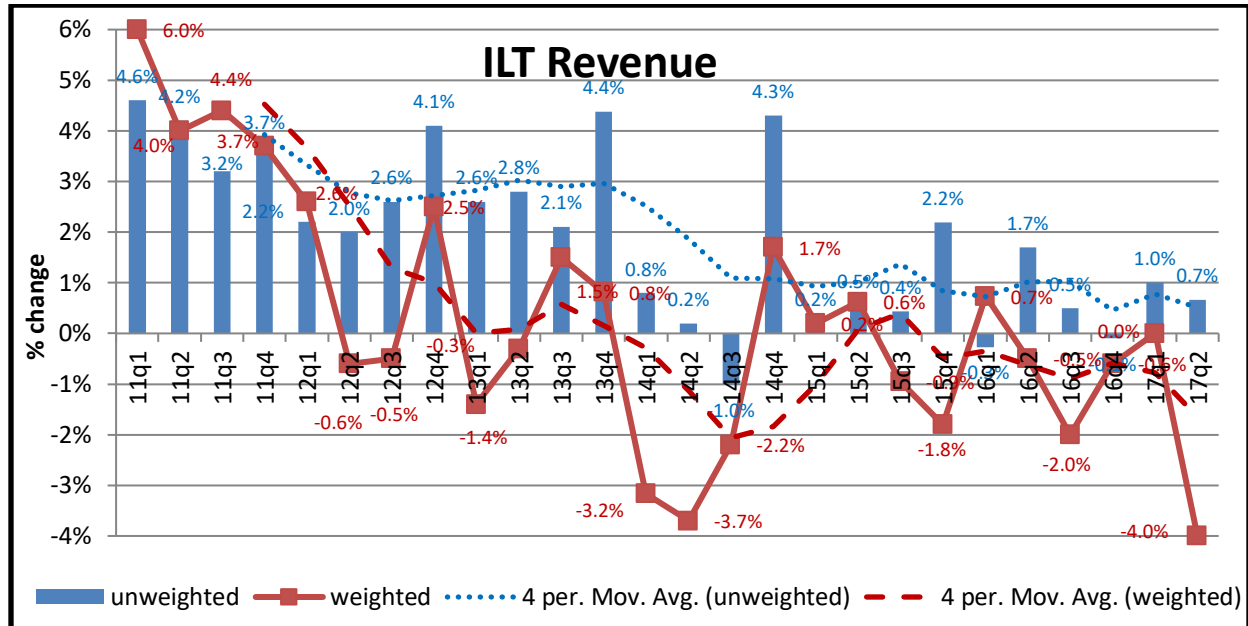


The unweighted total training profit grew 2.1% in 17q2 (u=14, f=9, d=6). And, with the weighted numbers, there was an increase of 1.7%. The unweighted trendline shows an ongoing profit increase of around 3-4% over the last year but when size of company is considered, it has dipped below 2%.



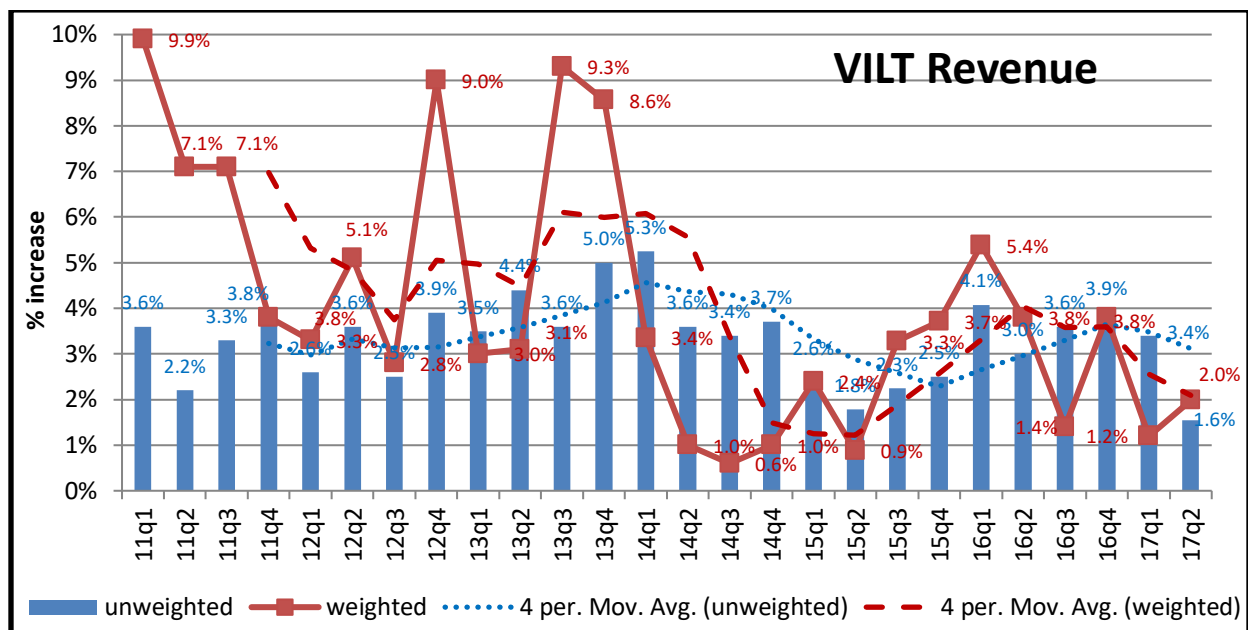
Live Instructor-led Training

This chart below suggests that ILT **revenue** for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 17q2 increase was 0.7% (u=13, f=6, d=11) whereas the weighted number was negative 4.0%. The unweighted trendline shows ongoing ILT revenue as half a point above flat, and when size of ILT revenue is considered, it is a nearly negative 2%.

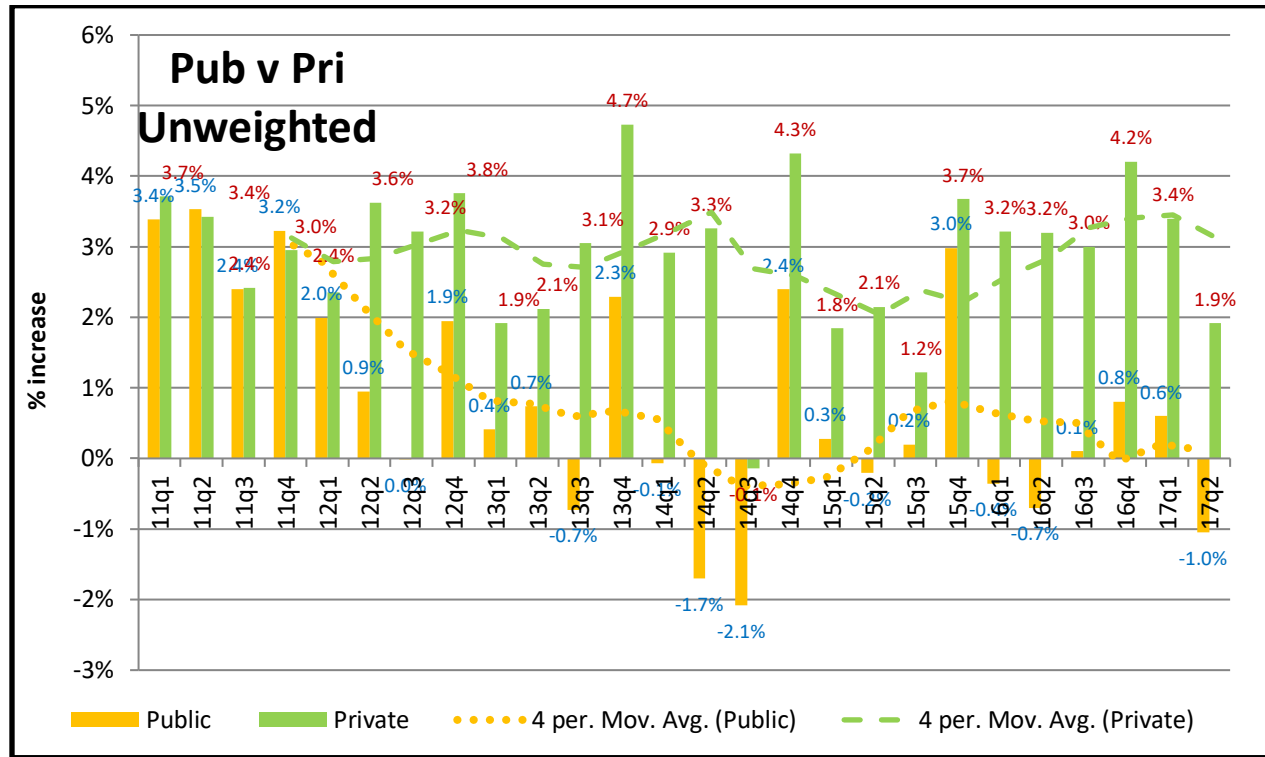


Virtual Instructor-led Training

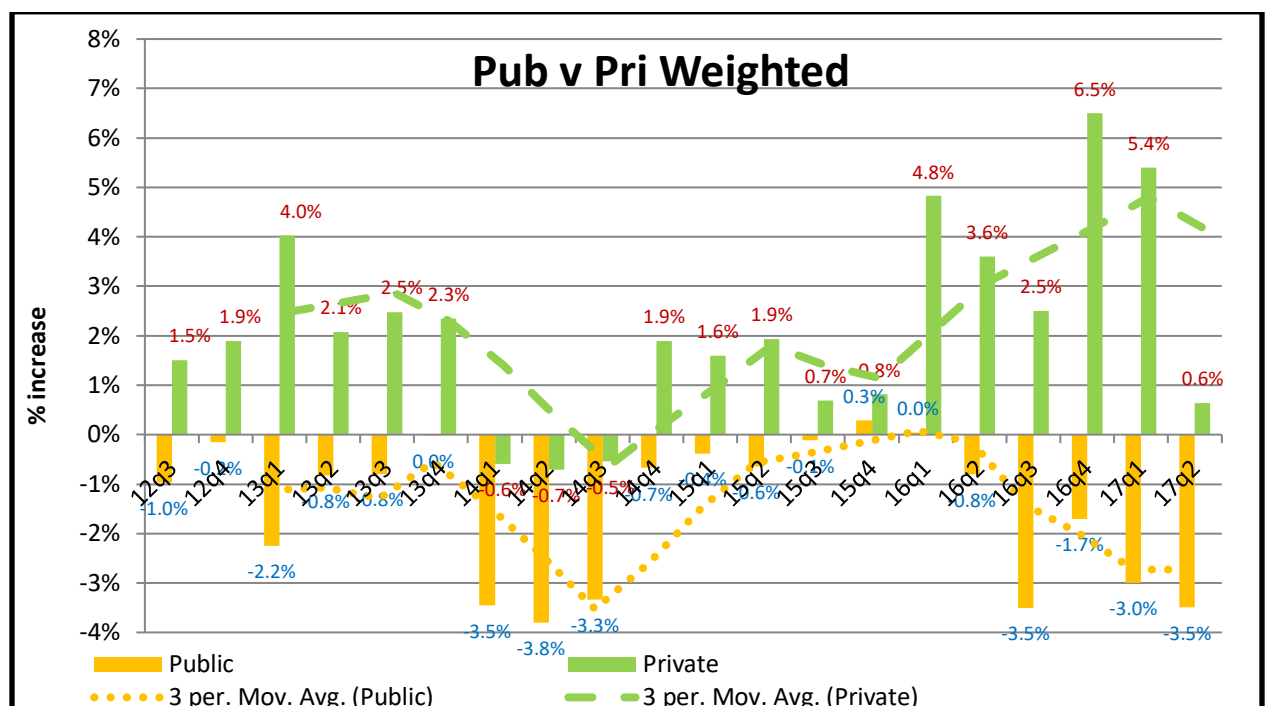
On the other hand, the VILT increase fell badly in 2014 but recovered. The unweighted 17q2 **revenue** increase is 1.6% (u=14, f=11, d=4) and the weighted increase is 2.0%. The unweighted trendline shows an ongoing VILT increase of 3% but when size of VILT revenue is considered, it was 3-4% in 2016 but has fallen now to 2%, having been from 1% in 2014. Note that 2 of the 31 don't use VILT.



We are now asking you to forecast both public (u=11, f=8, d=12) and private (u=14, f=9, d=7) 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 flat **revenue**. This shows unweighted values.

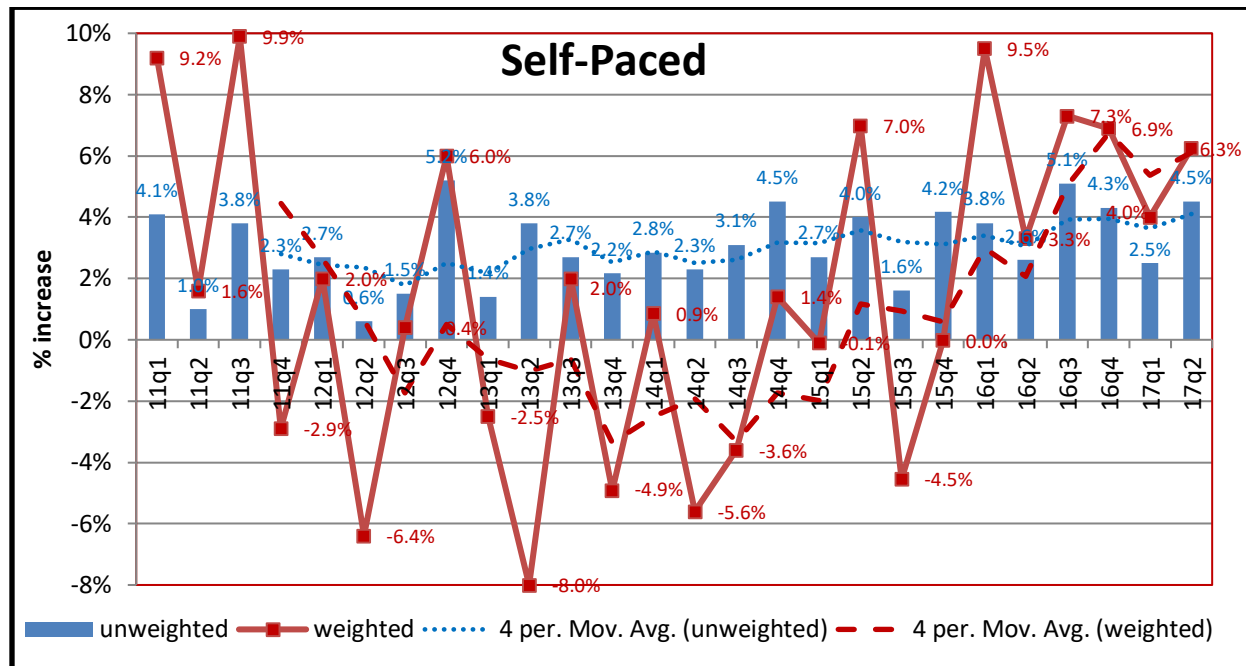


When weighted values are used, the **revenue** increases for public have dipped to negative 3% with private a 4% increase.



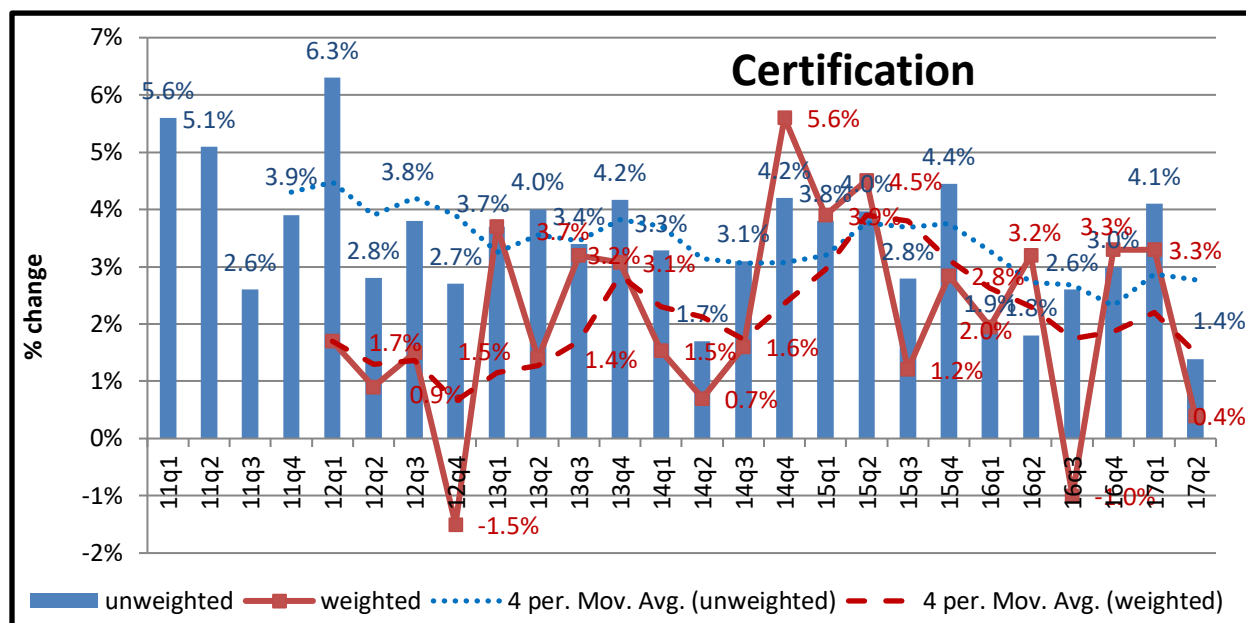
Self-Paced

The results for 17q2 (u=15, f=9, d=2) were 4.5% increase unweighted and 6.3% 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 unweighted and 6% for weighted. Only 27 reported.



Certification

Overall, certification has averaged an increase of around 3% 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 1-2%. The **revenue** increases for 17q2 (u=7, f=16, d=4) are 1.4% and 0.4% for unweighted and weighted, respectively. 28 out of the 31 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% |
| 16q4 | 20 | 5 | 11 | 4 | 0.4% | 1.9% |
| 17q1 | 19 | 5 | 12 | 2 | 1.2% | 0.9% |
| 17q2 | 19 | 7 | 9 | 3 | 1.1% | (3.2%) |

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% |
| 16q4 | 19 | 1 | 17 | 1 | (0.3%) | (1.3%) |
| 17q1 | 19 | 1 | 16 | 2 | (0.9%) | (1.1%) |
| 17q2 | 19 | 2 | 16 | 1 | (0.1%) | 0.6% |

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% |
| 16q4 | 19 | 4 | 15 | 0 | 2.1% | 9.0% |
| 17q1 | 19 | 4 | 15 | 0 | 2.1% | 9.4% |
| 17q2 | 19 | 5 | 14 | 0 | 2.0% | 0.9% |

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% |
| 16q4 | 23 | 13 | 6 | 4 | 4.2% | 5.8% |
| 17q1 | 24 | 12 | 11 | 1 | 4.5% | 6.1% |
| 17q2 | 25 | 11 | 12 | 2 | 3.7% | 1.7% |

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

1. End User Training
2. Onsite delivery
3. Apache Spark
4. On-demand learning subscriptions
5. Private courses account for our growth - we won a large contract which is helping the numbers!

6. Certification; in Q4 our partners have to get certified to maintain status
7. eLearning subscriptions growing in Q3 FY17. We just started subscription model in Q3 FY17.
8. Live Virtual Classes, increase in private on-sites
9. Robotics
10. Networking
11. Data Loss Prevention
12. On-site Private ILT. Continuation of deals for 3 Clients
13. no particular increases in specific subject areas. Just more seats overall
14. Data governance
15. ILT
16. Cloud, Citrix cloud.
17. Custom Learning Projects
18. Async training
19. Training Subscription and Onsites Classes
20. It remains as follows: New product and solutions training; increase in customer and partner related-projects; Partner training - this does not necessarily come with revenue
21. Hybrid training events (vILT)
22. API learning; Security; Agile and PPM
23. Programming
24. Self-paced/eLearning
25. Public Virtual Training
26. Private classes for partners.
27. New self-paced offerings - not subscription-based
28. eLearning and certification
29. Workforce Management - Cloud-based
30. Adoption Services; Public Schedule
31. Combining 2 businesses led to revenue growth

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

1. Live ILT
2. Internal training
3. None to report
4. Private (onsite) ILT
5. Public classroom
6. Public enrollment
7. In Center public classes; Learning Programs are decreasing also due to less large projects.
8. Public schedule live classroom-based
9. Methodology
10. Consulting
11. Endpoint Management
12. Internal Training - thankfully.....
13. No particular decreases in specific subject areas
14. Certification
15. There were no decreases

16. Architecture/design courses
17. Public
18. Public classes
19. Light decrease in VT - did not really push it
20. ILT and on-sites due to summer period and change of outbound sales staff
21. Service Management
22. Old technology courses
23. Public Technical Training
24. Public Classroom Training
25. None
26. None
27. Premise-based
28. Live Web; Intercompany business
29. Open enrollment

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

1. Changes to the compensation model for license sales that no longer comps Sales on training.
2. Regional language support. Increase in product revisions.
3. Getting engagement with sales people to sell training, especially onsite. Keeping the business running during a huge period of change (new processes, new people, new management) due to acquisition
4. Market shift toward subscription/SaaS models
5. Trainers being away from home so often as the swing towards private courses continues. Finding time to invest in curriculum development when in full-on delivery mode
6. Our partners saw a reduction
7. Training program delays impacted by delayed customer go-lives or postponed budgets. Low price competition in territory markets (France and Germany) continues to be a threat
8. Restructuring of curriculum to bundled class offerings. Grey market and unofficial partner training activity
9. Time taken to design and implement new self-study courses. Getting more customers to take up online mentoring to support self-study
10. Attach and declining certification training
11. Lack of approved contract Instructors with language skills other than English. No-shows in classes
12. Margin not great due to use of external resources.
13. Same as last quarter - getting the acceptance of customers of virtual classes instead of in-class. Finding contractors to grow delivery scalability
14. Unwillingness of customers to engage with training strategies. Declining revenue.
15. Hiring and hiring again!
16. New course releases and impact to the business
17. Hiring people; Attach to licenses low
18. Increased demand for support of the sales team. Continued corporate lack of focus on public training.
19. Finding and hiring new training BDMA's- get the right level of support from our Outsourcer
20. Training attachment to product deals; Speed to market in developing and deploying the training

21. The merge of customer and partner enablement into one group. Different goals, metrics, LMS, labs, processes and profitability.
22. Customers seeking private classes with low(ish) student numbers.
23. Managing both an ATC program and my company's training revenue. Low UK seats
24. Moving partners across on to new contract and fee structure. That pulled some revenue forward, inflating the Q1 revenue but leading to a decrease in following quarters.
25. Selling training into accounts that already have "free" education entitlements.
26. Engaging the product sales team
27. Delivery and content in languages; Limited new business
28. None - stable to increasing business
29. Partner fees; Revenue through product attach - and reduced product sales
30. Partner discounts Grey market competition
31. Combining companies.

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

1. Modular/pay as you go model becoming more prevalent.
2. Tough quarter... wonder if the rest of the market has experienced this too
3. More customers are looking to deliver their training themselves through a Train the Trainer program. IP protection is a concern. Customers in EMEA accepted to use Digital Guides, the default delivery mode. Customer requesting more virtual offerings or blended approaches
4. Flat against forecast on revenue and margin for EMEA, ahead for JAPAC +25% following appointment of ESR for region.
5. Online self-study training became free to all users from June 2017.
6. Very competitive
7. Move to cloud and subscription means customers are unsure of strategic direction; this postpones training decisions.
8. Citrix has launched the new e-sub in July, new courses released especially around cloud and Q3 YoY looks to be on target. The changes to courses has had an impact on 2017 Q1 and Q2
9. Seeing a number of financial customers cutting IT staff.
10. Our Learning subscription is still on hot demand
11. I would like to know if CEEdMA or any members can categorically justify if the cost of developing, launching and managing subscription based (on demand learning) content versus classroom/vILT - from a revenue and profit contribution perspective. Or is the shift to subscription in fact an admission that customer training is no longer expected to be a revenue/profit generator, but a tool to drive better/stronger product adoption and expansion.
12. Increased use of subscription and/or OnDemand/Self-Paced - leading to opportunity to provide online mentoring sessions.
13. Some areas are moving to VILT, with more demand from EMEA than previously
14. More acceptance of Virtual training
15. Revenue is no longer a driver for me - student days is the measure I use now.