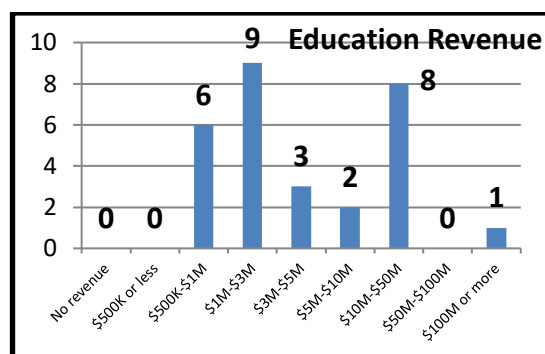
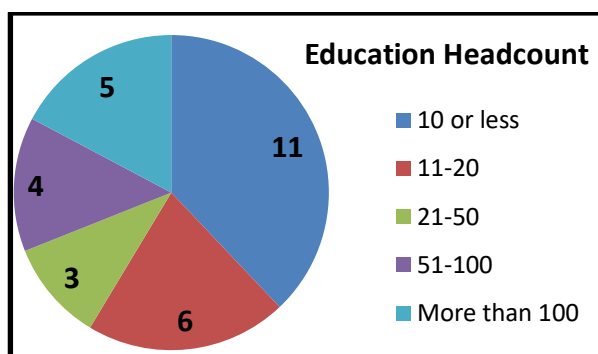
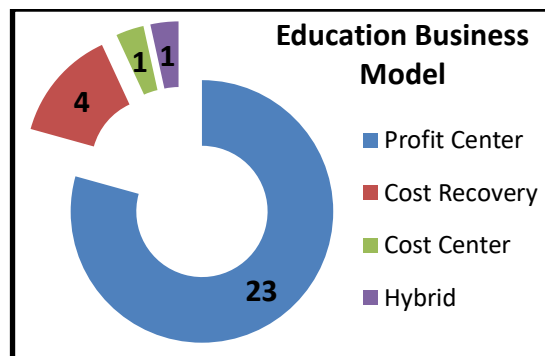
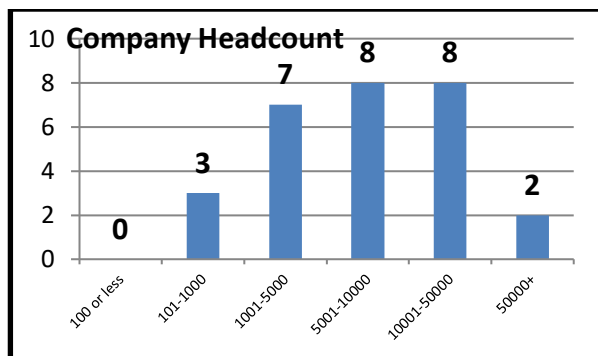
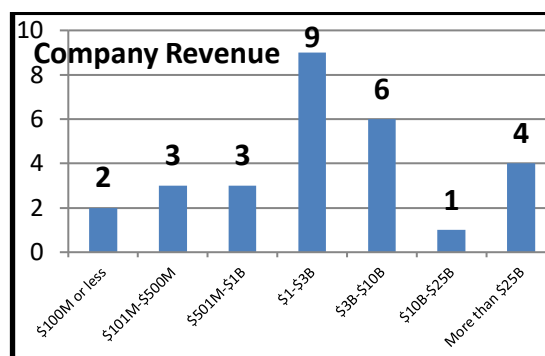
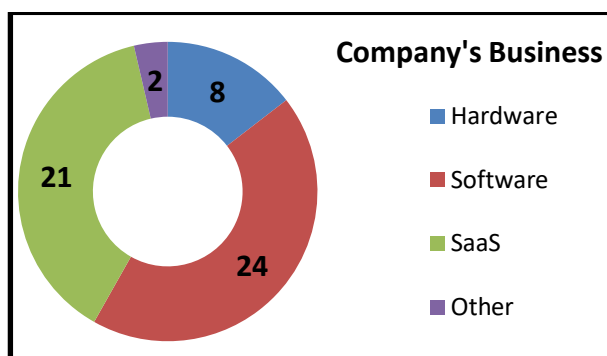


CEdMA Europe Market Barometer 2nd Quarter 2018

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 18q2 actuals is based on input from 29 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 revenue value, so larger companies have a bigger impact.

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, the trend recovered to positive 2% increase in 2016, and is now positive 2-3% for the last 12 months.

Operating Profit is revenue minus all fixed and variable costs, excluding allocations, divided by revenue. The trend has recovered from a low of negative 2% during 2013 to a 2% increase in 2016 and is now holding at positive 3% for the last 12 months.

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, showed a 2% decrease in 2016, but now is showing flat.

Virtual Classroom (VILT) is all revenue for instructor-led training via the web, with or without virtual labs. The trend dropped from 6% during 2013 to 1% in 2014, rose to 3-4% in 2016 but is now back to 3% over 12 months.

Public (scheduled) classes is revenue for ILT and VILT and the trend has now recovered to negative 1%, having been negative 3-4% in 2016/17.

Private (one-customer) classes is revenue for ILT and VILT, and showing an increase of 2%, down from 4% in 2016.

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 9% over the last 12 months 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 trend is now flat, 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. While the trend was flat for 2016, it dipped to negative 3% in 2017 but is now showing flat. (But only 12 members reported revenue.)

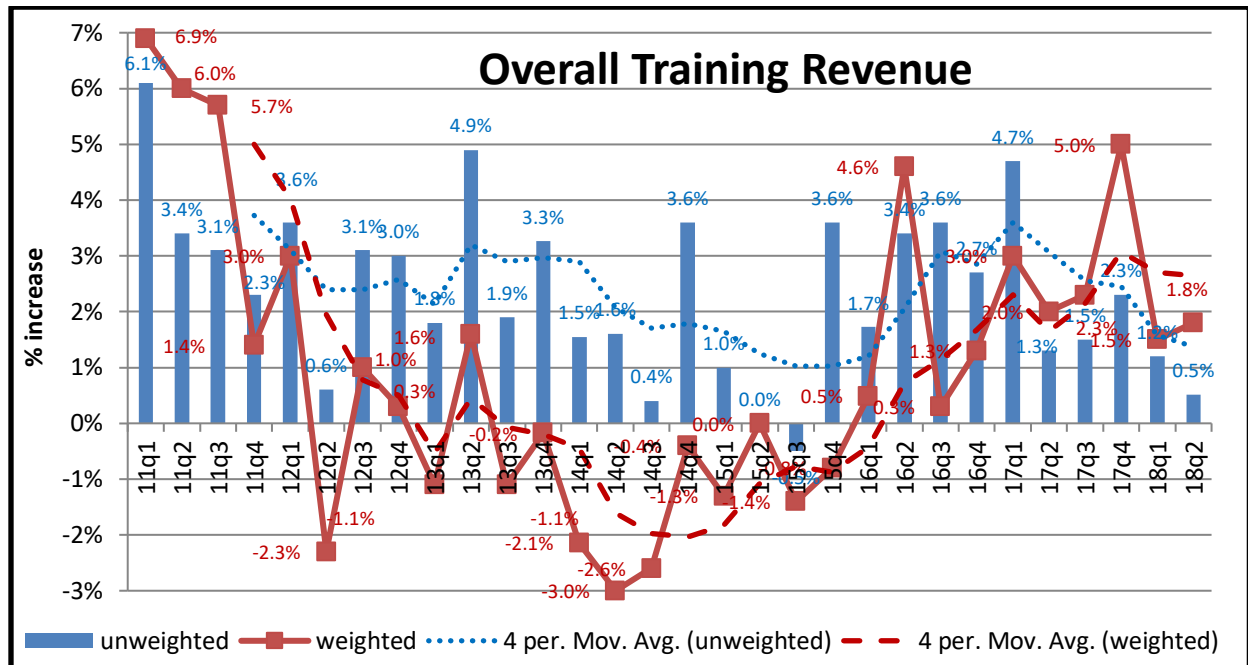
Learning Technologies is all revenue generated by learning tools, infrastructure, courseware and directly related training and learning consulting for these technologies. After dipping to flat in 2016/17, in the trend is now 4% over 12 months. (But only 8 members reported revenue.)

New Learning Modalities is all revenue for social learning, gamification, microlearning, mobile. The trend of 8% increase across 2016 has not been maintained and has now fallen to 1-2%. (But only 6 members reported revenue.)

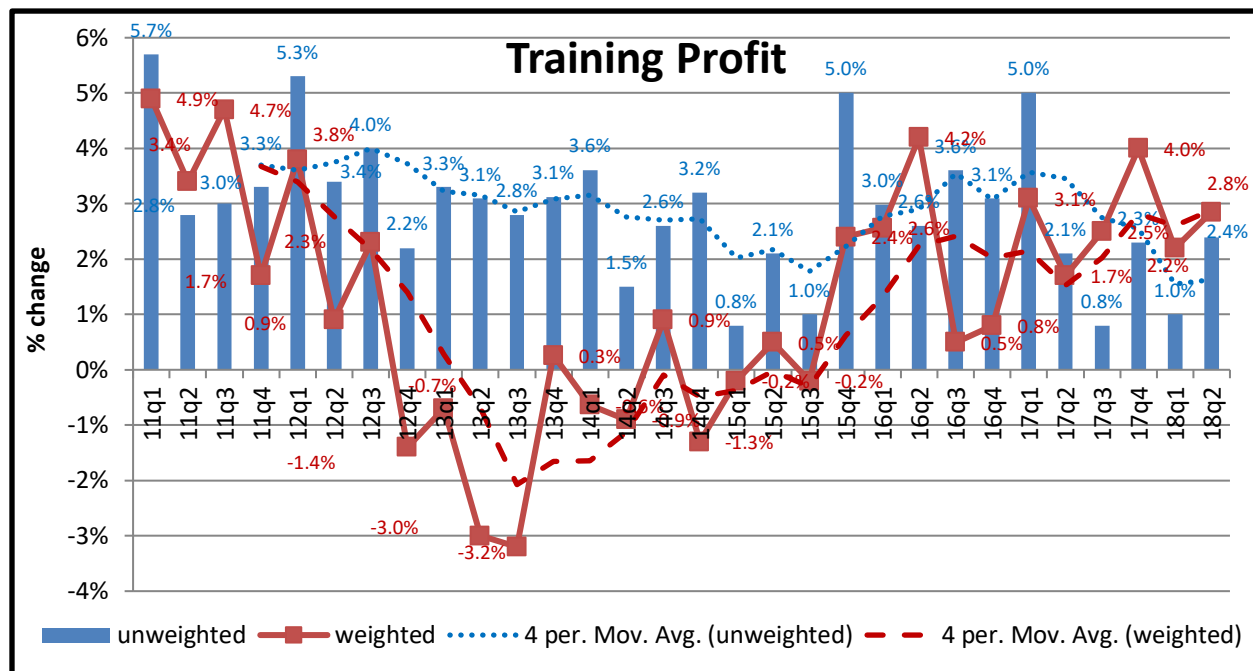
Subscriptions include all revenue from any of the above modalities included in subscriptions. With many companies starting subscriptions in 2015/16, the increase was 8% over 2016, but is now 4%.

Training Revenue and Profit

The unweighted total training revenue increase was a 0.5% in 18q2 (u=13, f=3, d=13). When considering the weighted numbers, it was 1.8%. The weighted trendline shows an ongoing increase of 2-3% when size of company is considered.

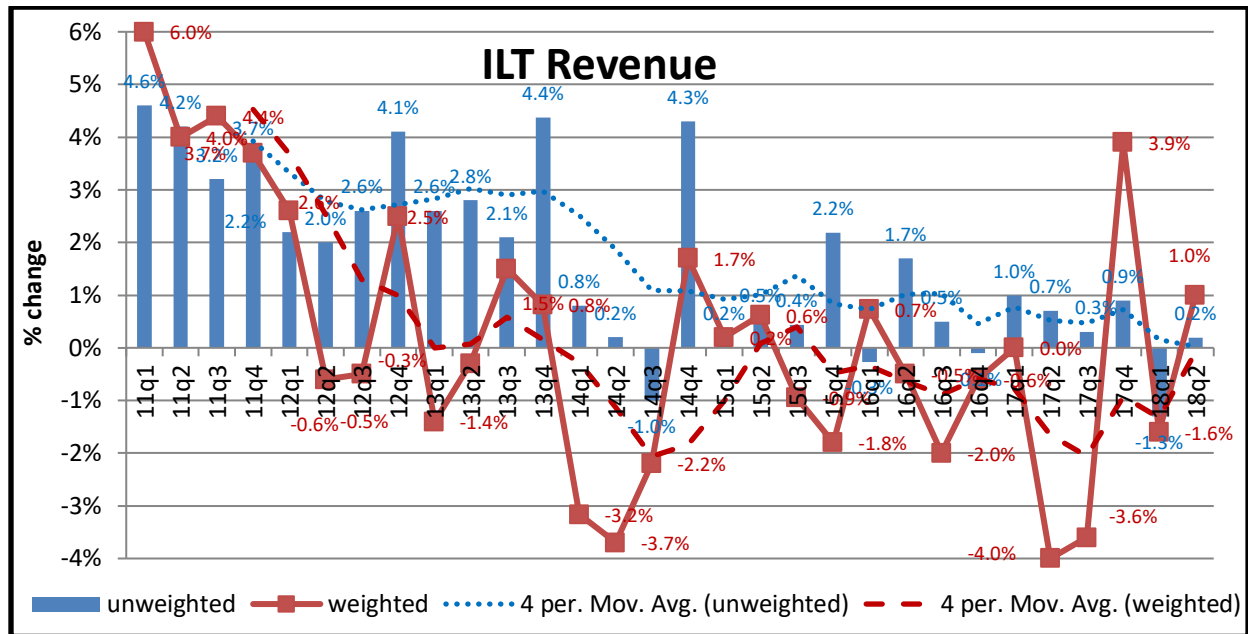


The unweighted total training profit grew 2.4% in 18q2 (u=13, f=5, d=6). And, with the weighted numbers, there was an increase of 2.8%. The weighted trendline shows an ongoing profit increase of around 2-3% over the last year when size of company is considered.



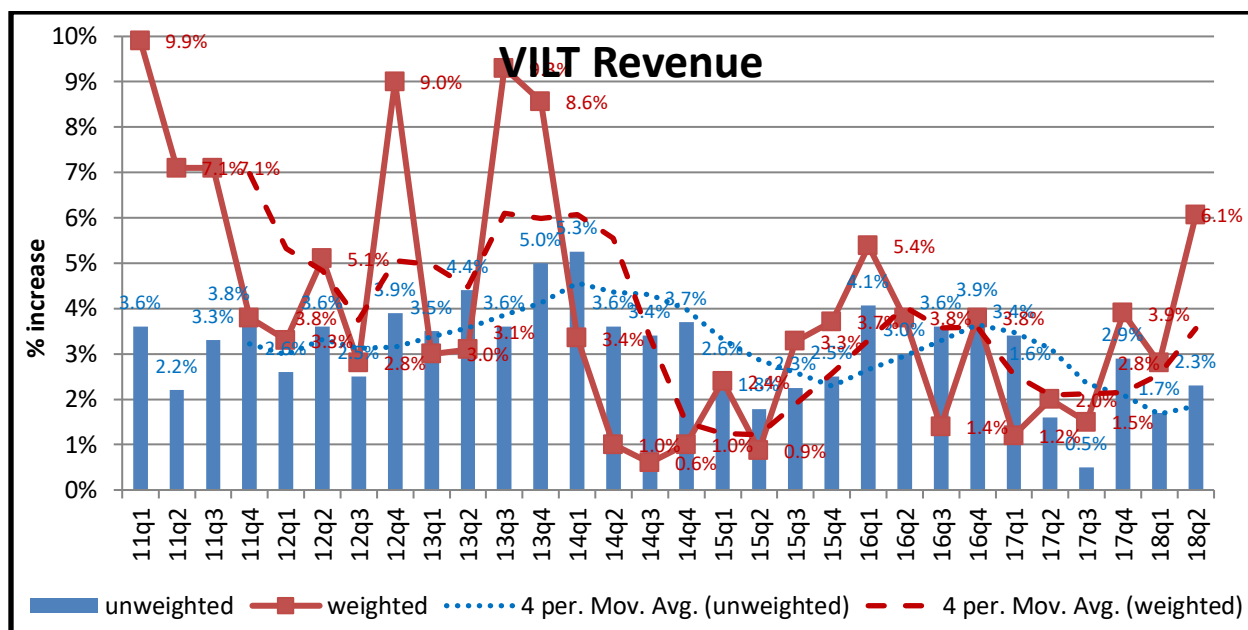
Live Instructor-led Training

This chart below suggests that ILT **revenue** for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 18q2 increase was 0.2% (u=10, f=6, d=10) and the weighted number an increase of 1.0%. The weighted trendline shows ongoing ILT revenue as flat when size of ILT revenue is considered.

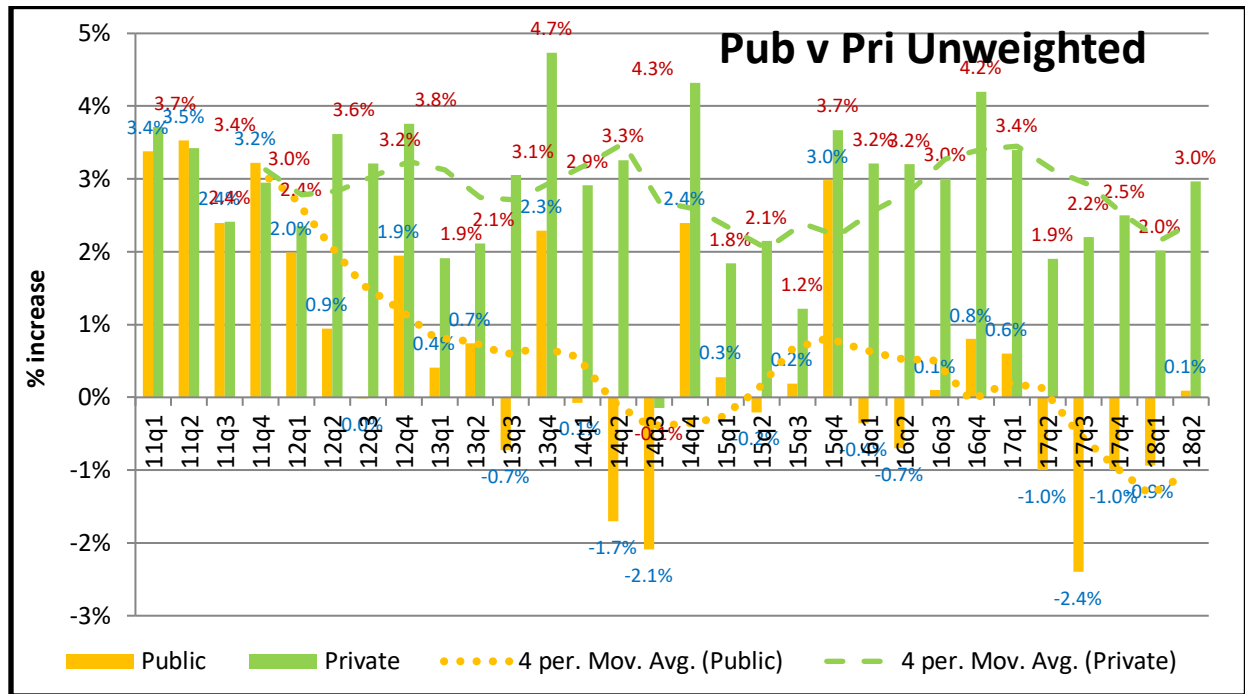


Virtual Instructor-led Training

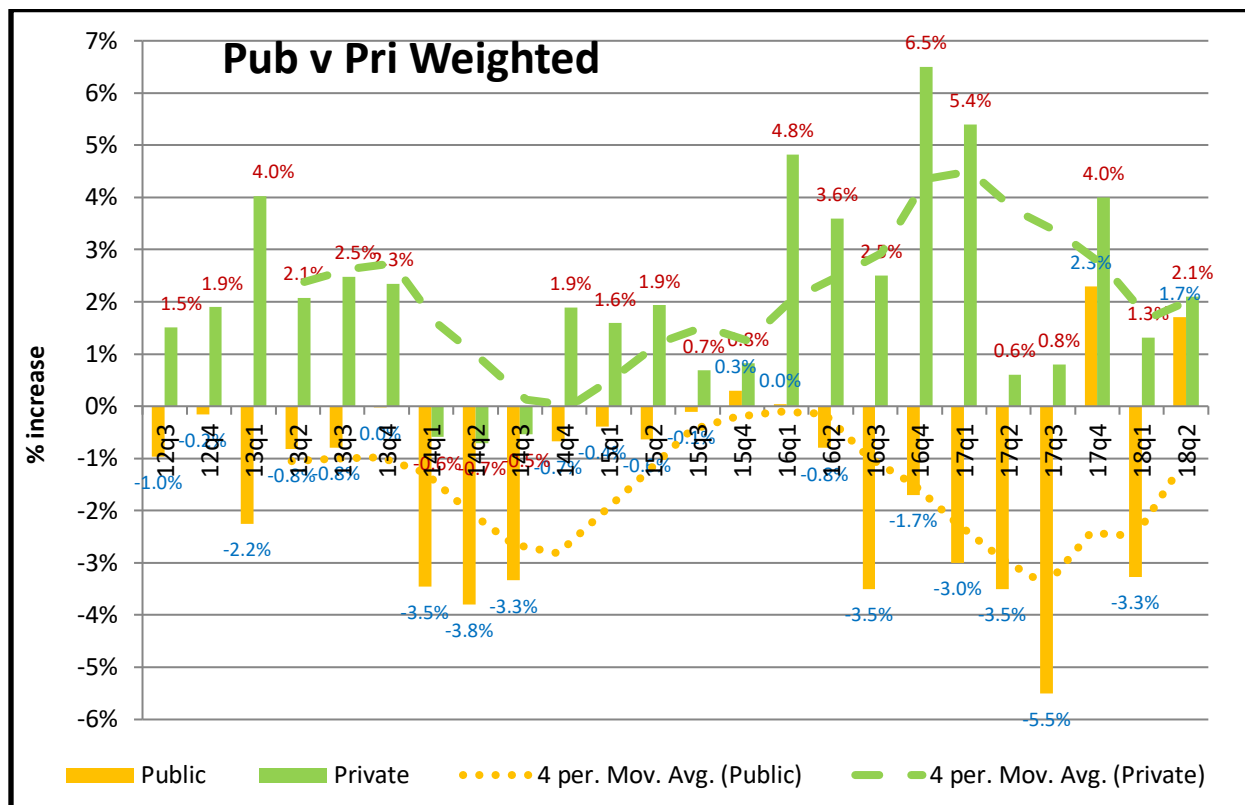
On the other hand, the VILT increase fell badly in 2014 but recovered. The unweighted 18q2 **revenue** increase is 2.3% (u=11, f=10, d=5) and the weighted increase is 6.1%. The weighted trendline shows an ongoing VILT increase of 3% when size of VILT revenue is considered, but it was 3-4% in 2016, having been 1% in 2014. Note that 6 of the 29 reported no revenue for VILT.



We are now asking you to forecast both public (u=8, f=6, d=13) and private (u=13, f=9, d=5) classes and have enough history to show that private classes show a consistent steady **revenue** increase of around 2%. Public classes have dipped to negative 1%. This shows unweighted values.

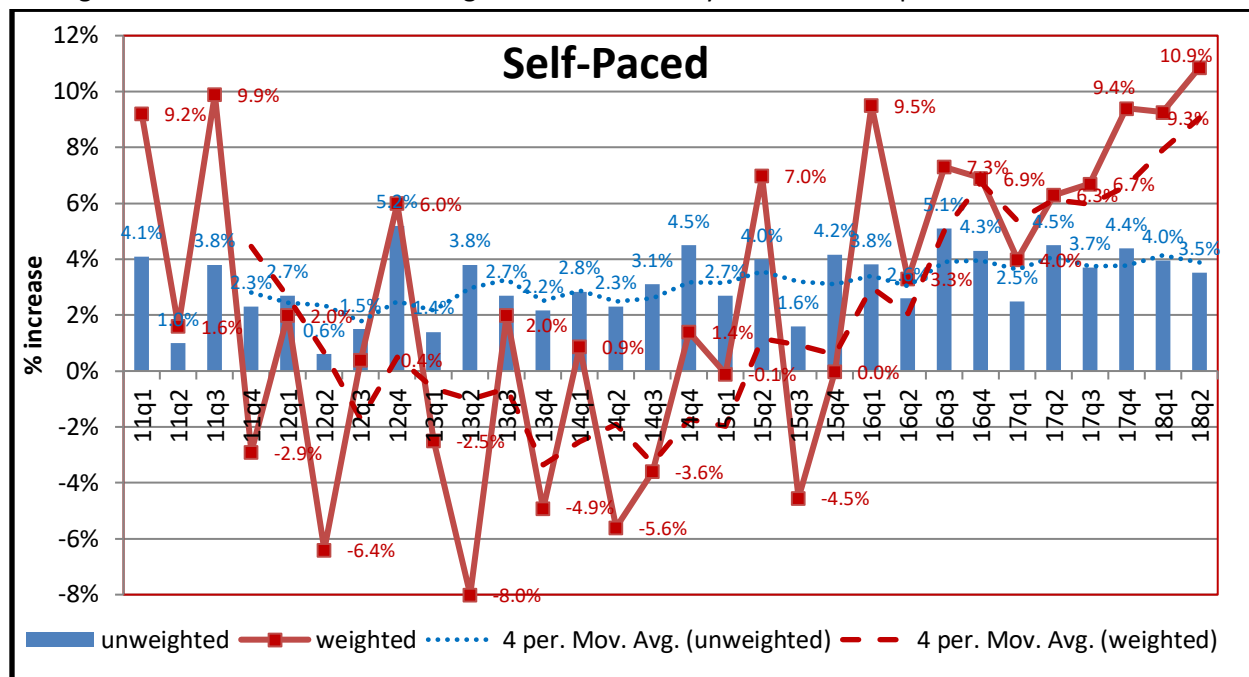


When weighted values are used, the **revenue** decrease for public was 1% with private a 2% increase. The 17q4 result was anomalous.



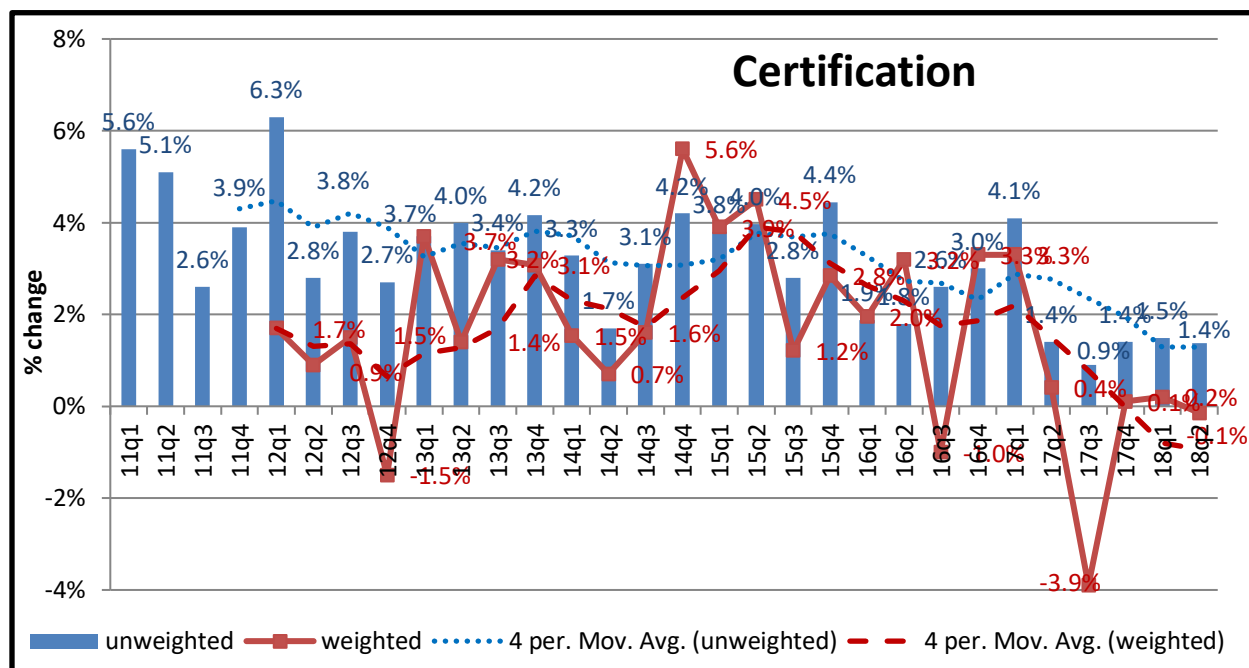
Self-Paced

The results for 18q2 ($u=7$, $f=9$, $d=1$) were 3.5% increase unweighted and 10.9% increase weighted. This shows how larger companies can have a significant effect on these averages. The 4-period moving average shows an 9% increase for weighted. Note that only 15 out of 29 reported revenue.



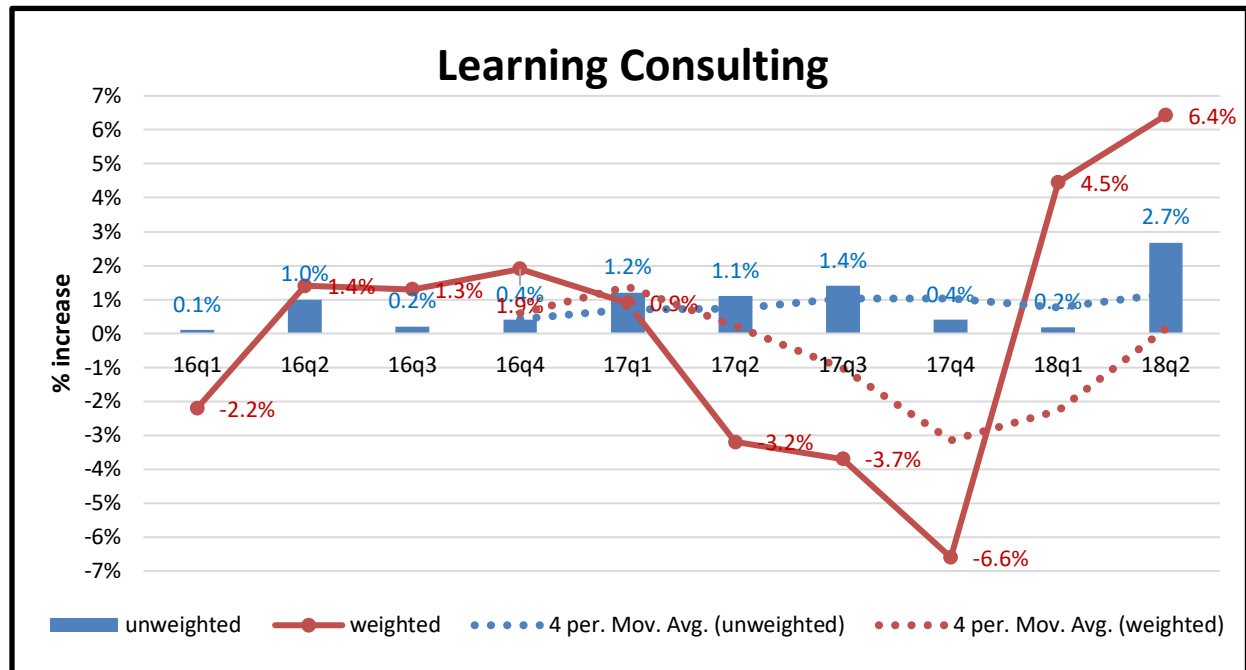
Certification

Up to 2015, certification reported 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 flat. The **revenue** increases for 18q2 ($u=7$, $f=9$, $d=4$) are 1.4% for unweighted but -0.1% when weighted. Note that only 15 out of 29 reported revenue.



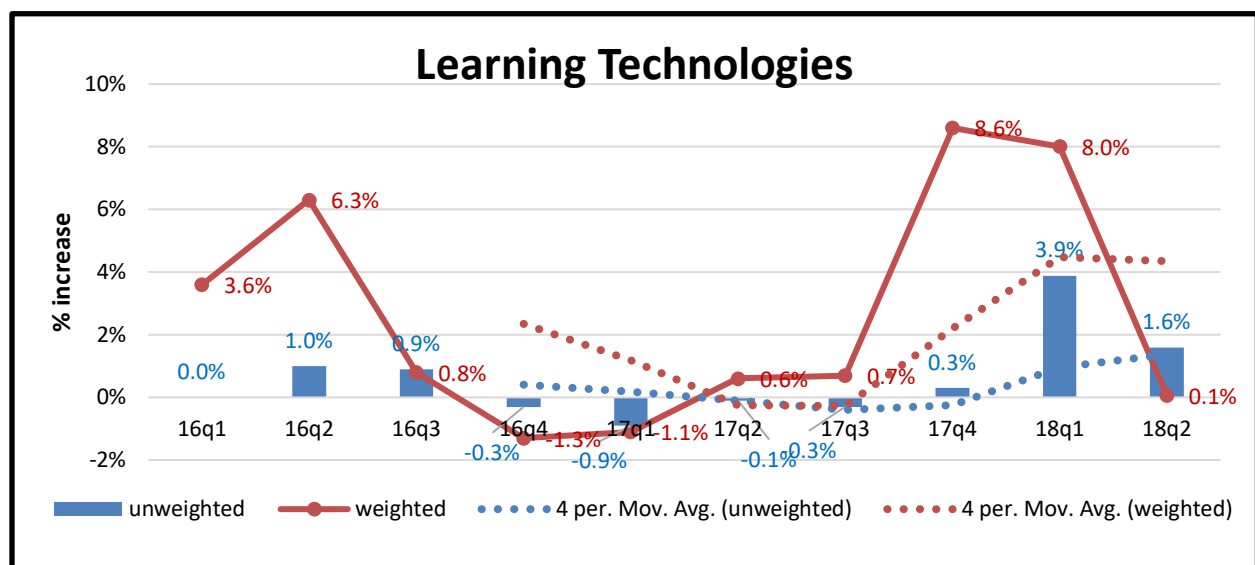
Learning Consulting

We now have over two full years reporting this area. In that period, the unweighted scores have largely remained flat. However, weighted scores have moved dramatically. The **revenue** increases for 18q2 (u=7, f=5, d=2) are 2.7% for unweighted but 6.4% when weighted. The four-period average for weighted is flat. Note that only 12 out of 29 reported revenue.



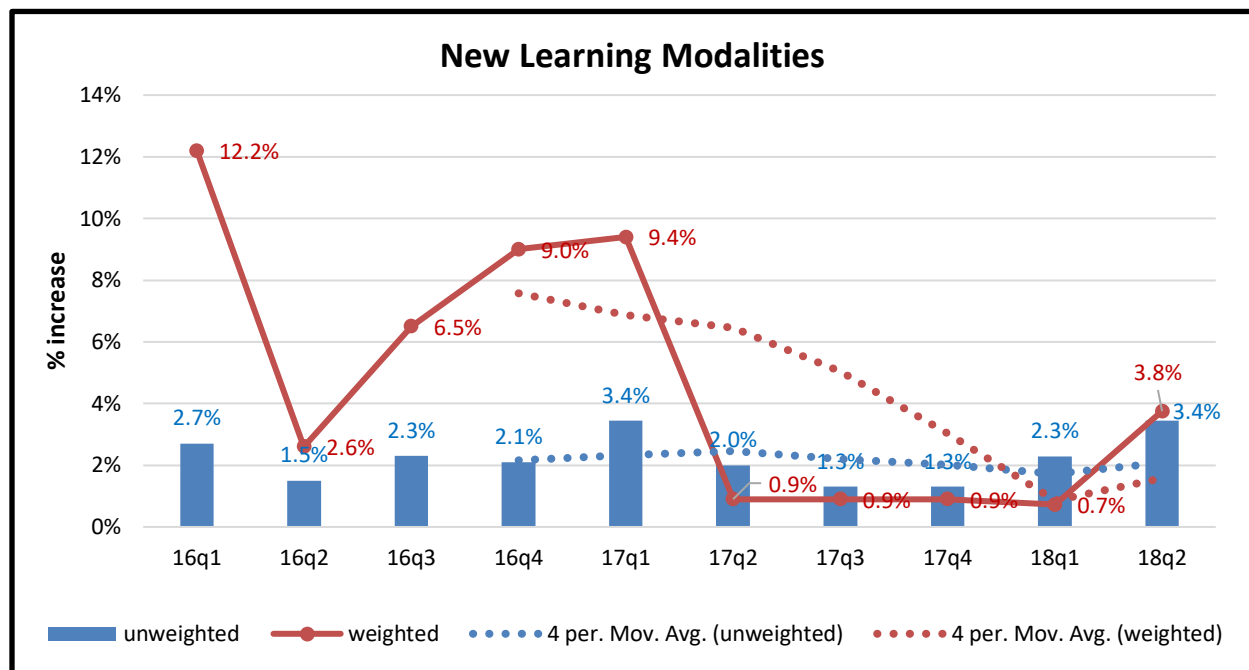
Learning Technologies

We also now have over two full reporting this area. In that period, the unweighted scores have largely hovered around flat, but weighted scores recently showed significant increases. The **revenue** increases for 18q2 (u=4, f=6, d=1) are 1.6% for unweighted and 0.1% when weighted. The trendline for weighted is now 4%. Note that only 8 out of 29 reported revenue.



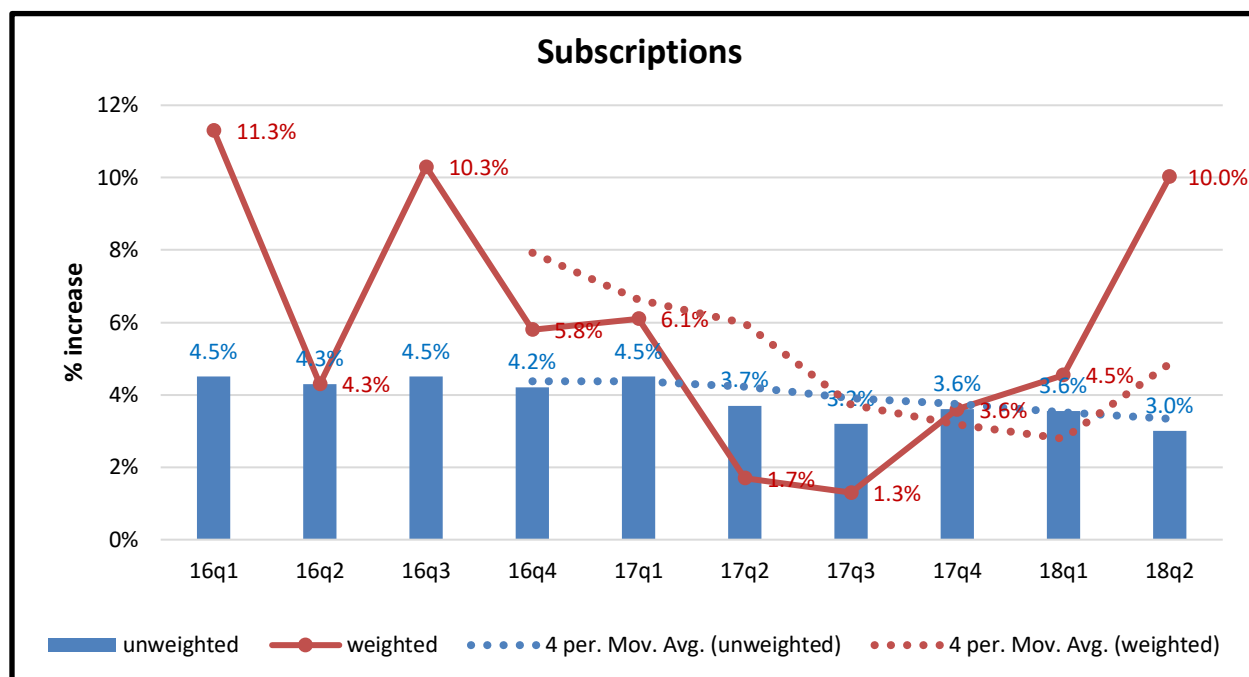
New Learning Modalities

The unweighted trendline is 2%, while the weighted trendline shows 1%, but falling from 7%. The **revenue** increases for 18q2 (u=3, f=5, d=0) are 3.4% for unweighted and 3.8% when weighted. Note that only 6 out of 29 reported revenue.



Subscriptions

The unweighted trendline is 3% whereas the weighted trendline is now showing 5% increases. The **revenue** increases for 18q2 (u=12, f=4, d=4) are 3.0% for unweighted and 10.0% when weighted. Note that only 17 out of 29 reported revenue.



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

1. Private Onsite
2. Partner Enablement
3. Public training increased in EMEA
4. VILT
5. Instructor videos; private classes
6. DLP
7. WorkForce Management - Cloud based
8. Learning Consulting and Learning technologies. Always cyclical and subject to phasing and peaks and troughs
9. Self-paced learning sold as a Subscription
10. Tailored Education Programs (Education Consulting)
11. None...generally flat
12. Customised Onsite Training
13. Pre-Sales Training
14. Networking and Storage
15. In EMEA the main contributor to the increase are not training only but mainly Learning Programs which includes assessments, strategies, Train the trainer approaches, customized trainings development, training delivery and mentoring; eLearning has as well a significant growth
16. Analytics and Smart Data Center
17. Robotics; AI
18. Admin and Marketing Cloud
19. Citrix cloud certifications and training helped deliver a great quarter
20. 3rd Party offerings
21. None; only addition was subscription
22. ILT, self-paced
23. Private onsite training; User adaption services, Internal enablement

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

1. Public
2. eCommerce
3. Subscriptions and OnDemand
4. We had a large one-off project in 2017 that explains our much lower revenue this year; Scheduled training continues to struggle with small class sizes
5. Live Classroom
6. Public courses
7. Premise-based
8. Very little VLT (which is typically Internal or Partner enablement anyway)
9. Public ILT
10. Technical Training traditional classroom F2F deliveries
11. Private on-site and Live Virtual classes

12. Public classes; Project related enablement
13. Classroom Training (somewhat seasonal)
14. The slowest growth is from server technologies
15. The decrease is seen in our Incenter Business that means in public classes (ILT)
16. Standard Storage Infrastructure
17. System Administration
18. Older technologies
19. High end storage
20. Private classes
21. Public training for onsite and virtual.

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

1. Declining net new customers; Consulting services to educate customers
2. Working across regions with different KPI's; Planning growth
3. Partnership with cloud hosting provider; Content refreshes.
4. Realigning of the training portfolio to be consistent with corporate strategy; gaining mindshare with Product Sales people when their aim is the huge picture of driving product sales worth mega millions
5. We're currently having to support 2 desktop applications which means running more courses but having less people on each - some customers won't invest in training as they know they will move to the newer application but can't invest in the training for that yet as they don't know when they will move
6. Attaching Training; Pushing VILT in the Emerging region
7. Skilled contract instructors
8. VIA Subscriptions - giving free training through product attach - and reduced product sales
9. Lack of net new sales in UK and Continental EU
10. More nonsense around GDPR and endless form filling for Clients, especially around Learning Technologies.
11. Shift in GTM model causing majority of mid-market and SMB business to go through Partners; Pressure from Channel teams to provide free self-paced training to partners
12. Continuing to engage sales with selling training credits
13. Attach; declining technical training enrollments
14. Re-org and transition into wider Oracle University Cloud org
15. Headcount; lack of software sales
16. Define new training experience
17. Big push to virtual training, high registrations, high % no-shows.
18. Finance Department!
19. Adapt new learning modalities and develop competitive offerings in our core business which are already available for the new technologies; Online versus ILT
20. Local Sales teams not selling training properly; local Partners not selling training properly
21. Filling public class seats; Introducing mentored self-study programs
22. Transitioning public class delivery across EMEA outside of the UK to total partner delivery
23. Marketing all the changes correctly; Managing so many learning partners
24. Continuing integration efforts
25. Lowering revenue, loss of instructors
26. Hiring

27. Not enough delivery resources to meet demand; Transitioning our training programs from on premise or single tenant SaaS to a strategy to support multi-tenant systems poses both technical challenges as well as other issues related to keeping up with more frequent changes.

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

1. US seeing very different business to EMEA.
2. That digital badging is changing the landscape.
3. The drive to Digital continues and remains our sore focus for Cloud products
4. Customers are willing to spend on training still - good market
5. A great quarter
6. Training revenues are seeing a 20-30% drop in classroom delivered training in the UK. Germany is increasing. Brexit?