

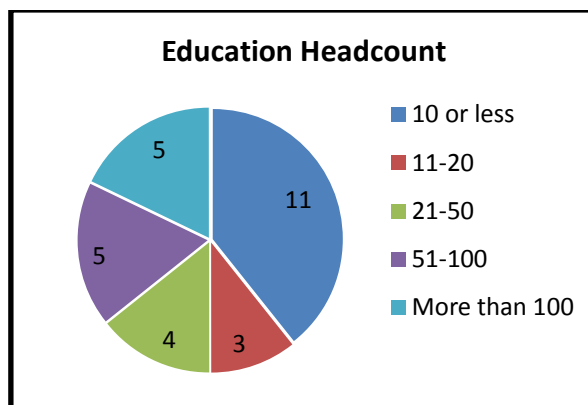
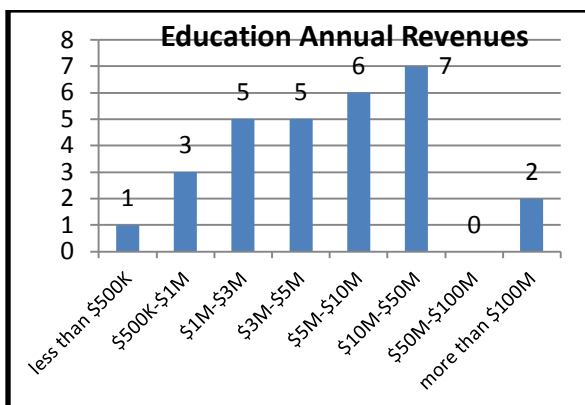
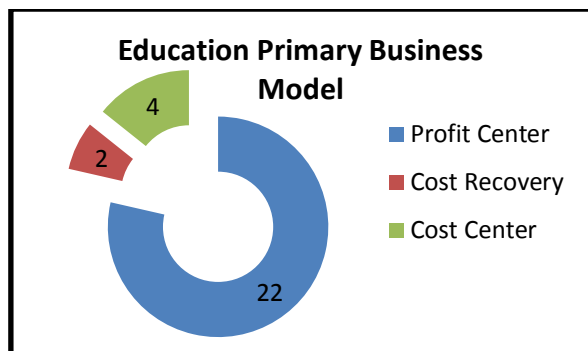
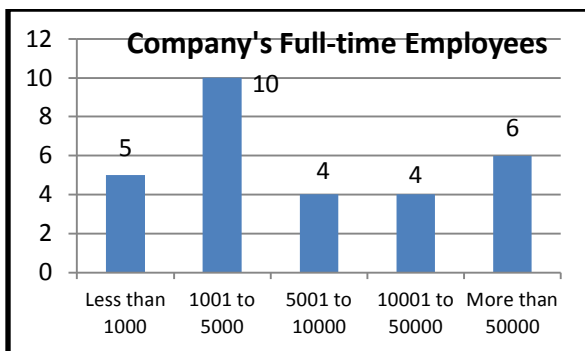
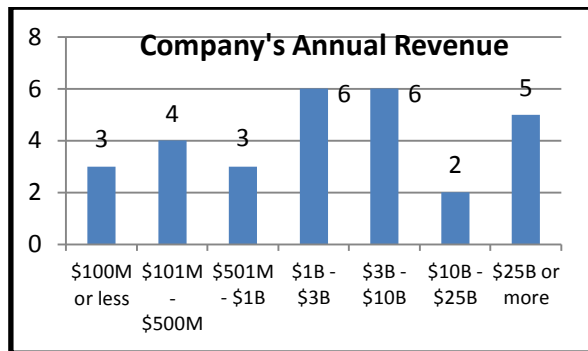
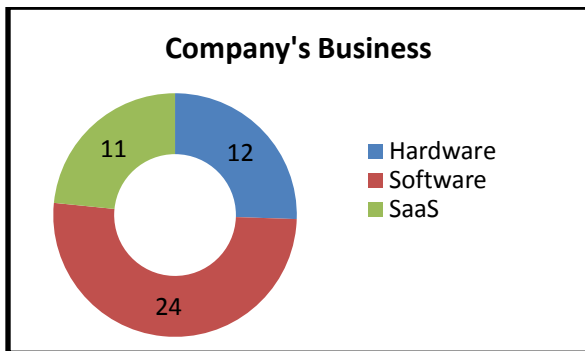
## CEdMA Europe Market Barometer

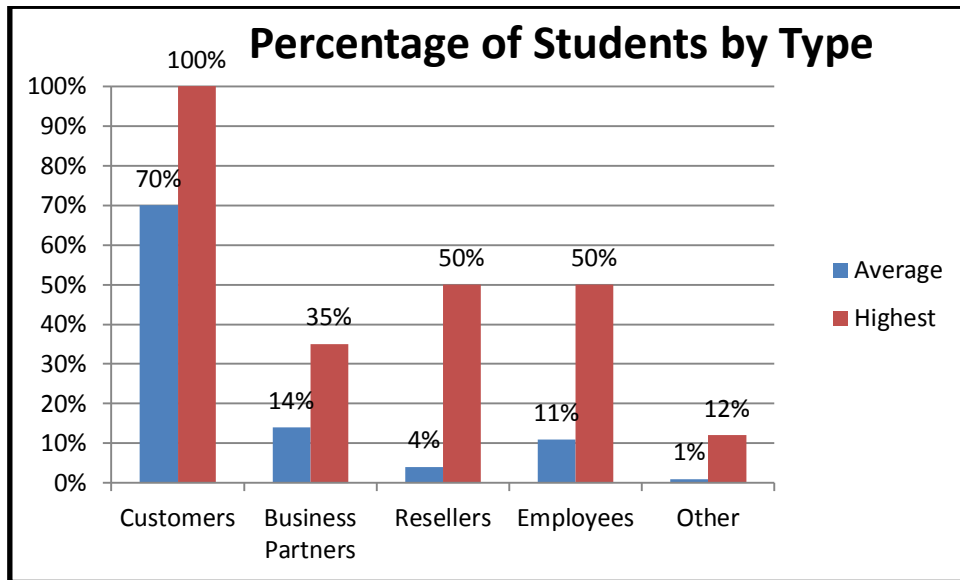
### 4<sup>th</sup> Quarter 2012 and forecast for 1<sup>st</sup> Quarter 2013

#### Introduction

This report is compiled by CEdMA Europe for its members and is based on 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 has changed for 11Q4 and so the previous quarter numbers 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.

This report for 12Q4 actuals and 13Q1 forecast is based on input from 29 companies, whose profiles are as follows:



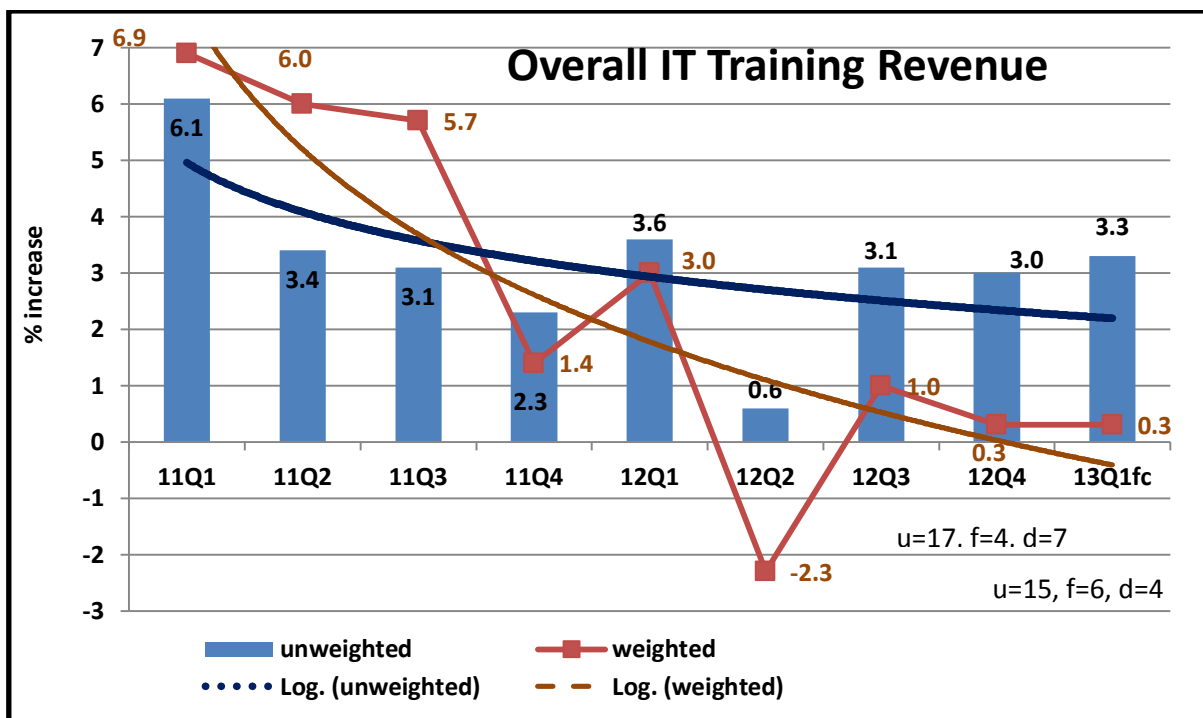


## Training Revenue

Note that in all these charts, u/f/d is the number of members reporting up/flat/down, respectively.

Total Training Revenue	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
unweighted	6.1%	3.4%	3.1%	2.3%	3.6%	0.6%	3.1%	3.0%	3.3%
weighted	6.9%	6.0%	5.7%	1.4%	3.0%	(2.3%)	1.0%	0.3%	0.3%

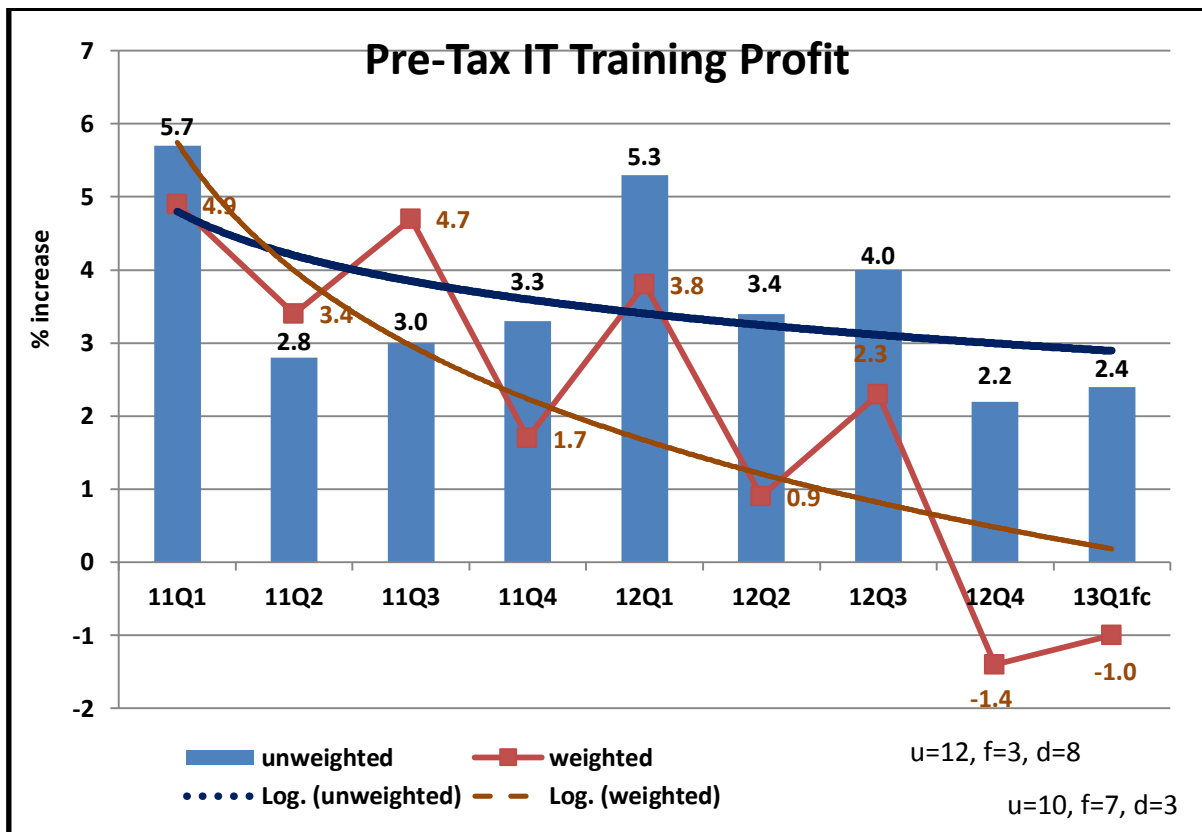
The unweighted total training revenue grew 3.0% in 12Q4 against a forecast in the last report of 1.0%. When considering the weighted numbers, there was a rise of only 0.3% against a forecast of 1.0% decrease last time. The forecasts for 13Q1 show a 3.3% increase for unweighted and a 0.3% increase for weighted. The logarithmic moving averages show a steady fall in the revenue increase, just going negative when size of company is taken into account.



# Training Profit

Pre-Tax IT Training Profit	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
unweighted	5.7%	2.8%	3.0%	3.3%	5.3%	3.4%	4.0%	2.2%	2.4%
weighted	4.9%	3.4%	4.7%	1.7%	3.8%	0.9%	2.3%	(1.4%)	(1.0%)

The unweighted total training profit grew 2.2% in 12Q4, slightly better than the forecast in the last report of 1.9%. But, with the weighted numbers, there was a decrease of 1.4% against a forecast of 0.5% increase last time. The unweighted forecast for 13Q1 is 2.4%. However, the weighted forecast stays negative at 1.0%. The moving averages for profit also show a steady decline in the size of increases, steeper when size is taken into account.

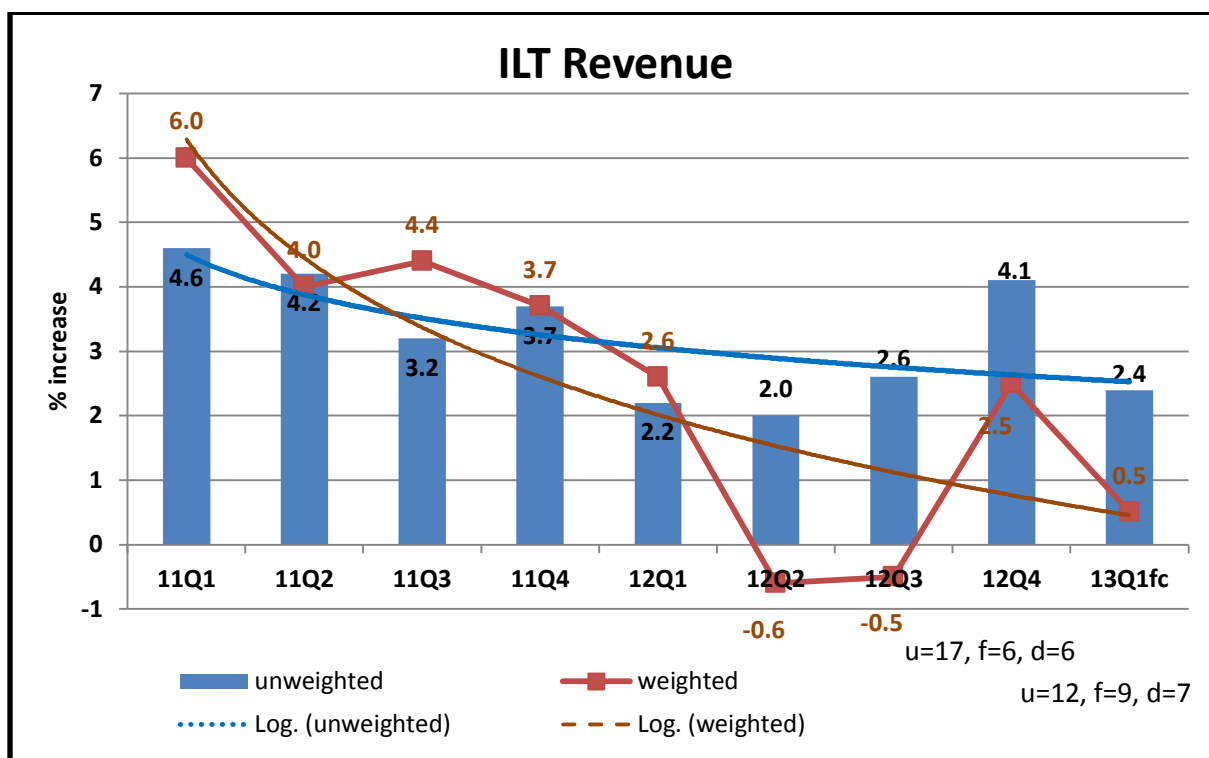


# Instructor-led Training

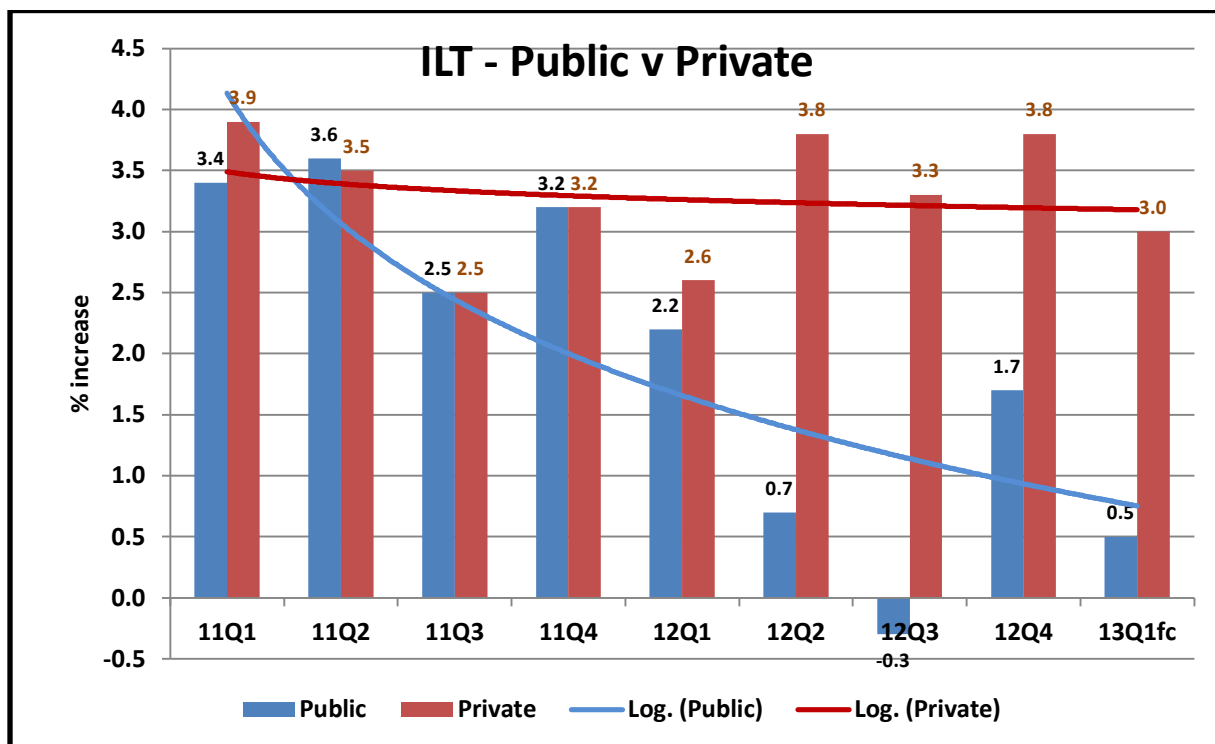
The public (scheduled) business increases are declining slowly, whereas the private (one-customer) revenues are holding on to their increases quarter by quarter.

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
End-user	1.1%	4.9%	1.8%	1.0%	1.3%	(0.4%)	5.0%	4.2%	
Technical	4.5%	3.9%	3.1%	4.4%	3.2%	1.3%	3.4%	5.0%	
Personal, Professional and Business Skills	0.9%	0.6%	0.5%	0.8%	1.6%	1.9%	1.0%	2.1%	
Public (scheduled)	3.4%	3.6%	2.5%	3.2%	2.2%	0.7%	(0.3%)	1.7%	0.5%
Onsite (one-customer)	3.9%	3.5%	2.5%	3.2%	2.6%	3.8%	3.3%	3.8%	3.0%
Total ILT Revenue – unweighted	4.6%	4.2%	3.2%	3.7%	2.2%	2.0%	2.6%	4.1%	2.4%
Total ILT Revenue - weighted	6.0%	4.0%	4.4%	3.7%	2.6%	(0.6%)	(0.7%)	2.5%	0.5%

This chart below clearly shows that ILT revenue has been the main cause of lower overall training revenue. The unweighted 12Q4 increase of 4.1% is higher than that predicted in the last report (1.4%). The weighted number is an increase of 2.5% against a forecast decrease of 0.8%. So maybe the fourth quarter push in 2012 was much better than expected. The unweighted forecast for 13Q1 shows a small increase, with the weighted showing flat. The moving averages show a steady decline in increases with the weighted line being steeper.



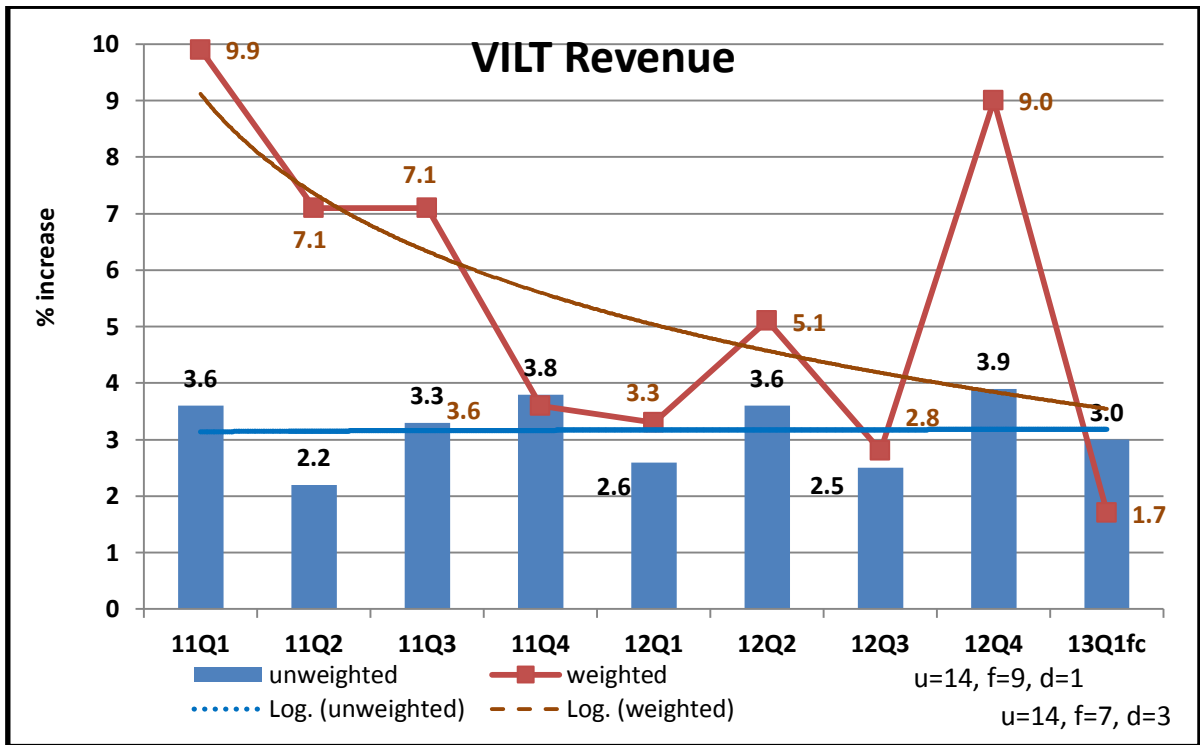
We are now asking you to forecast both public and private classes and now have enough history to show that while private ILT classes show a steady increase, public ILT classes are trending towards flat.



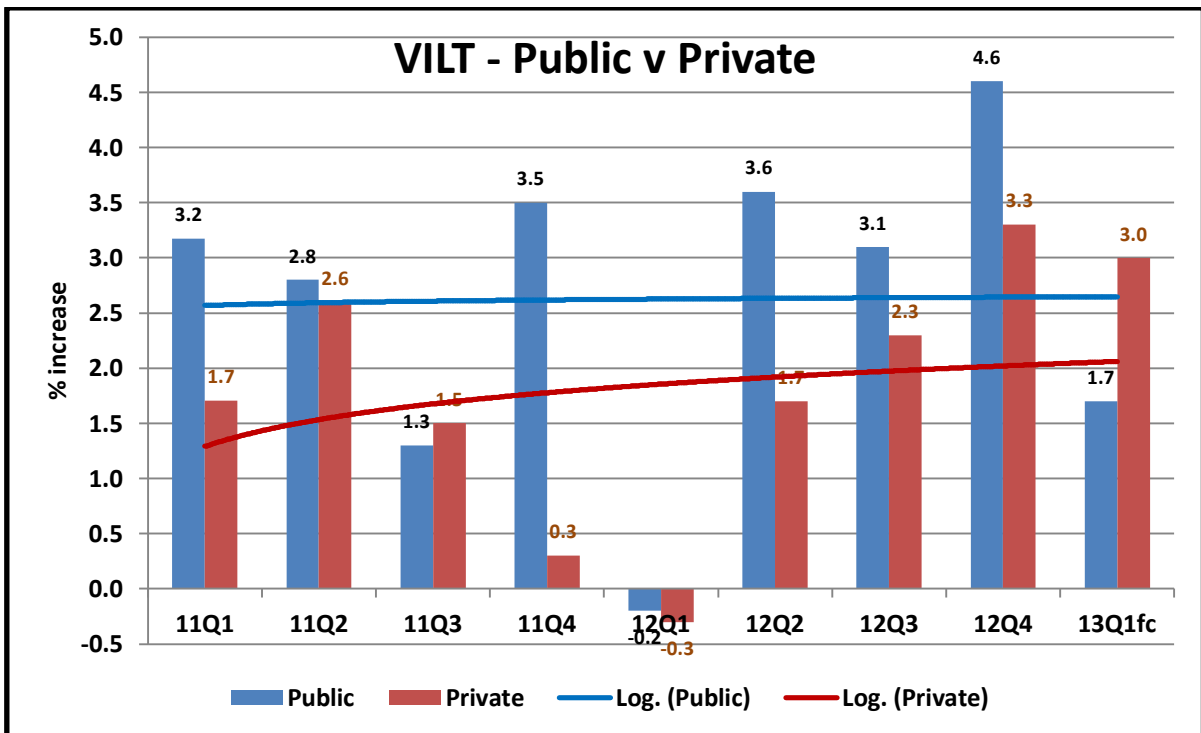
## Virtual Instructor-led Training

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
End-user	1.7%	0.6%	2.0%	1.3%	3.9%	3.3%	0.6%	6.7%	
Technical	2.1%	2.5%	2.5%	4.8%	2.4%	3.6%	3.2%	6.1%	
Personal, Professional and Business Skills	0.4%	(0.2%)	(0.1%)	0.5%	0.0%	0.0%	0.0%	3.1%	
Public (scheduled)	3.2%	2.8%	1.3%	3.5%	0.7%	3.6%	3.1%	4.6%	1.7%
Onsite (one-customer)	1.7%	2.6%	1.5%	0.3%	1.0%	1.7%	2.3%	3.3%	3.0%
Total VILT Revenue – unweighted	3.6%	2.2%	3.3%	3.8%	2.6%	3.6%	2.5%	3.9%	3.0%
Total VILT Revenue - weighted	9.9%	7.1%	7.1%	3.6%	3.3%	5.1%	2.8%	9.0%	1.7%

On the other hand, VILT is still buoyant. The unweighted increase of 3.9% exceeded the 3.1% forecast in the last report. The weighted increase of 9.0% also was much higher than the 1.9% forecast. The forecasts for 13Q1 suggest a steady increase. The moving average for the unweighted line is almost constant at around a 3% increase. However, the weighted line shows lower increases over time, perhaps reflecting that the larger companies were using VILT earlier and hence more successful. Note that 9 of the 29 responders are not yet using VILT.



We are now asking you to forecast both public and private classes and now have enough history to show that both public and private VILT classes show a consistent steady increase, apart from the 'blip' in 12Q1.



# Learning Technologies Revenue

**Generic Content** includes generic courseware, templates, and models.

**Tools** include authoring, performance support, virtual labs, simulation, collaboration, modelling, and assessment tools.

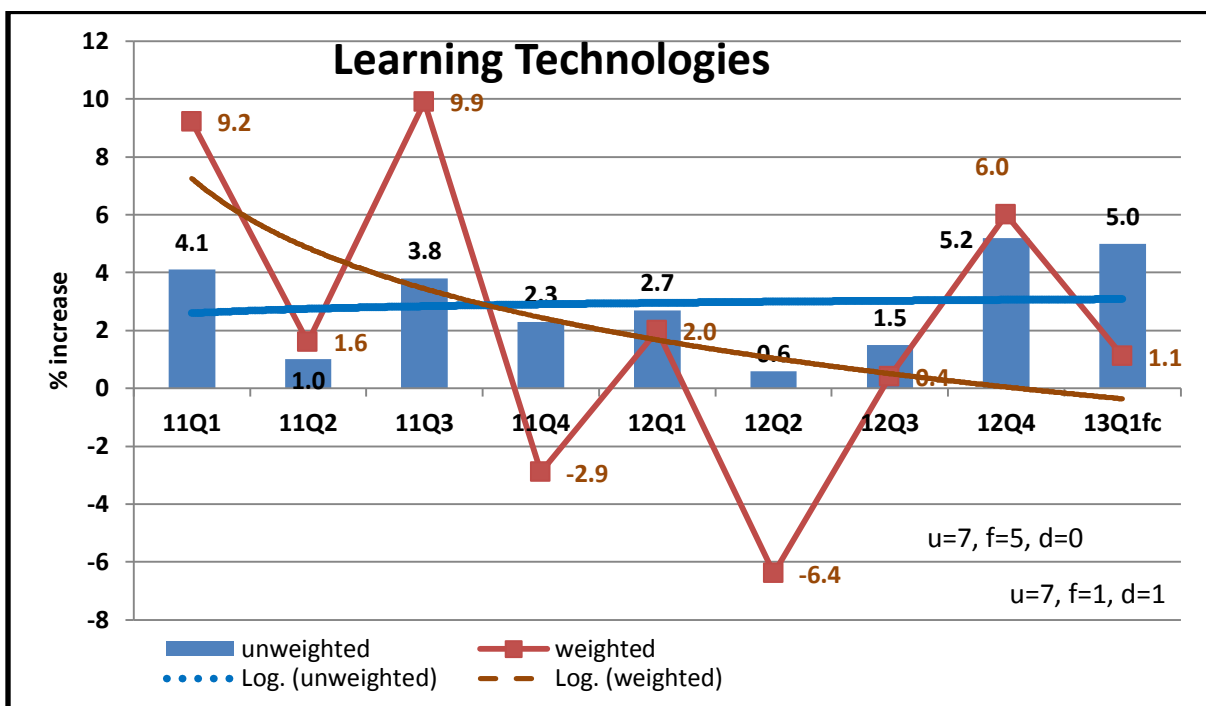
**Infrastructure** includes LMS/ LCMS/CLS, enterprise content management, performance management, competence management, e-skills portfolio management, social networks

**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.

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	
Generic Content	4.9%	2.1%	2.6%	1.7%	1.5%	2.5%	3.1%	5.7%	
Tools	1.6%	3.1%	3.5%	(1.3%)	1.8%	(1.5%)	4.4%	5.0%	
Infrastructure	1.0%	1.3%	3.1%	2.5%	1.5%	0.8%	0.0%	3.9%	
Development	1.8%	1.9%	1.9%	2.5%	2.5%	(0.6%)	0.8%	4.3%	
Consultancy	3.0%	1.1%	2.7%	4.5%	5.0%	(0.5%)	1.6%	4.6%	
Total Learning Technologies – unweighted	4.1%	1.0%	3.8%	2.3%	2.7%	0.6%	1.5%	5.2%	5.0%
Total Learning Technologies – weighted	9.2%	1.6%	9.9%	(2.9%)	2.0%	(6.4%)	0.4%	6.0%	1.1%

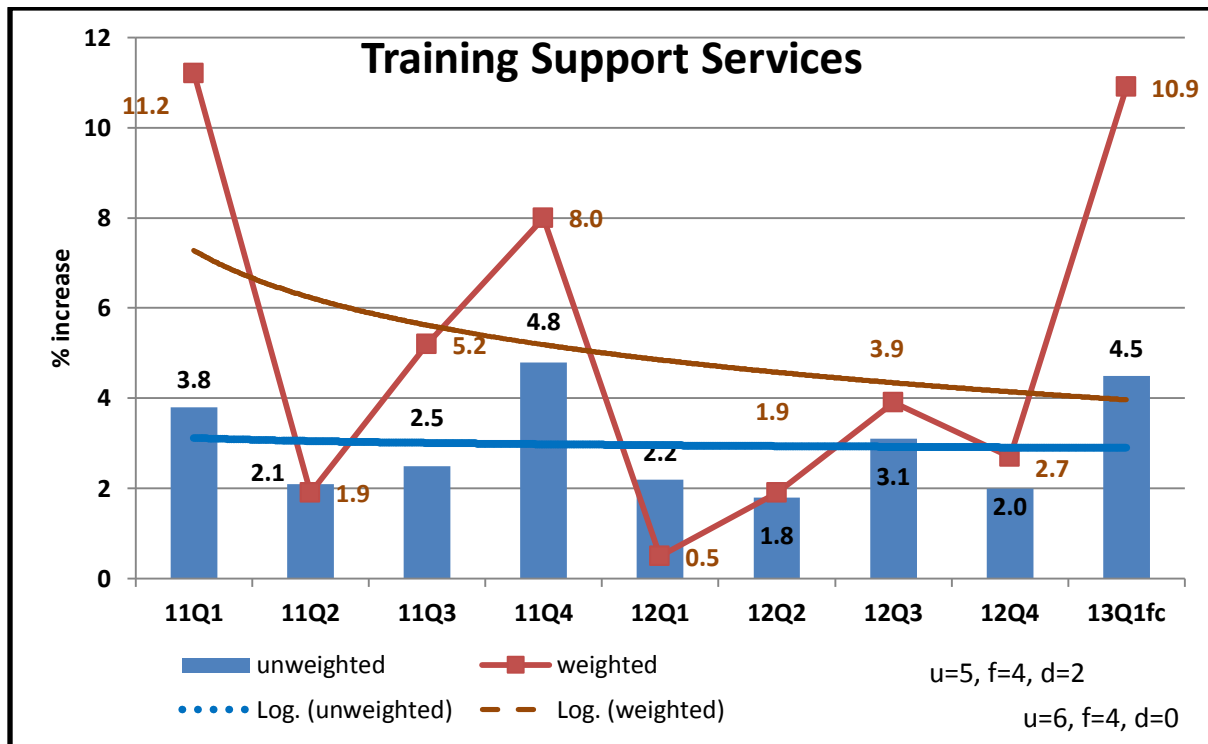
There are only 12 companies reporting activity in this area. The forecasts in the last report were 3.6% and 2.7% increases for unweighted and weighted, respectively, and the results for 12Q4 are 5.2% and 6.0%. The forecast for 13Q1 is an increase of 5.0%, with weighted at 1.1%. Also note that the generic content increase has always been positive with an average of 3.0%. While the unweighted moving average is around 3%, the weighted moving average is trending to flat.



# Training Support Services

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
Outsourcing/Managed Training Services	1.0%	3.0%	1.7%	5.0%	0.4%	2.1%	5.0%	2.9%	
TNA and pre-training consultancy	4.8%	0.3%	1.6%	4.1%	4.3%	1.9%	4.8%	1.7%	
Evaluation and post-training consultancy	1.8%	0%	2.0%	3.3%	1.5%	1.6%	6.0%	0.0%	
Total - unweighted	3.8%	2.1%	2.5%	4.8%	2.2%	1.8%	3.1%	2.0%	4.5%
Total - weighted	11.2%	1.9%	5.2%	8.0%	0.5%	1.9%	3.7%	2.7%	10.9%

There are only 11 companies reporting activity in this area and so the quarterly figures may be affected a lot by a single input. The forecasts in the last report were both 3.9% increases for unweighted and weighted, respectively. However, the results for 12Q4 were 2.0% and 2.7%. The forecasts for 13Q1 are much higher and show increases of 4.5% and 10.9% for unweighted and weighted, respectively. The moving average for unweighted is now flat at an increase around 3% but showing a lessening increase down to 4% for weighted,

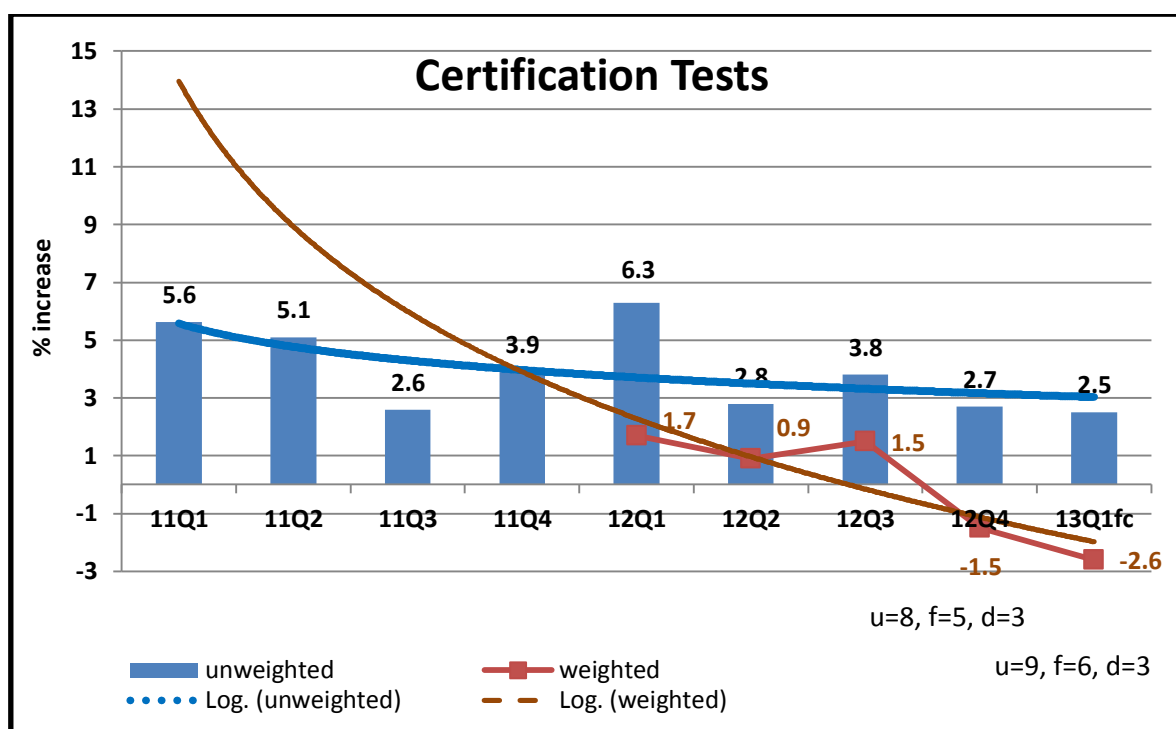




## Certification Tests Administered

Certification	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
Unweighted	5.6%	5.1%	2.6%	3.9%	6.3%	2.8%	3.8%	2.8%	2.5%
Weighted					1.7%	0.9%	1.5%	0.5%	(2.6%)

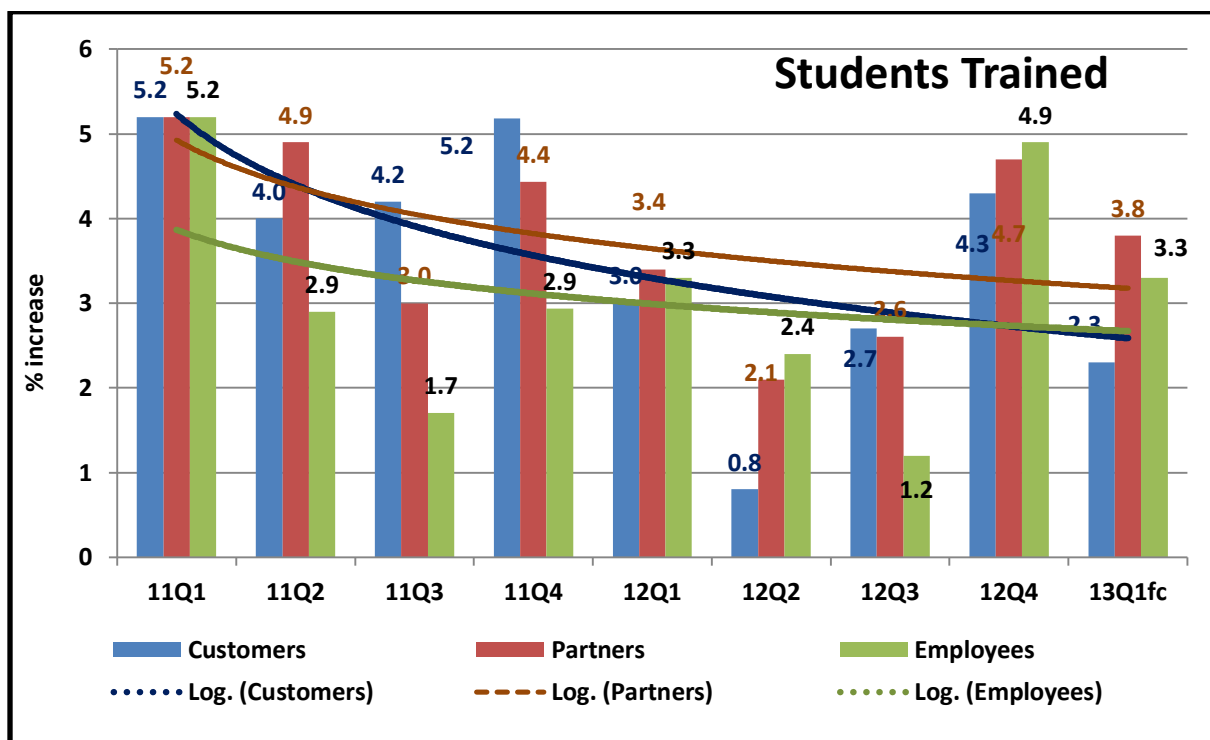
Overall, certification has averaged an increase of 4% per quarter, although the moving average shows that it's getting slightly smaller over time. We calculated the weighted scores only recently and these show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases. Note that 18 out of 29 companies offer certification.



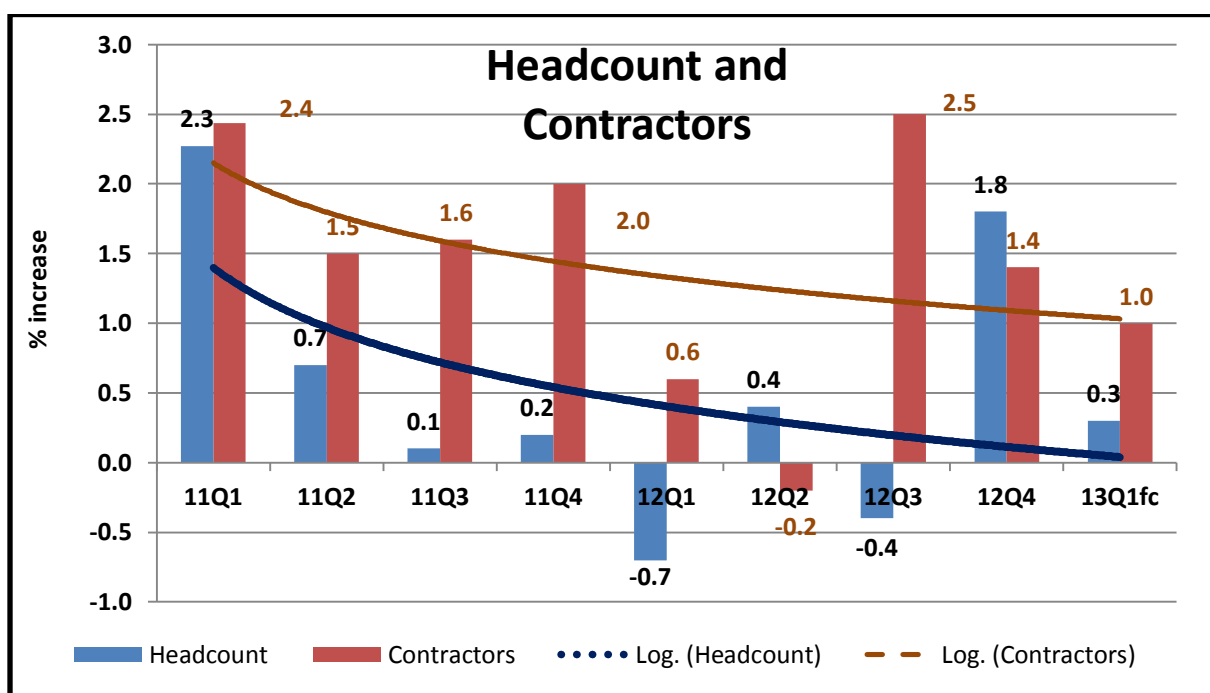
## Miscellaneous

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1fc
Overall number of Customer Students	5.2%	4.0%	4.2%	5.2%	3.0%	0.8%	2.7%	4.3%	2.3%
Overall number of Partner Students	5.2%	4.9%	3.0%	4.4%	3.4%	2.1%	2.6%	4.7%	3.8%
Overall number of Internal Students	5.2%	2.9%	1.7%	2.9%	3.3%	2.4%	1.1%	4.9%	3.3%
Headcount (permanent)	2.3%	0.7%	0.1%	0.2%	(0.7%)	0.4%	(0.4%)	1.4%	0.3%
Contractors (short and long term)	2.4%	1.5%	1.6%	2.0%	0.6%	(0.2%)	2.5%	1.4%	1.0%
Instructor Utilisation - unweighted				3.4%	2.1%	2.2%	3.2%	2.9%	2.8%
Instructor Utilisation - weighted					2.6%	1.0%	1.7%	1.7%	(0.3%)

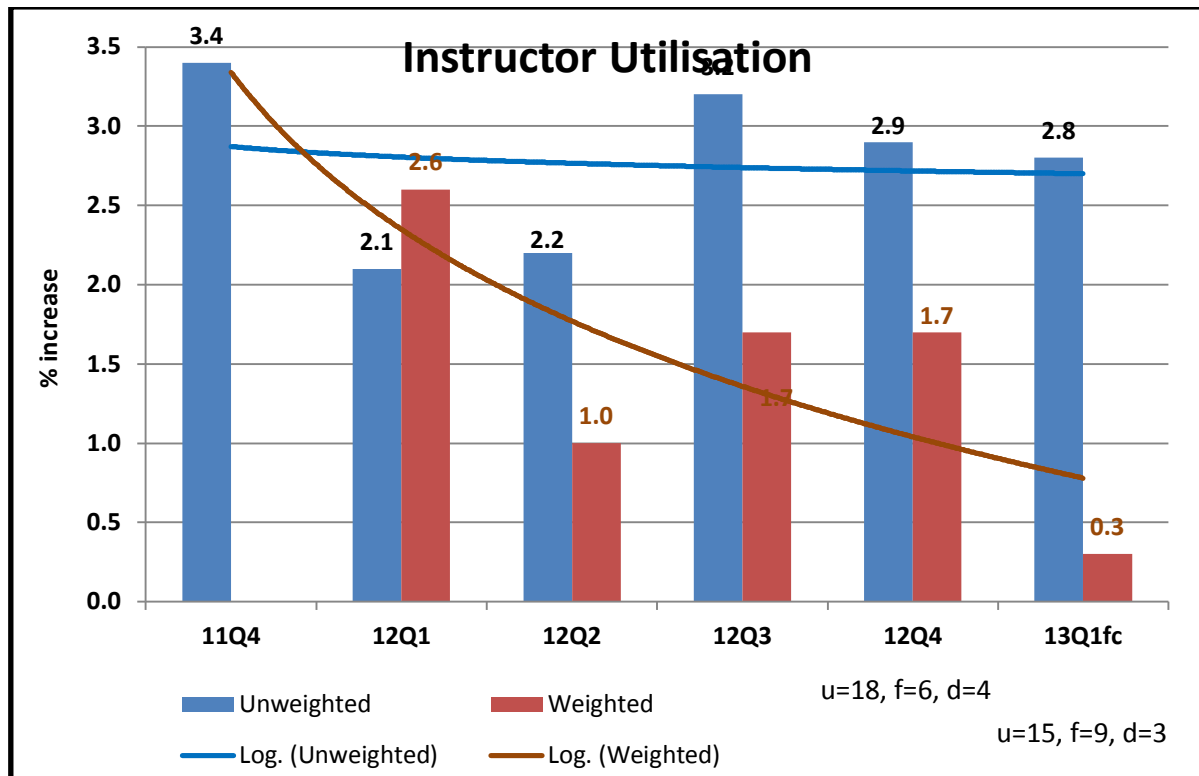
“Students trained” is broken out into customers, partners and employees. Compared to the last report, there has been a much higher increase in 12Q4, but with a slightly smaller forecast for 13Q1. They all show increases quarter on quarter, albeit smaller over time, as shown by the moving averages.



Permanent headcount bounced back in 12Q4 against a forecast of flat. Flat is forecast for 13Q1. Contractors grew 1.4% in 12Q4 against a forecast of 1.3%. An increase of 1.0% is forecast for 13Q1. The moving averages are both showing a decline, with headcount movement going to flat. We had 27 responses on this topic for headcount, 26 for contractors.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 1.6% increase, weighted being flat. The 12Q4 result was 2.9% and 1.7% for unweighted and weighted, respectively, while the 13Q1 forecasts are 2.8% and 0.3%. These probably reflect the smaller increases in ILT revenue being seen by larger companies.



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

1. Virtual training: seems to be what customers and partners want more and more
2. Online VITL
3. Instructor led onsite Trainings
4. Onsite
5. Cloud Curriculum and Big Data
6. New product training are the only origin of training growth and not market growth
7. Storage, particularly in Emerging Markets and EUC migration deals
8. Mobility
9. Partner Education
10. Customisation and bespoke courses - so whilst we deliver less days the amount chargeable prep time has increased significantly.
11. Stayed flat - no increases
12. Education consultancy
13. Training relative to new product releases; Training in support of partner programmes; Training in support of certification initiatives
14. Training of Partners
15. Embedded Linux
16. Application Performance Management
17. Sys Admin
18. Virtual Learning and Private Events (in some areas by 180%)
19. e-Learning - only because we didn't give the customer an ILT alternative.

20. BI; Primavera
21. B2B
22. Online partner training
23. Public Schedule
24. Onsite Training and Training Units (prepaid training credits) was strongly increasing the last 2 quarters
25. VILT
26. Self-paced; virtual classes
27. Training Technologies (Tools)

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

1. Instructor led training
2. Public in person
3. Courses with duration of more than 3 days
4. Public
5. Technical training on new products
6. Server, e-learning
7. Telepresence
8. In-Center business
9. Virtual training - we are still struggling to get traction with virtual. We end up cancelling virtual courses in order to switch them to classroom - they then sell. We will give virtual a big push in the next few months but if the uptake doesn't increase then we may withdraw virtual courses.
10. Repeat business which is also our more advanced courses
11. Public ILT
12. Internal Students; Customer Students
13. VxWorks
14. N/A
15. Advanced Development
16. Public Scheduled Classroom training for commoditized topics
17. ILT - only because of a product change which left no demand for a while
18. RAC & Grid; Java
19. MDM; Data Quality
20. User Adoption Services
21. Open enrollment numbers decreasing, mainly in France and the PIIGS states due to economic crises there
22. Physical classroom
23. End User deployment projects (1 major client roll-off which was planned)

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

1. We are building a new Education team, offering training to a range of products and consolidating our training under one umbrella; Part of acquisition
2. Keeping pace with product release & changes - both development of training material and skilling of instructors
3. Trying to complete an LMS; Integrating different parts of our system with the LMS
4. Budget and resources
5. Resourcing Q4 bubble
6. Having sales selling training as an enabler of "new technology introduction" enabler; Monitor the ROI of training investments to key customers
7. Budget constraints and OPEX investment continue to be major inhibitors; Scaling in line with the rest of the business in to Emerging Market region
8. Customer Budget and Margin
9. Weak economy - reduced spending on training; Competition
10. Resourcing - having the right trainers available to meet demand. We are now cross training more trainers to reduce this. Constantly changing the schedule to accommodate ever changing customer requirements

11. Getting repeat business, drop off rate between basics and advanced
12. Maintaining and increasing public ILT; Being too dependent on attached product deals
13. Maintaining attention to training as important investment in skills despite the economic situation customers are facing.
14. Long decision times; Pressure on discounts
15. Export compliance and customer project activities
16. New LMS; Development of new courses
17. Speed to identify and ramp-up subcontract trainers; Changing behaviour of new license reps to engage Training early - huge growth in sales headcount means this is a constant need.
18. Maintaining operating profit during a decline in the traditional classroom business; Accelerating the revenue growth of the non-traditional education business (elearning, virtual etc)
19. I need to write more courses than I have developers for; Remote lab technology
20. Recruiting and on-boarding new sales heads; Motivating partners to sell more than just ILT that they deliver
21. Internal re-organisation of Sales; Grey market
22. Introduction of a partner program, massive demand spikes
23. Lack of Training Budgets; Economy
24. Get the admin team work with more customer focus in mind and less transactional; Keep corporate sales team selling training - adding more BUs, means more internal competition for "attention time" of the sales reps.
25. Working with resellers who want to do less and have more discount
26. Company product sales down, directly impacting training sales plus headcount reductions
27. Re-balancing Scandinavian operations

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

1. We have seen our training revenues double in the last quarter, the trend this quarter is the same
2. Need to understand if training market grows or if the new product rollout wave intrinsically generates more growth by itself
3. In addition to this dashboard report, what would help me would be to be able to confidently show back to my business further examples of how vendor training orgs are performing in the EMEA market. A snapshot view would be good or existing whitepapers that I am not aware of would be also useful.
4. Trend that people want to do more "on their own" with more flexibility, such as e-Learning, Mentoring, TTT
5. More and more larger customers want content to be customised to their specific requirements. Other customers are very focused on costs and are looking to be able to demonstrate discounts.
6. Developing a partner certification program was and is a challenge
7. Ever increasing demand for private, onsite workshops; Customers still want ILT despite same curriculum in self-study format; VILT demand increasing
8. We are on the cusp of major change within the learning market.
9. Unpredictable
10. Overall we are still a growth company, but as ever there are ebbs and flows over where the revenue comes from - both geographically and in terms of business line.7