CEdMA Europe Market Barometer

1st Quarter 2013 and forecast for 2nd Quarter 2013

Introduction

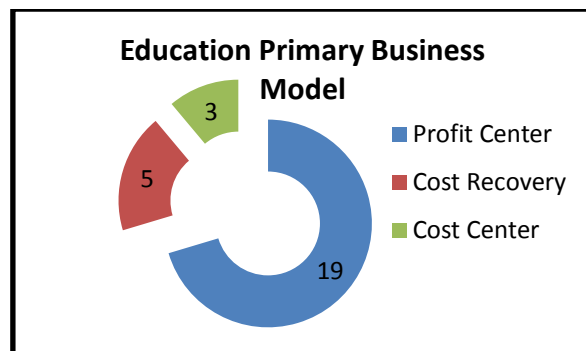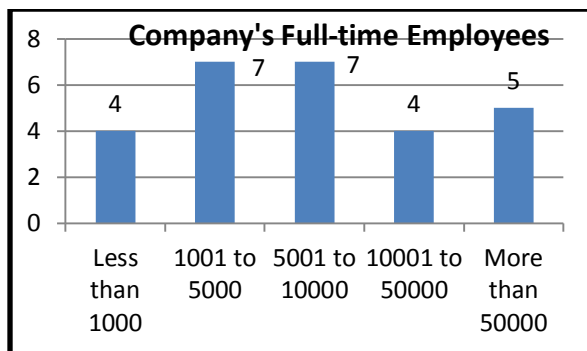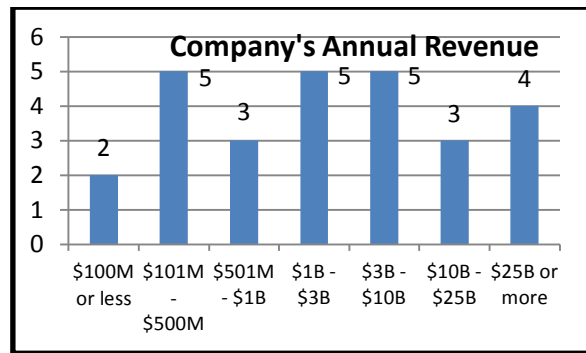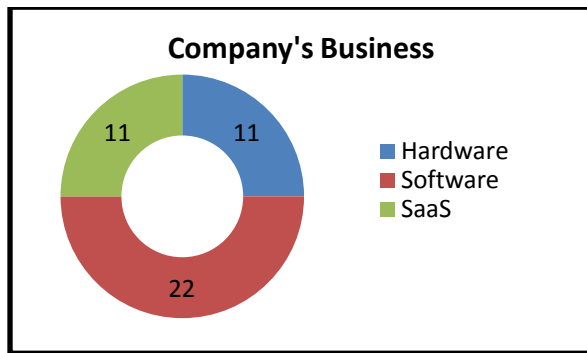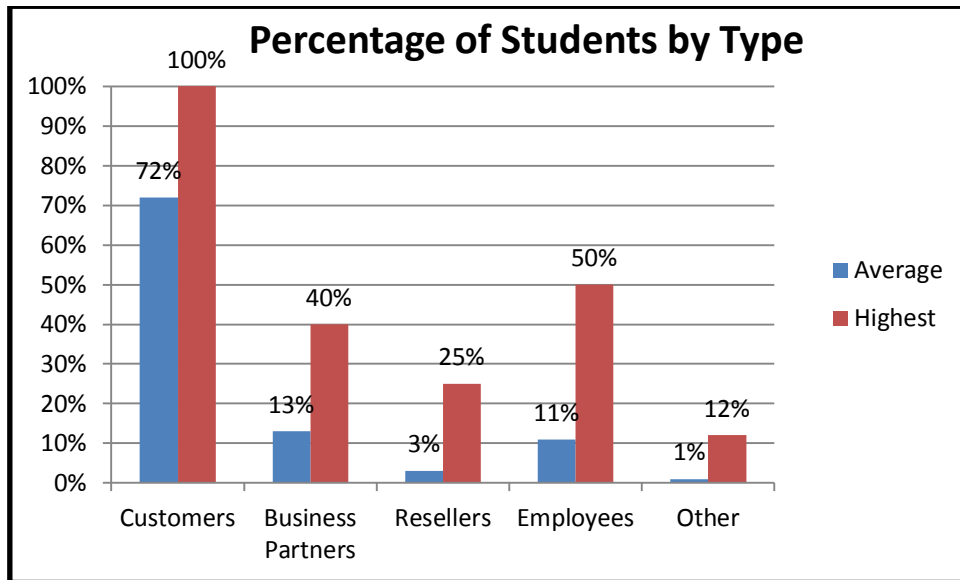This report is compiled by CEdMA Europe for its members and is based on input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +- 12.5%. Please note that has changed for 11Q4 and so the previous quarter numbers have been adjusted accordingly to be consistent with 11Q4 and going forward. Revenue refers to training services delivered in the quarter and not future bookings.

This report for 13Q1 actuals and 13Q2 forecast is based on input from 27 companies, whose profiles are as follows:

Company's Business — Hardware 11, Software 22, SaaS 11

Company's Annual Revenue — $100M or less: 2; $101M - $500M: 5; $501M - $1B: 3; $1B - $3B: 5; $3B - $10B: 5; $10B - $25B: 3; $25B or more: 4

Company's Full-time Employees — Less than 1000: 4; 1001 to 5000: 7; 5001 to 10000: 7; 10001 to 50000: 4; More than 50000: 5

Education Primary Business Model — Profit Center 19, Cost Recovery 5, Cost Center 3

Education Annual Revenues — less than $500K: 1; $500K-$1M: 4; $1M-$3M: 3; $3M-$5M: 5; $5M-$10M: 5; $10M-$50M: 6; $50M-$100M: 0; more than $100M: 2

Education Headcount — 10 or less: 9; 11-20: 3; 21-50: 6; 51-100: 5; More than 100: 4

Percentage of Students by Type

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 1.8% in 13Q1 against a forecast in the last report of 3.3%. When considering the weighted numbers, there was a decrease of 1.1% against a forecast of 0.3% increase last time. The forecasts for 13Q2 show a 1.4% increase for unweighted and a 0.3% increase for weighted. The 4-period moving averages show a level 2-3% in the unweighted revenue increase, but going negative when size of company is taken into account.
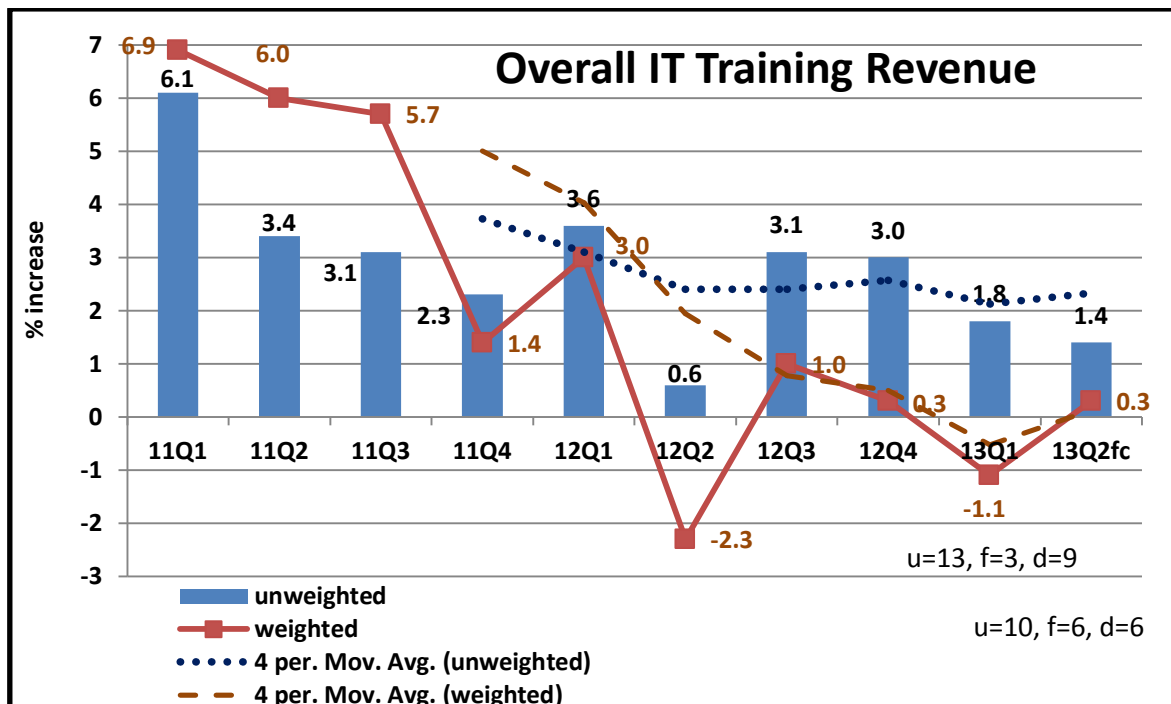
Training Profit

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 3.3% in 13Q1, slightly better than the forecast in the last report of 2.4%. But, with the weighted numbers, there was a decrease of 0.7% against a forecast of 1.0% decrease last time. The unweighted forecast for 13Q1 is 2.1%. However, the weighted forecast returns to positive at 0.6%. The 4-period moving averages for profit shows a level 3-4% increase when unweighted but declining to zero when weighted.

Pre-Tax IT Training Profit

- unweighted
- weighted
- 4 per. Mov. Avg. (unweighted)
- 4 per. Mov. Avg. (weighted)

u=11, f=2, d=5

u=8, f=7, d=4
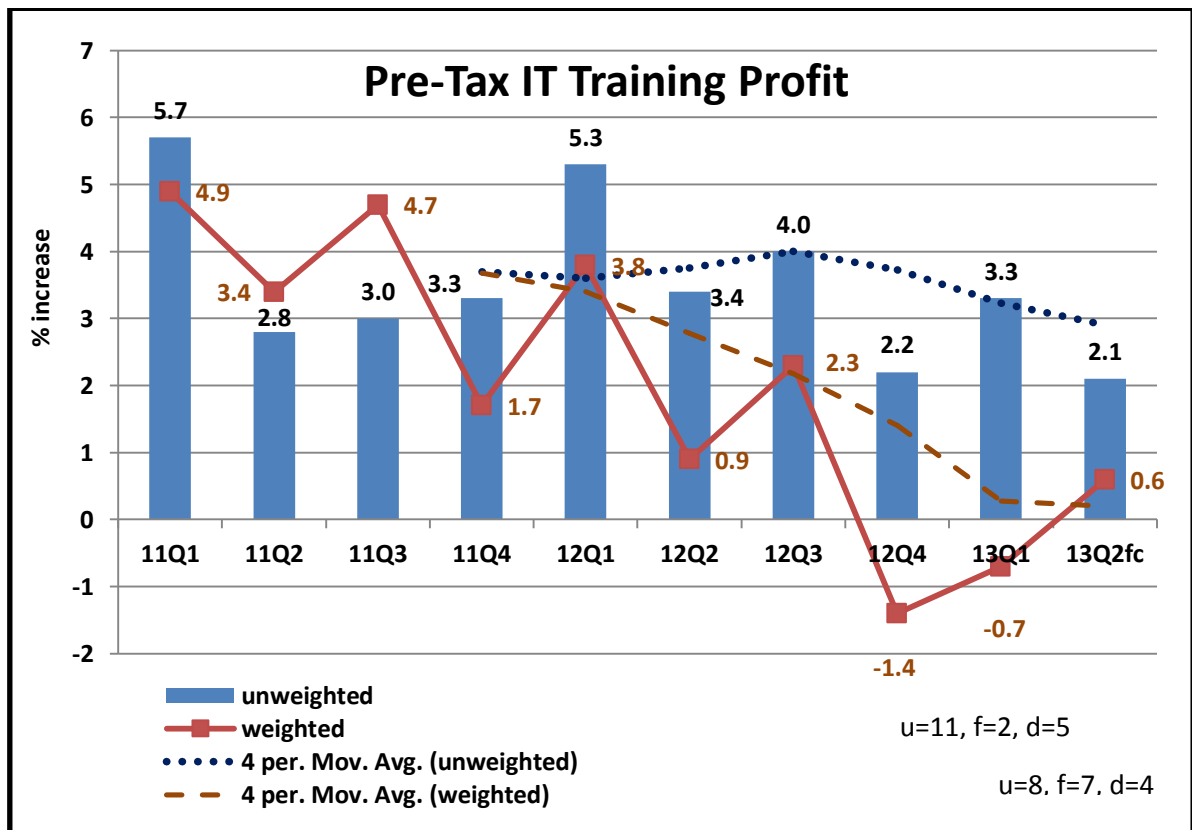
Instructor-led Training

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

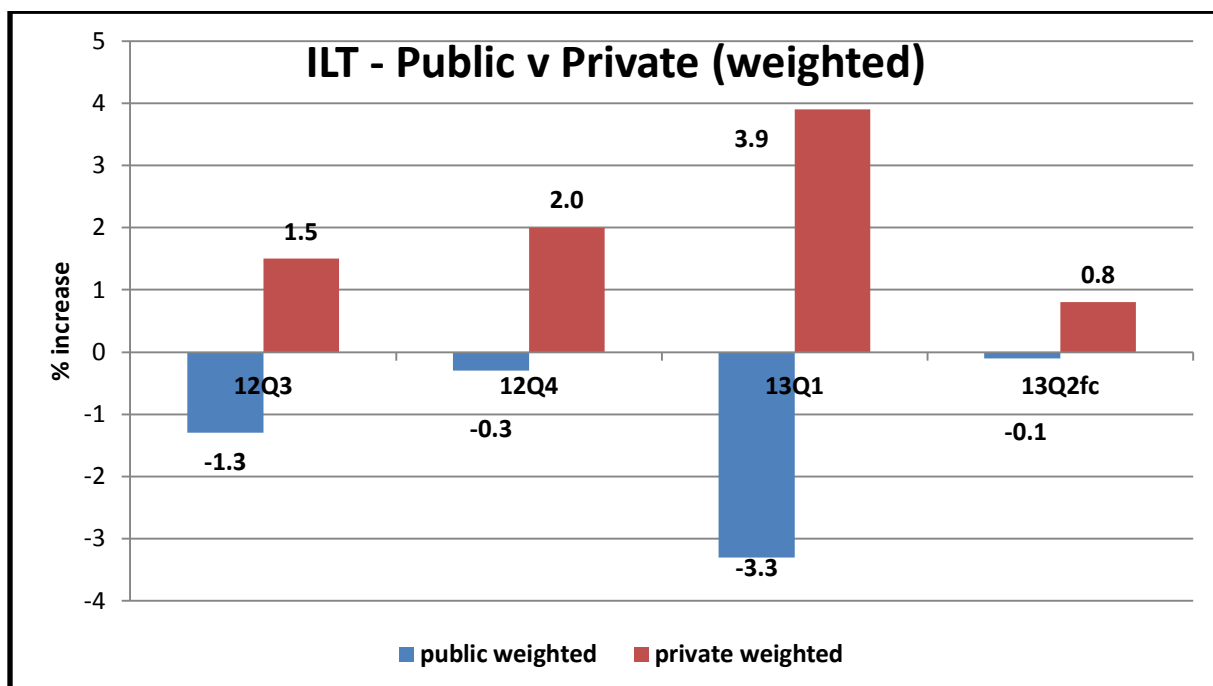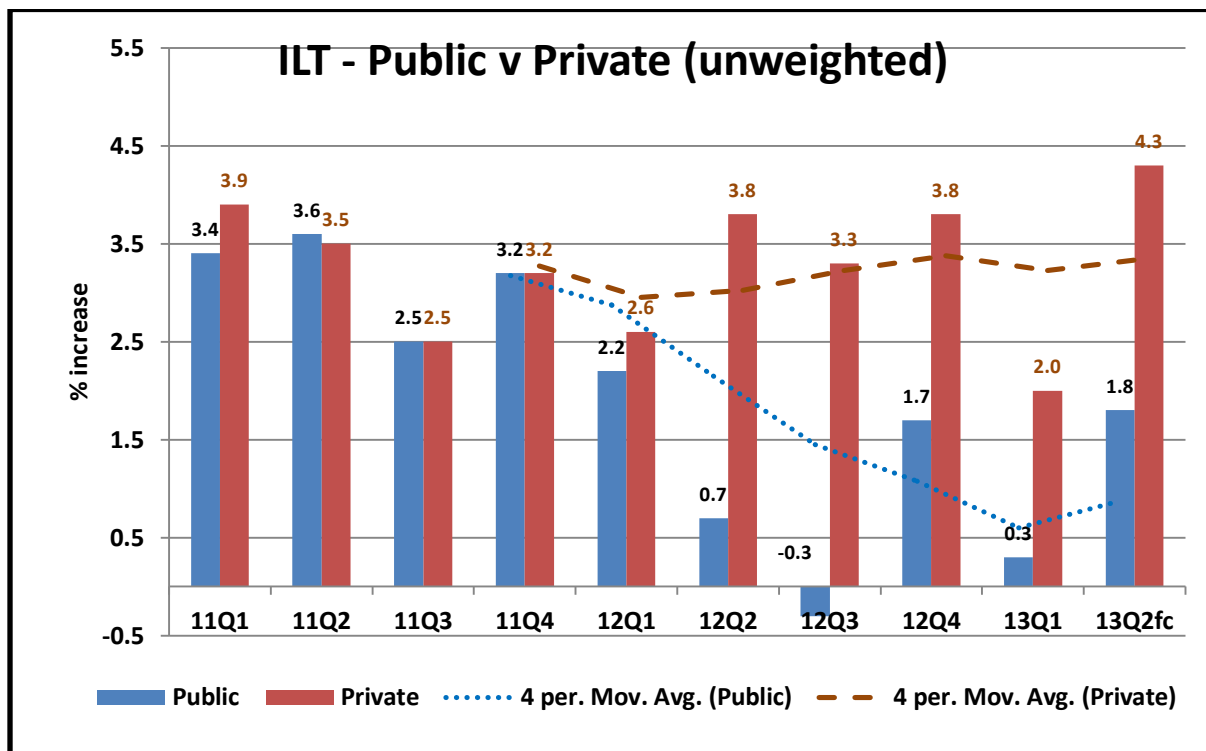| Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2 fc
End-user	1.1	4.9	1.8	1.0	1.3	(0.4)	5.0	4.2	3.8	
Technical	4.5	3.9	3.1	4.4	3.2	1.3	3.4	5.0	4.8	
Personal, Professional and Business Skills	0.9	0.6	0.5	0.8	1.6	1.9	1.0	2.1	3.2	
Public (scheduled)	3.4	3.6	2.5	3.2	2.2	0.7	(0.3)	1.7	0.3	1.8
Onsite (one-customer)	3.9	3.5	2.5	3.2	2.6	3.8	3.3	3.8	4.4	4.3
Total ILT Revenue – unweighted	4.6	4.2	3.2	3.7	2.2	2.0	2.6	4.1	2.6	3.4
Total ILT Revenue - weighted	6.0	4.0	4.4	3.7	2.6	(0.6)	(0.7)	2.5	(1.4)	(1.7)

The unweighted 13Q1 increase of 2.6% compares well with 2.4% predicted in the last report. The weighted number is a decrease of 1.4 % against a forecast increase of 0.5%. The unweighted forecast for 13Q2 shows an increase 3.4%, with the weighted showing a decrease of 1.7%. The 4-point moving averages show flat for unweighted at 2-3% but a decline down to flat for weighted.
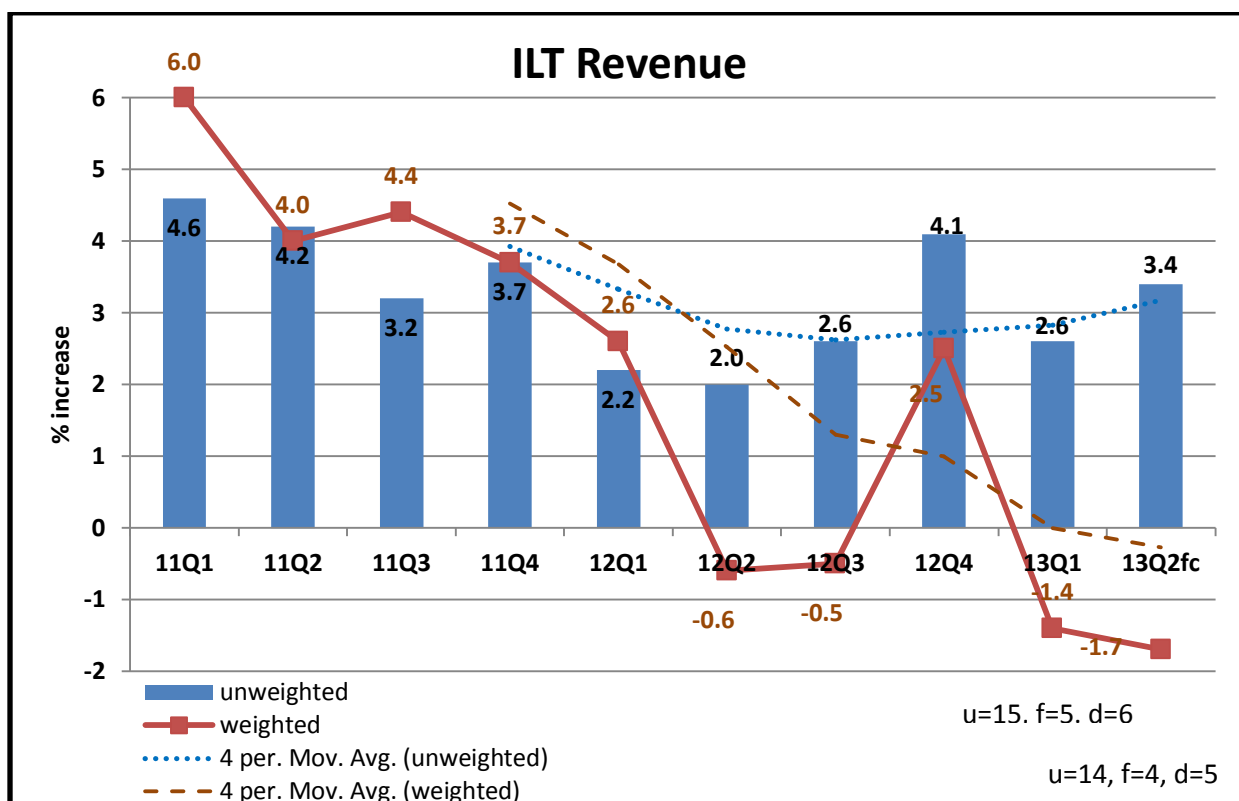
We are now asking you to forecast both public and private classes and now have enough history to show that while private ILT classes show a steady increase of around 3% by quarter, public ILT classes are trending towards flat when unweighted.

The weighted results are rather different, with all private data points showing increases with all public data points showing decreases.

Blah

Virtual Instructor-led Training

Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2 fc
End-user	1.7	0.6	2.0	1.3	3.9	3.3	0.6	6.7	3.1	
Technical	2.1	2.5	2.5	4.8	2.4	3.6	3.2	6.1	4.8	
Personal, Professional and Business Skills	0.4	(0.2)	(0.1)	0.5	0.0	0.0	0.0	3.1	2.5	
Public (scheduled)	3.2	2.8	1.3	3.5	0.7	3.6	3.1	4.6	1.6	2.9
Onsite (one-customer)	1.7	2.6	1.5	0.3	1.0	1.7	2.3	3.3	1.0	3.5
Total VILT Revenue – unweighted	3.6	2.2	3.3	3.8	2.6	3.6	2.5	3.9	3.5	3.2
Total VILT Revenue - weighted	9.9	7.1	7.1	3.6	3.3	5.1	2.8	9.0	3.0	2.6

VILT is still buoyant. The unweighted increase of 3.5% exceeded the 3.0% forecast in the last report. The weighted increase of 3.0% also was higher than the 1.7% forecast. The forecasts for 13Q2 suggest a steady increase. The moving average for the unweighted line is almost constant at around a 3% increase whereas the weighted line shows increases around 4-5%, perhaps reflecting that the larger companies were using VILT earlier and hence more successful. Note that 7 responders are not yet using VILT.
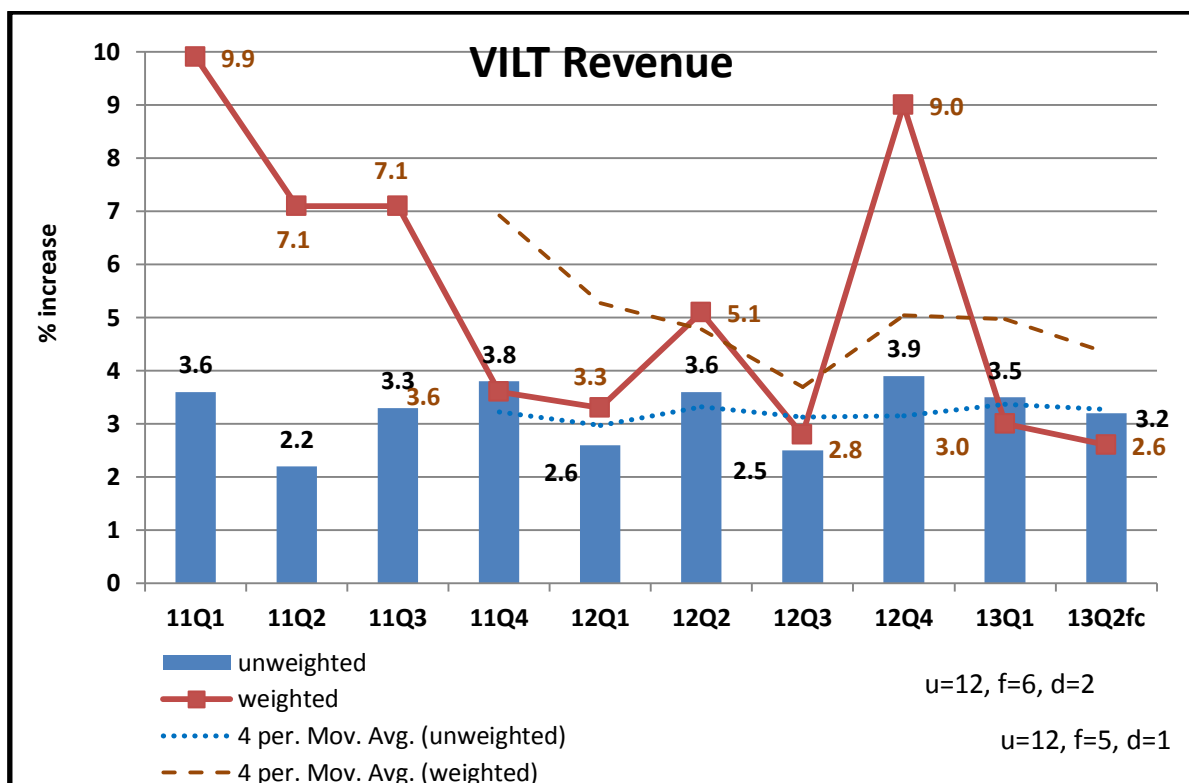
We are now asking you to forecast both public and private classes and now have enough history to show that both public and private VILT classes show a consistent steady increase, apart from the 'blip' in 12Q1.

VILT - Public v Private Unweighted

VILT - Public v Private (weighted)
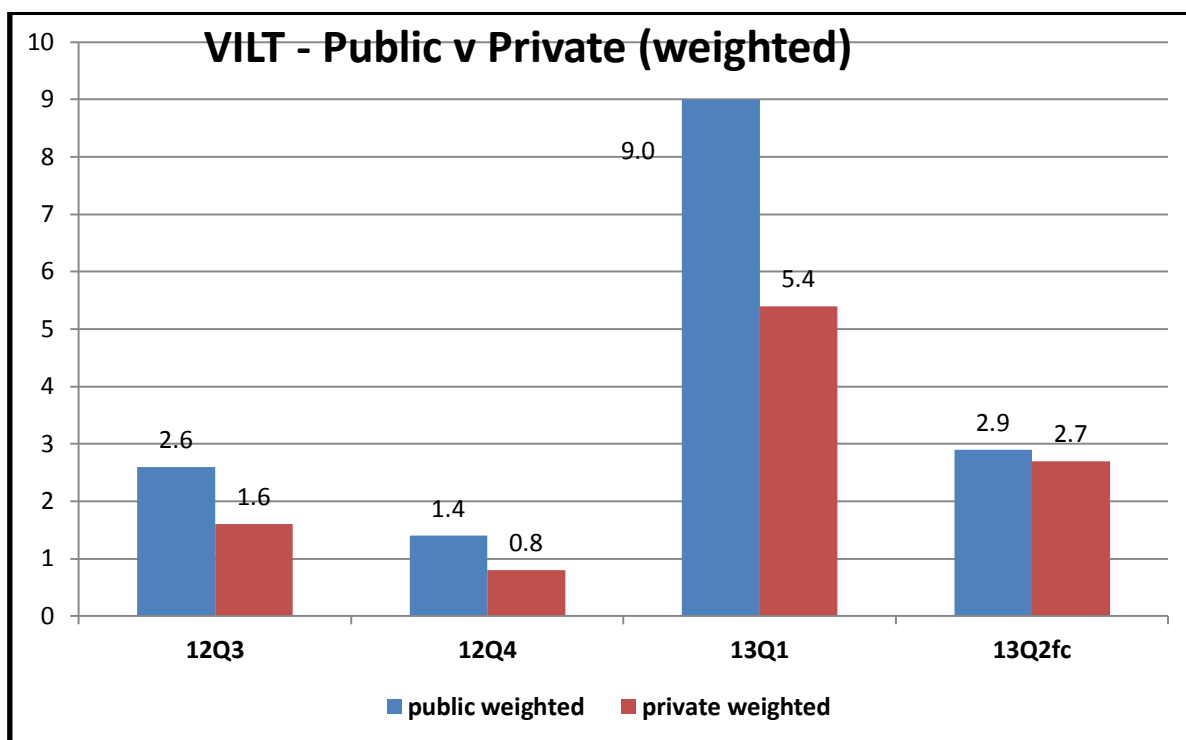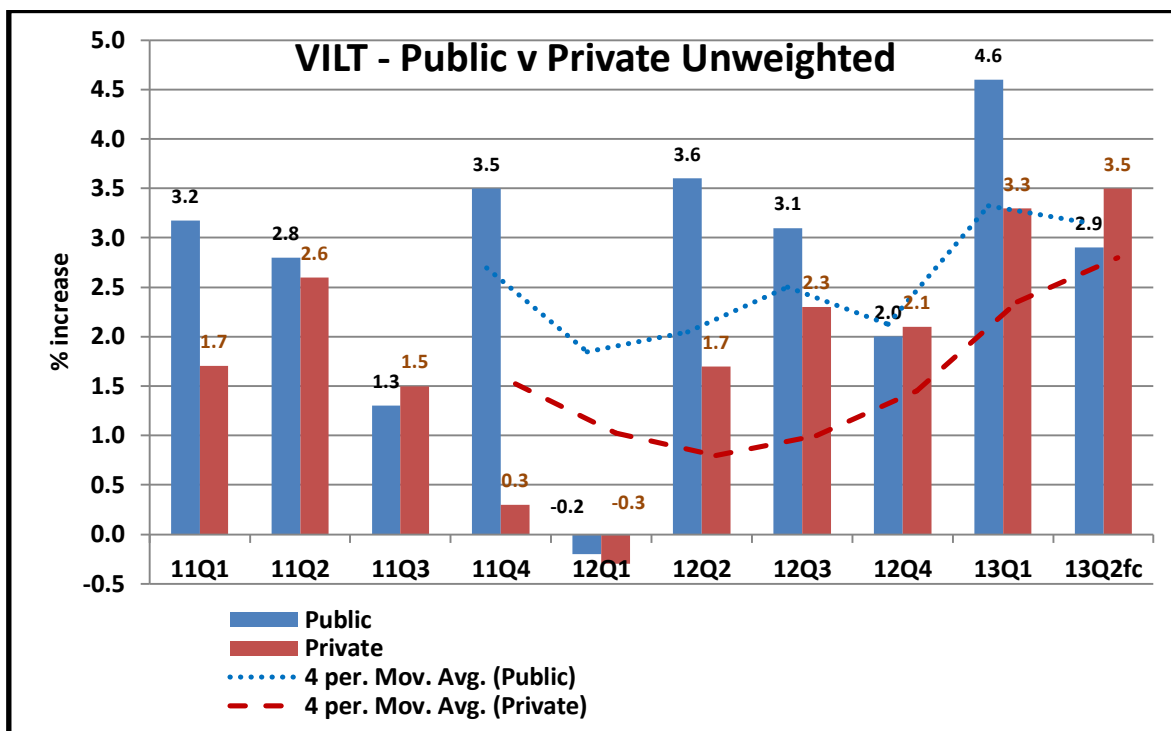
Learning Technologies Revenue

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	13Q1	13Q2fc
Generic Content	4.9	2.1	2.6	1.7	1.5	2.5	3.1	5.7	-1.7	
Tools	1.6	3.1	3.5	(1.3)	1.8	(1.5)	4.4	5.0	3.0	
Infrastructure	1.0	1.3	3.1	2.5	1.5	0.8	0.0	3.9	2.0	
Development	1.8	1.9	1.9	2.5	2.5	(0.6)	0.8	4.3	4.4	
Consultancy	3.0	1.1	2.7	4.5	5.0	(0.5)	1.6	4.6	3.1	
Total Learning Technologies – unweighted	4.1	1.0	3.8	2.3	2.7	0.6	1.5	5.2	1.4	3.8
Total Learning Technologies – weighted	9.2	1.6	9.9	(2.9)	2.0	(6.4)	0.4	6.0	(2.5)	2.4

There are only 12 companies reporting activity in this area. The forecasts in the last report were 5.0% and 1.1% increases for unweighted and weighted, respectively, and the results for 13Q1 are 1.4% and -2.5%. The forecast for 13Q2 is an increase of 3.8%, with weighted at 2.4%. Also note that the generic content has decreased for the first time. Overall, while the unweighted moving average is around 3%, the weighted moving average has moved from -2% to 2%.
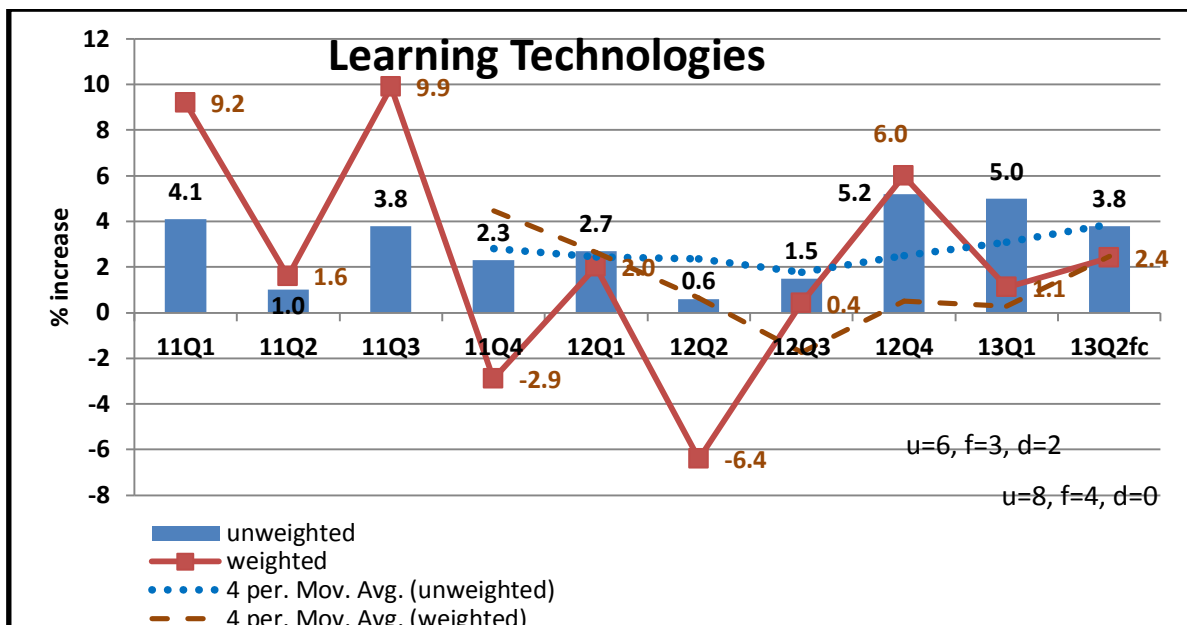
Training Support Services

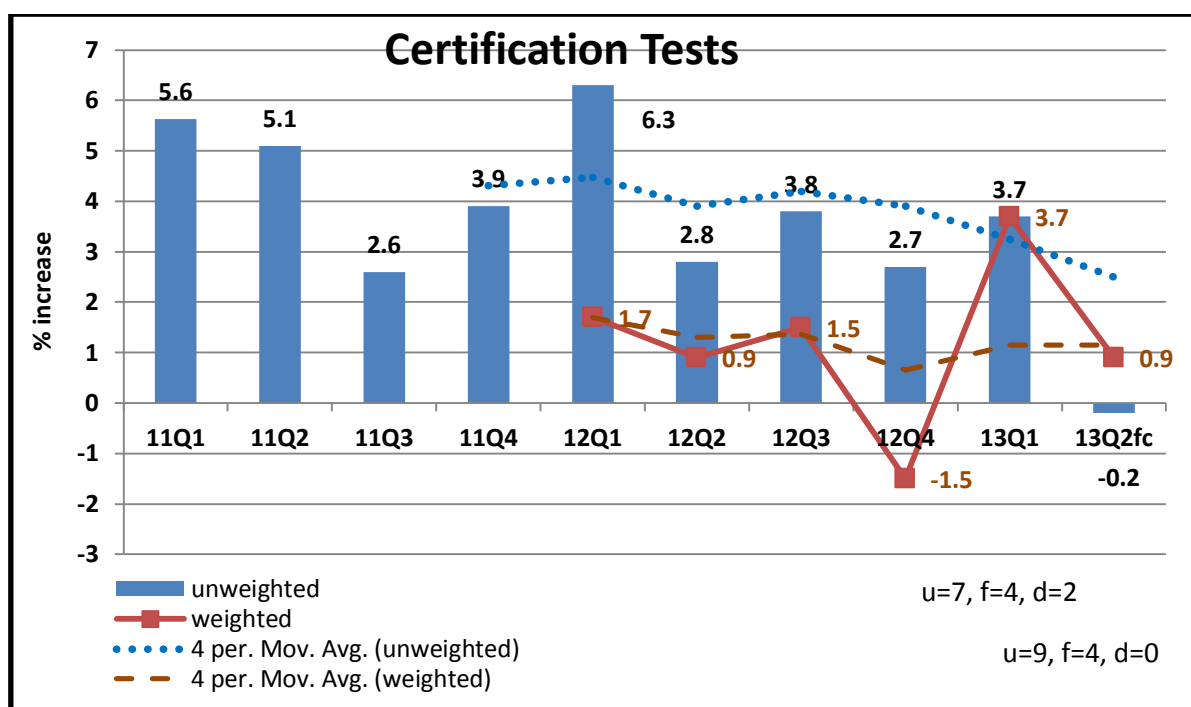| Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2 fc
Outsourcing/Managed Training Services	1.0	3.0	1.7	5.0	0.4	2.1	5.0	2.9	2.5	
TNA and pre-training consultancy	4.8	0.3	1.6	4.1	4.3	1.9	4.8	1.7	(0.8)	
Evaluation and post-training consultancy	1.8	0	2.0	3.3	1.5	1.6	6.0	0.0	3.9	
Total - unweighted	3.8	2.1	2.5	4.8	2.2	1.8	3.1	2.0	0.4	3.4
Total - weighted	11.2	1.9	5.2	8.0	0.5	1.9	3.9	2.7	(0.5)	0.3

There are only 12 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 4.5% and 10.9% increases for unweighted and weighted, respectively. However, the results for 13Q1 were 0.4% and -0.5%. The forecasts for 13Q2 show increases of 3.4% and 0.3% for unweighted and weighted, respectively. The 4-point moving average for unweighted is now flat at an increase around 2% and showing a lessening increase down to 2% also for weighted.
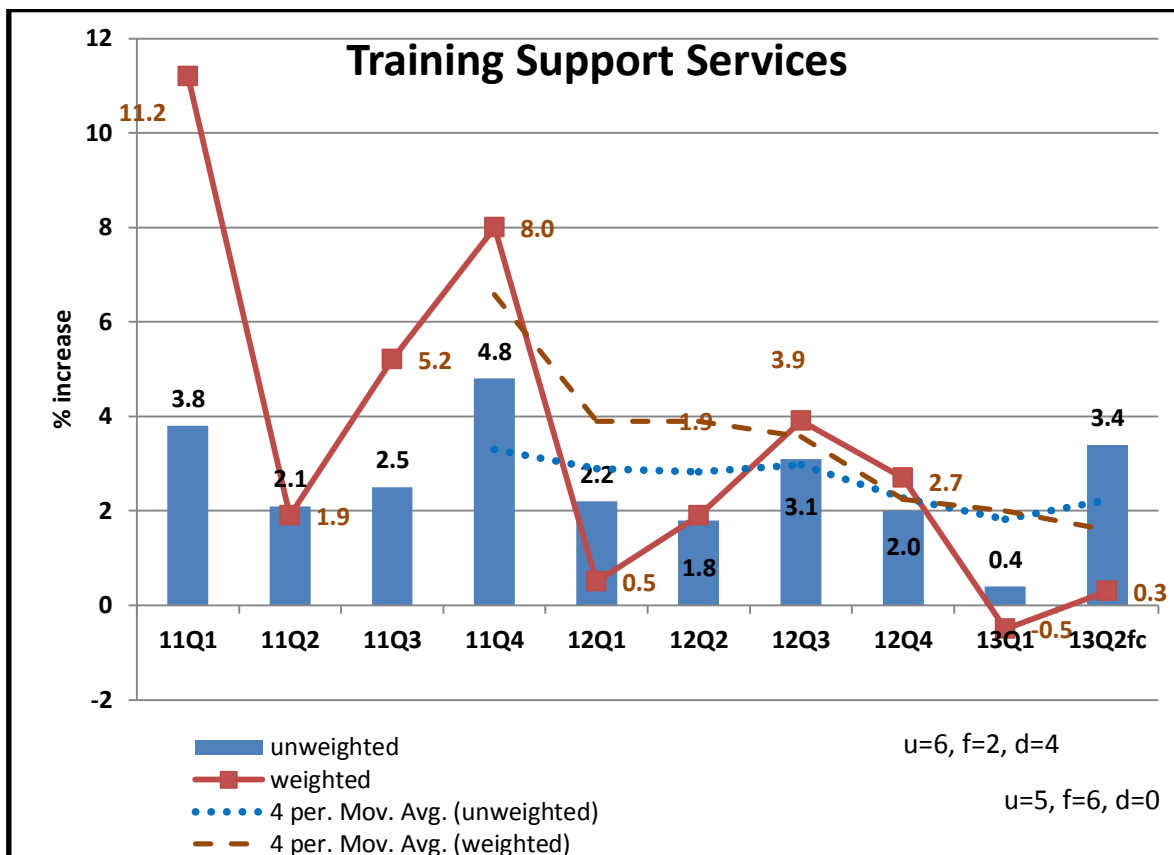
Certification Tests Administered

| Certification	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2fc
Unweighted	5.6	5.1	2.6	3.9	6.3	2.8	3.8	2.7	3.7	2.5
Weighted					1.7	0.9	1.5	(1.5)		(0.2)

Initially, certification averaged an increase of 4% per quarter, although the moving average shows that it's down to just under 3%. 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 only 13 companies responded this time.


Miscellaneous

| Categories	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2fc
Overall # of Customer Stds	5.2	4.0	4.2	5.2	3.0	0.8	2.7	4.3	1.9	3.3
Overall # of Partner Stds	5.2	4.9	3.0	4.4	3.4	2.1	2.6	4.7	2.9	2.0
Overall # of Internal Stds	5.2	2.9	1.7	2.9	3.3	2.4	1.1	4.9	3.5	4.5
Headcount (permanent)	2.3	0.7	0.1	0.2	(0.7)	0.4	(0.4)	1.8	1.5	1.8
Contractors (short & long term)	2.4	1.5	1.6	2.0	0.6	(0.2)	2.5	1.4	(1.0)	0.7
Instructor Util - unweighted				3.4	2.1	2.2	3.2	2.9	1.6	3.0
Instructor Util - weighted					2.6	1.0	1.7	1.7	0.3	1.0

"Students trained" is broken out into customers, partners and employees. The 4-point moving averages for all are around 3%.
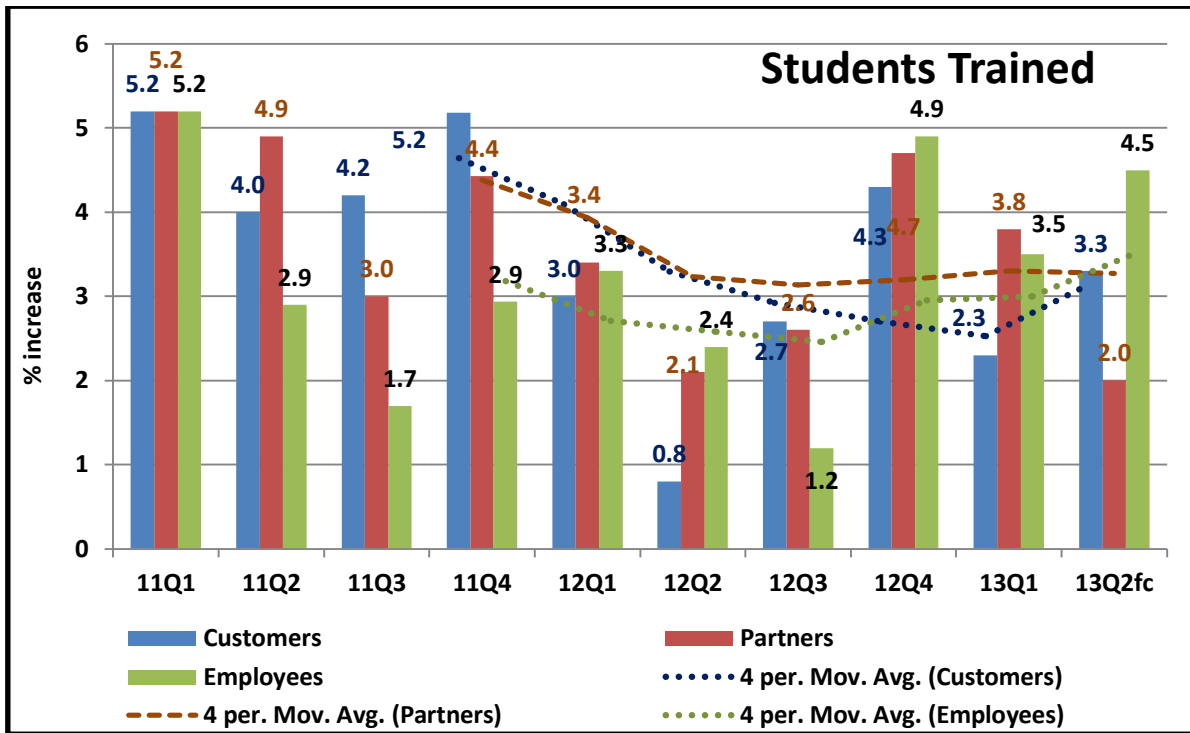
Permanent headcount has bounced back in the last two quarters with the 12Q2 forecast following that tend. Contractors fell 1.4% in 13Q1 against a forecast of 1.4%, but an increase of 0.7% is forecast for 13Q2. The moving averages for both are currently showing around 1% increase.
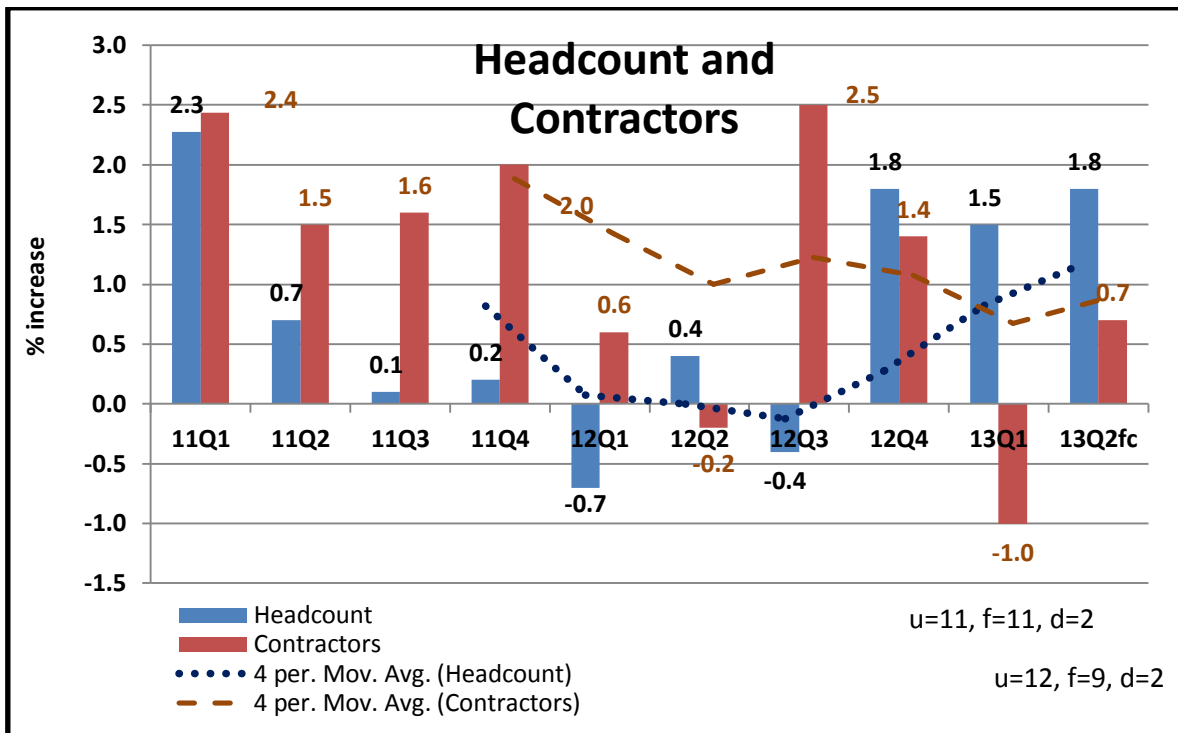
We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 2.8% increase, weighted being 0.3%. The 13Q1 result was 1.6% and 0.3% for unweighted and weighted, respectively, while the 13Q1 forecasts are 3.0% and 1.0%. The 4-point moving averages show a 2-3% increase for unweighted and just over 1% for weighted. These probably reflect the smaller increases in ILT revenue being seen by larger companies.
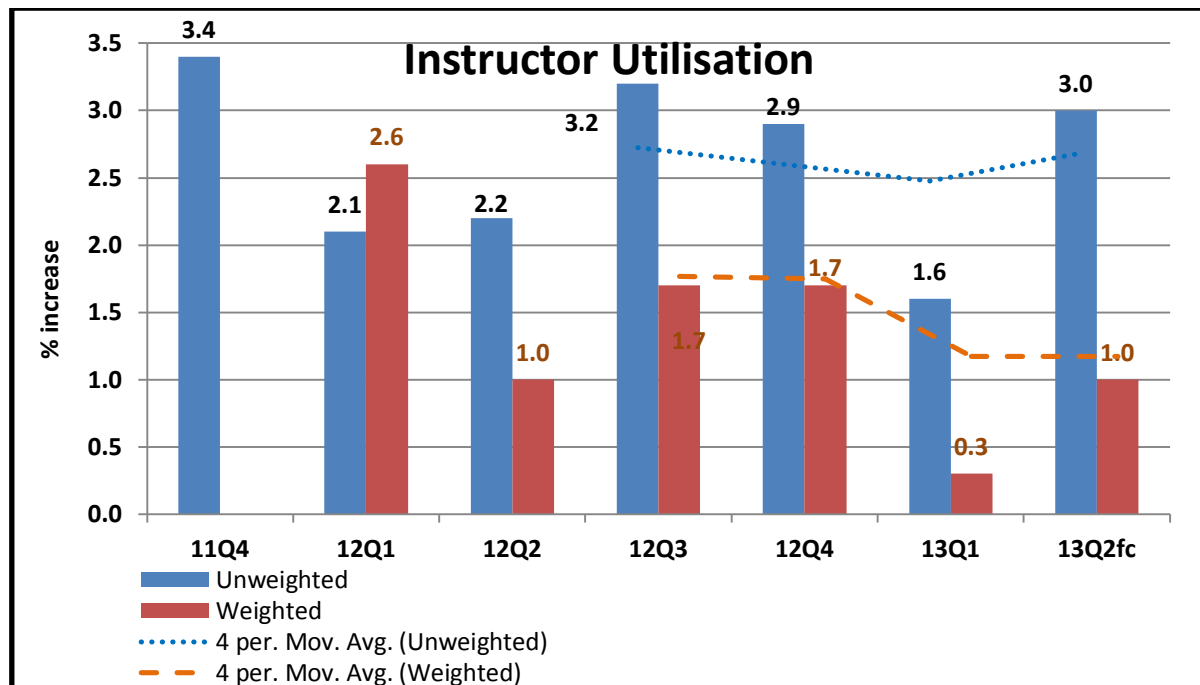
Which subject areas saw the biggest increases in your training revenues in the last 3-6 months?

1. Public training
2. Onsite Training
3. Our Security products
4. New products training
5. Embedded learning content and support services
6. Learning Programs
7. Scheduled public classes revenue is surprisingly good.
8. E-Learning and private classes
9. Onsite/private
10. Training for new product released
11. Private onsite classes
12. Developing new courses; using different technologies
13. Training Subscription Revenue
14. Middleware BPM
15. Customer and partner onsite training; OnDemand training
16. Across the board
17. User Adoption Services; Public Schedule
18. Onsite
19. Storage and networking

20. Onsite training was more requested
21. VILT
22. Channel partner training
23. ILT to Partners, in terms of absolute percentage; Delivery of training to internal resources in net revenue to department.

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

1. Private training
2. Public classes
3. Our DNS courses
4. Microsoft IT Pro
5. InCenter Training
6. Onsite training - this is partly due to a change within the structure and allocation of accounts within our organisation. As account managers have changed, this has impacted all sales.
7. Public classes, although people attend because the cost is greater for private classes, there is a perception that they do not want to.
8. Public ILT
9. Public in person classes
10. Scheduled Course revenue
11. Database
12. Core product training
13. None
14. Custom Training
15. Public
16. Operating systems
17. Onsite
18. ILT for customer
19. End User ILT projects - this is in part due to phasing of Go-Live, plus extraordinary volumes in Q1 2012.

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

1. Restructuring of the Infor Education department and consolidating different pockets of training
2. Hiring trainers with the right skills and ensuring sales teams are able to sell a vision rather than the odd training class
3. Filling public course schedule; Headcount
4. Lead times and instructor availability
5. Starting VILT and eBooks
6. Investment (lack of) and inclusion into Services sales messaging on a region wide level
7. Economic downturn, delayed budgets
8. Resource - unfortunately 2 of our trainers resigned in quick succession and they had skills that the rest of the trainers do not have.
9. Resource and keeping momentum of bums on seats
10. Increased amount of discounted training - revenue targets remain unchanged
11. Maintaining Public schedule business; Attach rates to product sales
12. Ramping up certification - internally and externally (partners); Meeting customers increased needs for on-site training

13. Lack of funding for training at end customers; Lack of time to take training by customer engineers
14. Installing a new LMS; setting up an Authorised Training Partner Programme
15. More of the same - challenges with a struggling Europe, challenges gaining traction with the training subscription in Europe (selling new and helping those with subscription to consume and realize value)
16. Major product change hit product sales which has delayed effect on Education
17. Recruiting capable sales resources; Balancing ILT and VILT to give the right mix and impact on the numbers
18. Public VLT classes; course development process
19. Staff shortages and time
20. Resource Constraints; Ability to roll out new software versions in a timely manner
21. Public Schedule
22. Marketing costs; Schedule balancing
23. Starting to transition to being a Cost center rather than a P and L but requiring to still think as a P and L due to the change not yet being in place.
24. Limited customer budget; shrinking product business
25. Delay to delivery of new software releases; Ramp up of new courseware for new software releases.

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

1. For us we are seeing a steady growth of between 10 - 12% per quarter. However, our partners are not seeing continued growth and have wild fluctuations.
2. WW declining EMEA growing two times North America
3. For our business things are looking much more positive than even 1 qtr ago. better buy in from wider org, which I believe will pay off in the 2nd half of this year.
4. Last year onsite sales were very strong, this year it would appear that organisations are sending individuals to public courses rather than training whole teams in one go.
5. Trying to keep up with the evolution and options available for deploying learning whilst riding the tough economic environment
6. People have less time and are looking for more in job training relevant to their project environment
7. Very solid, but ours is product based and we are pushing a lot of product
8. Still in flux
9. As ever with our comparative small size, a small sway in numbers makes a big % difference.
10. We have definitely witnessed an increase in demand and have just recorded our 3rd record revenue month in a row. Confidence in the market is currently high, but the majority of our growth is in User Adoption Services.
11. Still no real indication of growth or increased demand; Resistance to VILT is still in evidence and customers just don't seem to have the dedicated training budgets anymore. Training seems to be all case by case.