

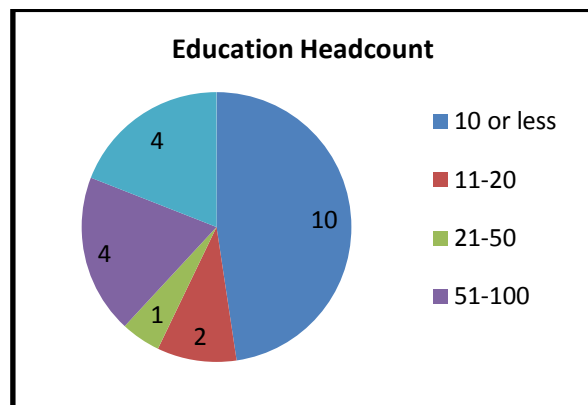
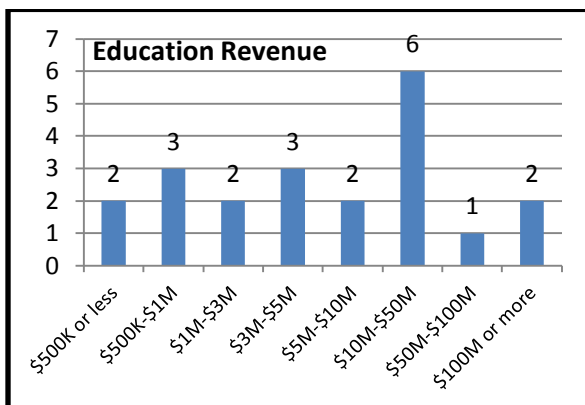
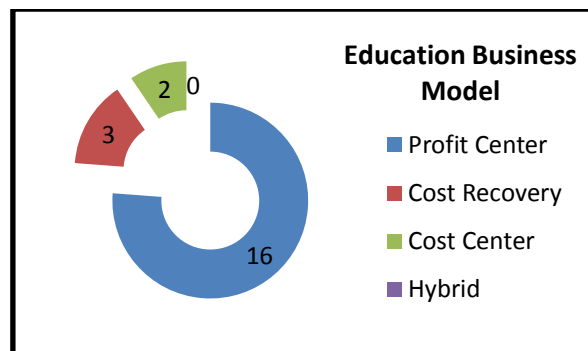
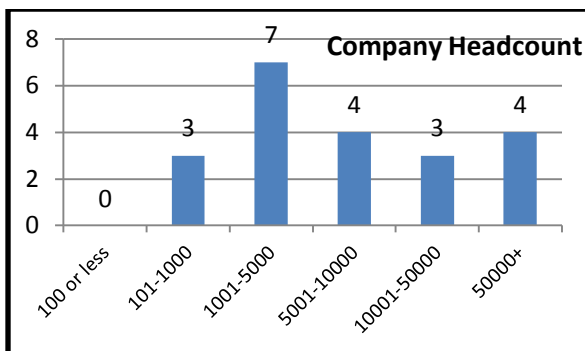
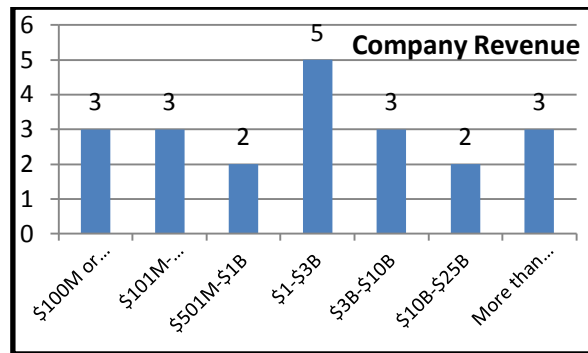
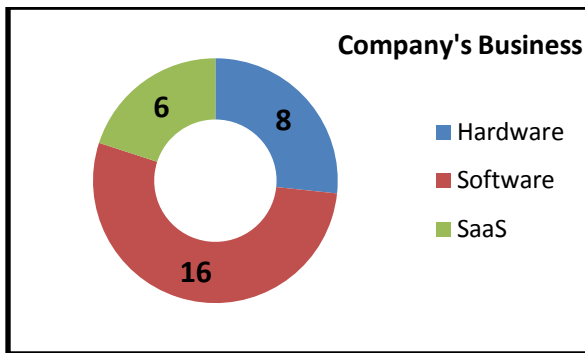
CEdMA Europe Market Barometer

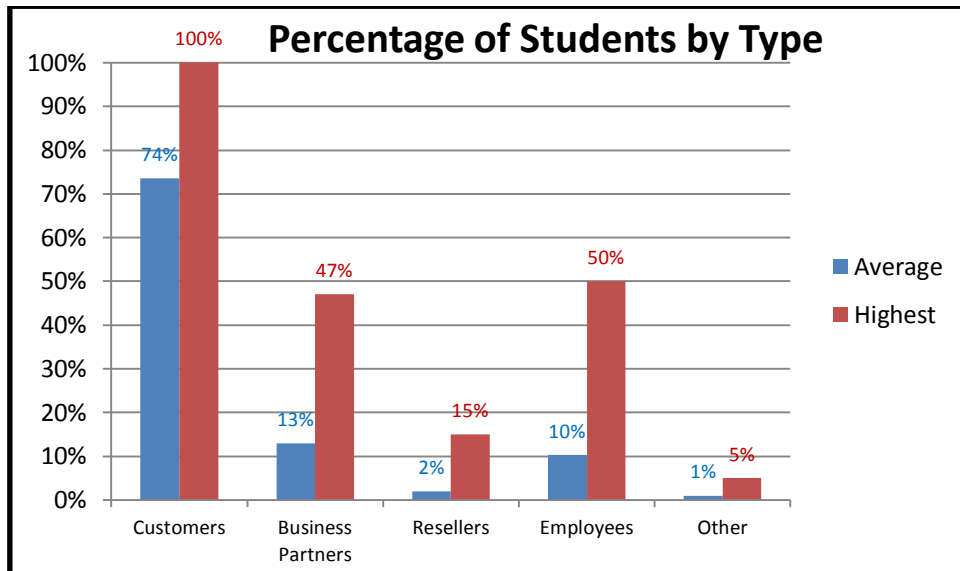
2nd Quarter 2013 and forecast for 3rd Quarter 2013

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 13Q2 actuals and 13Q3 forecast is based on input from 21 companies, whose profiles are as follows:

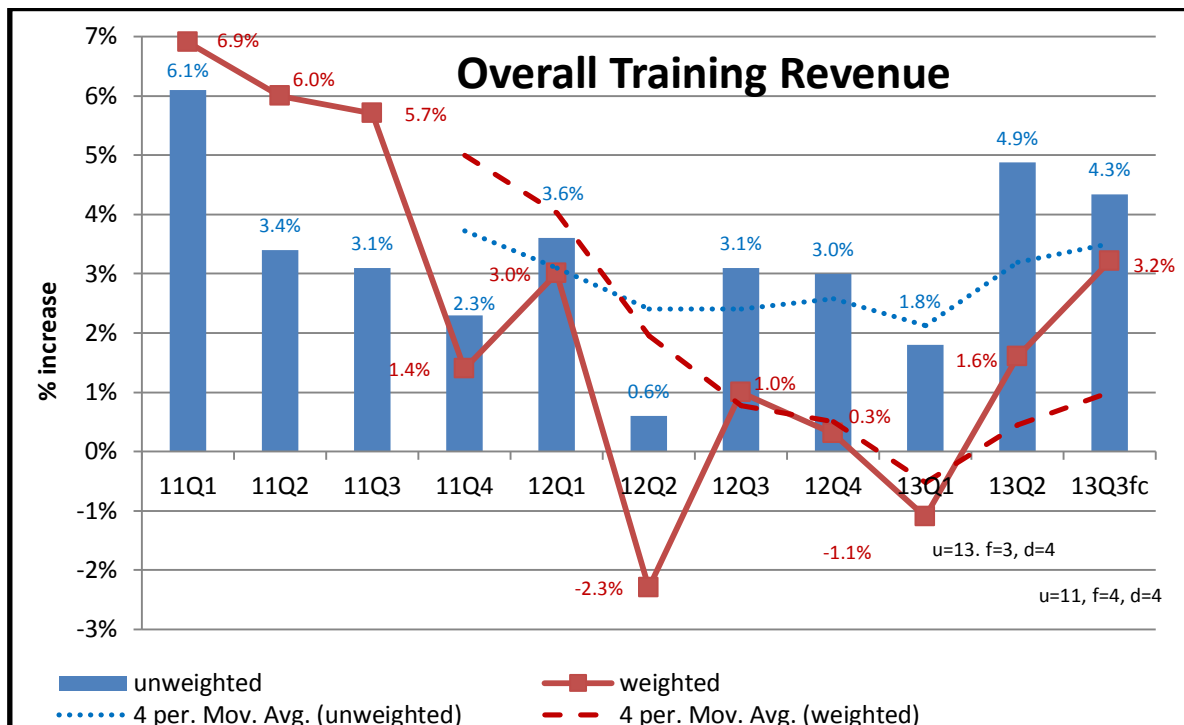




Training Revenue

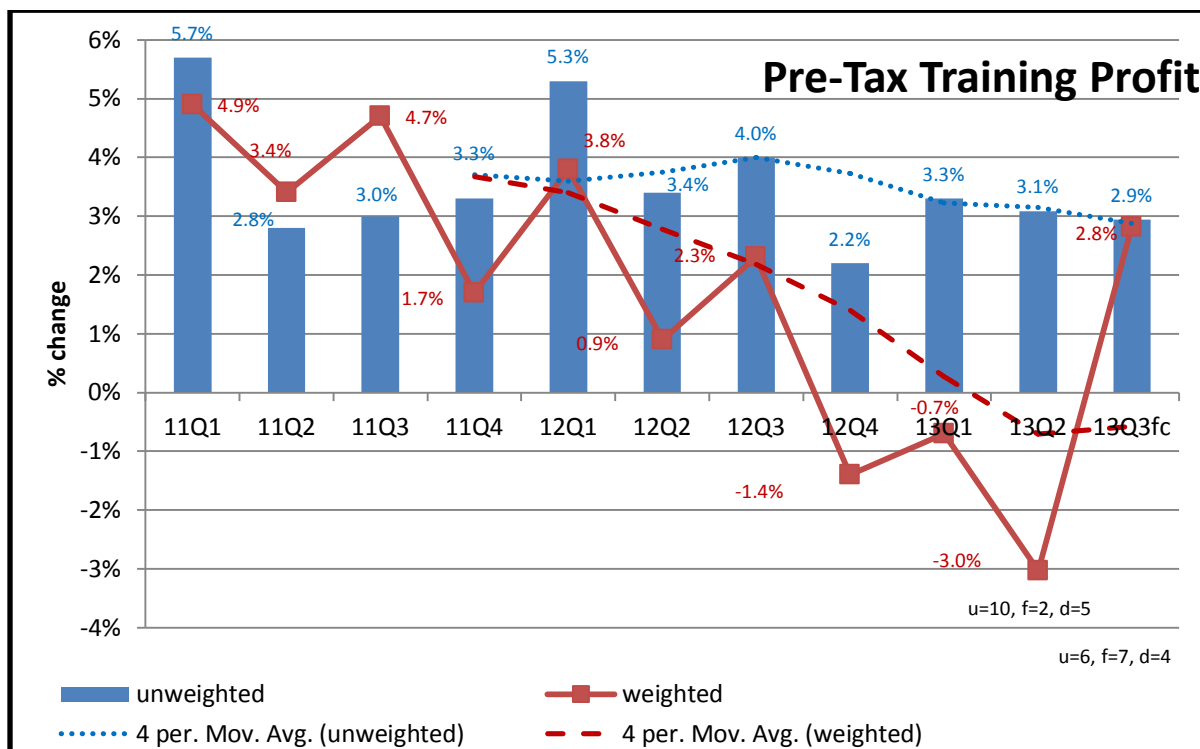
Note that in all these charts, u/f/d is the number of members reporting up/flat/down, respectively.

The unweighted total training revenue grew 4.9% in 13Q2 against a forecast in the last report of 1.4%. When considering the weighted numbers, there was a rise of 1.6% against a forecast of 0.3% last time. The forecasts for 13Q3 show a 4.3% increase for unweighted and a 3.2% increase for weighted. The unweighted trendline shows an ongoing revenue increase in the 2-3% range over the last two years. When size of company is taken into account, it's hovering around flat more recently.



Training Profit

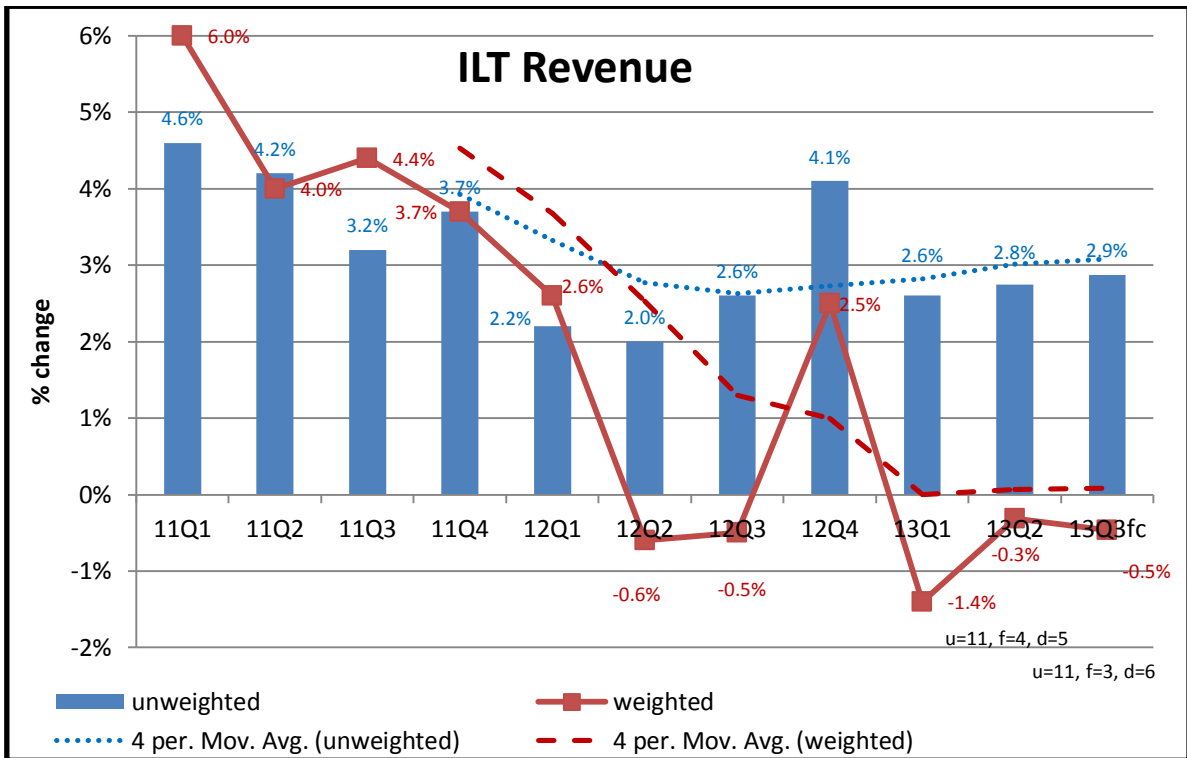
The unweighted total training profit grew 3.1% in 13Q2, slightly better than the forecast in the last report of 2.1%. But, with the weighted numbers, there was a decrease of 3.0% against a forecast of 0.6% increase last time. The unweighted forecast for 13Q3 is 2.9%. However, the weighted forecast bounces back to a 2.8% increase. The unweighted trendline shows an ongoing profit increase in the 3-4% range over the last two years but when size of company is taken into account, it has dropped from over 3% to just negative.



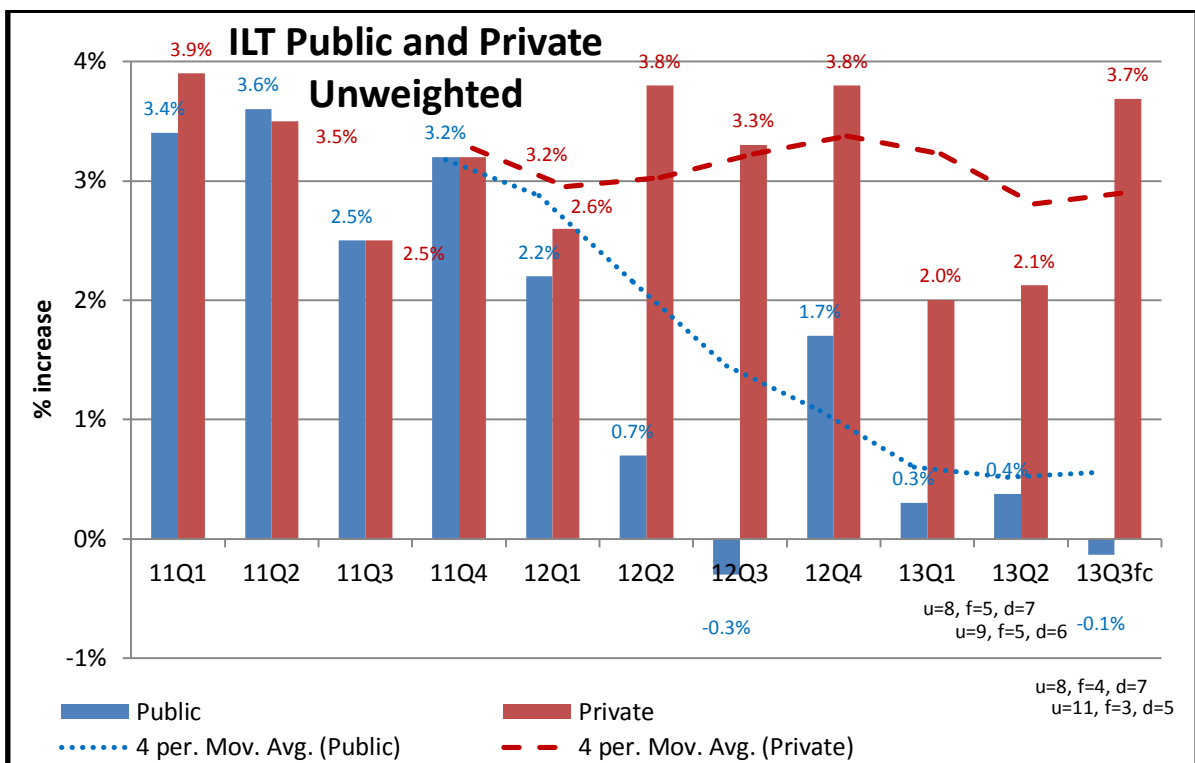
Instructor-led Training

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

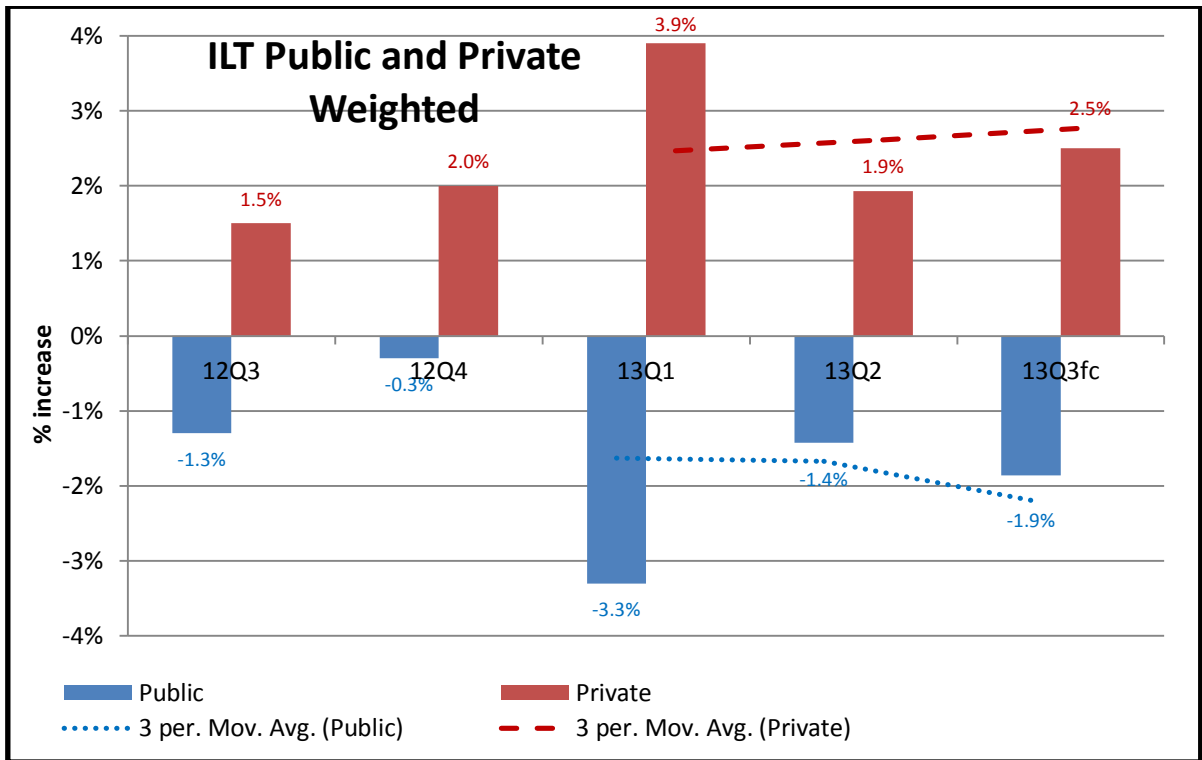
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue. The unweighted 13Q2 increase of 2.8% is slightly lower than that predicted in the last report (3.4%). The weighted number is a decrease of 0.3% against a forecast decrease of 1.7%. The unweighted trendline shows an ongoing ILT increase around the 3% mark over the last two years but when size of company is taken into account, it has dropped from over 4% to flat.



We are now asking you to forecast both public and private classes and so have enough history to show that while private ILT classes show a steady increase of around 3%, public ILT classes are trending towards flat. This shows the unweighted values.

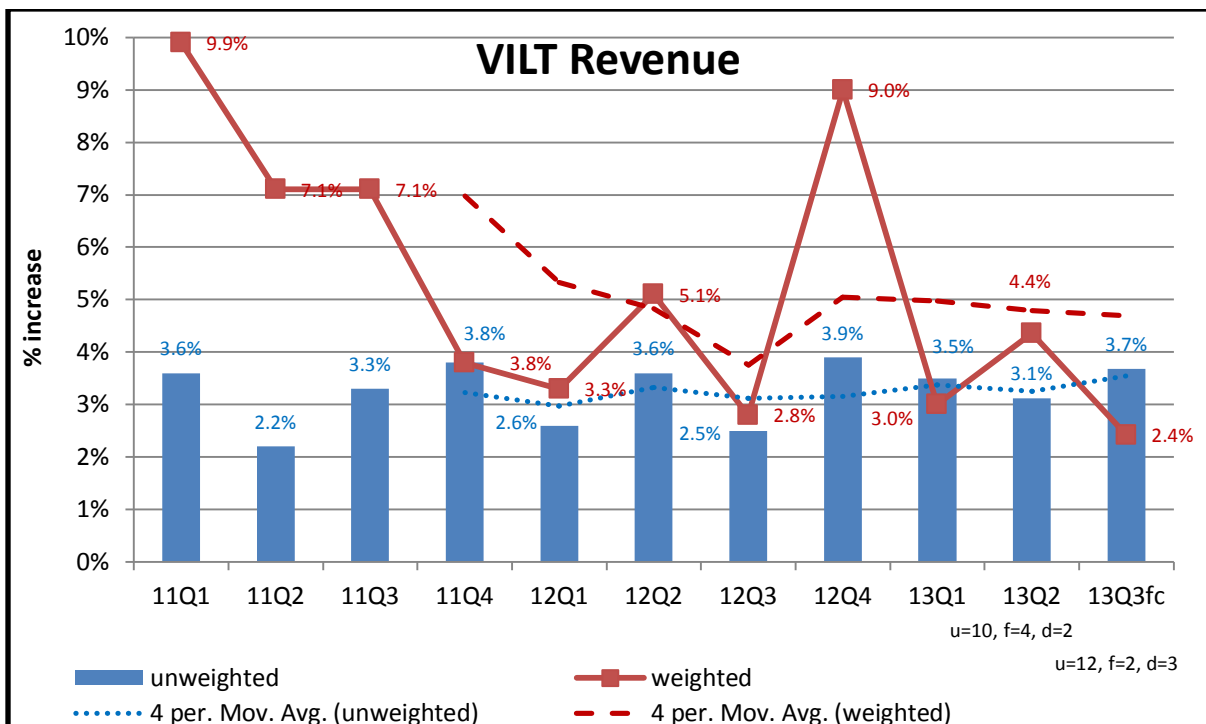


However, when weighted values are calculated, private classes are rising at 2-3% year on year, but public classes are decreasing about 2%.

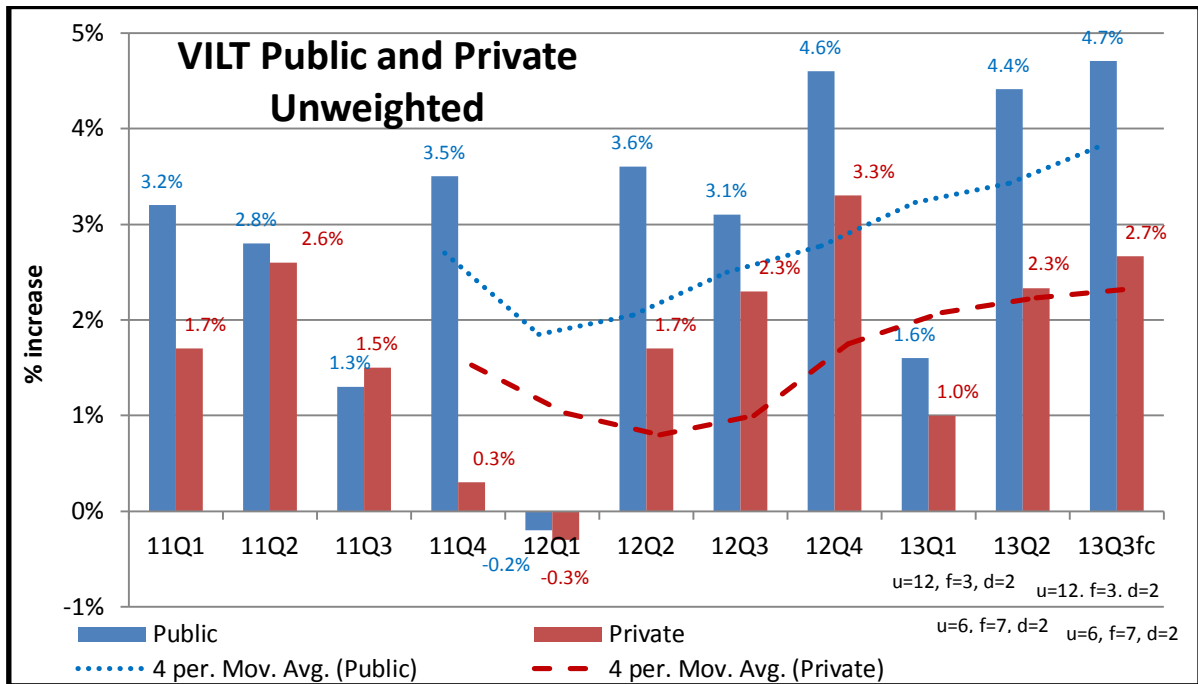


Virtual Instructor-led Training

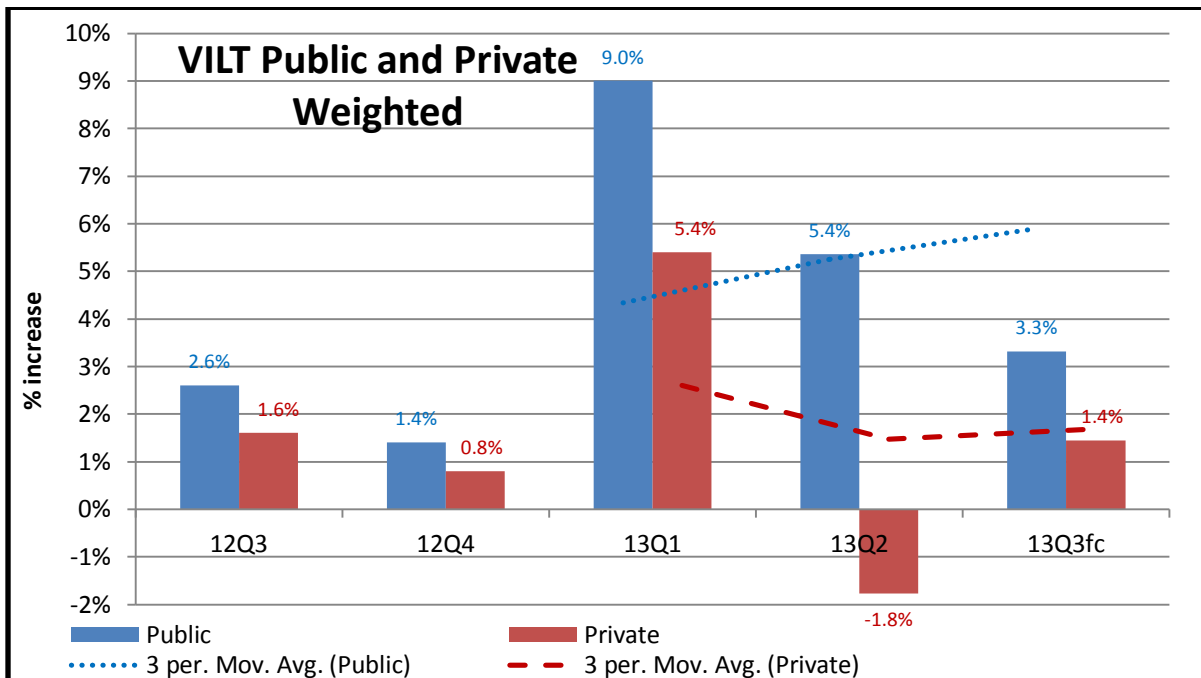
On the other hand, VILT is still buoyant. The unweighted increase of 3.1% compared well with the 3.2% forecast in the last report. The weighted increase of 4.4% was higher than the 2.6% forecast. The forecasts for 13Q3 suggest a steady increase. The unweighted trendline shows an ongoing VILT increase around 3-4% over the last two years but when size of company is taken into account, it is more like 4-5%, perhaps reflecting that the larger companies were using VILT earlier and hence more successful. Note that 4 of the 21 responders are not yet using VILT.



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



When weighted values are used, the increases for public are trending around 5% but for private it's around 2%.



Learning Technologies Revenue

We are no longer breaking out the various components within learning technologies, but members are asked to include the following when considering their input.

Generic Content includes generic courseware, templates, and models.

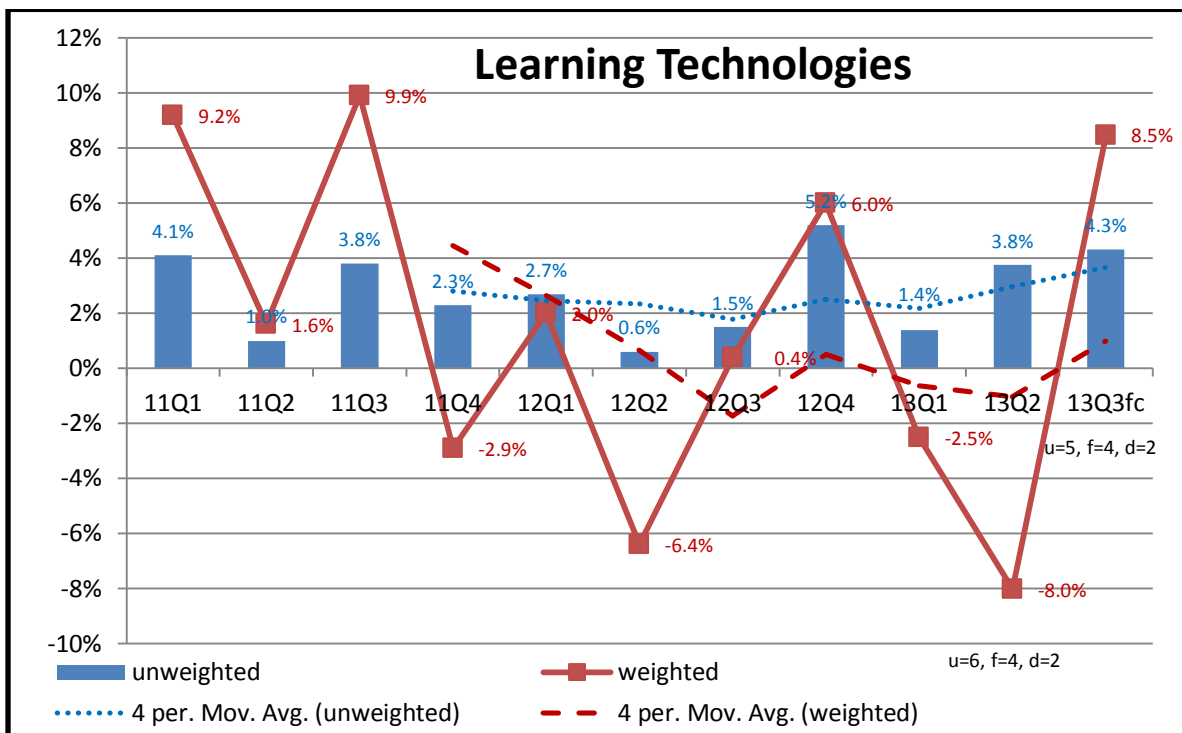
Tools include authoring, performance support, virtual labs, simulation, collaboration, modelling, and assessment tools.

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.

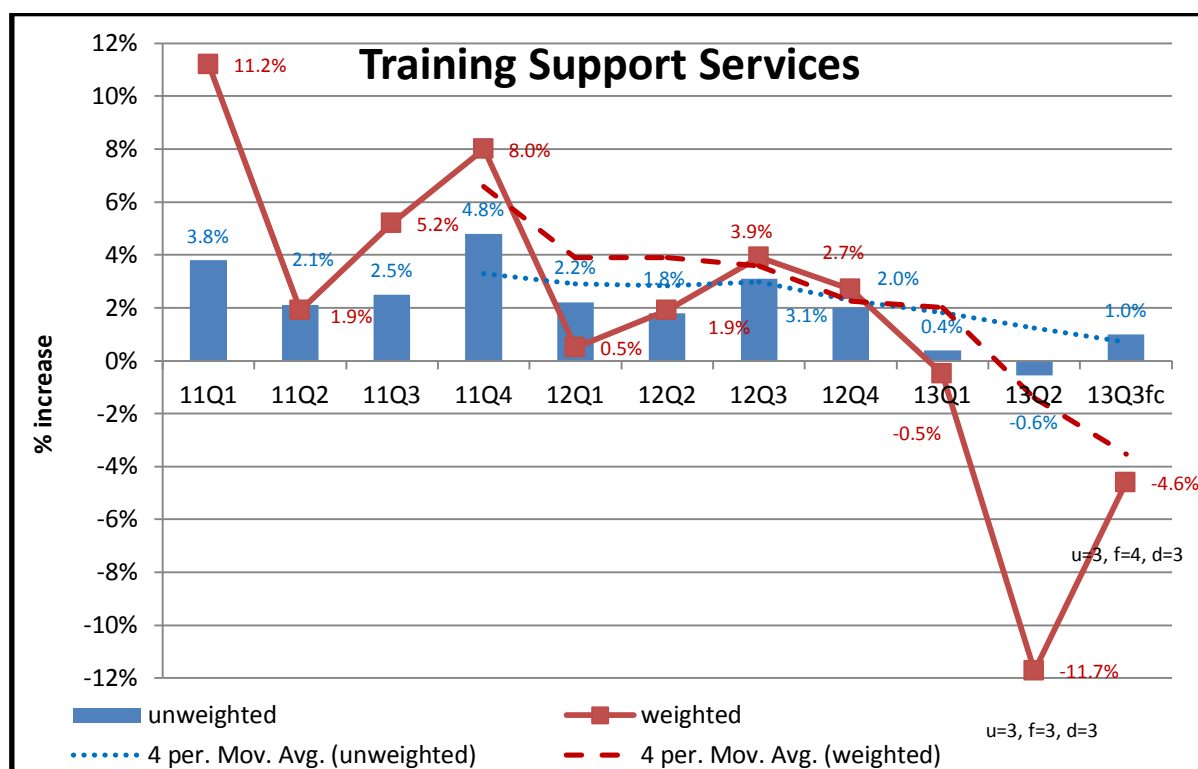
There are only 12 companies reporting activity in this area. The forecasts in the last report were 3.8% and 2.4% increases for unweighted and weighted, respectively, and the results for 13Q2 are 3.8% and negative 8.0%. This shows how large projects within larger companies can have a significant effect on these averages. The forecast for 13Q3 is an increase of 4.3%, with weighted at 8.5%. The unweighted trendline shows an ongoing Learning Technologies increase around 2-3% over the last two years but when size of company is taken into account, it has started to look flat or even a decrease, again reflecting the volatility in this area.



Training Support Services

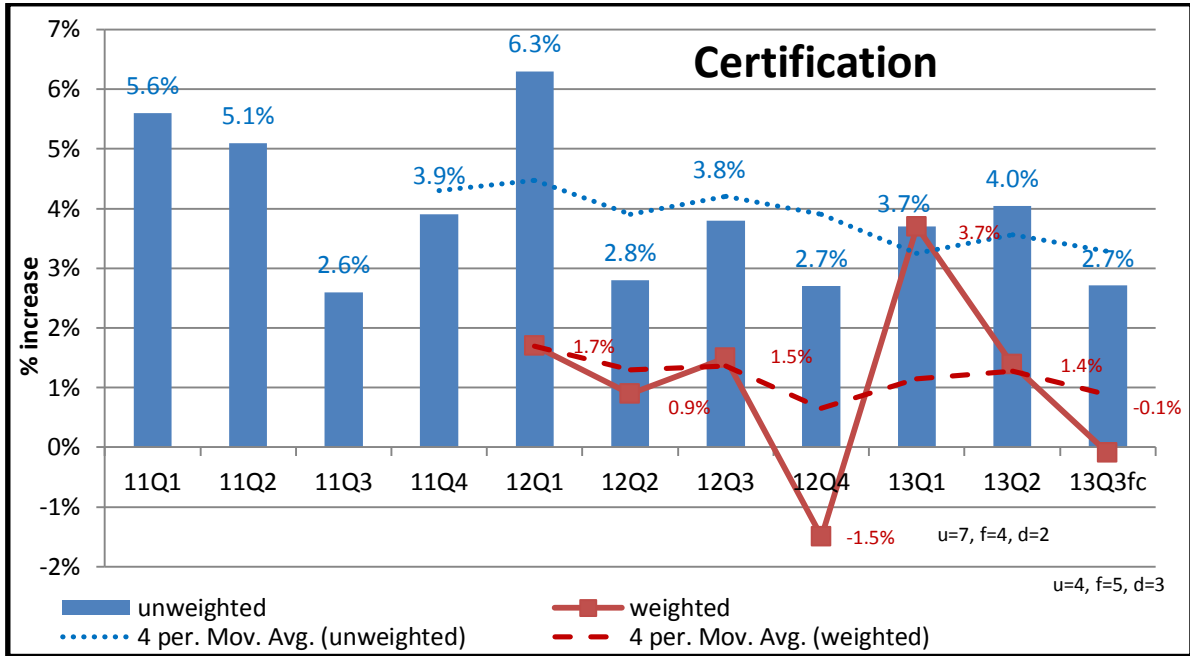
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 10 companies reporting activity in this area and so the quarterly figures may be affected significantly by a single input. The forecasts in the last report were 3.4% and 0.3% increases for unweighted and weighted, respectively. However, the results for 13Q2 were 0.6% and 11.7% decreases. The forecasts for 13Q3 are similarly discouraging and show an increase of 1.0% for unweighted and a decrease of 4.6% for weighted. The unweighted trendline shows that the increase has fallen from 3% to 1% over the last two years. When size of company is taken into account, it has dropped to flat from 6%, again reflecting the volatility in this area.



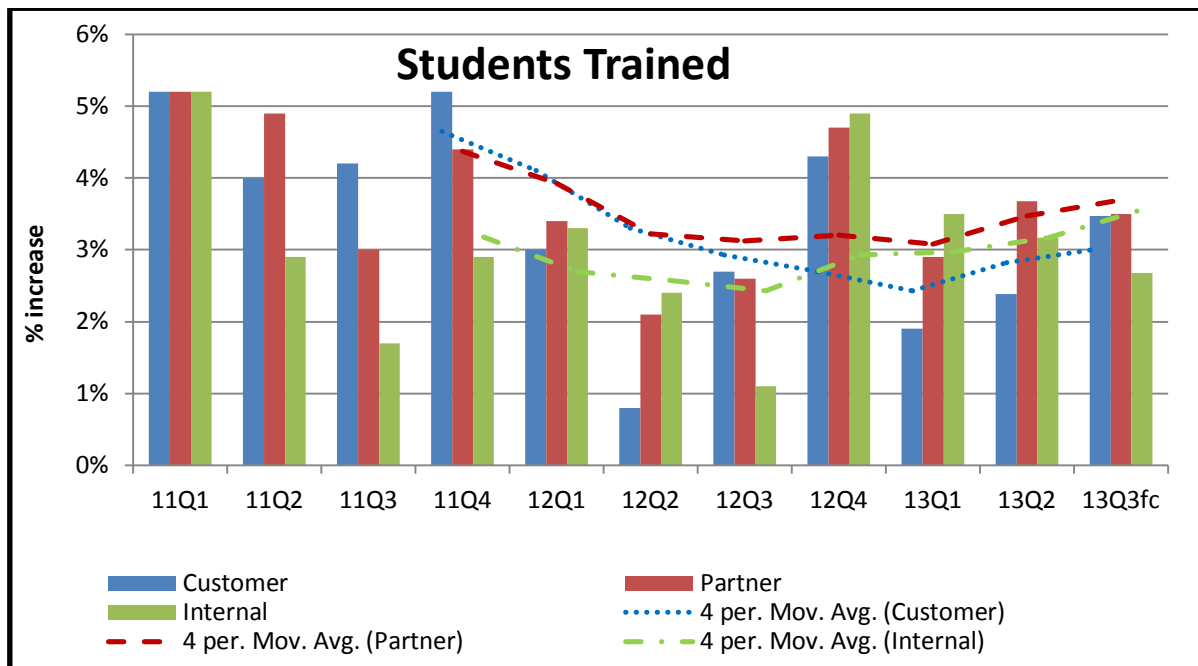
Certification Tests Administered

Overall, certification has averaged an increase of 4% per year-on-year quarter, although the trendline shows that it's getting slightly smaller over time. The weighted scores show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases. Note that 13 out of 21 companies offer certification.

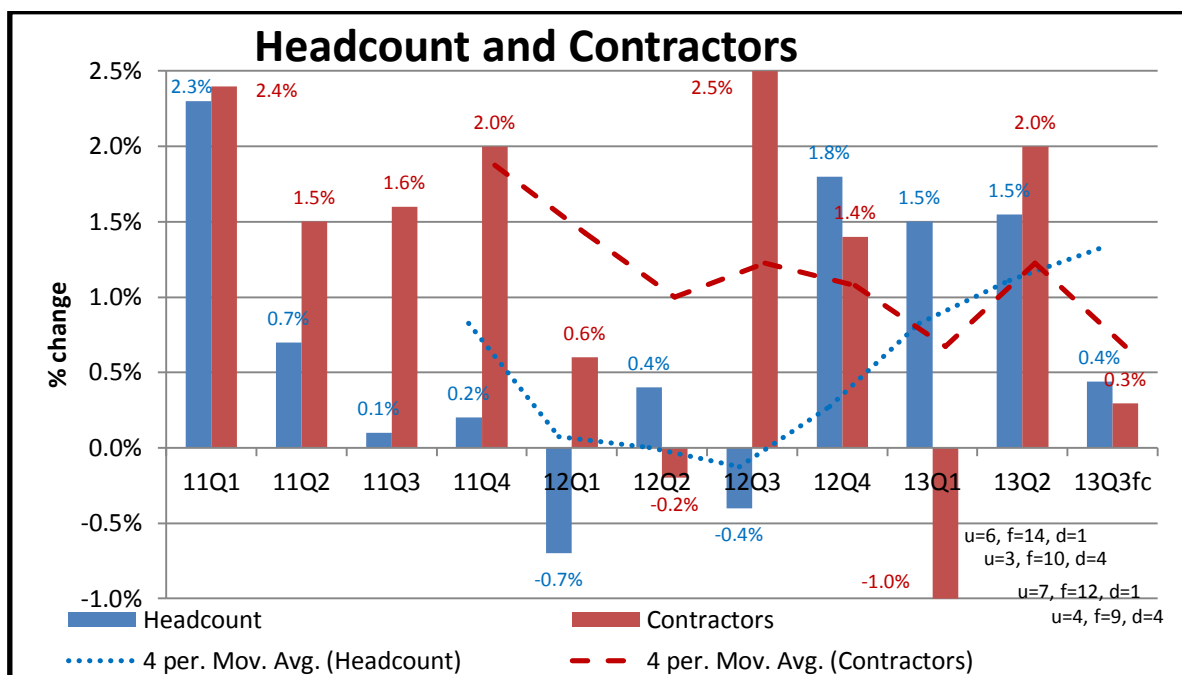


Miscellaneous

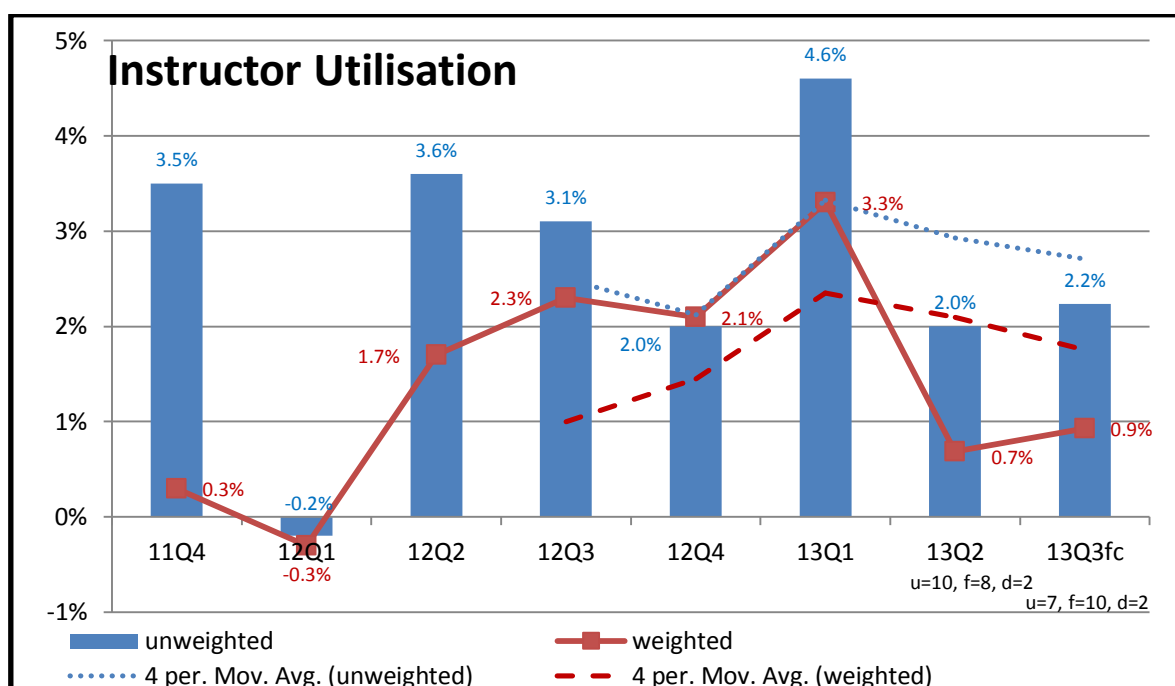
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases around the 3% mark over the total period.



Permanent headcount has bounced back over the last three quarters, whereas the contractor number changes quarter on quarter. The trendline for headcount is now showing over 1% having dropped to flat a year ago. The contractor trendline, while erratic, is averaging 1% over the two years.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 3.0% increase, weighted being 1.0%. The 13Q2 result was 2.0% and 0.7% for unweighted and weighted, respectively, while the 13Q3 forecasts are 2.2% and 0.9%. These probably reflect the smaller increases in ILT revenue being seen by larger companies. The trendlines follow each other quite closely but a percentage point apart, with unweighted being the higher.



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

1. Customised work; engaging Education earlier in the sales cycle
2. Subscription business - up 84% bringing the overall EMEA Revenue up 27% for the year as a whole
3. Open Cloud; Data Center tools
4. Short notice need a trainer on site; next week bookings
5. Storage and Blade technology are still the best areas
6. Channel Training; Virtual ILT
7. Linux
8. Reporting; eCommerce
9. Admin
10. System Administration; Application Development
11. Flat-lining
12. VILT and eLearning increased ... since coming from Zero; Onsite deliveries in customer sites increase
13. Scheduled classrooms have been successful with our having to increase room sizes to accomodate the growth
14. New Products
15. Education Tools; software and onsite
16. Partner Training
17. Database
18. Technology sales

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

1. Scheduled Courses - down 48%
2. Storage management
3. VMware training has dipped
4. Open ILT classes
5. Marketing
6. Developer
7. N/A
8. Flat-lining
9. Onsite - last year we benefited from some large contracts which have unfortunately finished
10. Mature products
11. Public schedule and Education Consulting/End user
12. In-Center Trainings
13. Solaris
14. End User delivery - this is a project phasing issue

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

1. Changing business model; sluggishness in the market
2. Budget reductions while growing revenue!
3. Short notice changes to planning and lack of development time
4. Short term booking cycle; Scheduling balance
5. Decreasing expense budget -> limited development & delivery resources
6. Customer budget approvals
7. A global operation meeting the needs of a more immature region (UK); Positioning training with the EMEA sales force.
8. Laying foundations to transition business from direct to indirect whilst still growing revenue & margins
9. How to scale a 10-15% growth quarter on quarter; Balancing how to keeping Instructors utilised with keeping them up-to-date with the fast pace of our product releases
10. Headcount; Budget
11. Managing our outsourcing partner; Keep the attention of corporate sales team on selling training, with the constant growing number of new Business units.
12. Resource - due to leavers we were unable to offer certain courses, had to build time in to the schedule for other trainers to up-skill; Getting the sales team to sell promote training
13. Introduce VILT and eBooks
14. Less people need training with latest software; Attaching to License and Consulting opportunities
15. Keeping up with product changes
16. Change in Structure and Strategy; Reduction in force
17. Training demand low due to budget cuts; Balancing resources with demand
18. On boarding new sales reps; Driving existing sales reps to focus on more than just ILT
19. Scandinavian market performing poorly

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

1. Economy driving product sales has slowed meaning that this current trend cannot continue.
2. We've changed the way that we compensate our sales force this year which may be contributing to the results
3. Summer is always flat for us. Virtual is starting to pick up, but still low compared to US.
4. Scheduled classroom seems more popular this year as organisations send individuals rather than the whole team. They then cascade this information back internally which is reducing our overall revenue.
5. More and more hearing that people have no time to go to a training
6. Some people are really struggling. Seen a couple go in the last quarter.....