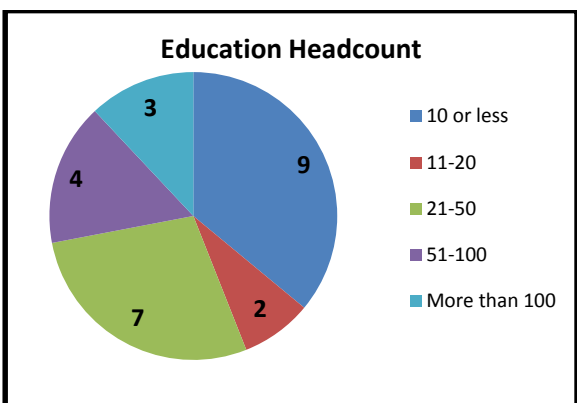
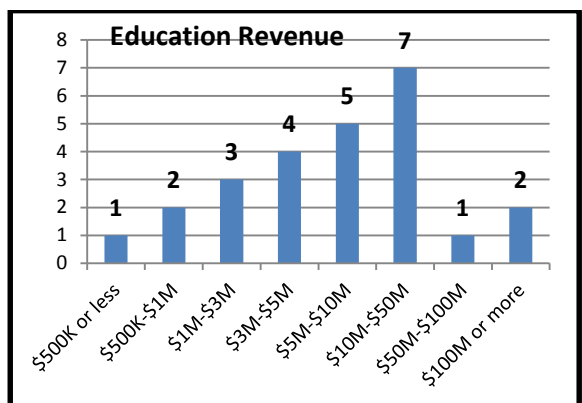
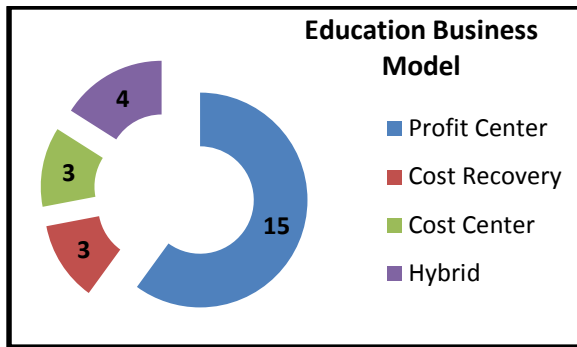
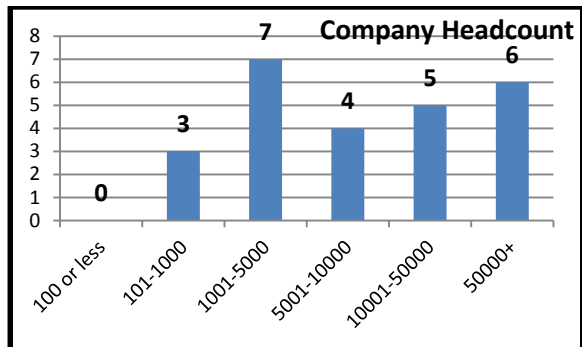
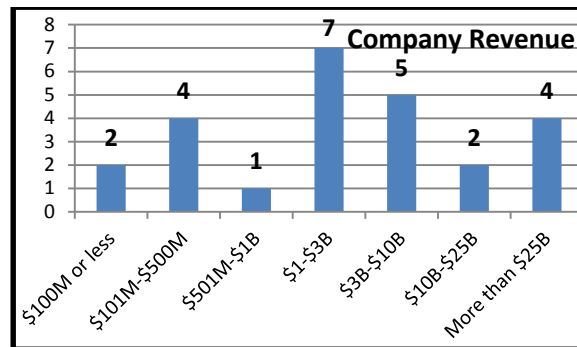
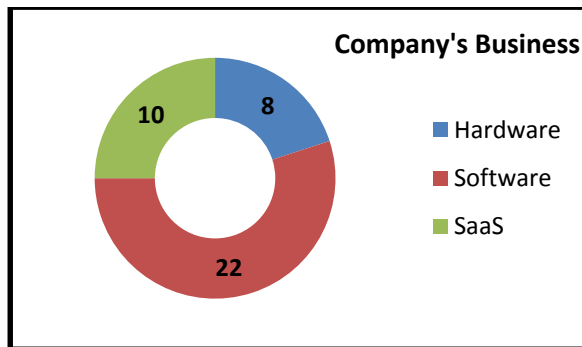


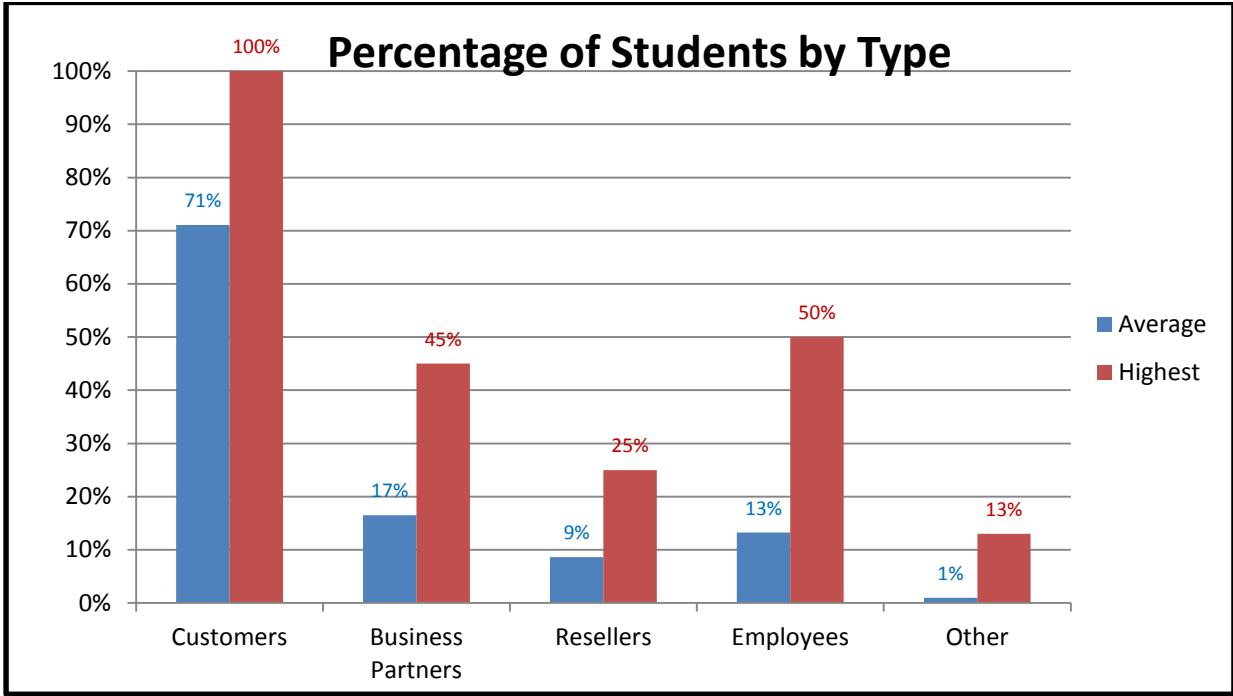
## CEdMA Europe Market Barometer

### 4<sup>th</sup> Quarter 2013 and forecast for 1<sup>st</sup> Quarter 2014

#### Introduction

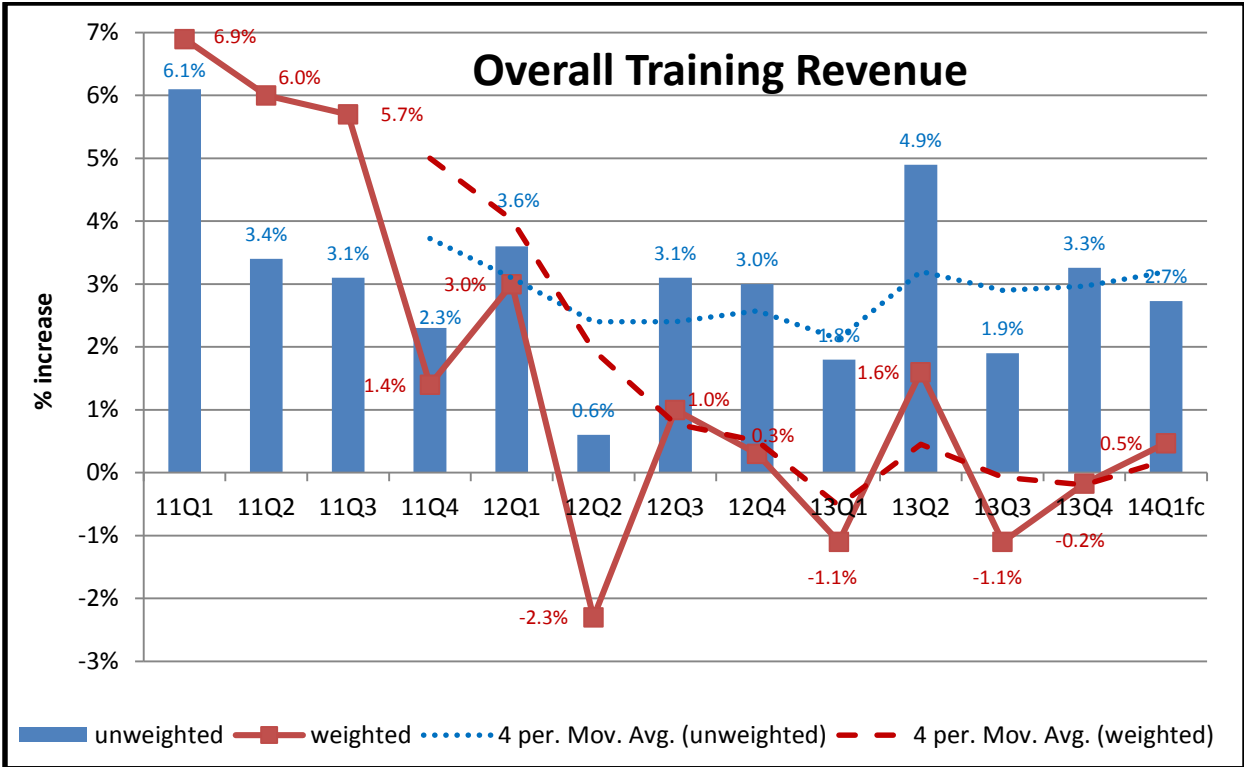
This report is compiled by CEdMA Europe for its members from input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +/- 12.5%. Please note that was changed for 11Q4 and so the quarter numbers prior to that have been adjusted accordingly to be consistent with 11Q4 and going forward. Revenue refers to training services delivered in the quarter and not future bookings. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. This report for 13Q4 actuals and 14Q1 forecast is based on input from 25 companies.





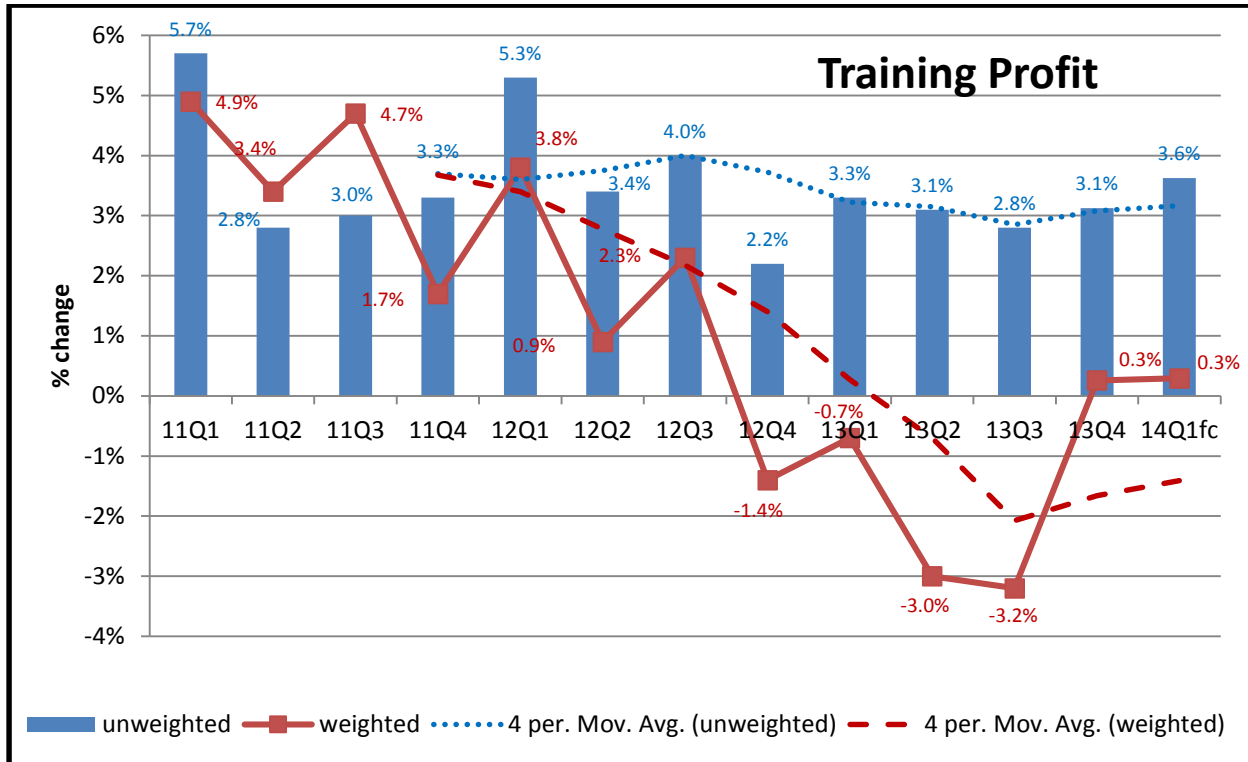
## Training Revenue

The unweighted total training revenue grew 3.3% in 13Q4 (u=13, f=3, d=7) against a forecast in the last report of 2.1%. When considering the weighted numbers, there was a fall of 0.2% against a forecast of 1.1% fall last time. The forecasts for 14Q1 (u=12, f=2, d=8) show a 2.7% increase for unweighted and a 0.5% increase for weighted. The unweighted trendline shows an ongoing revenue increase of around 3% but when size of company is taken into account, it's hovering around flat.



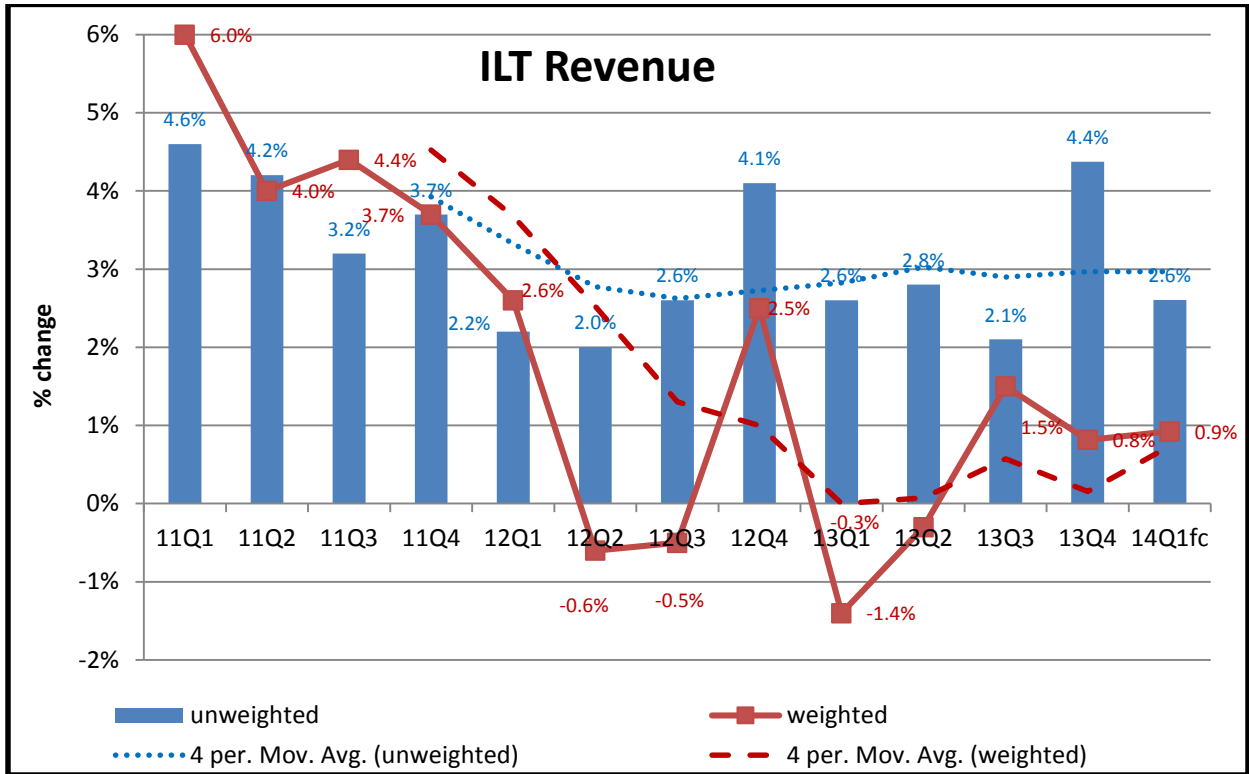
# Training Profit

The unweighted total training profit grew 3.1% in 13Q4 (u=10, f=5, d=5), against the forecast in the last report of 3.3%. But, with the weighted numbers, there was an increase of only 0.3% against a forecast of a 1.4% decrease last time. The unweighted forecast for 14Q1 (u=12, f=3, d=5) is 3.6% increase and the weighted forecast is only a 0.3% increase. The unweighted trendline shows an ongoing profit increase of around 3% over the last two years but when size of company is taken into account, it has dropped from over 3% to -2% (decrease).

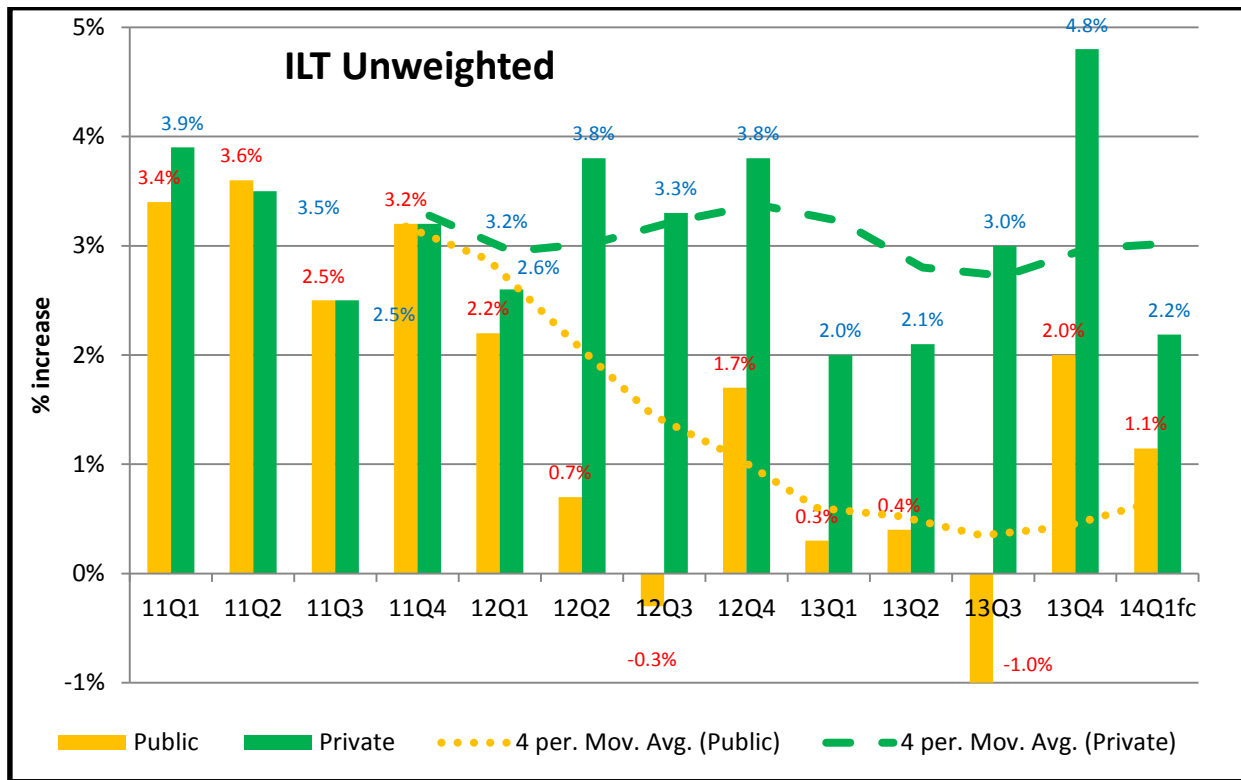


# Instructor-led Training

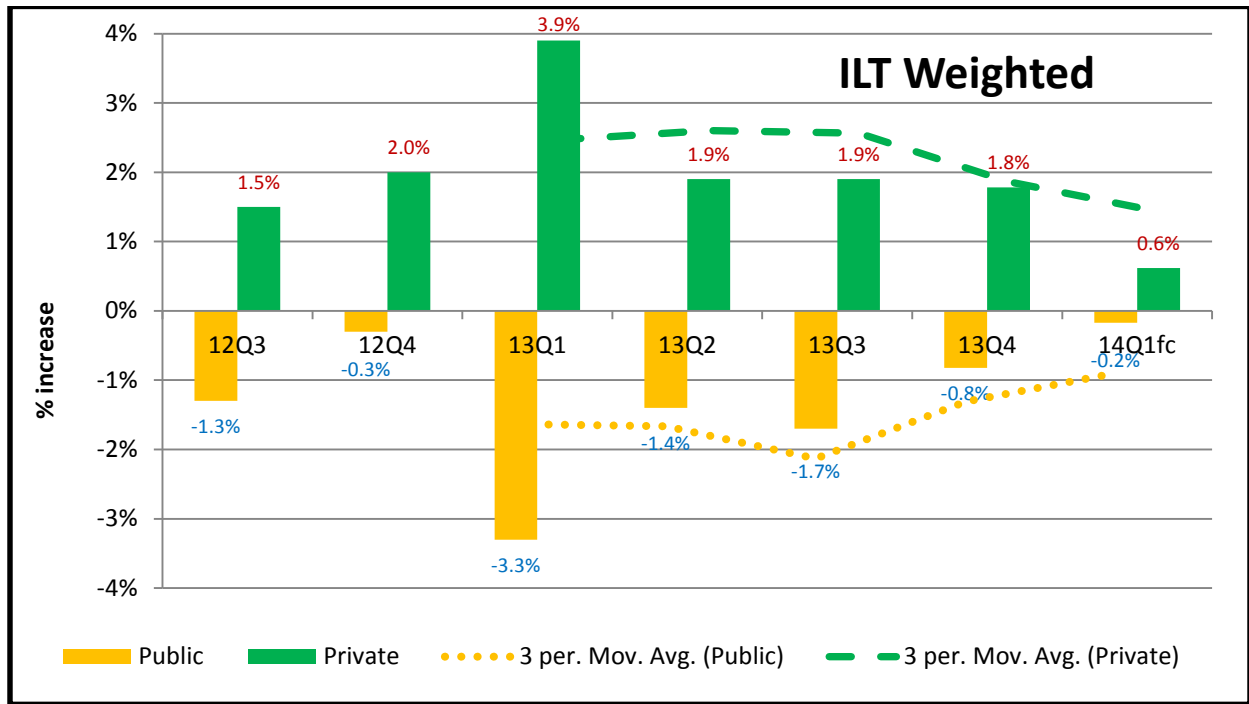
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 13Q4 increase of 4.4% (u=14, f=4, d=6) is slightly higher than that predicted in the last report (3.4%). The weighted number is an increase of 0.8% against a forecast increase of 2.8%. The forecast unweighted increase for 14Q1 (u=14, f=3, d=7) is 2.6%, with weighted at 0.9% increase. 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 hovering in the positive 0-1% range.



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.

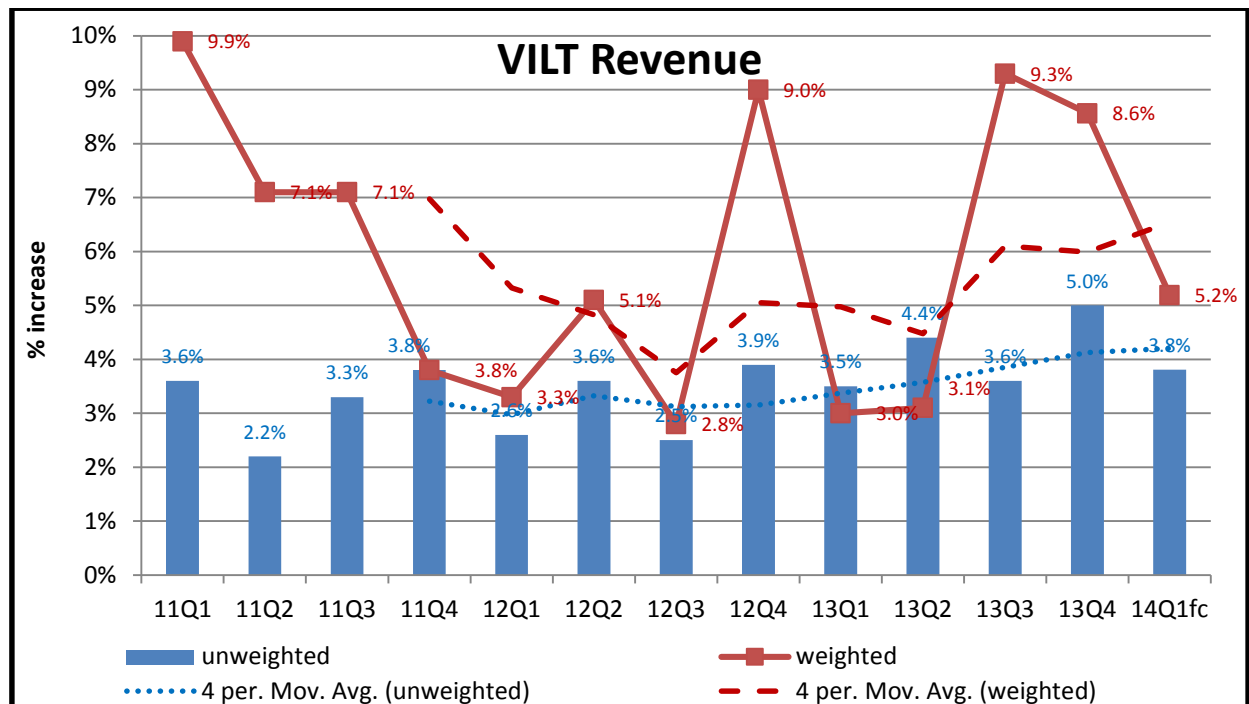


However, when weighted values are calculated, private classes are rising at around 2% year on year, but public classes are decreasing just under 1%.

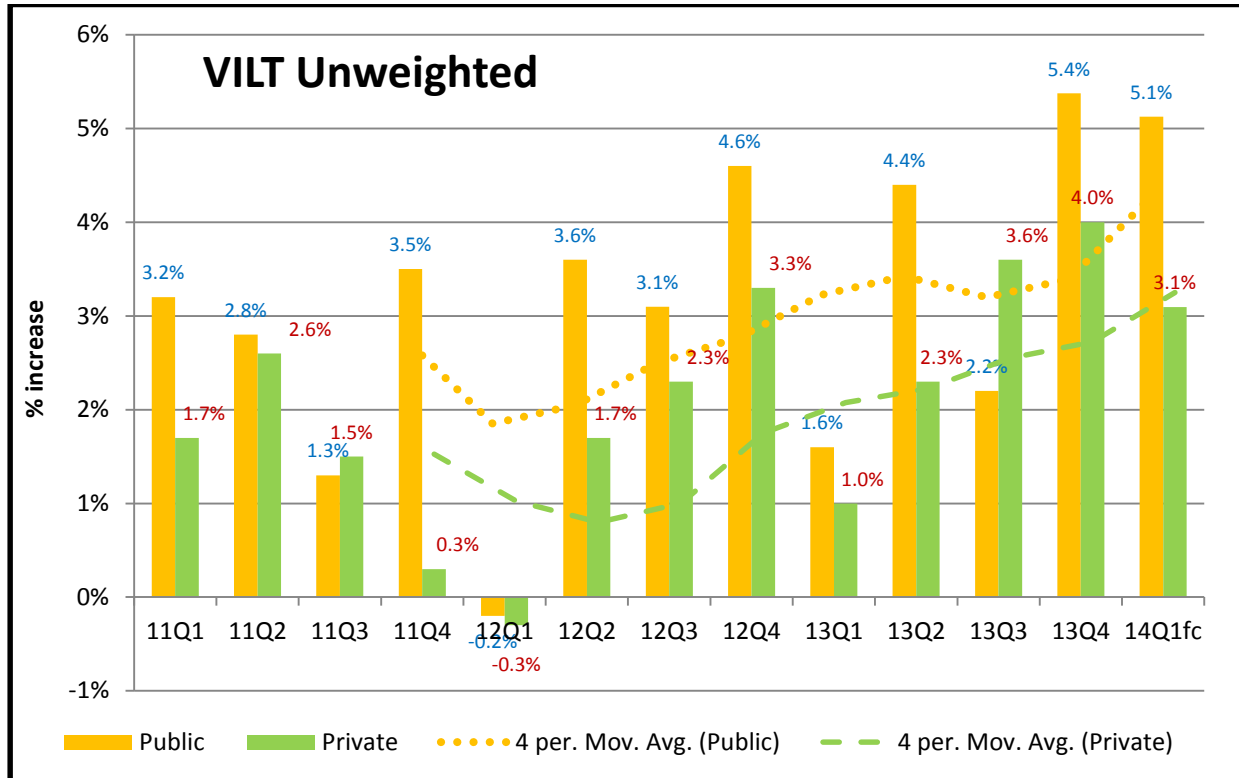


## Virtual Instructor-led Training

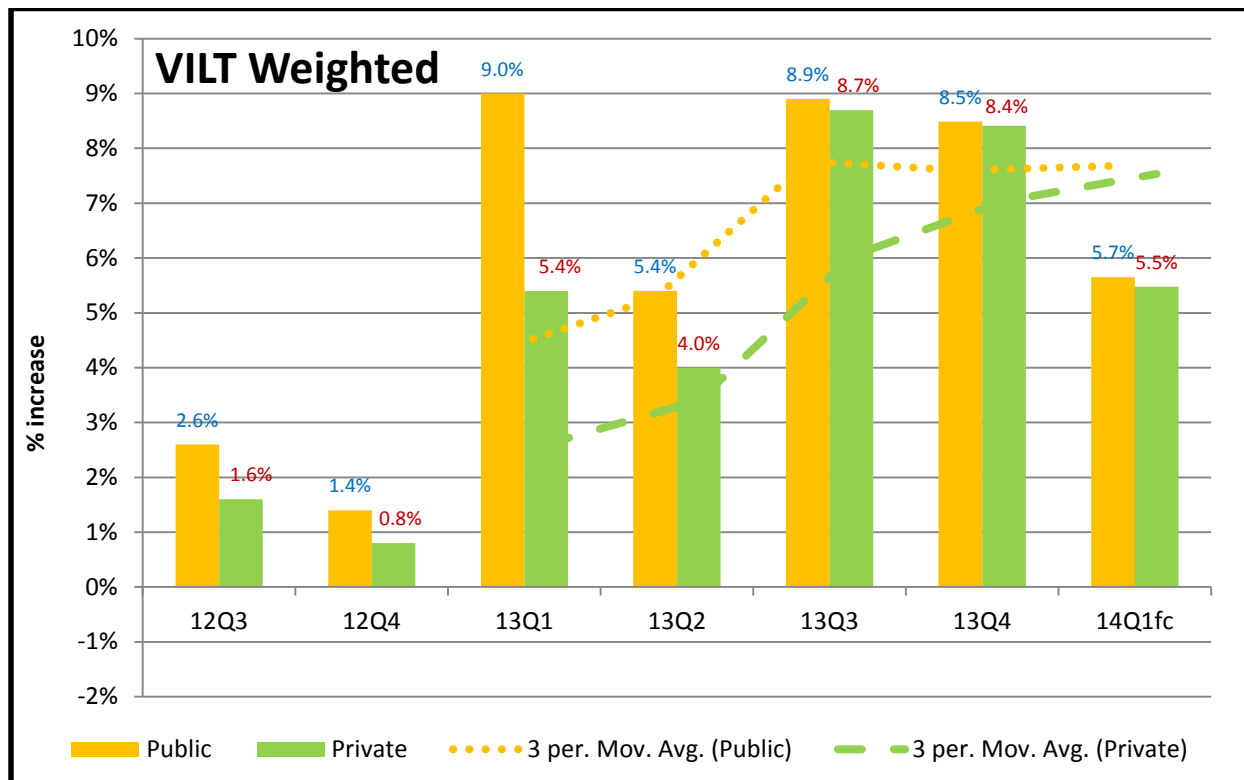
On the other hand, VILT is still buoyant. The unweighted increase of 5.0% (u=13, f=6, d=1) compares well with the 3.7% forecast in the last report. The weighted increase of 5.0% did not reach the dizzy heights of the 9.2% forecast. The forecasts for 14Q1 (u=13, f=7, d=1) again suggest a bigger increase for larger companies (5.2% weighted against 3.8% unweighted). 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 up to 6% (larger companies were using VILT earlier and hence more successful). Note that 4 of the 25 don't use 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 of just over 3%, apart from the 'blip' in 12Q1. This shows unweighted values.



When weighted values are used, the increases for public and private are trending around 7-8%.



# 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.

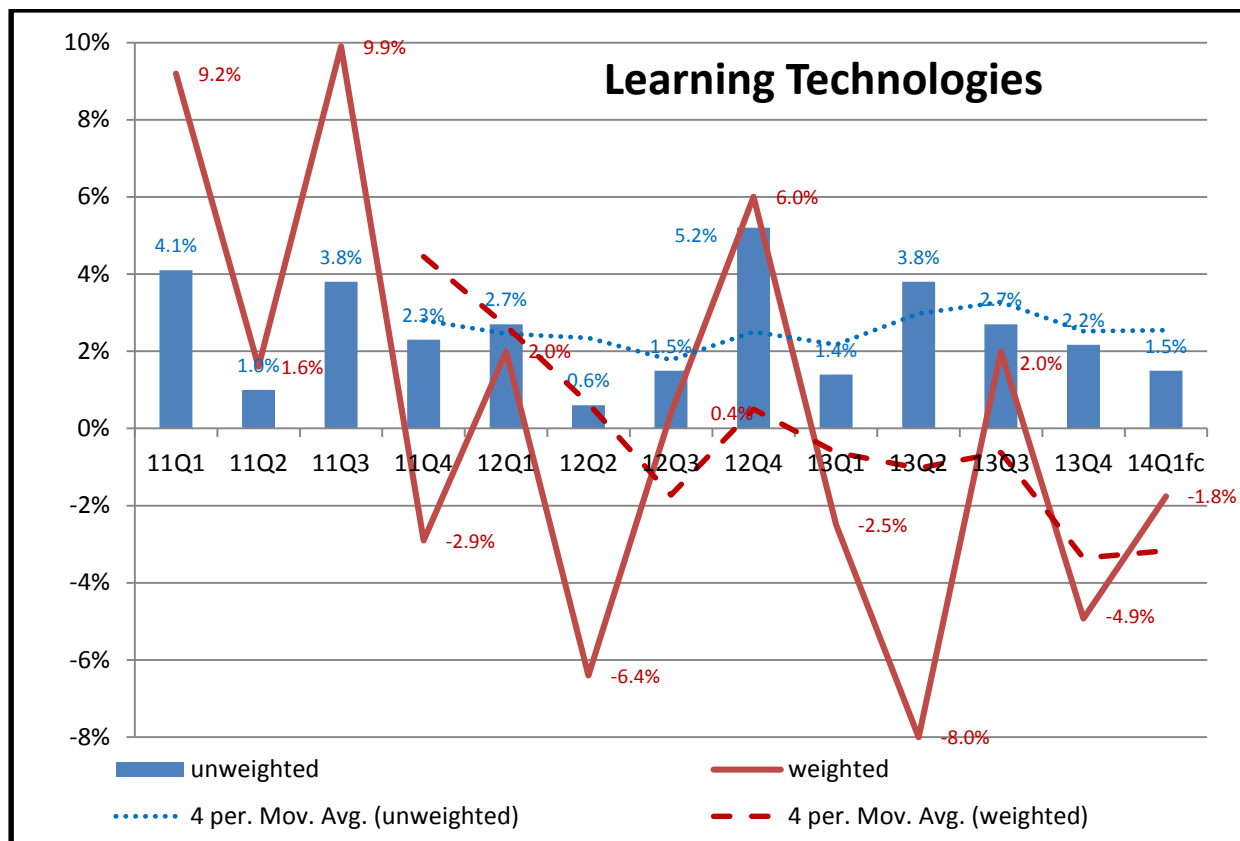
**Generic Content** includes generic courseware, templates, and models.

**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.

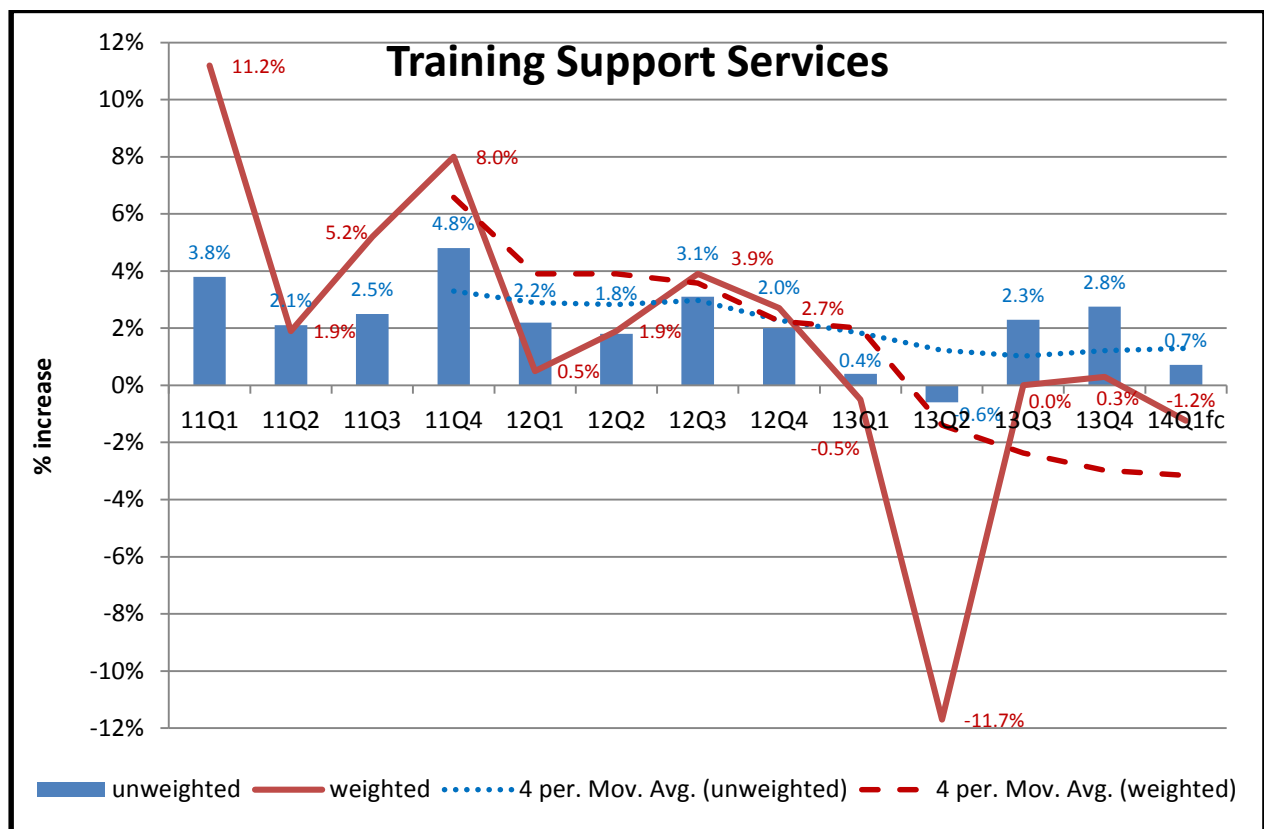
15 of the 25 companies reported activity in this area. The forecasts in the last report were 3.2% and 2.1% increases for unweighted and weighted, respectively, and the results for 13Q4 (u=6, f=6, d=3) are 2.2% and negative 4.9%. This shows how large projects within larger companies can have a significant effect on these averages. The forecast for 14Q1 (u=5, f=6, d=4) is an increase of 1.5%, with weighted at negative 1.8%. 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 show a decrease of 2-3%, 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.

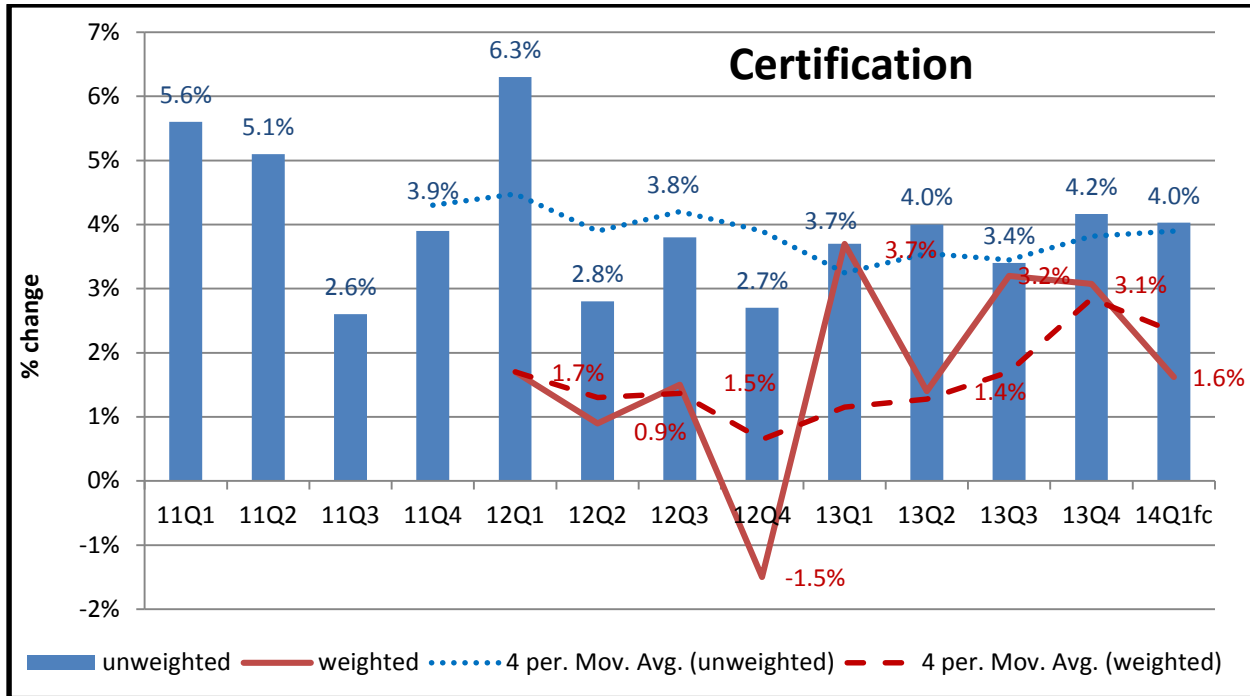
There are only 14 companies reporting activity in this area and so the quarterly figures may be affected significantly by a single input. The forecasts in the last report were 3.2% and 2.1% changes for unweighted and weighted, respectively. The results for 13Q4 (u=6, f=3, d=1) were 2.8% and 0.3% increases. The forecasts for 14Q1 (u=3, f=8, d=3) show an increase of 0.7% for unweighted and a decrease of 1.2% 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 negative 3% from +6%, again reflecting the volatility in this area.





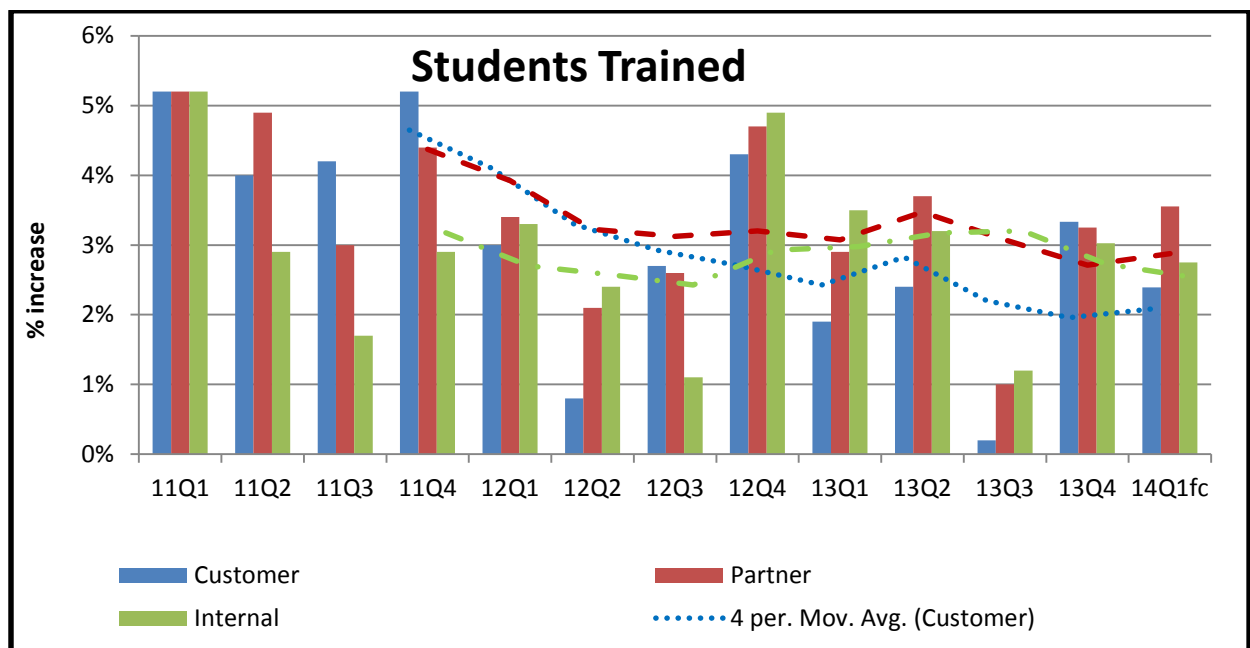
# Certification Tests Administered

Overall, certification has averaged an increase of 3-4% per year-on-year quarter when unweighted. The weighted scores show that the larger companies, having been in the game much earlier, are probably more mature and therefore show smaller increases (2-3%). The spread numbers for 13Q4 (u=10, f=8, d=0) and 14Q1 (u=8, f=9, d=1) are similar. 18 out of the 25 companies offer certification.

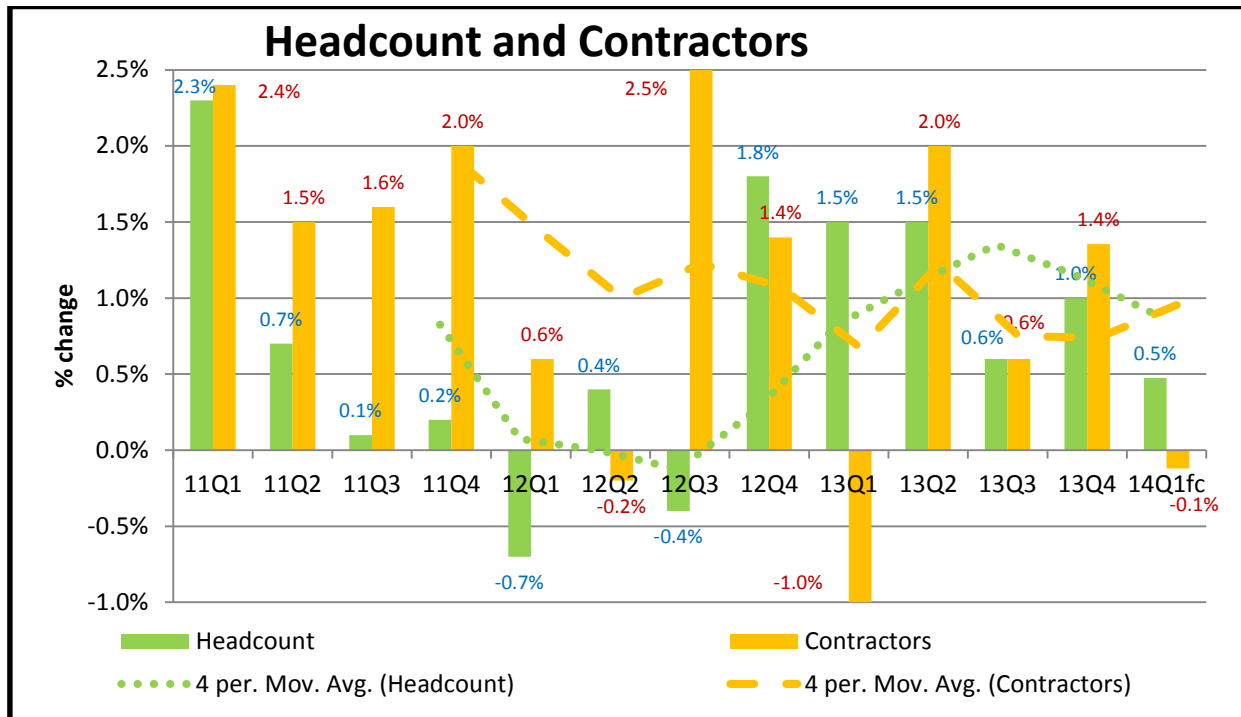


# Miscellaneous

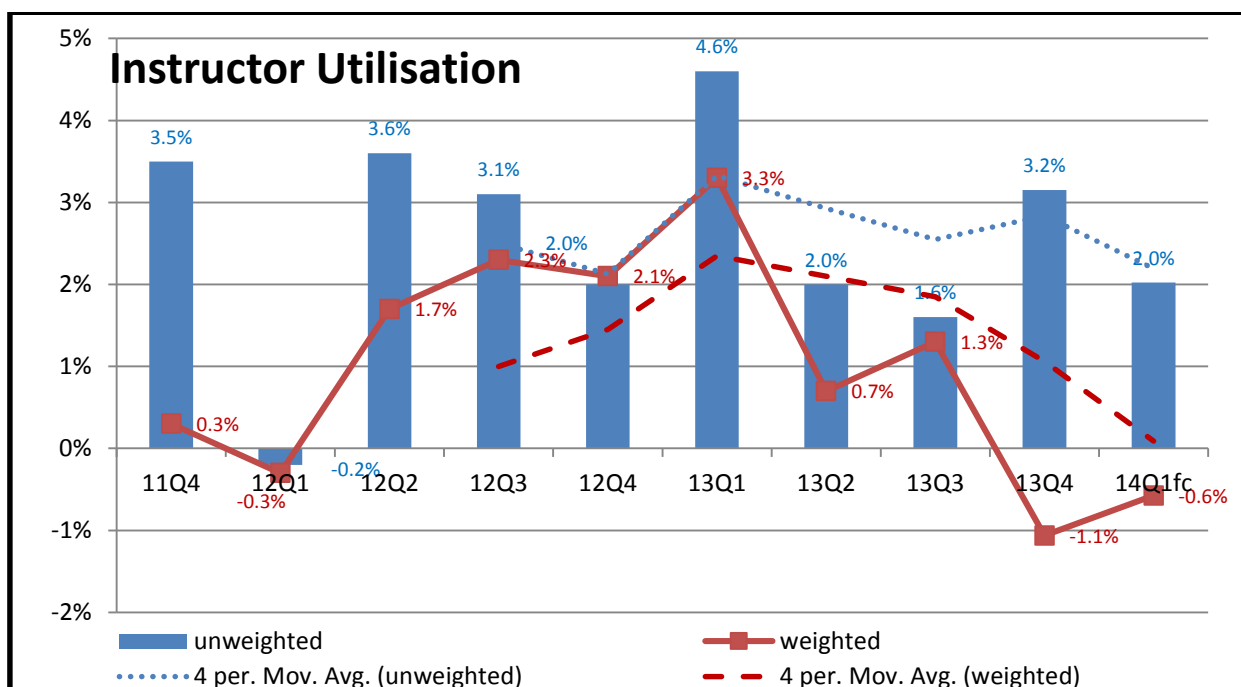
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases around the 2-3% mark over the total period.



Permanent headcount has bounced back over the last year, whereas the contractor number changes quarter on quarter. The trendline for headcount is now showing under 1%, which is very similar 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 1.9% increase, weighted being 1.4%. The 13Q4 result (u=15, f=4, d=4) was 3.2% and negative 1.1% for unweighted and weighted, respectively, while the 14Q1 (u=8, f=8, d=5) forecasts are 2.0% and negative 0.6%. These probably reflect the smaller increases in ILT revenue being seen by larger companies. The trendlines follow each other quite closely but two percentage points apart, with unweighted being the higher at 2%.



## Summary

**Revenue:** The unweighted trendline shows an ongoing revenue increase of around 3% but when size of company is taken into account, it's hovering around flat.

**Profit:** The unweighted trendline shows an ongoing profit increase of around 3% over the last two years but when size of company is taken into account, it has dropped from over 3% to -2% (decrease).

**ILT:** 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 hovering in the positive 0-1% range.

**VILT:** 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 up to 6%.

**Learning Technologies:** 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 show a decrease of 2-3%, again reflecting the volatility in this area.

**Training Support Services:** 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 negative 3% from +6%, again reflecting the volatility in this area.

**Certification:** The unweighted trendline shows an ongoing increase around 3-4% over the last two years but when size of company is taken into account, it is 2-3%.

**Public versus Private:** For ILT, when weighted values are calculated, private classes are rising at around 2% year on year, but public classes are decreasing just under 1%. For VILT, when weighted values are used, the increases for public and private are trending around 7-8%.

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

1. eCommerce and Reporting
2. VILT
3. Storage and Servers.
4. Account Specific
5. Newer technologies like Windows Server 2012, SQL Server 2012 and Virtualization becoming widely adopted
6. Same as previous years, the Admin Essentials, foundation class saw biggest growth
7. New product training
8. Learning Products
9. Classroom training for our standard sign-sign on products
10. Onsite events significantly increase
11. Customisation of manuals
12. Onsite and Virtual Learning
13. Scandinavia enjoying a resurgence due to large project - which is a relief
14. Onsite Training for end customers
15. Onsite - although we have won a large contract which is skewing the figures
16. Altiris, EV, NetBackup

17. Specific to F5 are our technology courses. Same last quarter
18. DBA 12c
19. ILT and VILT revenue
20. Dedicated and onsite deliveries
21. Channel Partner Training, Virtual Training, and eLearning
22. Configured and customized trainings
23. Managed training projects both IP and non IP products
24. User Adoption Services and Custom Training
25. Embedded Linux, Custom computer based training

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

1. Marketing, Year End Training
2. Public classes
3. VMware still a challenge with the VMware VATC new approach; networking and service management have both flattened out
4. Scheduled Courses
5. Legacy technologies like XP and Windows 7, approaching end of life.
6. Advanced Development
7. Older product training
8. Public classes
9. All growth - no decrease
10. Certification flat
11. Bums on seats, Uptake on Needs Assessment suggestions
12. End User and Public
13. New License sales impacted by move to SaaS
14. Training of partners, as main product will be re-launched shortly and Channel Team has own training offering to partners - mainly for free.
15. Since the start of 2014 we have seen a marked decline in delegate numbers for scheduled courses, this is worrying as this results in either running courses with low delegate numbers or cancelling courses which impacts on customer satisfaction
16. Backup Exec and Storage Foundation
17. Old products coming to end of life
18. Java; DBA 11g
19. N/A
20. ILT for customer; some employee areas
21. Standard training
22. Virtualization
23. Live Web Classes, Specialist Advanced Courses
24. All public training

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

1. Managing Growth globally, maintaining instructor quality, ramping.
2. Demand creation of VILT in a market that never had VILT before
3. Attach of Edu to product; Telesales operation turnover of agents
4. Channel offerings keeping pace with customers demand for virtual and online models.
5. IT Training Partners not selling; balancing a Kit Model when revenue growth is #1 company finance metric
6. Headcount; launch readiness and pre general availability training

7. Pressure on cost to deliver ILT; WW performance of online solutions
8. Scaling the administration function in the business to cope with the growth (100% Q/Q)
9. Lack of resource,
10. Not enough hours in the day! Customers wishing to have private classes rather than sit on scheduled ones.
11. Smaller projects to attach to; public schedule slowing down
12. Transition to SaaS License model - impacts all areas of the business; transition to new Software platforms a huge challenge to Academy, since all materials need to be reworked
13. Making revenue target - high expectations by finance due to major new product release; make our outsourcer work
14. Delegates seem to be booking courses later and later - we now receive bookings for courses a few days before the course start date. This causes issues with course planning. Due to the number of onsite courses the trainers are travelling much more and this is impacting on their work/life balance and also doesn't give them time for personal development or to stay in touch with new product developments.
15. Change of Routes to Market for Company, still under consideration
16. Authorised training centres not growing enough, demand outstripping capability
17. Balancing the dynamic of a sales team goaled on bookings while the business is judged on Revenue and Margin
18. Launch of LMS
19. Public ILT days declining, yet revenue increasing. Where are they getting what they pay for!
20. With company situation decrease of available resources and resource constraints to deliver services
21. Demand for Training/Budget cuts
22. Adoption by wider sales organisations within the business; scaling to new LOB demand in regards deliverables and Emerging territories
23. Longer sales cycle; coming up to speed on solutions to support the licence sale and the overall company strategy.
24. Trainer capacity

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

1. Less and less public class students
2. Customers are still reluctant to invest in training plans
3. Increasing demand for shorter, customized tech training - lack of flexibility opens door for grey consulting "workshops"; public schedule students in slow decline
4. Pricing seems to be less of an issue with low volume, high margin training products that it was 6 months ago.
5. Overall I would say that it is same as ever. Unpredictable and unreliable in terms of timing. Over 12 months it is relatively easy to predict - there are rather more than seasonal variations when it comes to quarters..... Strong pipeline, so we know it is a transitional period.
6. Oct - December are always a good quarter
7. Mixed
8. Since the beginning of the year our business has seen significant growth in EMEA and good exposure as the result within the business. We report to a new LOB and a new VP and so far seem to have a very solid champion there. He is pushing the training services value message from the top down, across the sales force. Not sure how this reflects the market but does show that with the right VP level support things can move quickly within IT vendor environment
9. Q4 2013 tailed off after 3 strong previous quarters. Business in Q1 2014 has been very slow and can be contributed to an organizational design review and delays in setting targets and rolling out comp plans.
10. Drive towards customised training away from standard class training