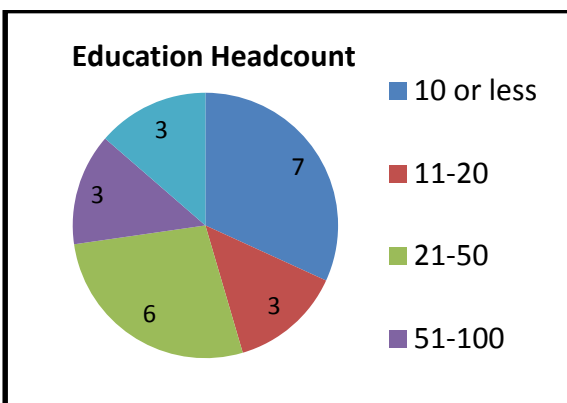
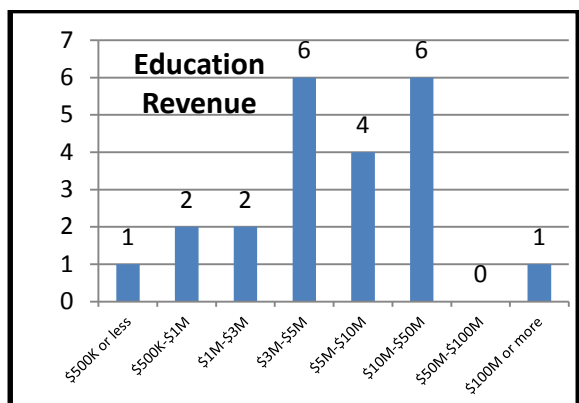
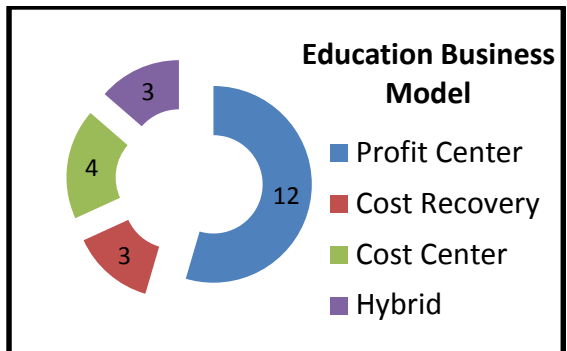
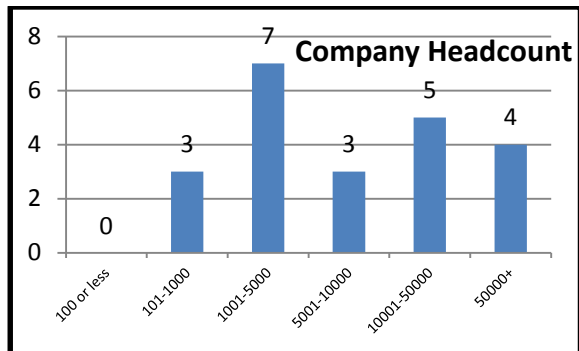
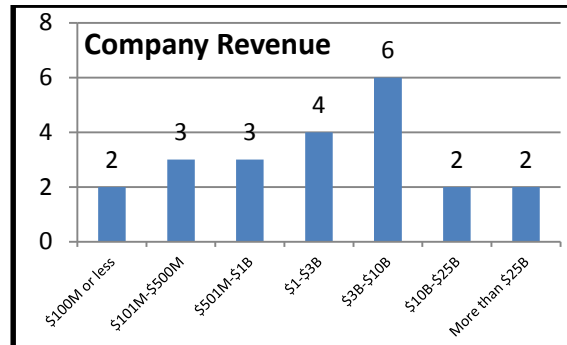
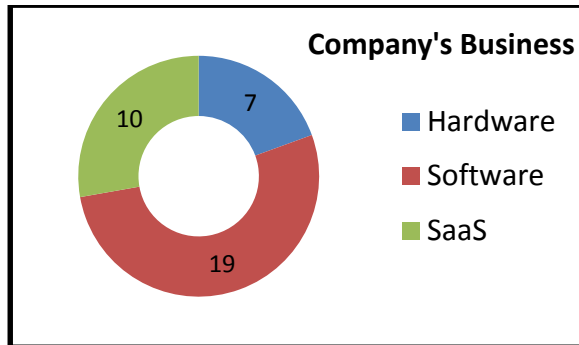


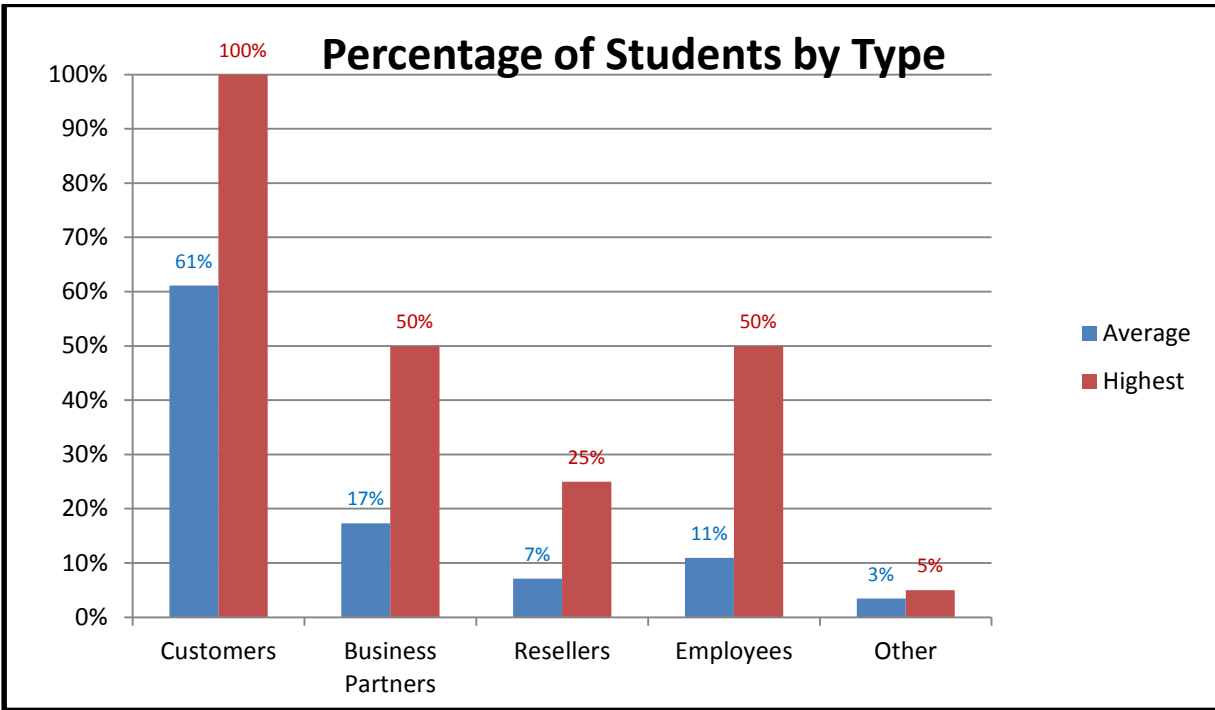
CEdMA Europe Market Barometer

1st Quarter 2014 and forecast for 2nd Quarter 2014

Introduction

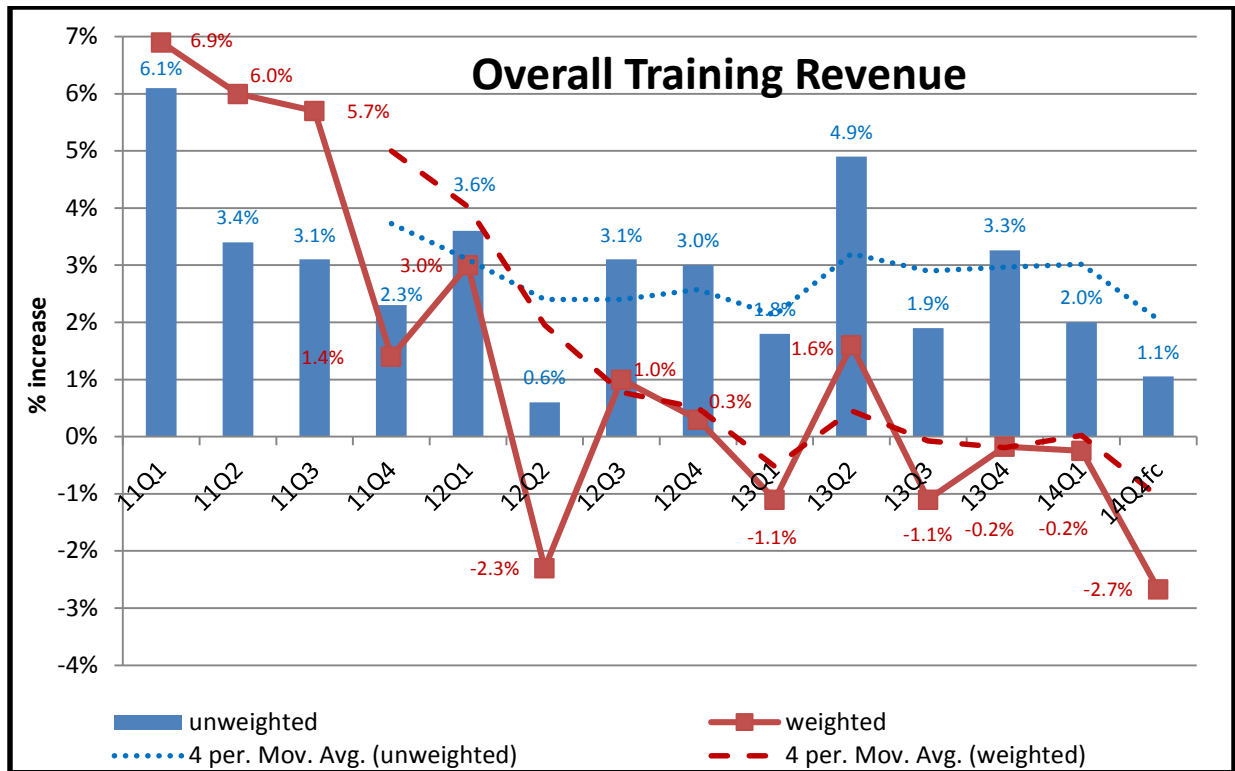
This report is compiled by CEdMA Europe for its members from input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +/- 12.5%. Please note that was changed for 11Q4 and so the quarter numbers prior to that have been adjusted accordingly to 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 14Q1 actuals and 14Q2 forecast is based on input from 22 companies.





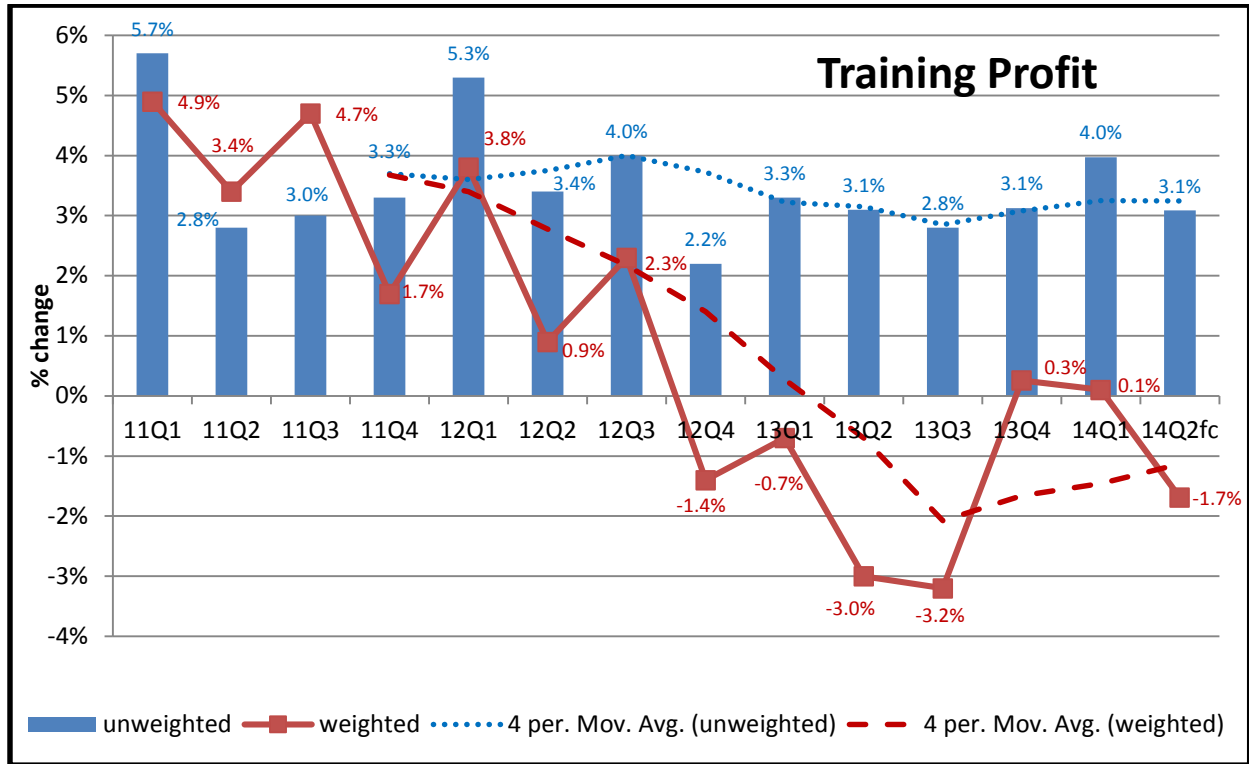
Training Revenue

The unweighted total training revenue grew 2.0% in 14Q1 (u=9, f=2, d=9) against a forecast in the last report of 2.7%. When considering the weighted numbers, there was a fall of 0.2% against a forecast of 0.5% increase last time. The forecasts for 14Q2 (u=9, f=3, d=9) show a 1.1% increase for unweighted and a 2.7% decrease for weighted. The unweighted trendline shows an ongoing revenue increase of around 3%, heading towards 2%, but when size of company is taken into account, it's just turning negative.



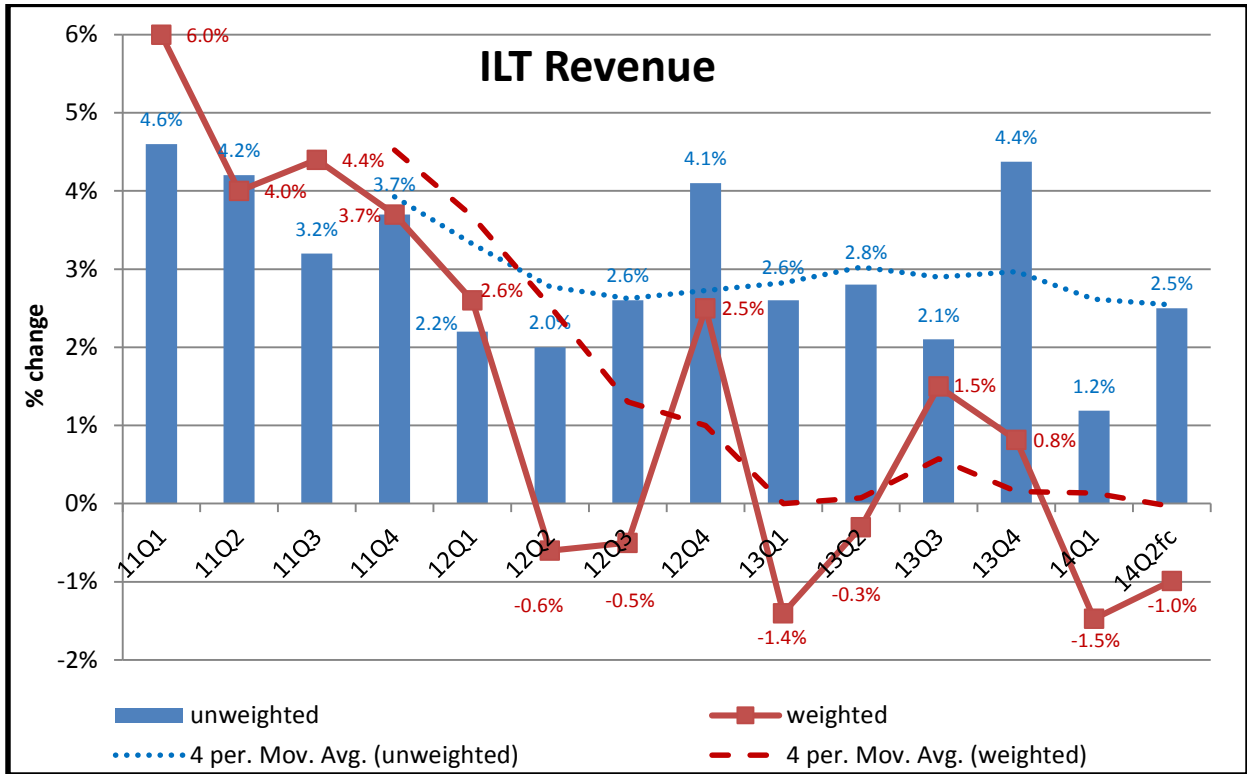
Training Profit

The unweighted total training profit grew 4.0% in 14Q1 (u=9, f=4, d=4), against the forecast in the last report of 3.1%. But, with the weighted numbers, there was an increase of only 0.1% against a forecast of a 0.3% last time. The unweighted forecast for 14Q2 (u=9, f=4, d=4) is 3.1% increase and the weighted forecast is a decrease of 1.7%. 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 a decrease in the 1-2% range.

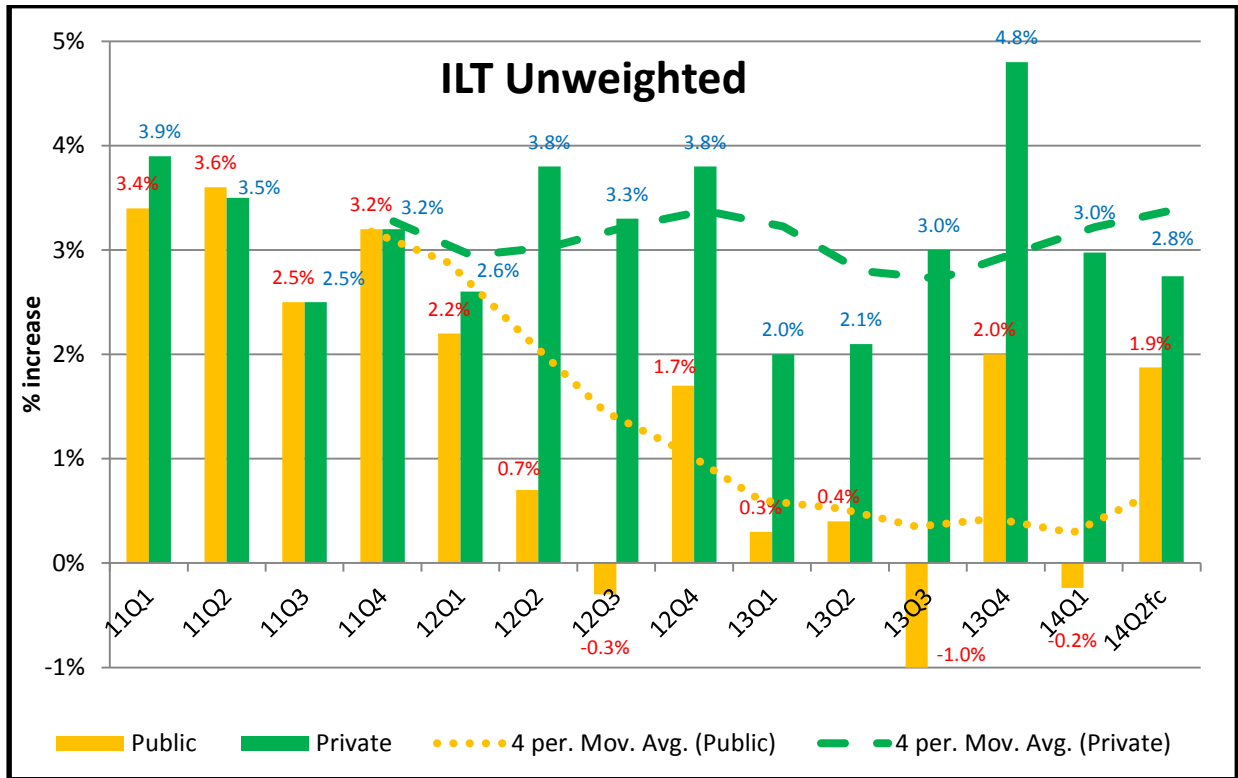


Instructor-led Training

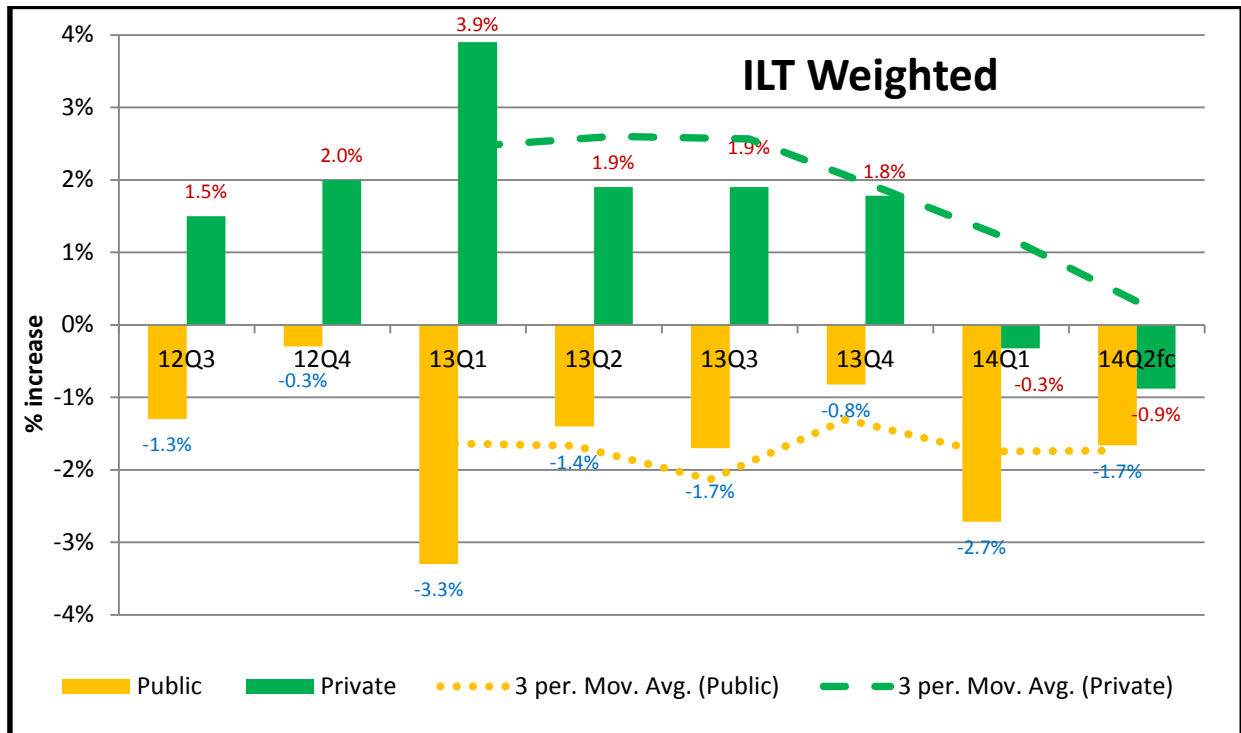
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 14Q1 increase of 1.2% (u=8, f=5, d=8) is lower than that predicted in the last report (2.6%). The weighted number is a decrease of 1.5% against a forecast increase of 0.9%. The forecast unweighted increase for 14Q2 (u=13, f=2, d=6) is 2.5%, with weighted at negative 1.0%. The unweighted trendline shows an ongoing ILT increase in the 2-3% range 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.

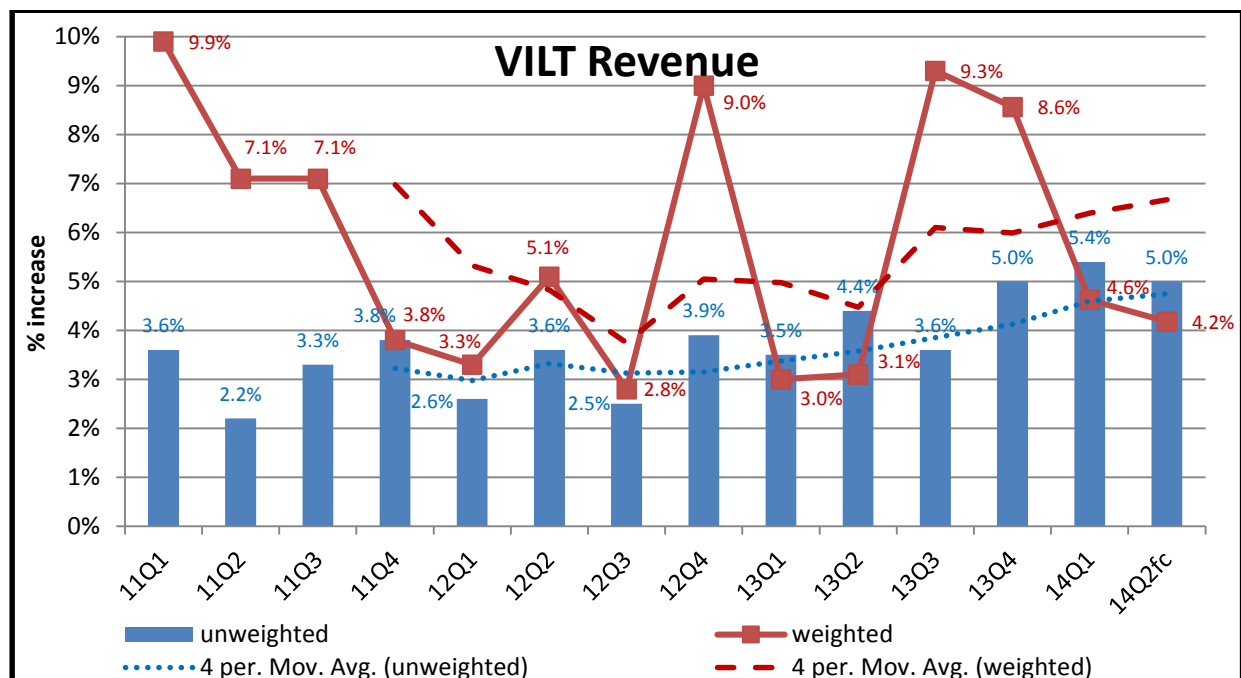


However, when weighted values are calculated, private classes are still rising year on year but only just, while public classes are decreasing just under 2%.

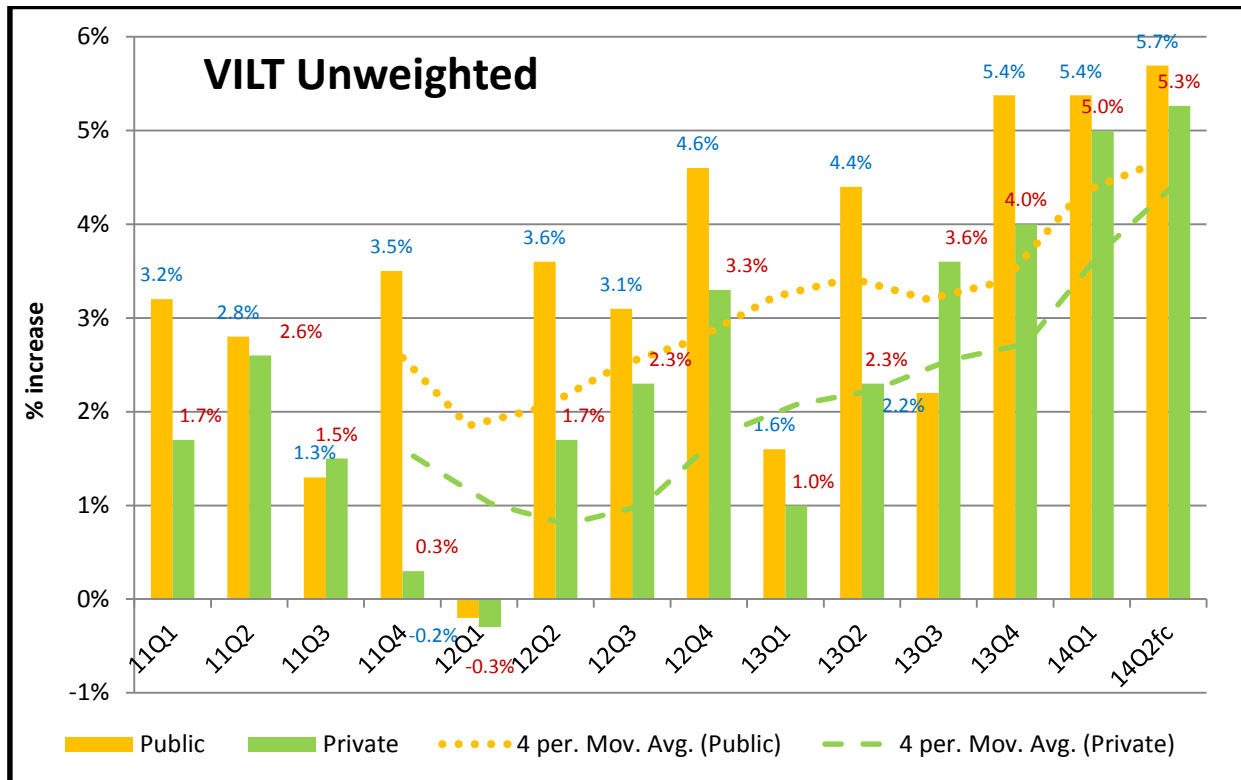


Virtual Instructor-led Training

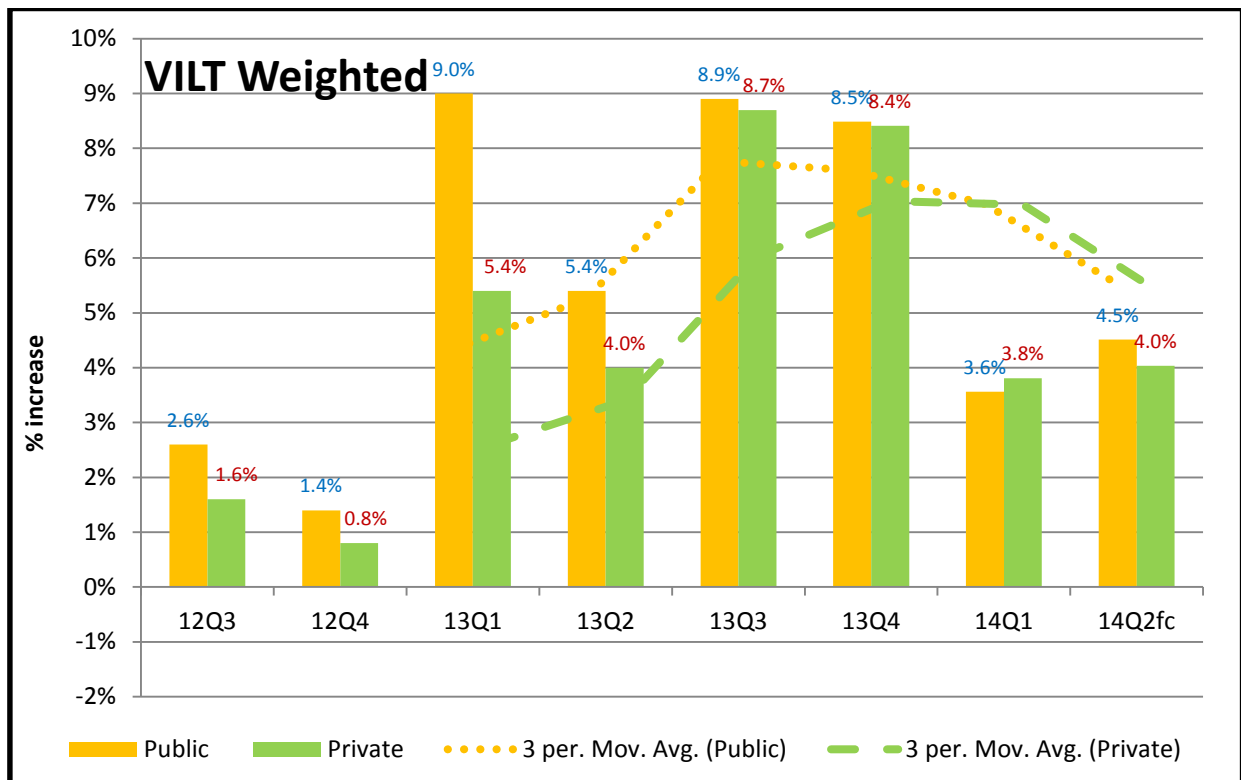
On the other hand, VILT is still buoyant. The unweighted increase of 5.4% ($u=12, f=6, d=1$) compares well with the 3.8% forecast in the last report. The weighted increase of 4.6% is nearly up to the forecast of 5.2%. The forecasts for 14Q2 ($u=12, f=7, d=0$) again suggest good increases (5.0% unweighted and 4.2% weighted). The unweighted trendline shows an ongoing VILT increase of around 4% just now but when size of company is taken into account, it is over 6% (larger companies were using VILT earlier and hence more successful). Note that 2 of the 21 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 around 3-4%, apart from the 'blip' in 12Q1. This shows unweighted values.



When weighted values are used, the increases for public and private are trending around 5-6%.



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.

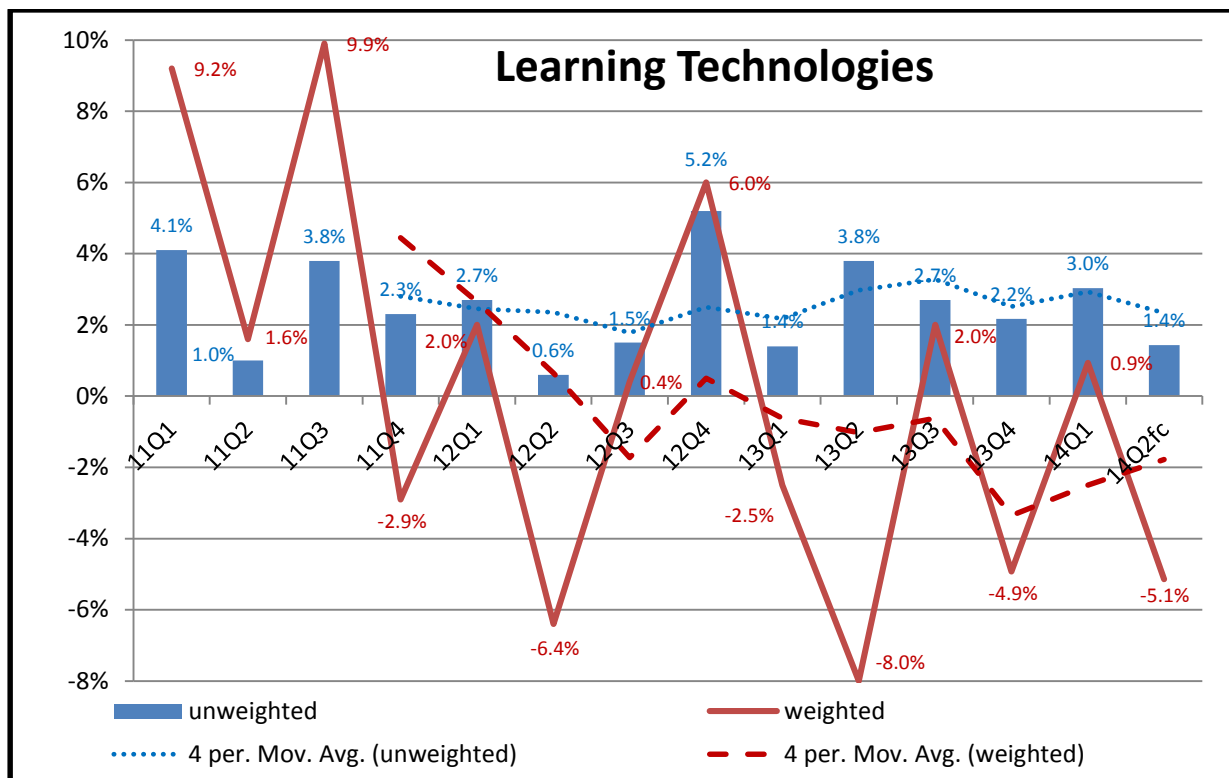
Generic Content includes generic courseware, templates, and models.

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.

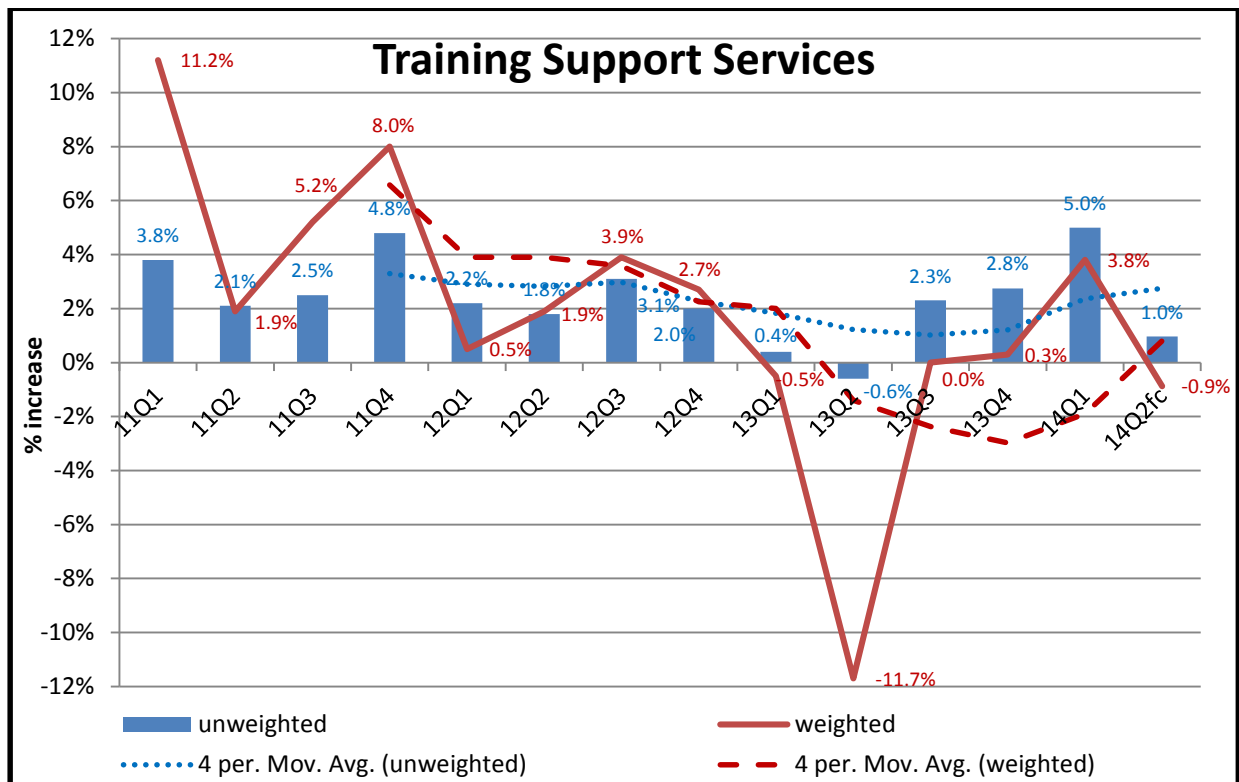
14 of the 21 companies reported activity in this area. The forecasts in the last report were 1.5% increase and 1.8% decrease for unweighted and weighted, respectively, and the results for 14Q1 (u=6, f=5, d=3) are 3.0% and 0.9%. The forecast for 14Q2 (u=4, f=6, d=4) is an increase of 1.4%, with weighted at negative 5.1%. This shows how large projects within larger companies can have a significant effect on these averages. 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 is showing a decrease of 2-3%, again reflecting the volatility in this area.



Training Support Services

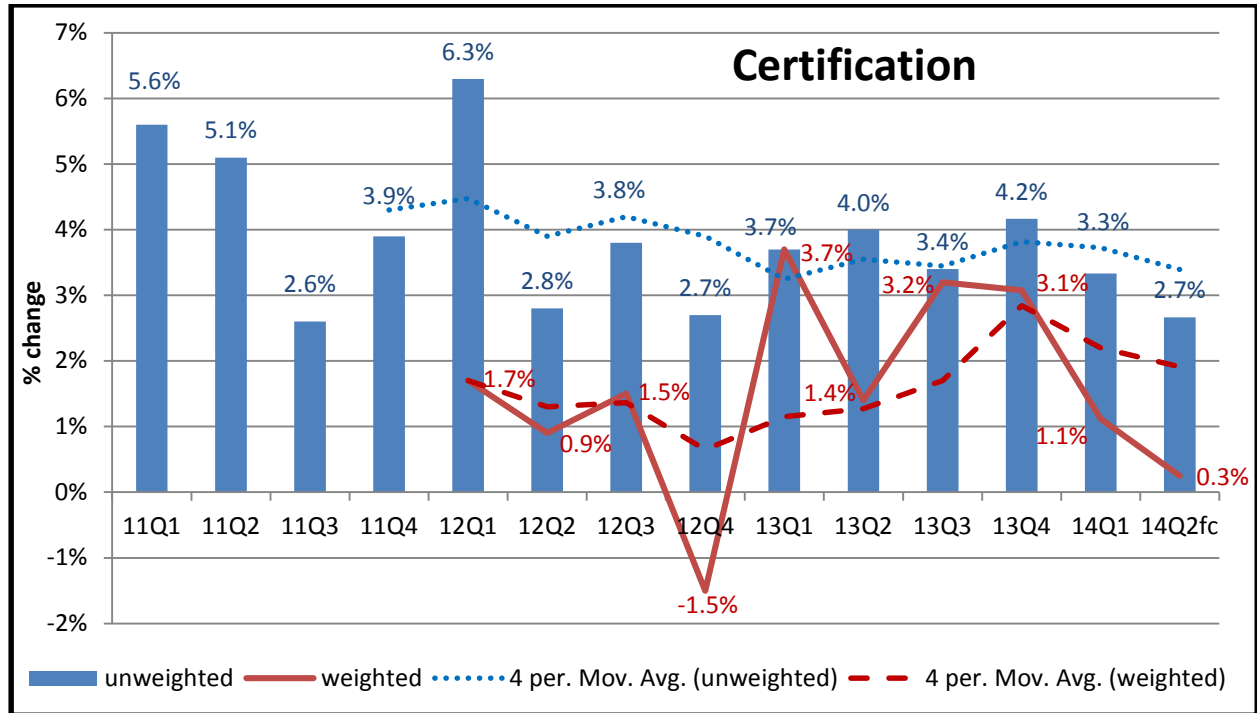
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 13 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 a 0.7% increase and a 1.2% decrease for unweighted and weighted, respectively. The results for 14Q1 (u=4, f=6, d=2) were 5.0% and 3.8% increases. The forecasts for 14Q2 (u=2, f=8, d=3) show an increase of 1.0% for unweighted and a decrease of 0.9% for weighted. The unweighted trendline shows that the increase hovering around the 2% mark over the last two years. When size of company is taken into account, it has dropped from +6% to negative 3.0% but back to flat, again reflecting the volatility in this area.



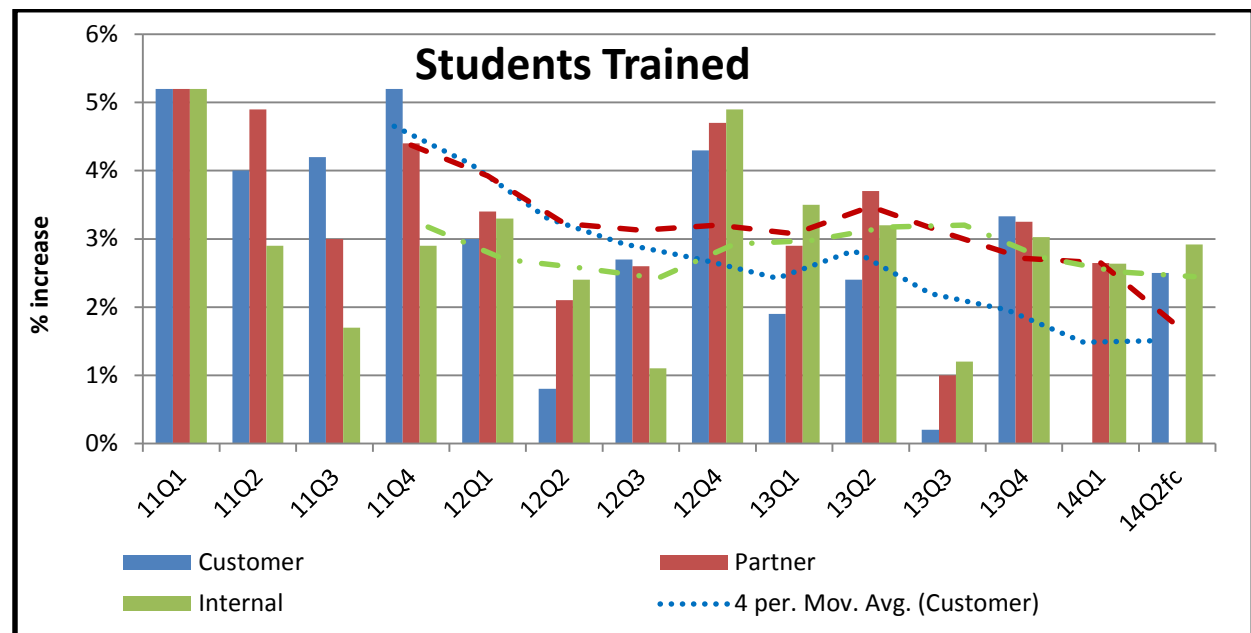
Certification Tests Administered

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 14Q1 (u=8, f=5, d=2) and 14Q2 (u=7, f=5, d=3) are similar. 15 out of the 22 companies offer certification.

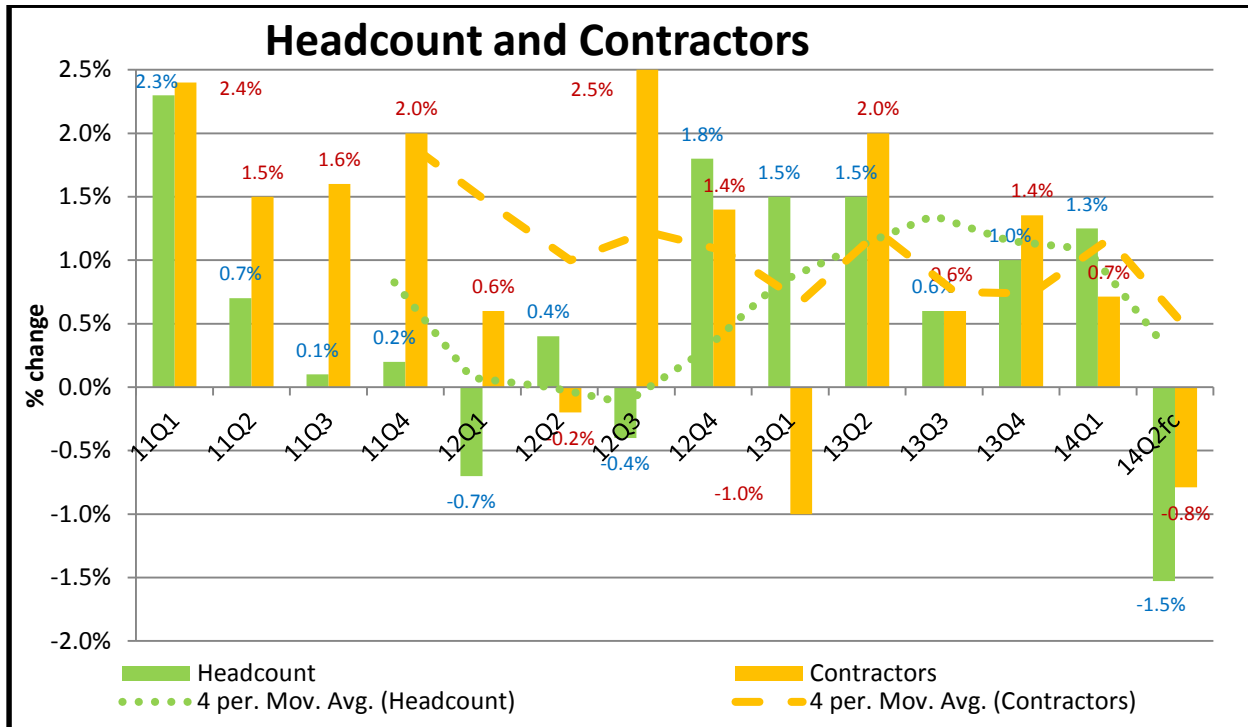


Miscellaneous

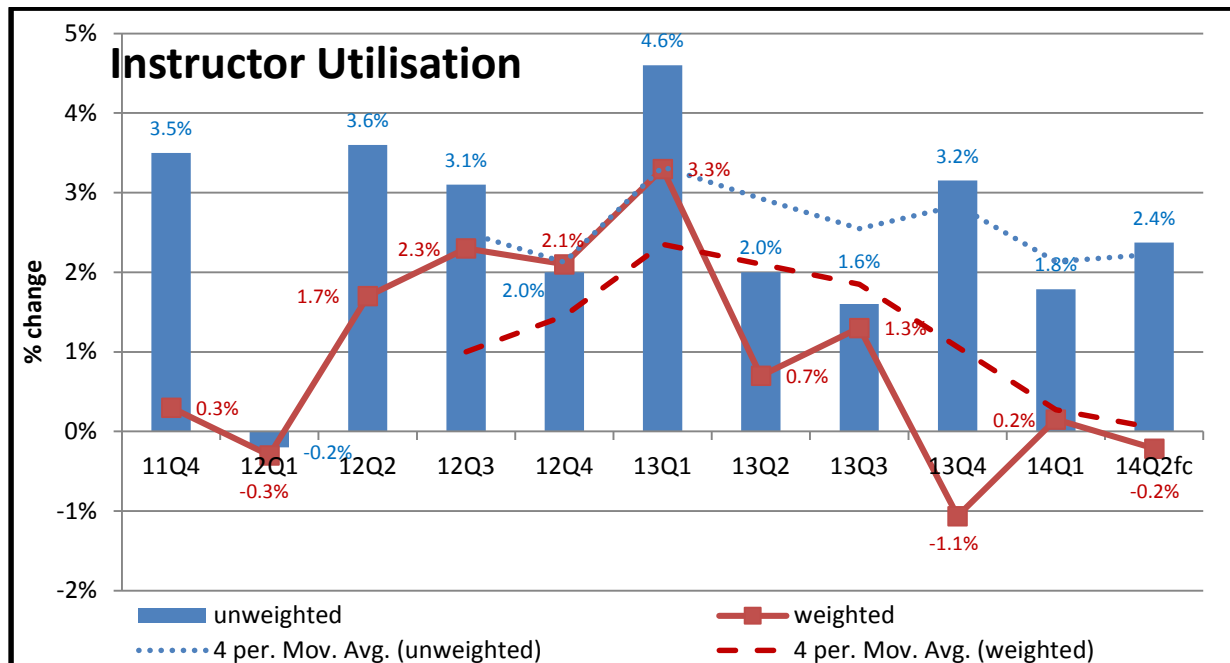
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period, although decreasing over time.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year. However, the numbers for both have dipped in the 14Q2 forecast.



We introduced a question on instructor utilisation (billable time versus overall working time) in 11Q4. The unweighted forecast in the last report was a 2.4% increase, weighted being a decrease of 0.2%. The 14Q1 result (u=10, f=6, d=5) was 1.8% and 0.2% for unweighted and weighted, respectively, while the 14Q2 (u=9, f=7, d=4) forecasts are 2.4% and negative 0.2%. 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%, heading towards 2%, but when size of company is taken into account, it's just turning negative.

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 a decrease in the 1-2% range.

ILT: The unweighted trendline shows an ongoing ILT increase in the 2-3% range over the last two years but when size of company is taken into account, it has dropped from over 4% to flat.

VILT: The unweighted trendline shows an ongoing VILT increase of around 4% just now but when size of company is taken into account, it is over 6% (larger companies were using VILT earlier and hence more successful).

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 is showing a decrease of 2-3%, again reflecting the volatility in this area.

Training Support Services: The unweighted trendline shows that the increase hovering around the 2% mark over the last two years. When size of company is taken into account, it has dropped from +6% to negative 3.0% but back to flat, 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 1-2%.

Public versus Private: For ILT, when weighted values are calculated, private classes are trending to flat year on year, but public classes are decreasing just around 2%. For VILT, when weighted values are used, the increases for public and private are trending around 5-6%.

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

1. Private ILT; Authorised Training Partners; eLearning
2. New product training, partner training
3. Same as previous years, the Admin Essentials, foundation class saw biggest growth
4. Learning Products
5. Altiris, NetBackup, Cluster Server
6. Finally getting VILT up and running - so huge upsurge
7. ILT & VILT revenue
8. Onsite & Virtual Learning
9. Classroom training for our standard sign-sign on products
10. Account Specific
11. Managed training projects, transactional revenues due to specific initiatives from sales. EUC (End User Computing) some big wins
12. Onsite events increase
13. eCommerce and Reporting

14. Dedicated and onsite deliveries
15. Onsite - although we have won a large contract which is skewing the figures (same applies for Q2). Scheduled has also improved and we are now tracking last year's figures from a shortfall in Q1
16. On-Demand Training
17. Still Storage and cloud
18. Configured and customized trainings
19. Channel Partner Training, Virtual Training, eLearning
20. Customization of manuals. Onsite private classes
21. VILT

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

1. All growth - no decrease
2. Legacy technologies like XP and Windows 7, approaching end of life.
3. Backup Exec, Storage Foundation
4. Standard class topics.
5. Public ILT
6. n/a
7. Old products coming to end of life
8. Public classes
9. Virtualization
10. Public Training
11. Ad hoc onsite requests for formal courses - this isn't reflected in the figures due to the large contract we won but we are seeing less enquiries for private onsite requests
12. Bums on seats; Uptake on Needs Assessment suggestions
13. Public training
14. Public classes
15. Public scheduled ILT courses
16. Certification flat
17. Older product training
18. All public training
19. Scheduled Courses
20. Public classes

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

1. Scaling the administration function in the business to cope with the growth (100% Q/Q)
2. Channel offerings keeping pace with customers demand for virtual and online models.
3. Moving our End User business to Authorized Training Partners; No Sales Team due to change.
4. Loss of key headcount for biggest core training subject area and taking over the mess that my predecessor left behind.
5. Change from standard ILT delivery to Self-paced; Shift of revenue allocations.
6. Launch of LMS
7. Transitioning the training delivery model from direct to partner delivery
8. Public ILT days declining, yet revenue increasing. Increasing proportion of dedicated and tailored events

9. Authorised training centres not growing enough, demand outstripping capability
10. Demand creation of VILT in a market that never had VILT before
11. Scaling to new LOB demand in regards deliverables and Emerging territories; Lack of credible industry recognised accreditations
12. Demand for Training/ Budget cuts
13. Still resourcing and finding a balance between public courses and having enough time for onsite private courses. Trainers having enough time to take exams and stay current with the technologies
14. Not enough hours in the day! Customers wishing to have private classes rather than sit on scheduled ones. Middle East!
15. Lack of new license sales; bad channel management.
16. Pressure on cost to deliver ILT; WW performance of online solutions
17. Decreased public schedule numbers; Decreased resources
18. Lack of resource,
19. Headcount; education attachment to product sales
20. Trainer capacity
21. Transitioning our business model internally; we've taking a subscription training revenue business and have transitioned the recognition of that subscription revenue internally to a consumption-based model. This is new to everyone and has required a re-focusing of efforts from everyone: Sales, Operations, Marketing, Support
22. Demand creation of VILT in a market that never had VILT before

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

1. Pricing seems to be less of an issue with low volume, high margin training products that it was 6 months ago.
2. The desire in Europe for face to face ILT is still high vs US if we think about the take up of virtual classroom and eLearning. Where customers are mature with using the solutions within their businesses it is becoming more prevalent that they want bespoke training programmes or specific deep dive topics. With regards to new hire training we are seeing more requests for onboarding programme support than sending new hires to standard functional training classes.
3. Oct - December are always a good quarter
4. Less and less public classes students
5. Customers continue to look for innovative training solutions, bespoke, just in time approaches to their learning needs. With the expiry of Windows XP there has been an uplift in demand for us in that area. Mostly the growth we have seen on the last quarter is down to internal activities and wider sales adoption as the result of some strategic reshuffling. Long may it continue!
6. Fairly buoyant, but desperately need to sell more product (license) to attach the training too.
7. Peer based training prevalent. Decrease in training budgets.
8. Drive towards customised training away from standard class training
9. Increasing demand for shorter, customized tech training - lack of flexibility opens door for grey consulting "workshops"
10. Less and less public classes students