

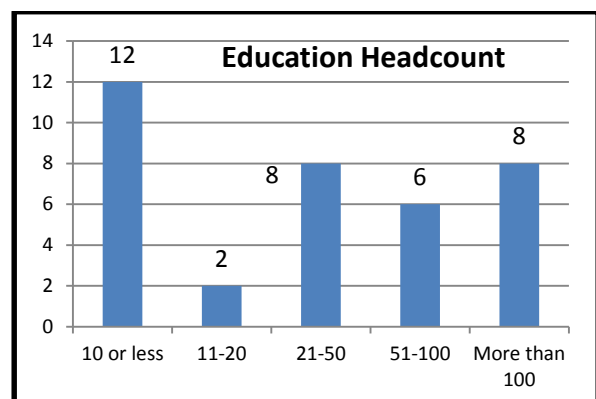
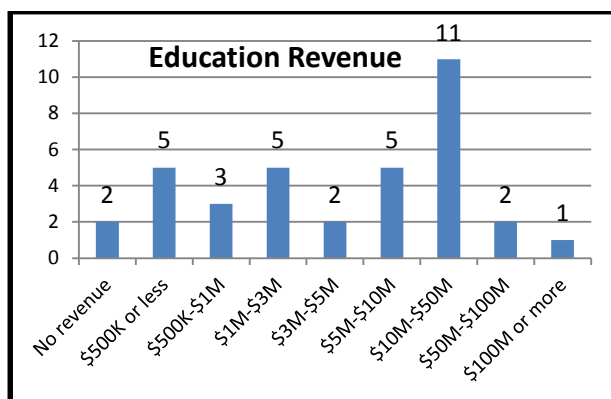
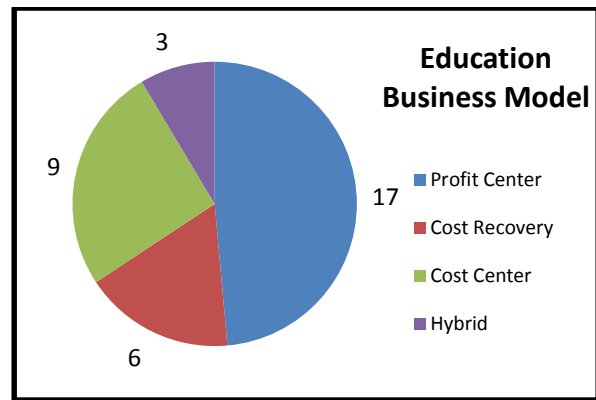
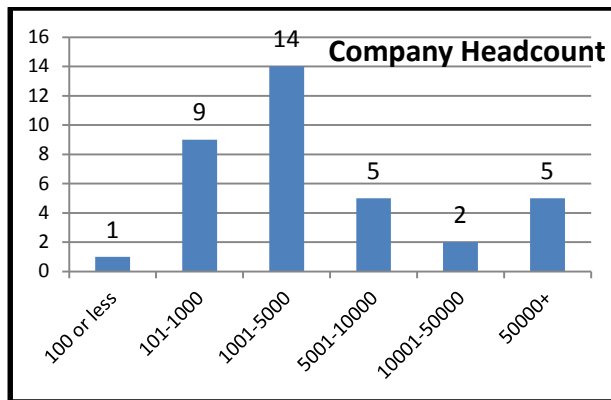
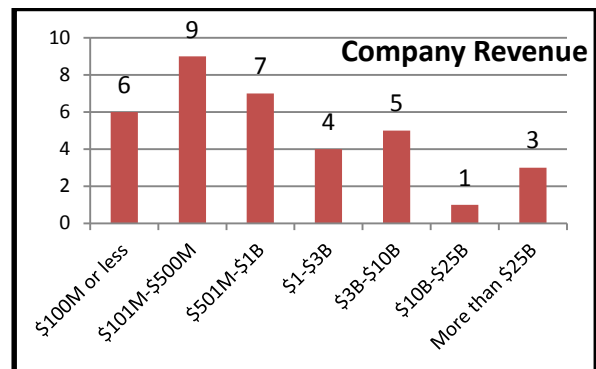
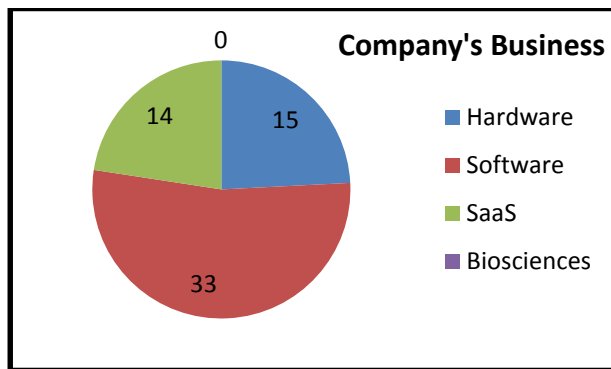


## CEdMA Training Market Barometer

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

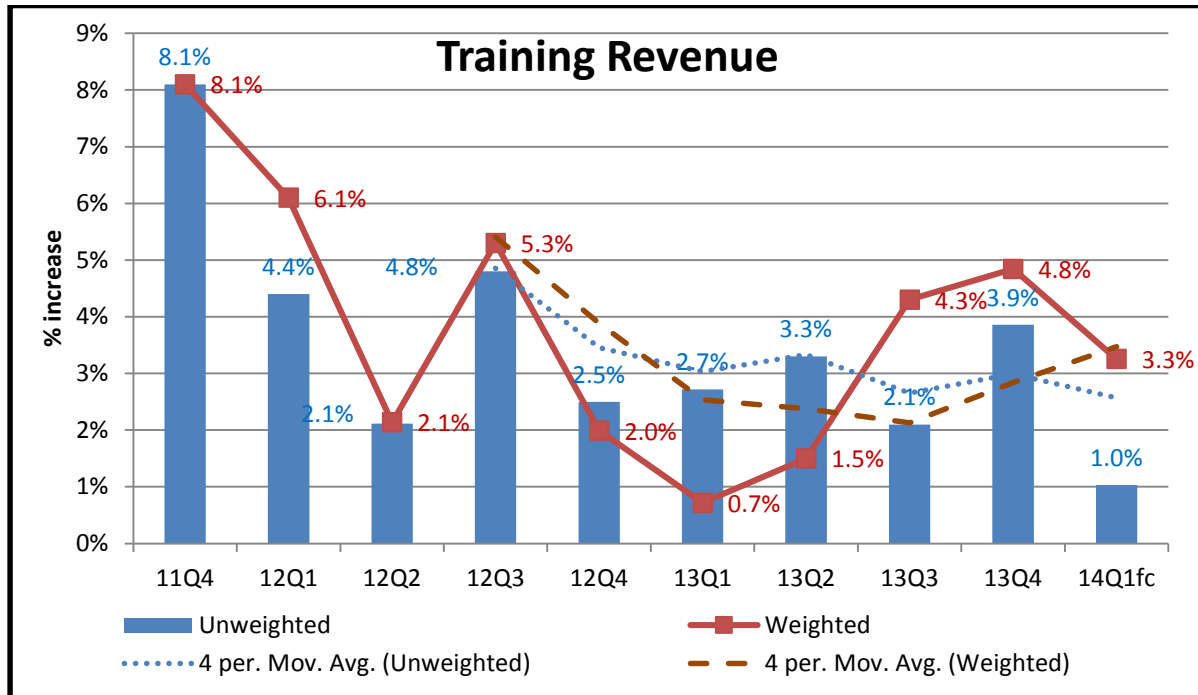
#### Introduction

This report is compiled by CEdMA for its members about their Education businesses. It is based around a series of absolute growth or decline percentages in the range +/- 12.5%. Revenue and volumes refer to training services delivered in the quarter and not future bookings. Members were asked to indicate whether their data was for the global business or that for North America. Note that in this report, u/f/d is the number of members reporting up/flat/down, respectively. There were 30 responses for global and only 6 for North America so the 36 profiles are as follows:

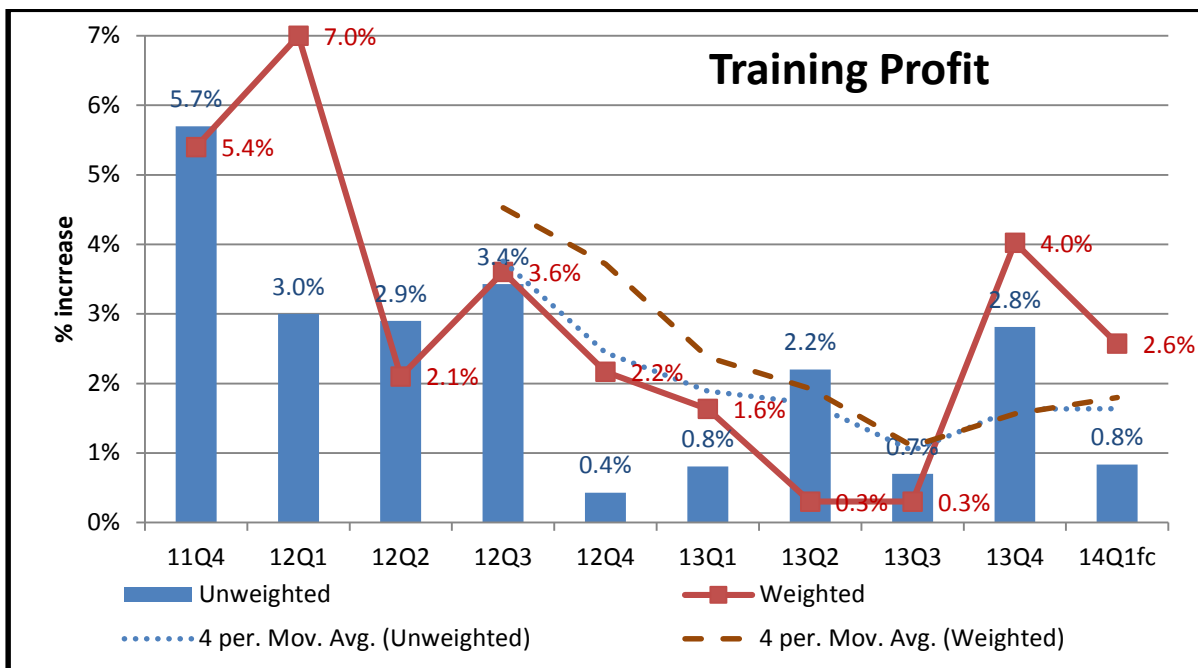


The unweighted average is the average of all responses whereas the weighted average uses the size of the company taking the relevant education revenue multiplied by the growth/decline rate, so larger companies have a bigger impact.

## Revenue and Profit



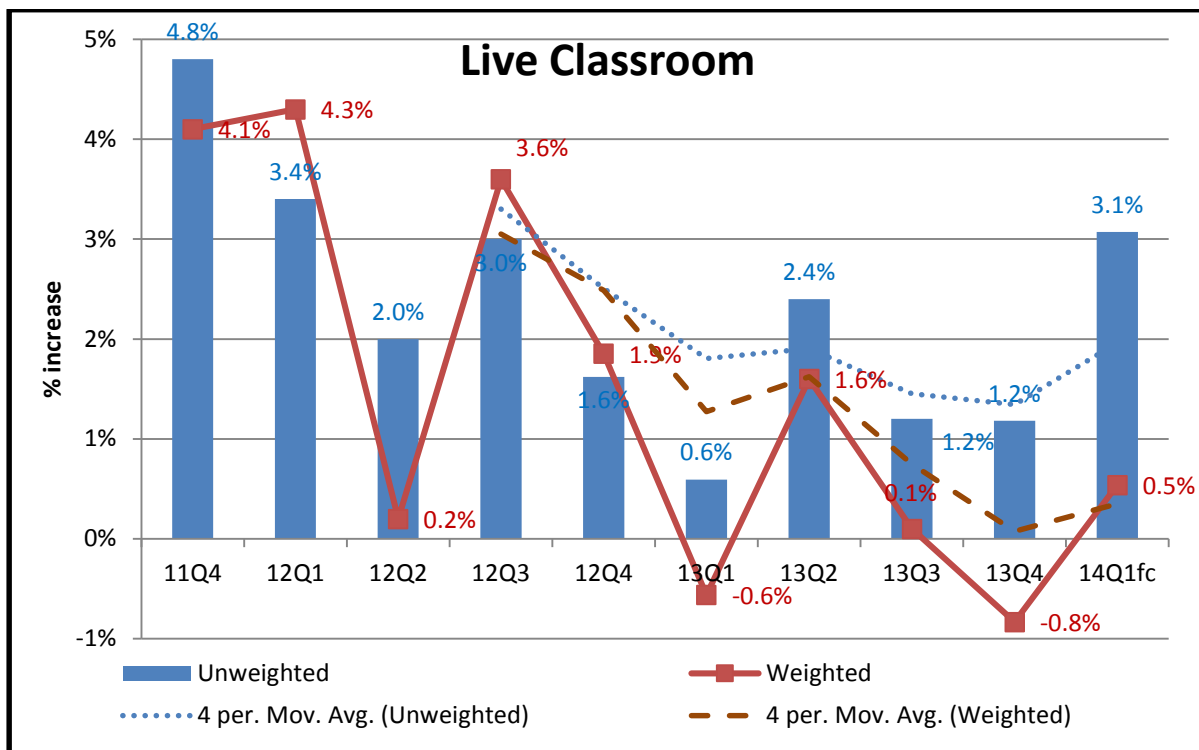
The unweighted total training revenue increase for 13Q4 (u=20, f=7, d=8) was 3.9% against a forecast in the last report of 2.4%. The weighted total training revenue increase is 4.8% against 1.5% forecast. The forecast for 14Q1 (u=14, f=6, d=14) is 1.0% unweighted and 3.3% weighted. The 4-period moving average is currently showing an increase around 2-3% for both unweighted and weighted, down from 4-5% increase 18 months ago, but levelling out.



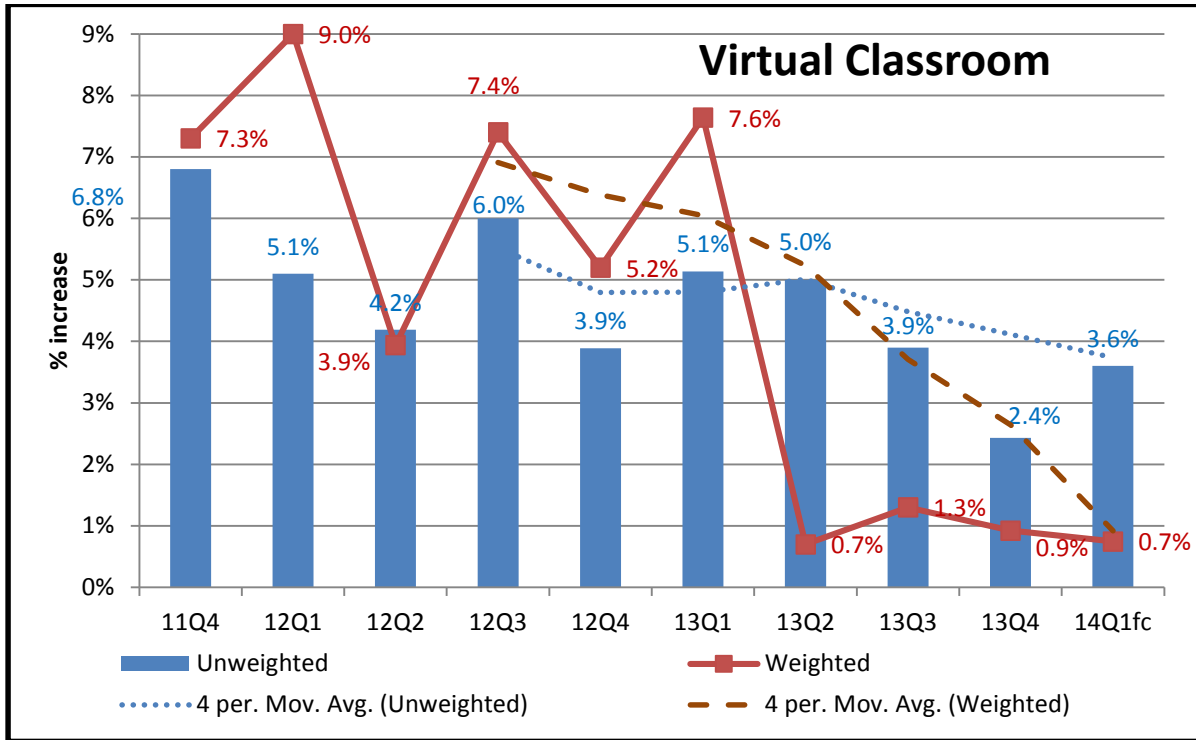
Training profit in 13Q4 (u=14, f=12, d=6) was a 2.8% increase against a forecast of 2.4% unweighted, and 4.0% against a forecast of 0.8% weighted. The 14Q1 forecasts (u=12, f=10, d=11) are 2.6% and 0.8% for unweighted and weighted, respectively. The training profit four-period trendlines currently show a 1-2% increase for both unweighted and weighted, down from around 4% increase 18 months ago, so trending to flat.

## Activities (Customer and Partner Training)

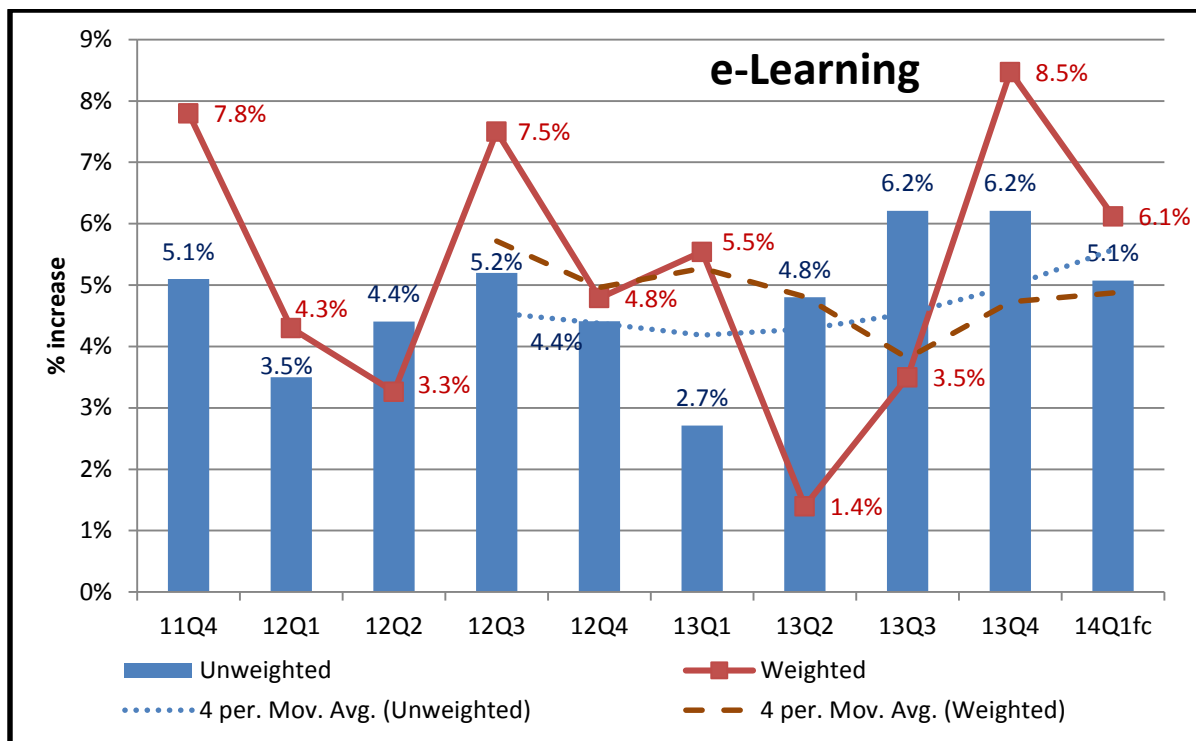
The unweighted live classroom volume increase for 13Q4 (u=16, f=3, d=17) was 1.2% against a forecast in the last report of 2.3%. The weighted live classroom volume increase was negative 0.8% against 0.5% forecast. The forecast for 14Q1 (u=18, f=3, d=11), however, is 3.1% unweighted and 0.5% weighted. Live classroom volume is still increasing but the rate is slowing down over the period. The 13Q1 dip seems to have been corrected. The 4-period moving average currently shows a 1-2% increase for unweighted but around flat for weighted.



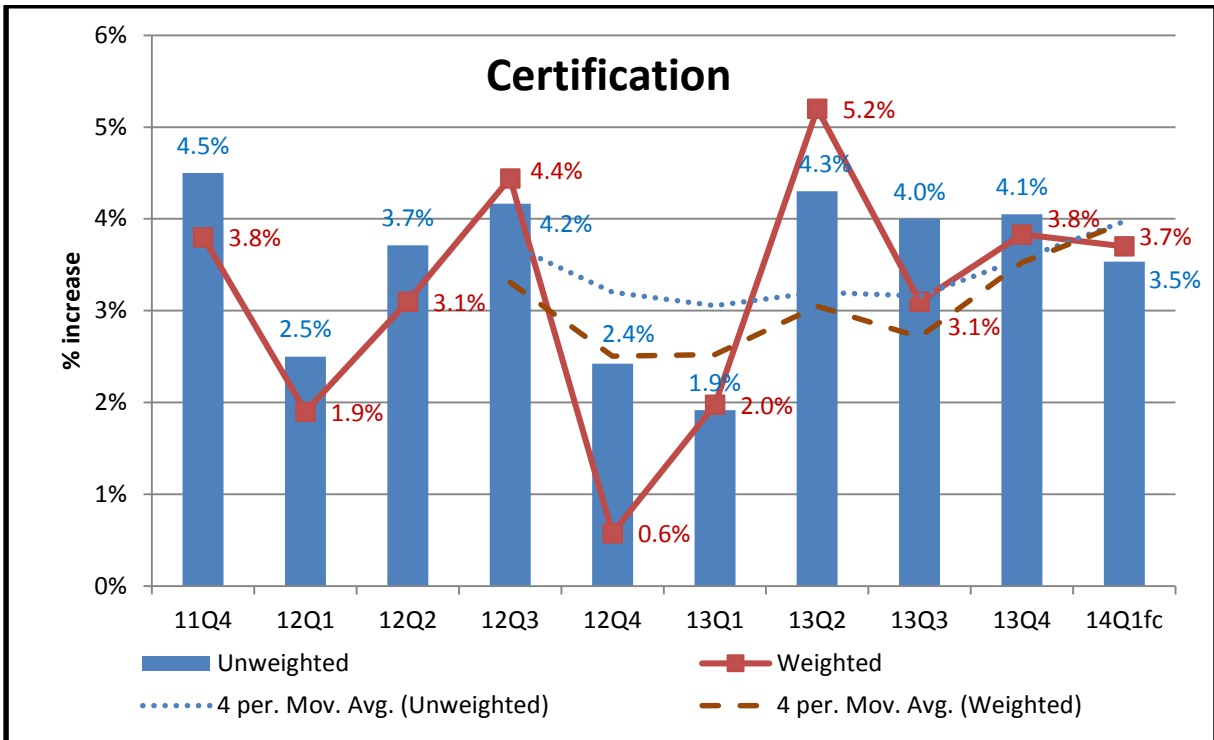
Virtual classroom on the other hand has been growing faster, but since 13Q2, less for the larger companies who potentially jumped on board much earlier. The unweighted virtual classroom volume increase for 13Q4 (u=18, f=7, d=10) was 2.4% against a forecast in the last report of 2.3%. The weighted virtual classroom volume increase was only 0.9% against 0.5% forecast. The 14Q1 forecasts (u=19, f=7, d=8) of 3.6% unweighted and 0.7% weighted are very similar to 13Q4 actuals. The 4-period moving average currently shows an increase of around 4% for unweighted and around 1-2% for weighted. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.



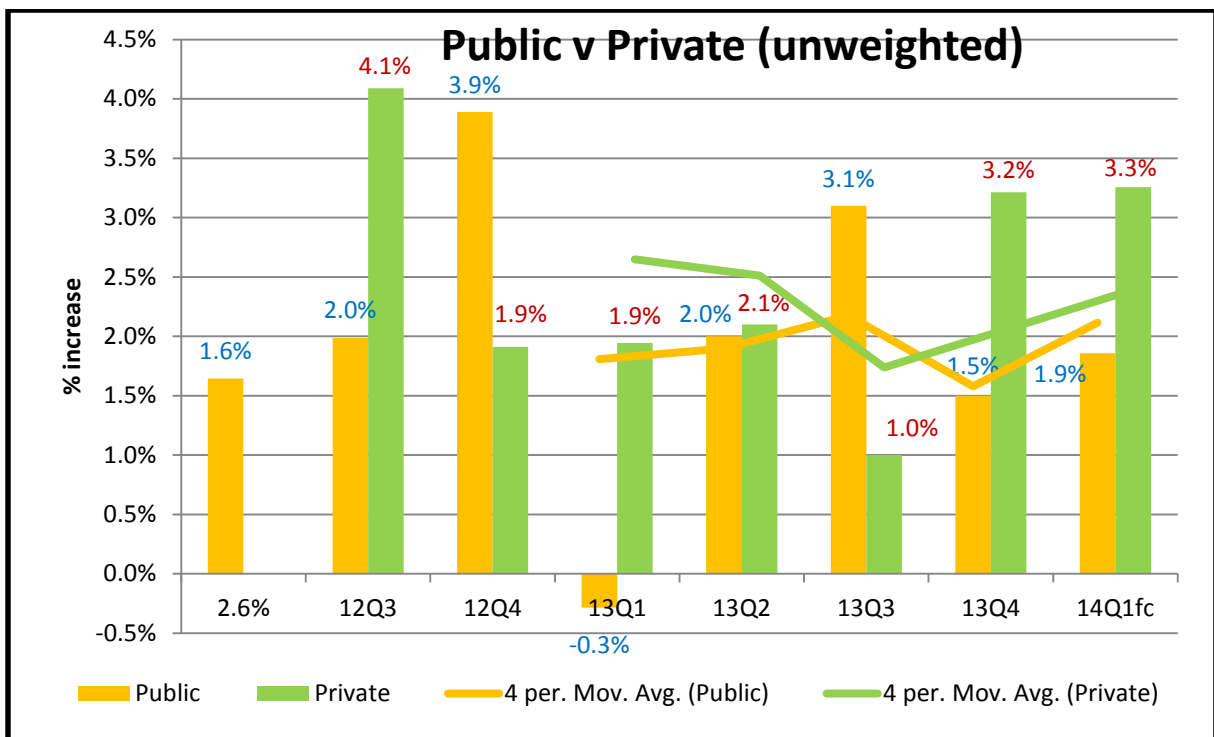
The unweighted e-Learning volume increase in 13Q4 (u=26, f=5, d=2) was 6.2% against a forecast in the last report of 4.5%. The weighted e-Learning volume increase was 8.5% against 0.4% forecast, showing quite a turnaround for larger companies. The 14Q1 forecast (u=23, f=6, d=4) is 5.1% and 6.1% for unweighted and weighted, respectively. The growth over the total period has now overtaken virtual classroom. The 4-period moving average currently shows a 5% increase for unweighted and weighted alike.



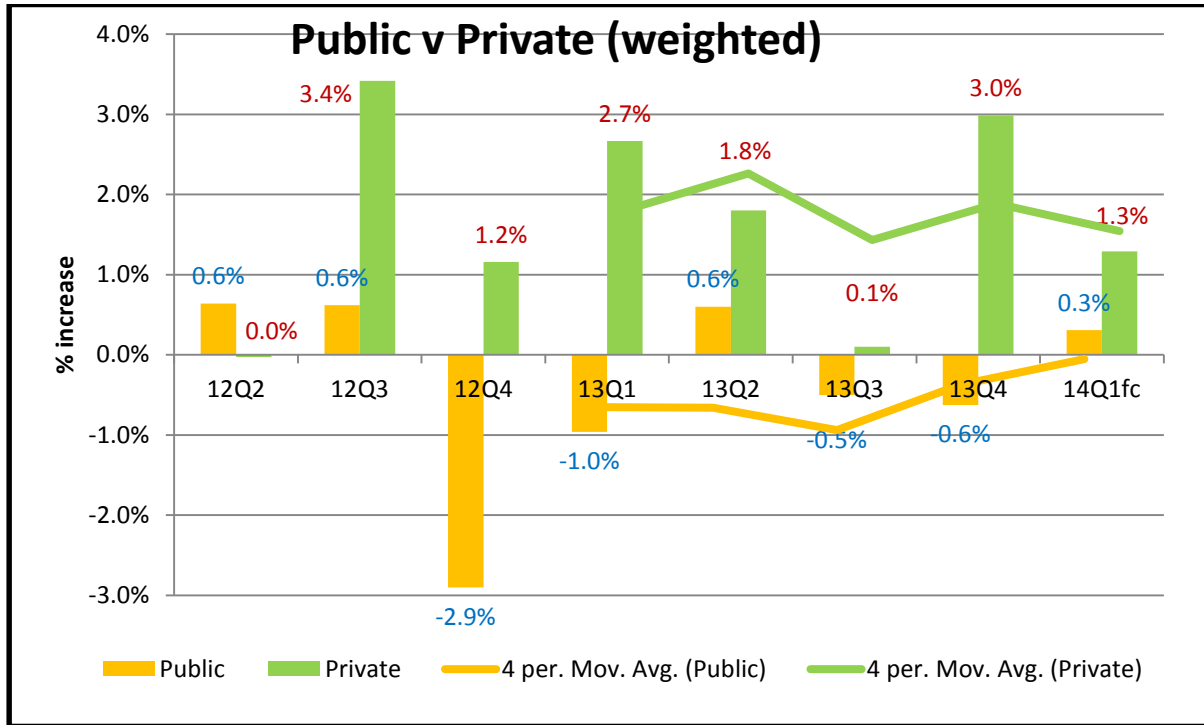
The unweighted certification volume increase for 13Q4 (u=18, f=8, d=3) was 4.1% against a forecast in the last report of 3.8%. The weighted certification volume increase was 3.8% against 3.6% forecast. Maybe, it's back to normal after smaller increases in 12Q4 and 13Q1. The 4-period moving average currently shows 3-4% increases for both unweighted and weighted, slightly higher than 12 months ago.



We now include questions on public classes and private classes. After a “blip” in 13Q1, both volumes have increased in 13Q4, by 1.5% public and 3.2% private. But these are for unweighted. The forecasts for 14Q1 are very similar.

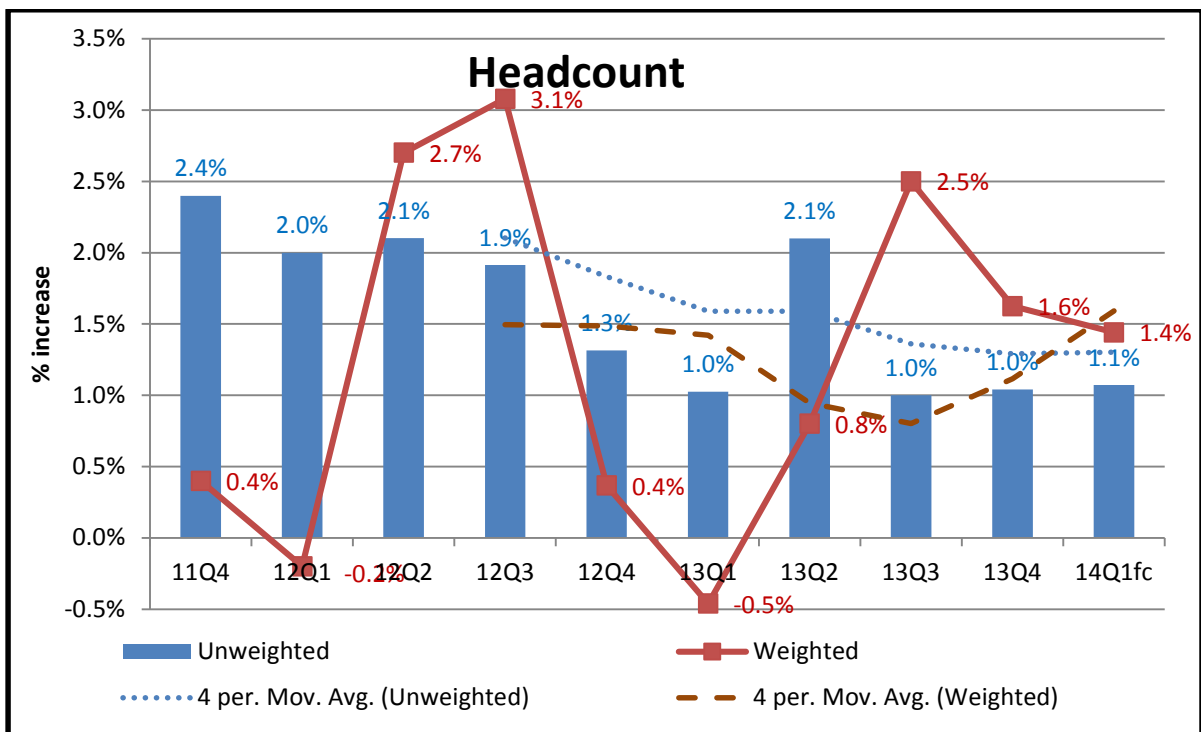


When weighting is taken into account, the changes are more dramatic. The 4-period moving average currently shows flat for public but a 1-2% increase for private. So, larger companies are doing less well with public courses.

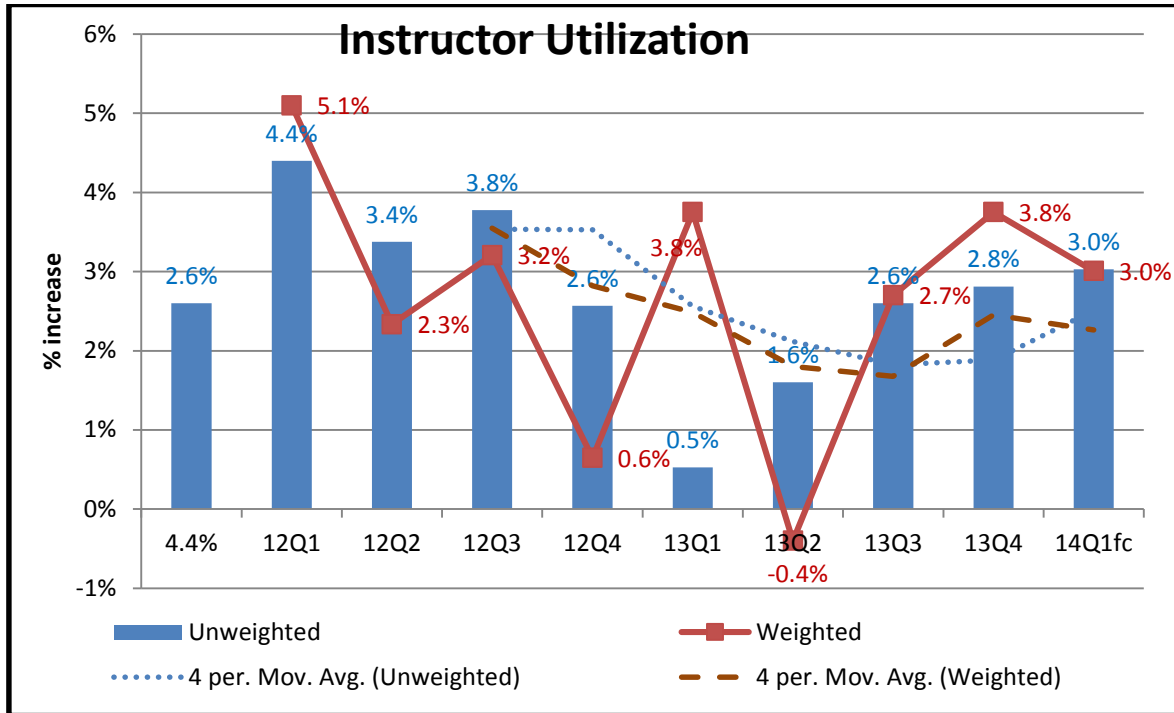


## Team

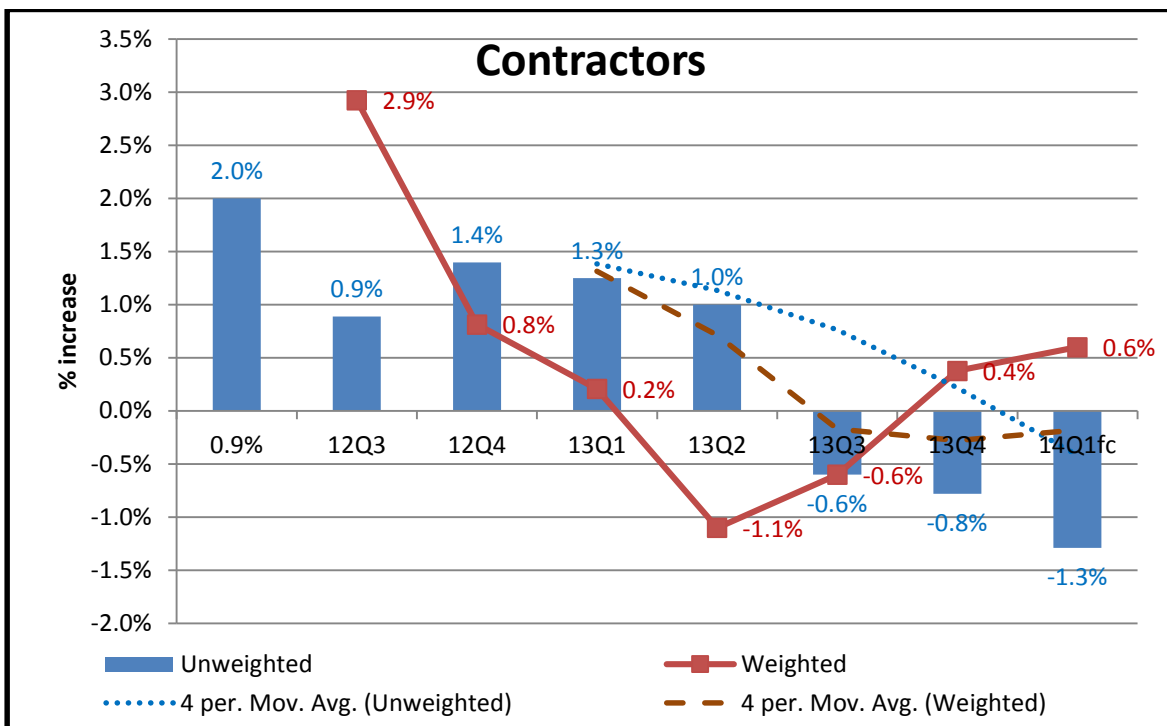
Unweighted headcount has largely remained constant over six quarters, with the weighted numbers showing more erratically. The 4-period moving average currently shows increases just over 1% for unweighted and weighted alike.



Maybe as a result of the small increase in hiring, the instructor utilization increases are smaller over time. The 4-period moving average currently shows increases of around 2% for both unweighted and weighted.



We also added a question on the use of contractors recently. While the results for weighted have been erratic, the trendlines show that both unweighted and weighted are now about flat.



## Summary

**Revenue:** The 4-period moving average for revenue is currently showing an increase around 2-3% for both unweighted and weighted, down from 4-5% increase 18 months ago, but levelling out.

**Profit:** The training profit four-period trendlines currently show a 1-2% increase for both unweighted and weighted, down from around 4% increase 18 months ago, so trending to flat.

**Live Classroom:** The 4-period moving average currently shows a 1-2% increase for unweighted but around flat for weighted.

**Virtual Classroom:** The 4-period moving average currently shows an increase of around 4% for unweighted and around 1-2% for weighted. Live and virtual classroom data underline the expected trend to virtualize more training to save travel expenses and allow better resource utilization.

**e-Learning:** The growth over the 18 month period has now overtaken virtual classroom. The 4-period moving average currently shows a 5% increase for unweighted and weighted alike.

**Certification:** The 4-period moving average currently shows 3-4% increases for both unweighted and weighted, slightly higher than 12 months ago.

**Public versus Private:** The 4-period moving average for weighted currently shows flat for public but a 1-2% increase for private. So, larger companies are doing less well with public courses.

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

1. Private, customized training - both instructor-led onsite and virtual classroom courses.
2. Core eLearning.
3. Administrator classes
4. eCommerce/Reporting
5. Security and single-sign on technologies
6. Customer skills
7. Revenue - raised prices and introduced new product revs for all products
8. E-learning and private training
9. Public Training
10. Deep technical
11. YouTube type learning offerings
12. Subscription Revenue
13. Self-study training, public class fill rates
14. Data Center, Service Provider Mobility, and Collaboration Security
15. Storage and networking
16. More specific training needs and requests for on-site delivery
17. Virtual classroom enrollments
18. Certification and Virtual Classroom
19. Onsite Training for End Users
20. Partner Education
21. Not Comparable
22. Cloud Technologies and Data Analytics
23. eLearning content



24. API
25. All
26. Virtual Instructor Led Classes - 4 months ago we have none, to date we have delivered 4 with 2 more scheduled for early Q1.
27. Self-paced eLearning
28. New product training
29. Linux, Eclipse
30. Partner sales training and end customer technical training
31. Partner certifications in product technology
32. Web content management system
33. Virtual training in EMEA

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

1. Level to slight decrease in some training center ILT courses. Demand for certifications has been and remains weak at best.
2. Public advanced training
3. Reporting
4. Year End/Platform
5. No identifiable drops
6. None
7. Traditional Classroom
8. Private Training
9. How to's
10. Traditional asynchronous eLearning
11. Scheduled Course Revenue
12. Public Classes
13. None
14. Instructor-led training
15. Public Classroom
16. We have not seen a decrease at all...we are in still in rapid growth mode.
17. User adoption services along with decrease in ILT
18. Not Comparable
19. End of life products
20. Public training
21. B2B
22. None
23. None
24. Dedicated classes
25. Basic classes
26. Legacy operating systems
27. Partner technical training
28. Implementation
29. Targeting
30. Classroom based training in EMEA and Private training in NA

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

1. Dealing with customized curriculum required for private courses
2. Public attendance and EMEA attendance

3. Resources to keep up with the changing product. Streamlining the process of receiving information from product information to education
4. Managing Growth; hiring talent
5. Scaling the administrative function of the business to be able to handle the growth (100% Q/Q)
6. Localization and Regionalization of content; measuring content quality
7. Getting LMS on line
8. Project implementation delays and postponements
9. Competition with free training offered by other non-profit center organizations in our company. Customers wanting to do more internal training
10. Smaller attach rates to product and consulting sales
11. Prioritization amongst many development requests; managing physical and virtual lab environments
12. Our single greatest challenge at this stage is working with the users to help them fully understand and utilize the value of our training subscription and the associated (built-in) services that we can provide.
13. Product sales not selling education or discounting it too heavily. Self-study being sold as the solution to all enablement needs (which is not the case).
14. Lumpy margins and keeping up with new product velocity
15. Changed to an ATP business model in the Americas; reorganization
16. Hiring skilled staff and time to invest of course content development.
17. Training demand increase not matching resources available from a development and delivery aspect. New product introductions and lack of resources to help with training development and delivery.
18. Declining product revenue and reduced headcounts and delivery bandwidth
19. Rapid Growth with a flat headcount - utilization through the roof, new infrastructure being added to support growth. Entire Portfolio of curriculum needing to be updated for entire suite of product updates. How to keep up with a complete rebranding of company in play.
20. Balancing "for-free" self-help content and "for fee training content offerings and measuring leveraged use of training content
21. eLearning fulfillment costs and availability of skilled development resources
22. Small amount of new customers, product roadmaps unstable
23. Lack of sales mindshare
24. Hiring... and hiring.
25. Not enough resources - specifically course development has been interrupted by many last minute onsite/private deliveries; sales discounting training to free
26. Reps don't sell training! Finance doesn't recognize bundled training as training revenue.
27. Still fighting for headcount, many more projects than bodies.
28. Customer commitment to take time to train
29. Shortage of instructors with the right technical expertise; managing custom training engagements tightly (this is a new area for us)
30. Integration following acquisition by Honeywell
31. Reduced training budget and reduced staff
32. Relatively low billable utilization; improving training bookings
33. Reduced backlog causing fall in fill rates in classes

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

1. Our industry (telecoms) is starting down the path of virtualization - OTT applications, SDN and NFV all require a new look at customer training requirements and delivery models to address them.
2. I see a big move towards video content.
3. Reduced pressure to discount training prices for low volume, complex training.

4. With knowledge available anyway and anywhere - need even more specialization in talking to the value of investing in training (time or money)
5. Growing interest in short, topic specific learning options;
6. We discount too heavily to our partners and actually lose money. This is something we are trying to change in the coming quarters
7. Certification is as healthy as ever, SAN is re-surging, ILT demand seems to be increasing, Federal has loosened
8. There still seems to be a steady increase for the demand of eLearning and Mobile learning.
9. Shorter, smaller use case training is what is being demanded (no longer a request)
10. Seems like other software are seeing soft revenue and bookings as well for companies that remain with low single digit software sales. Those with high growth continue to show strong balance for education.
11. We are not IT SW providers
12. I'm not sure if the decrease in my classes is due to the migration over to the Online Learning Portal, so I am interested to hear from other companies.
13. You have question 7 about the two greatest challenges we face. An equally interesting question might be the two greatest accomplishments.
14. Our customers are pressed for time, and want to tailor agendas way down -- partly to save money but also to save time.