

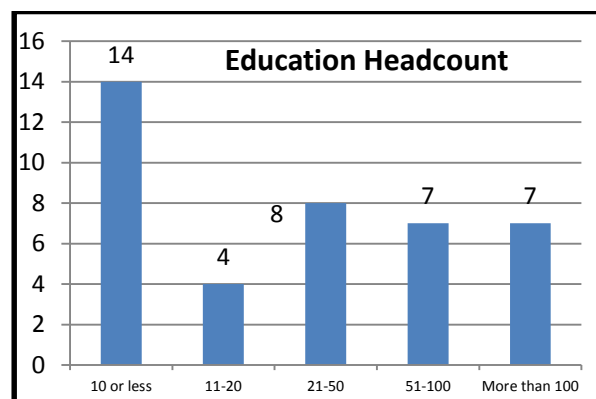
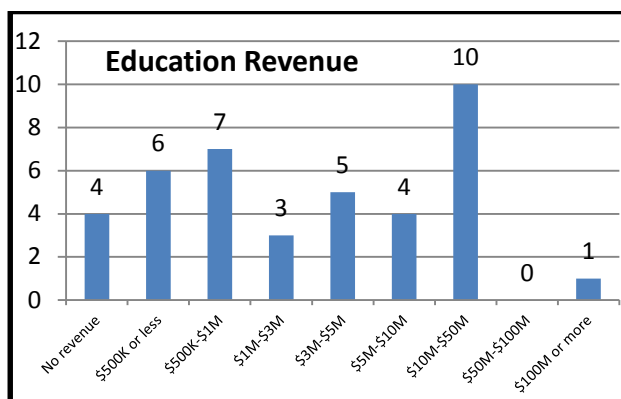
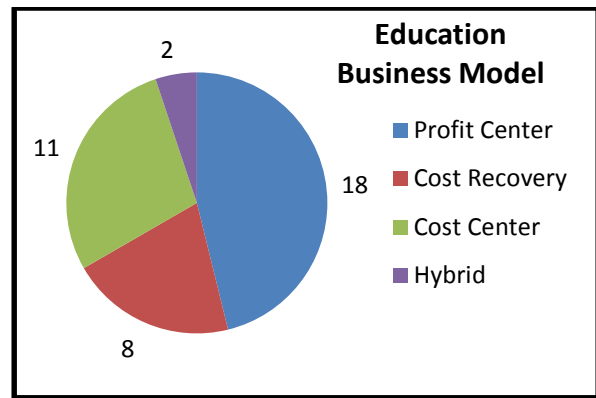
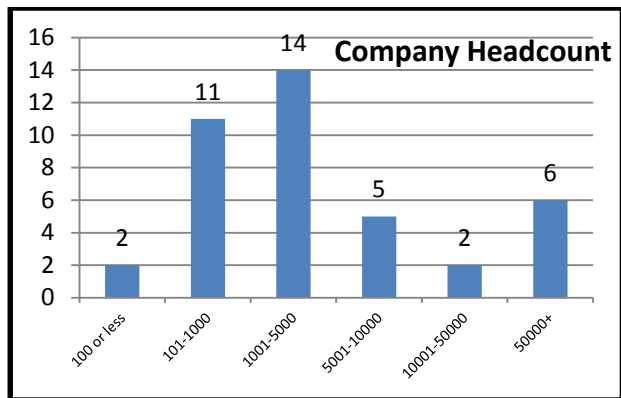
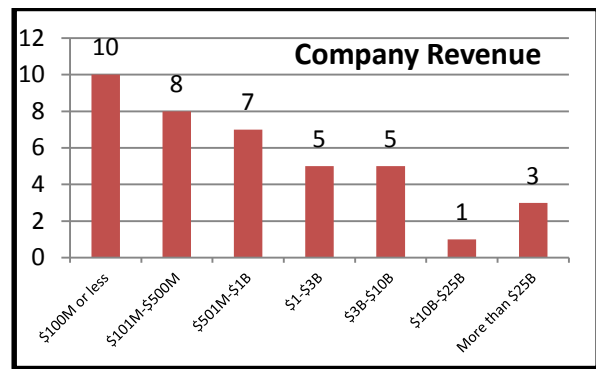
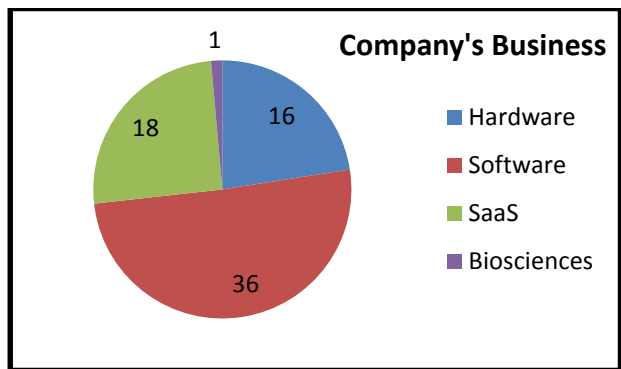


CEdMA Training Market Barometer

1st Quarter 2014 actual and forecast for 2nd Quarter 2014

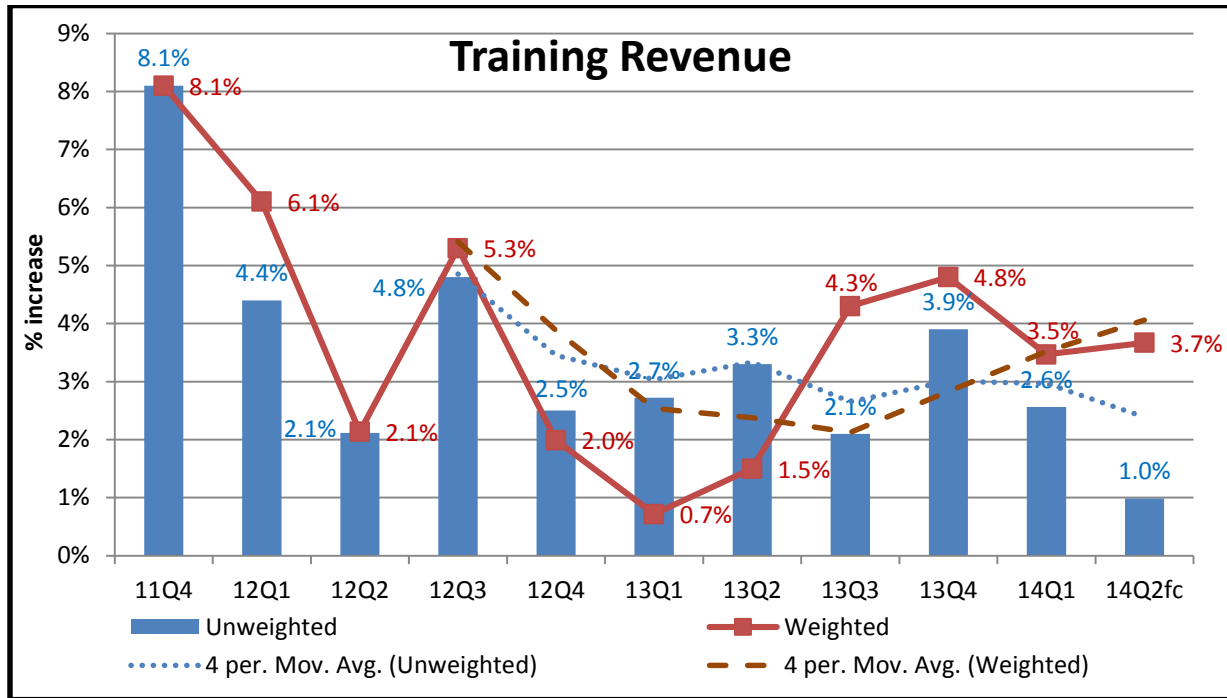
Introduction

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 34 responses for global and only 7 for North America so the combined 41 profiles are as follows:

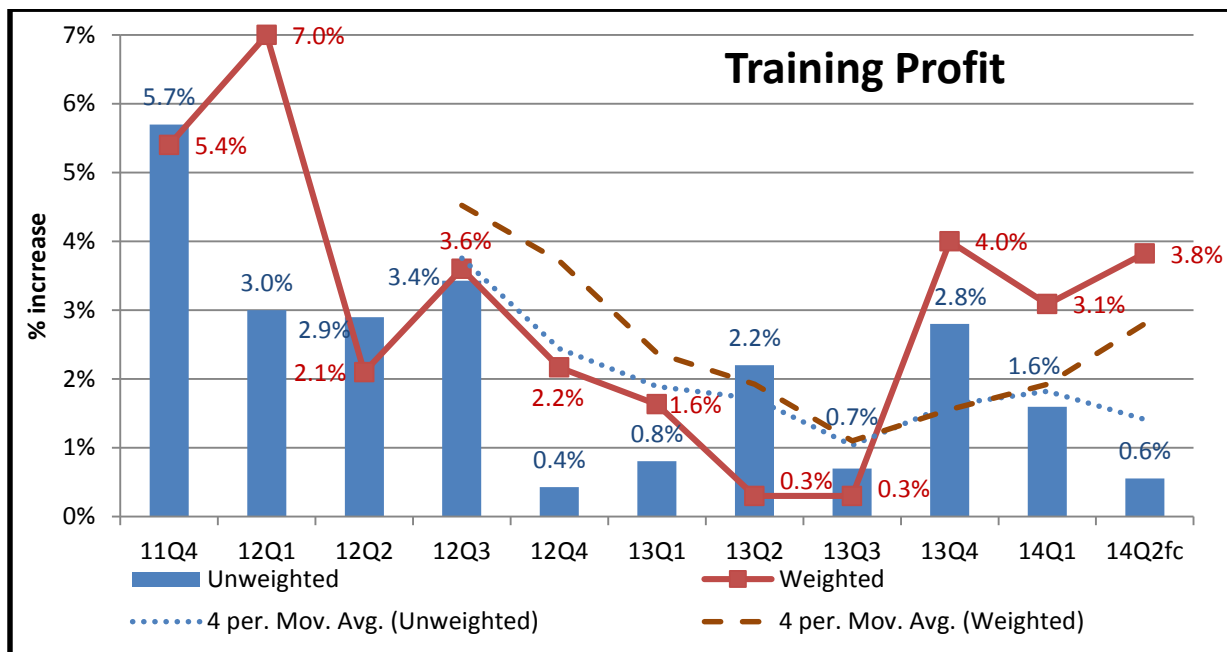


The unweighted average is the average of all responses whereas the weighted average uses the size of the company taking the relevant education revenue multiplied by the growth/decline rate, so larger companies have a bigger impact.

Revenue and Profit



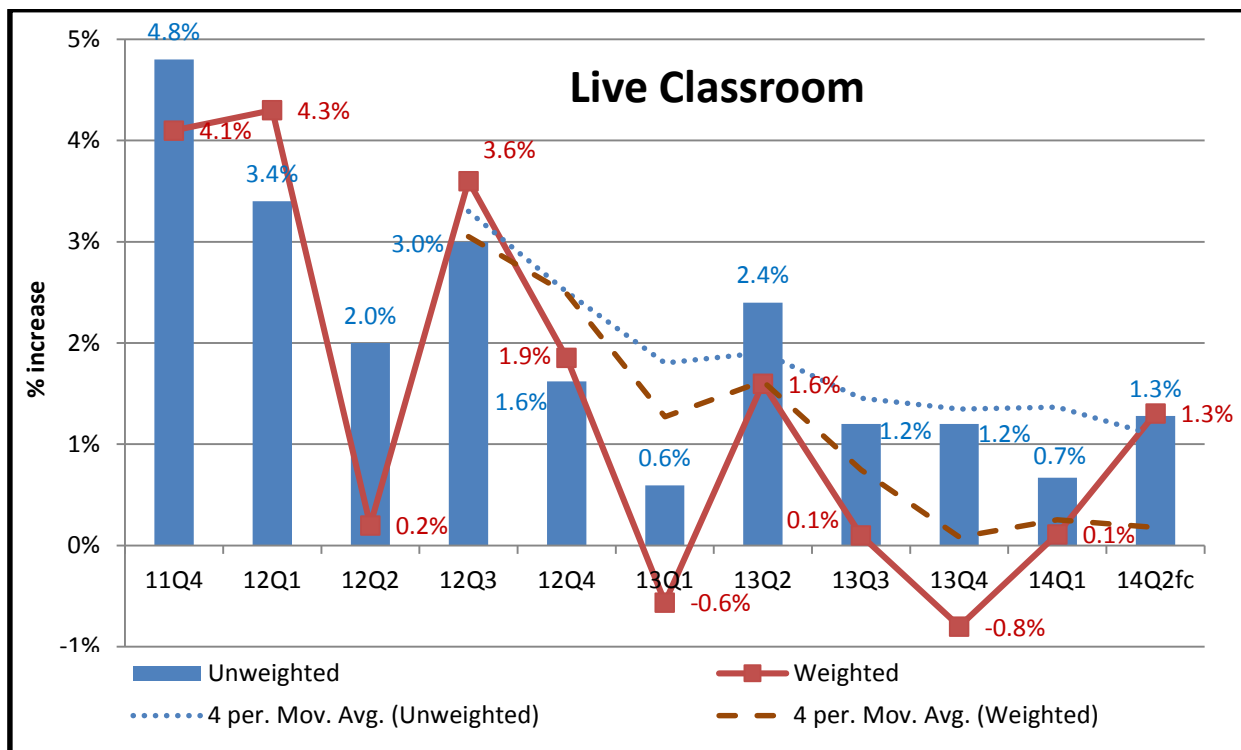
The unweighted total training revenue increase for 14Q1 (u=22, f=5, d=12) was 2.6% against a forecast in the last report of 1.0%. The weighted total training revenue increase was 3.5% against 3.3% forecast. The forecast for 14Q2 (u=18, f=7, d=13) is 1.0% unweighted and 3.7% weighted. The 4-period moving average is currently showing an increase around 2-3% for unweighted and 3-4% for weighted, down from 4-5% increase 18 months ago.



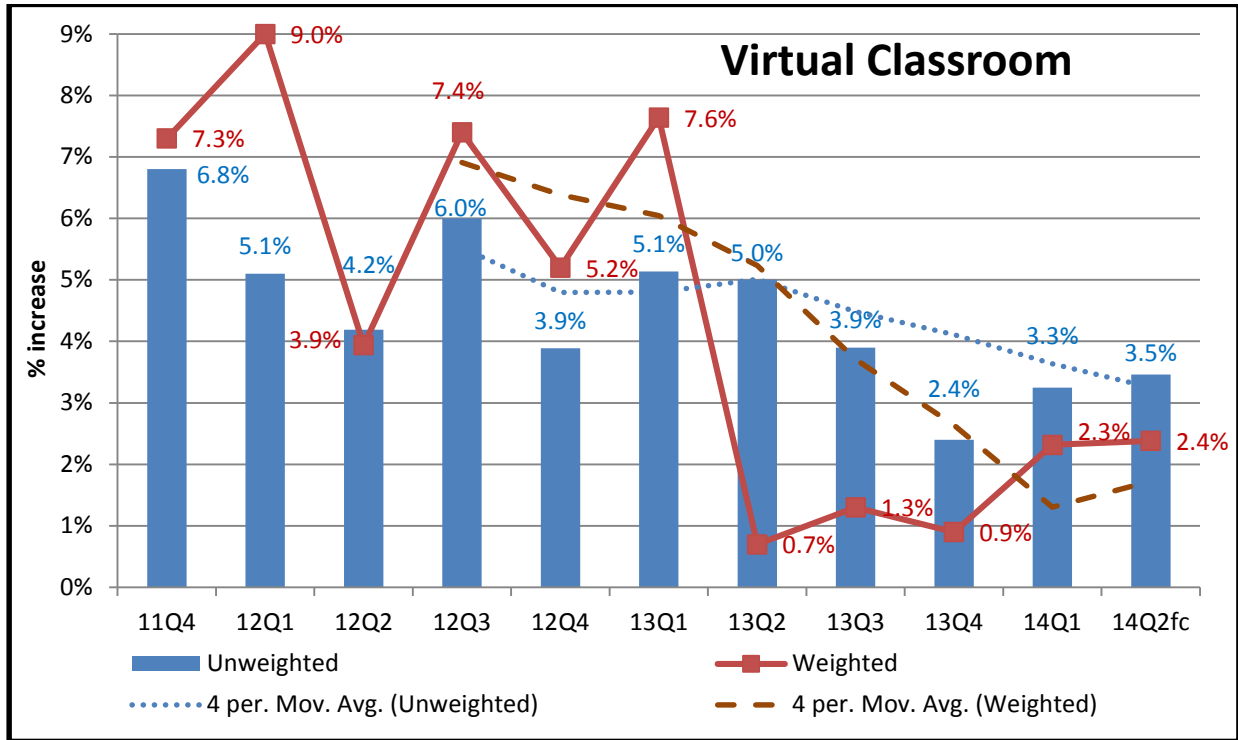
Training profit in 14Q1 (u=19, f=7, d=10) was a 1.6% increase against a forecast of 0.8% unweighted, and 3.1% against a forecast of 2.6% weighted. The 14Q2 forecasts (u=16, f=10, d=10) are 3.8% and 0.6% for unweighted and weighted, respectively. The training profit four-period trendlines currently show a 1-2% increase for both unweighted and weighted, down from around 4% increase 18 months ago, but holding steady.

Activities (Customer and Partner Training)

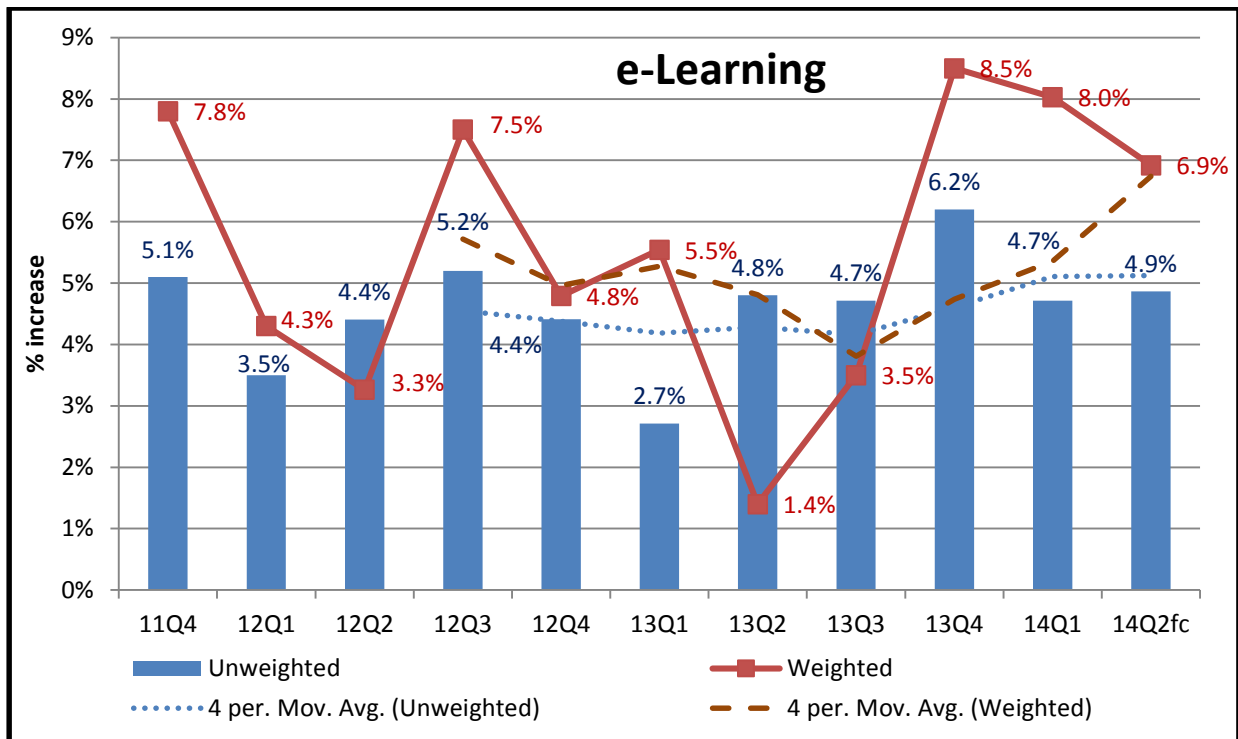
The unweighted live classroom volume increase for 14Q1 (u=18, f=6, d=17) was 0.7% against a forecast in the last report of 3.1%. The weighted live classroom volume increase was 0.1% against 0.5% forecast. The forecast for 14Q2 (u=19, f=10, d=12), however, is 1.3% unweighted and 1.3% weighted. Live classroom 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.



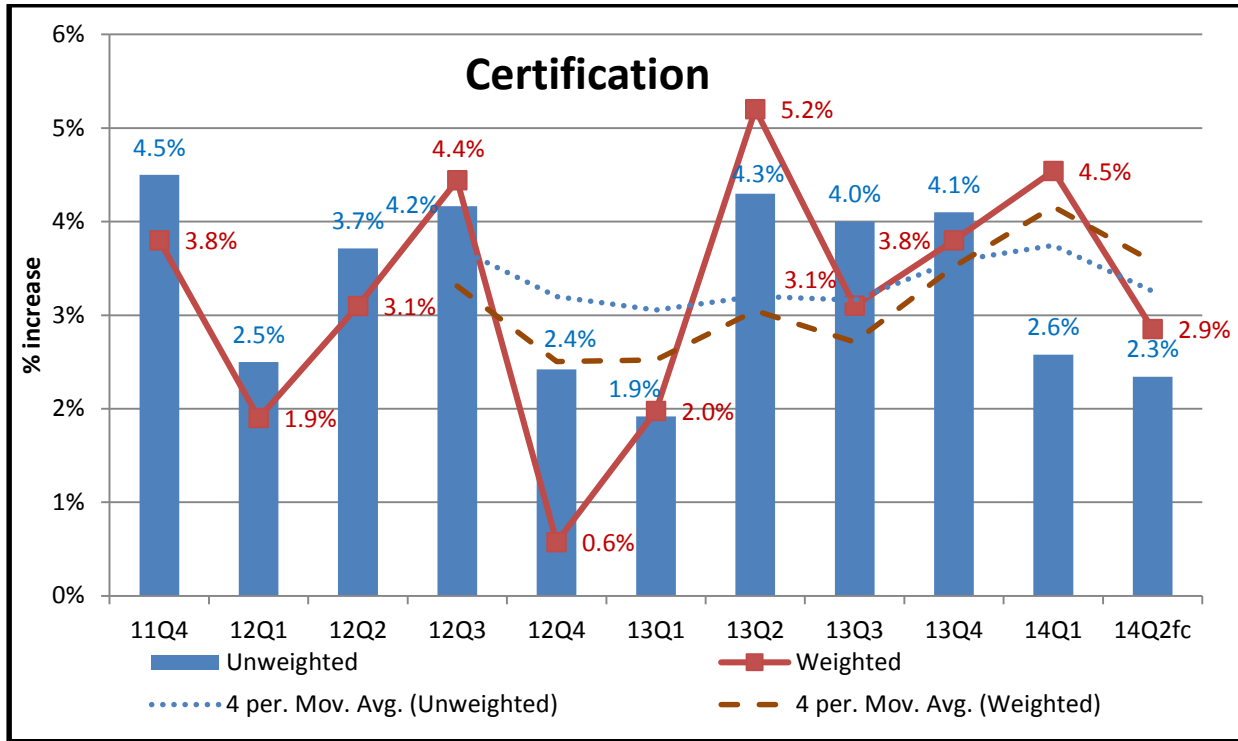
Virtual classroom on the other hand has been growing faster, but since 13Q2, less for the larger companies who potentially jumped on board much earlier. The unweighted virtual classroom volume increase for 14Q1 (u=22, f=10, d=8) was 3.3% against a forecast in the last report of 3.6%. The weighted virtual classroom volume increase was 2.3% against 0.7% forecast. The 14Q2 forecasts (u=23, f=11, d=5) of 3.5% unweighted and 2.4% weighted are very similar to 14Q1 actuals. The 4-period moving average currently shows an increase of 3-4% 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.



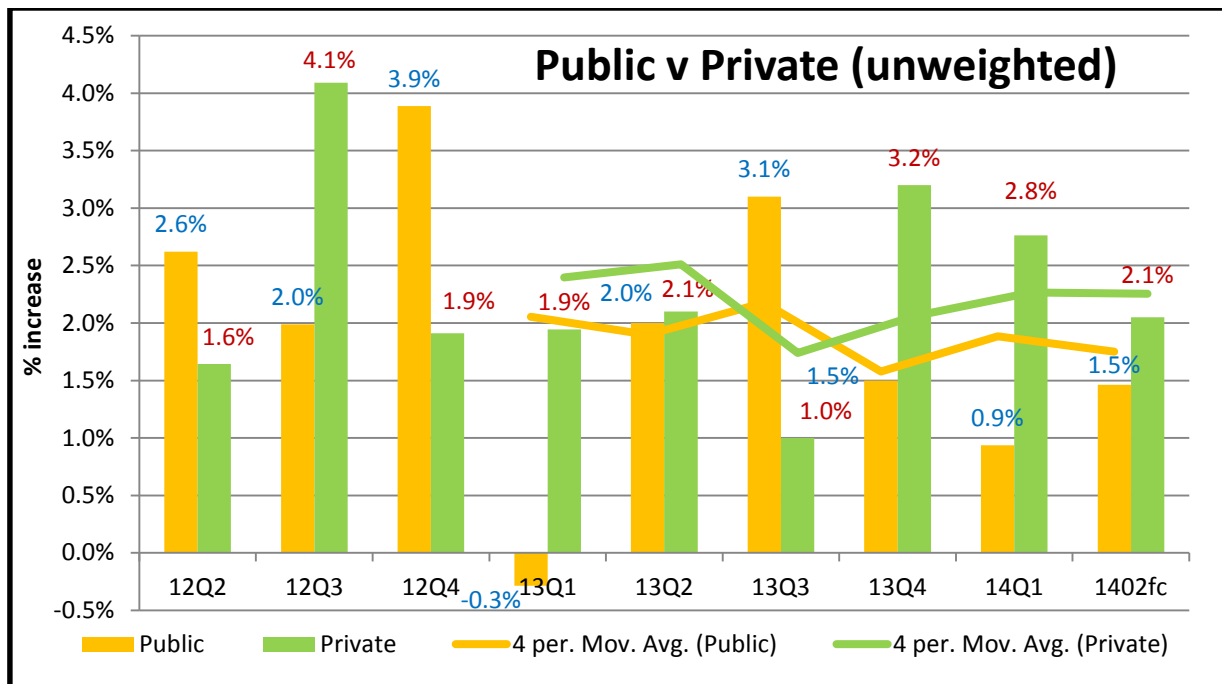
The unweighted e-Learning volume increase in 14Q1 (u=23, f=7, d=5) was 4.7% against a forecast in the last report of 5.1%. The weighted e-Learning volume increase was 8.0% against 6.1% forecast, showing quite a significant boost for larger companies. The 14Q2 forecast (u=23, f=9, d=5) is 4.9% and 6.1% for unweighted and weighted, respectively. The growth over the total period has now overtaken virtual classroom. The 4-period moving average currently shows a 5-6% increase for unweighted and weighted alike.



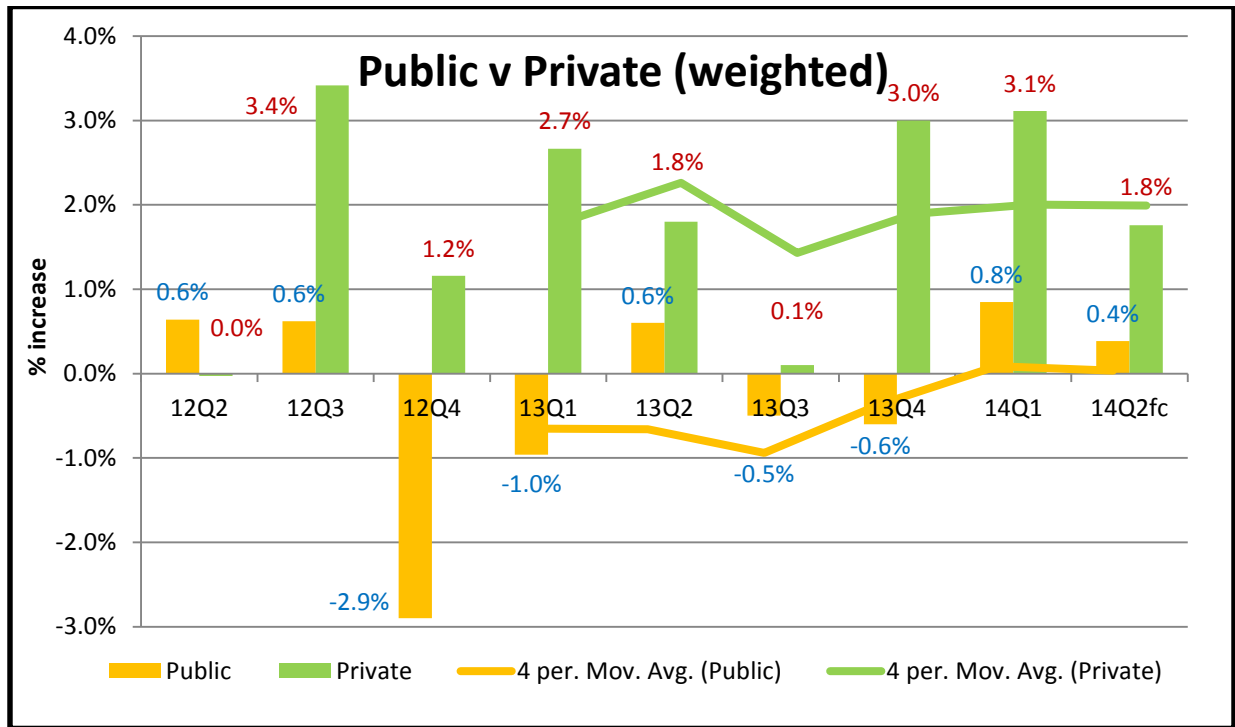
The unweighted certification volume increase for 14Q1 (u=13, f=15, d=4) was 2.6% against a forecast in the last report of 3.5%. The weighted certification volume increase was 4.5% against 3.7% forecast. The forecast for 14Q2 (u=15, f=14, d=3) is 2.3% and 2.9% for unweighted and weighted, respectively. 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 14Q1, by 0.9% public and 2.8% private. But these are for unweighted. The forecasts for 14Q2 are 1.5% and 2.1%, respectively. The trendlines are both within the 1.5%-2.5% range.

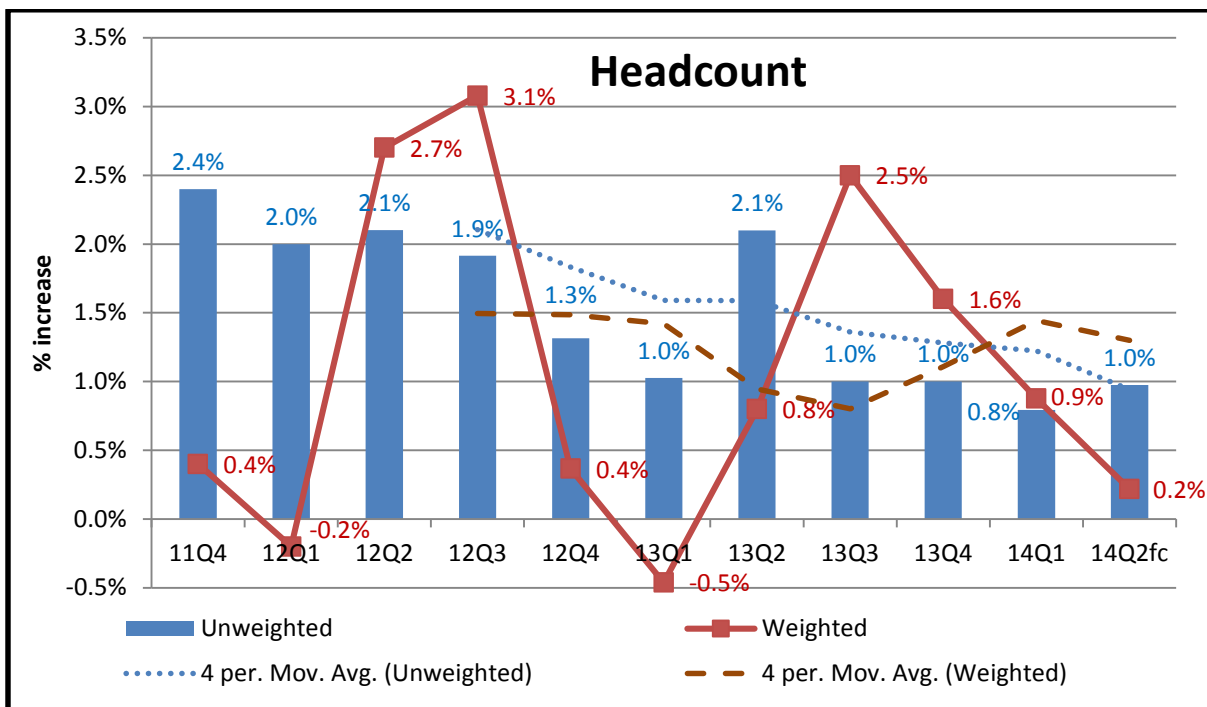


When weighting is taken into account, the changes are more dramatic. The 4-period moving average currently shows flat for public but a 2% increase for private. So, larger companies are doing less well with public courses.

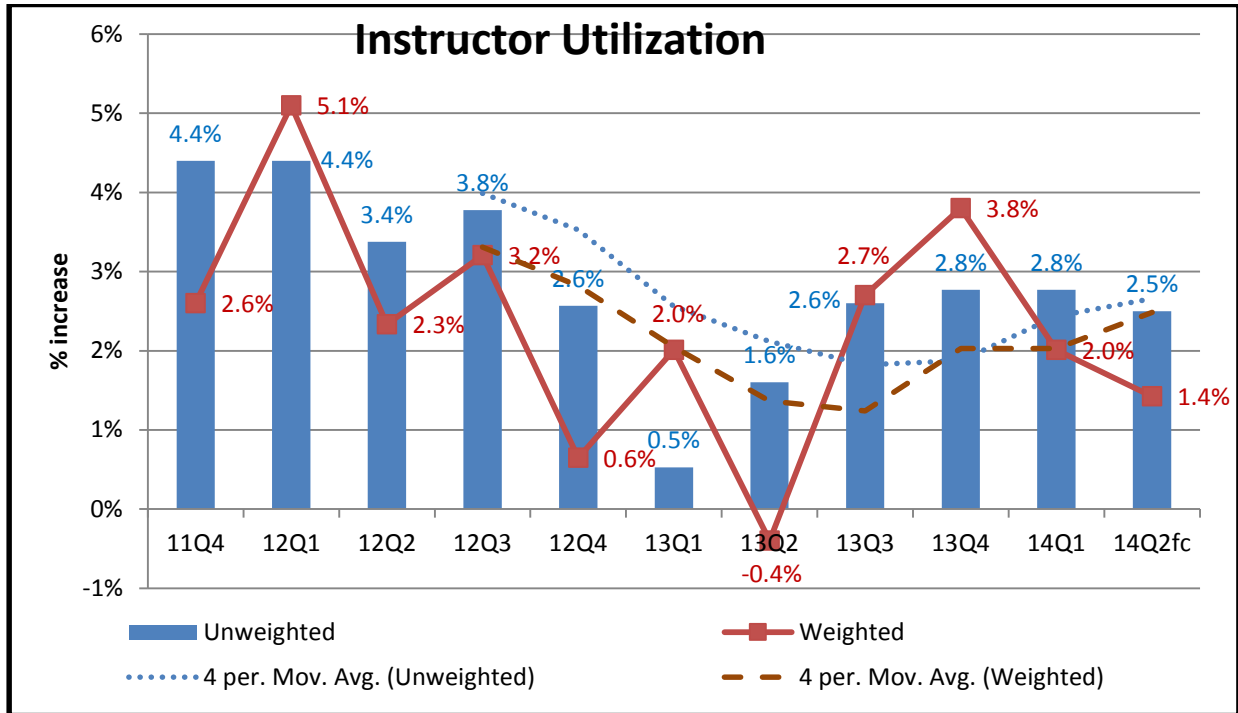


Team

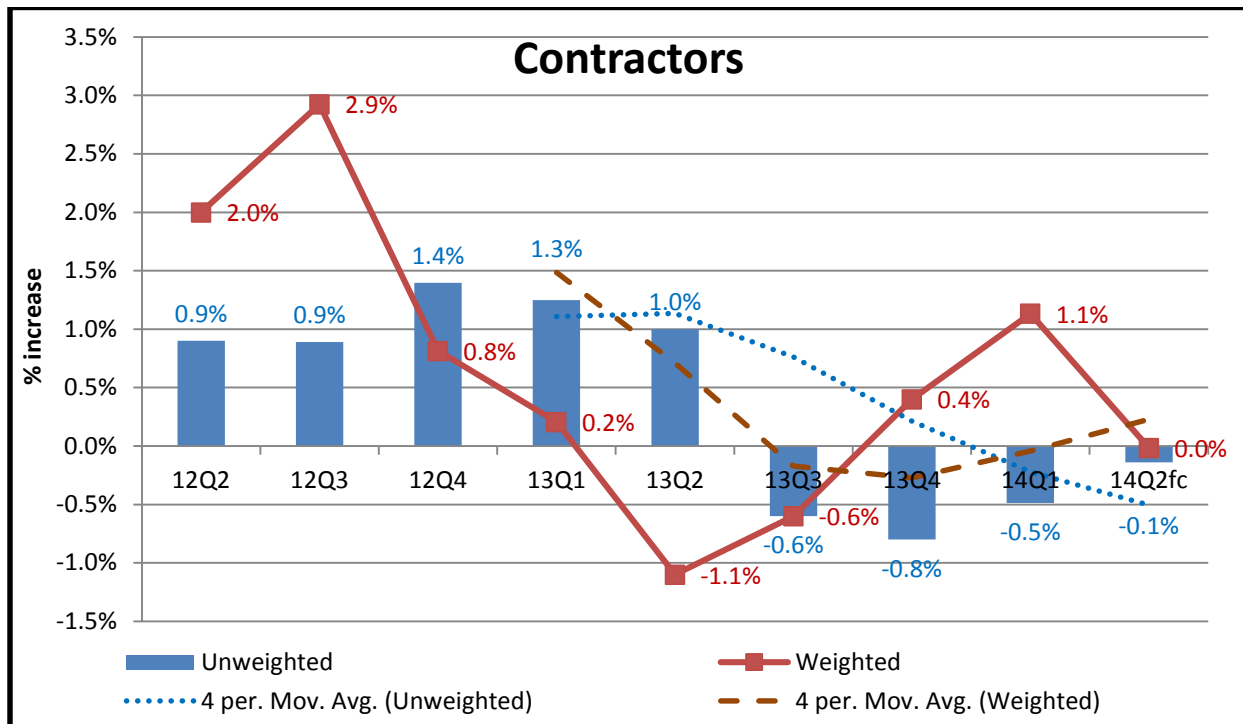
Unweighted headcount has largely remained constant over six quarters, with the weighted numbers showing more erratically. The 4-period moving average currently shows increases just over 1% for unweighted and weighted alike.



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 is currently showing an increase around 2-3% for unweighted and 3-4% for weighted, down from 4-5% increase 18 months ago.

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, but holding steady.

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 3-4% 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 total period has now overtaken virtual classroom. The 4-period moving average currently shows a 5-6% 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 trendlines for unweighted are both within the 1.5%-2.5% range. The 4-period moving averages for weighted currently shows flat for public but a 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. Public Live Classroom Training
2. Certification attempts, YouTube type learning offerings, EMEA business
3. Merchant/User training
4. quality processes
5. Managed service
6. Instructor Led Online training and private events.
7. Virtual training in EMEA
8. Security and single-sign on technologies.
9. Partner Education,
10. OnDemand and Live Virtual Classroom Registrations
11. New customer classes
12. Partner sales training and end customer technical training
13. Product fundamentals courses (product operating system courses)
14. Core eLearning.
15. Customer exclusive training
16. More demand for bespoke material, which is more customer focused for their needs, requiring more time for investment into creating material.
17. Introduction of new products and services and business intelligence courses.
18. Learning Management System subscriptions
19. Fundamentals

20. Employee Certification
21. Networking and Migration Training
22. All
23. Certification; eLearning
24. Data Center; Service Provider Mobility; Collaboration; Security
25. eLearning on new product release
26. Self-paced eLearning
27. Basic product installation, configuration, management
28. Revenue - raised prices and introduced new product revisions for all products
29. Free online training (e-learning)
30. New product training; Customized classes
31. Private classes
32. Ethernet fabric and networking
33. No increases
34. Reporting, Workflow
35. Customer skills

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

1. Virtual Training
2. Technical training
3. network training
4. General
5. eLearning is significantly down Y-O-Y due to changes in strategy & direction. We are midstream in product release cycles (8 dot.dot releases in 11 months) plus a new primary application development tool deployment, which has steered us away from any high-investment eLearning initiatives. Plus we're trying to figure out our certification program strategy, which is challenging with a moving product target.
6. Classroom based training in EMEA and Private training in AMER
7. No identifiable drops
8. User adoption services along with decrease in ILT
9. In-person scheduled courses
10. Administrator training
11. Partner technical training
12. Instructor Led Online
13. Attendance was up but # of days for public training was down
14. instructor led classes
15. The number of students per class reaching fully capacity
16. Legacy products
17. Developer
18. Public training
19. Storage
20. None
21. Instructor lead training; Public Classroom
22. Sales
23. Dedicated classes.

24. More advanced/specialty courses, such as Advanced Troubleshooting
25. public class - we eliminated then in place of ad hoc VILTs
26. Public in-person (instructor-led) training
27. Basic classes
28. We have cut our public class schedule due to the demand for private classes.
29. Niche networking topics
30. All of them!
31. Year End/ Platform

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

1. Customers using free e-Learning resources delivered within our products; Customers wanting to do more internal training
2. Managing physical and virtual lab environments; corporate restructuring.
3. Marketing support for Campaigns
4. Getting the LMS to work as promised. SME availability.
5. Lack of roadmap on a stated corporate priority; Not recognizing revenue for a service provided on a monthly basis
6. Spent an entire year (2013) re-engineering and steering our revenue recognition methodology, processes, system configuration, reporting, etc. to have it 100% reversed by our CEO in January in order to alter the company's 2013 financials (anything goes in a private company). Keeping our education curriculum and offerings up-to-date with 8 product releases in 11 months.
7. Reduced Backlog causing fall in fill rates in classes and deferred revenue to draw from. Company in transition from Public to Private
8. Scaling the administrative function of the business to be able to handle the growth (100% Q/Q)
9. 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
10. Resources to keep up with the changing product; New customer training increases
11. Integration following acquisition by Honeywell
12. Sales desires to have customer training be free. Lack of agreement about what the accounting module should be.
13. Public attendance. EMEA attendance.
14. Customers less willing to attend multi-day classes, want shorter classes with very targeted agendas
15. Payment for training; more social media type information for quick training
16. Hiring skilled staff and time to invest of course content development.
17. Balancing "for-free" self-help content and "for fee training content offerings. Measuring leveraged use of training content
18. Acquiring adequate data in advance of need, to support training needs for new customers. Greater than anticipated demand, causing us to increase size of classes beyond our typical limits
19. Resources and Developing New Training Offerings
20. Insufficient staffing
21. Acquisition and merger
22. Organizational Changes

23. Hiring... and hiring.
24. Moving to more external resources; Reduced headcounts and delivery bandwidth
25. Multiple priorities; Pace of work is hectic
26. Lack of human resources, increased number of projects
27. Reps don't sell dedicated training any more. Finance doesn't recognize bundled training as training revenue.
28. More goals than resources. Q1 is typically a slow quarter for us, the business is somewhat cyclical.
29. Training lab uptime; Cost center vs. cost recovery business models
30. Getting LMS on line and getting new 8.0 product release courses out
31. Reduced headcount (Each Training Engineer is an instructor as well as course developer; we had to reduce 1 out of our 5 Training Engineers so this represents a loss of 20%). Trying to figure out how/if we can engage Training Partners to supplement our direct instructors. Training at our company is a cost center and upper management has the vision that Training Partners should be a cost savings, not an investment.
32. Customer commitment to take time to train. Getting Sales teams to sell VALUE!
33. 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.
34. Changed to an ATP business model in the Americas; reorganization
35. Change in scope of revenue recognition eliminated training carried out by services organization reducing our revenue by 50%. Lack of Admin resources to process registrations and generate quotes
36. Managing Growth; Hiring talent; Meeting growth targets
37. Localization and Regionalization of content; Measuring content quality

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

1. Growing interest in short, topic specific learning options
2. There's clearly budget and demand for training in the IT security sector
3. Reduced pressure to discount training prices for low volume, complex training
4. 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.
5. We have seen a big increase in moving training to subscriptions.
6. There continues to be a steady increase for the demand of eLearning and Mobile learning.
7. We are not IT SW providers.
8. 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.
9. At my company, there is a grass roots effort to develop short YouTube-style videos for the masses. There is a lot of passion around this and the feeling here that this is the wave of the future for training.
10. Shorter, smaller use case training is what is being demanded (no longer a request). Consistently continuing to see this...
11. Certification is as healthy as ever, SAN is re-surfing, ILT demand seems to be increasing, Federal has loosened
12. Definitely quieter than last year, both in Europe and US.