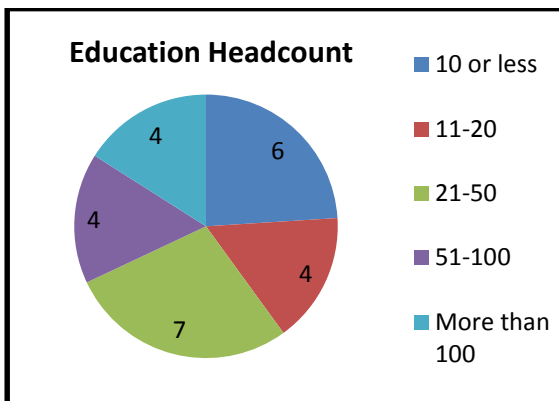
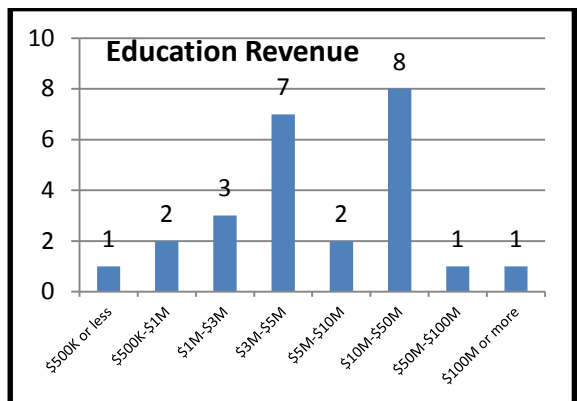
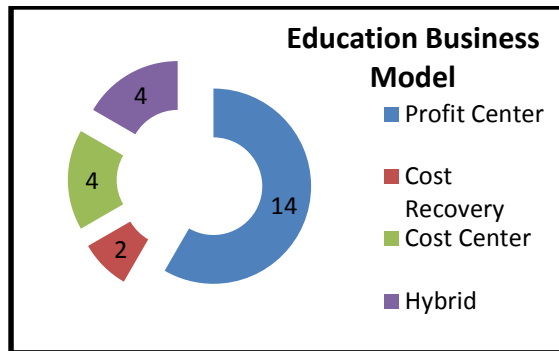
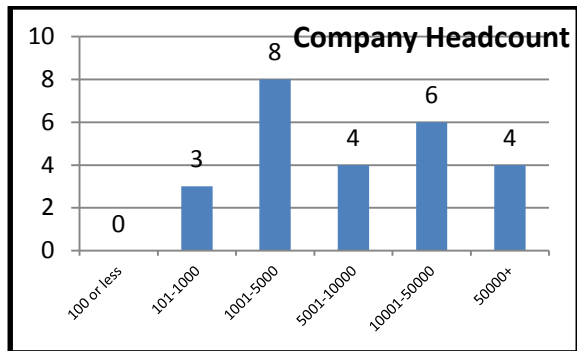
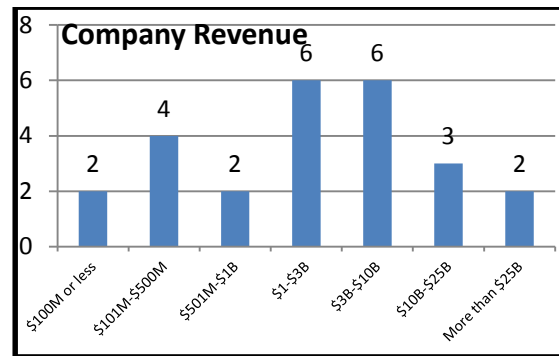
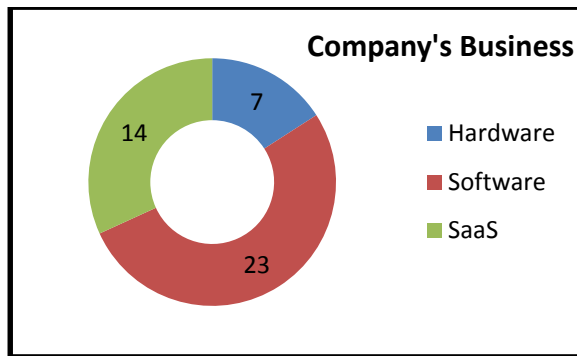


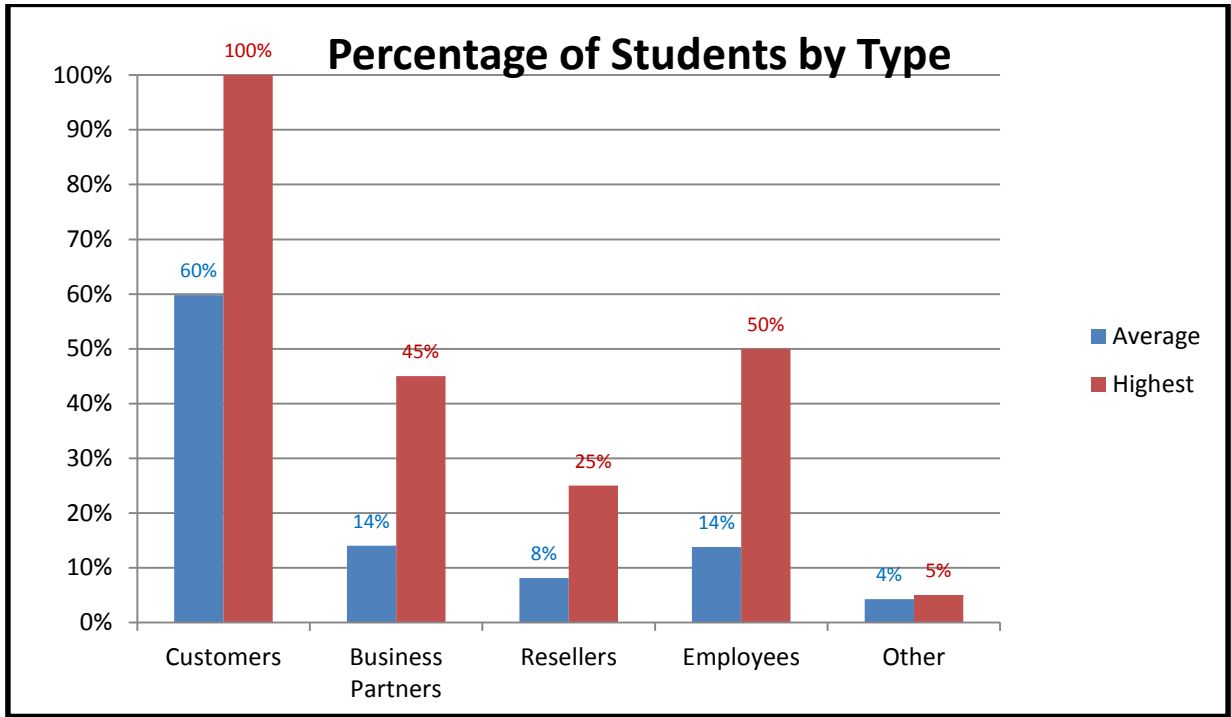
CEdMA Europe Market Barometer

2nd Quarter 2014 and forecast for 3rd Quarter 2014

Introduction

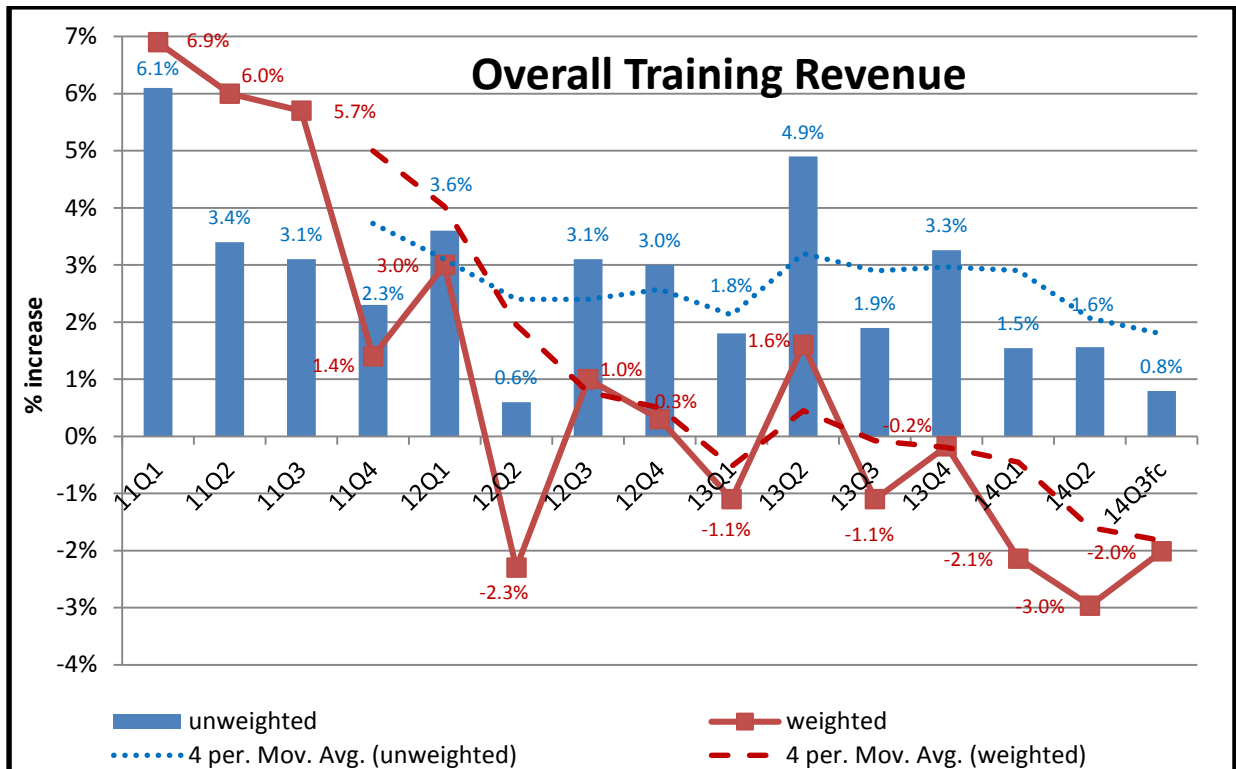
This report is compiled by CEdMA Europe for its members from input for their EMEA businesses. It is based around a series of absolute growth or decline percentages in the range +/- 12.5%. Please note that was changed for 11Q4 and so the quarter numbers prior to that have been adjusted accordingly to 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 14Q2 actuals and 14Q3 forecast is based on input from 25 companies.





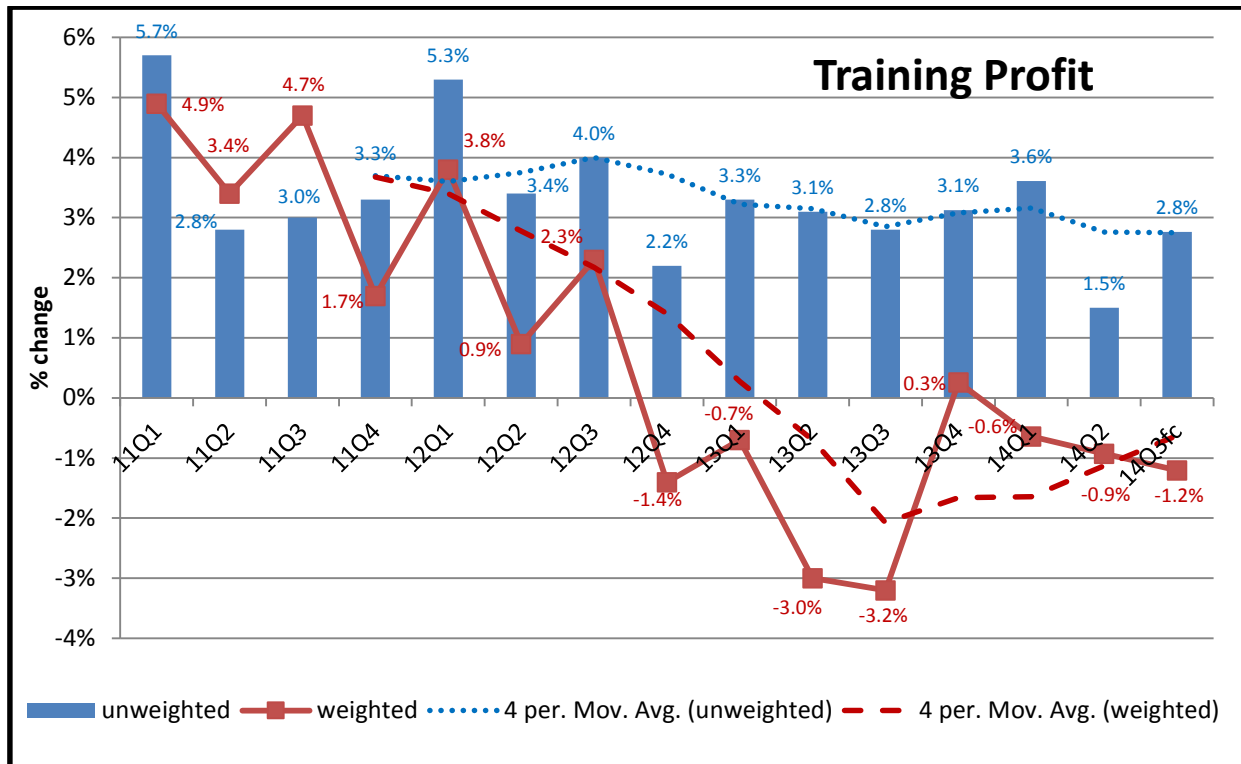
Training Revenue

The unweighted total training revenue grew 1.6% in 14Q2 (u=10, f=1, d=13) against a forecast in the last report of 1.1%. When considering the weighted numbers, there was a fall of 3.0% against a forecast of 2.7% decrease last time. The forecasts for 14Q3 (u=9, f=3, d=10) show a 0.8% increase for unweighted and a 2.0% decrease for weighted. The unweighted trendline shows an ongoing revenue increase of around 2%, but when size of company is taken into account, it's around negative 1-2%.



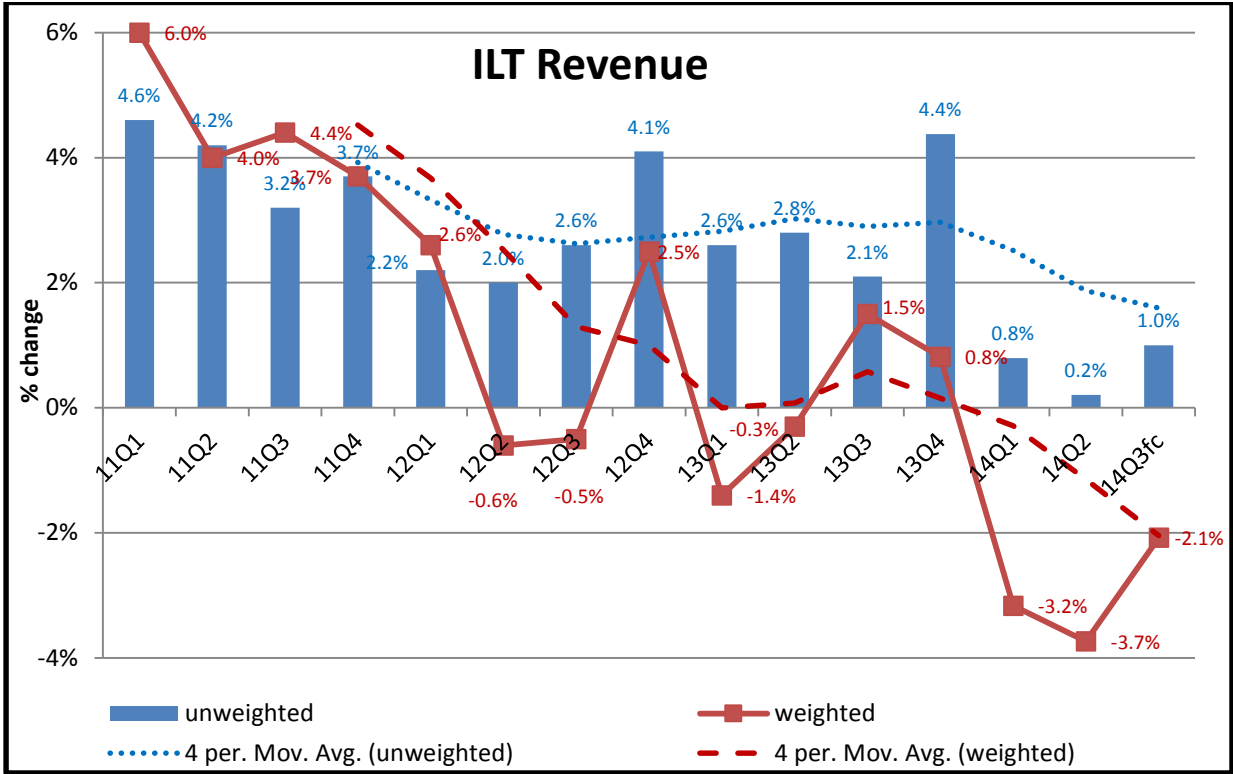
Training Profit

The unweighted total training profit grew 1.5% in 14Q2 (u=10, f=6, 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 14Q3 (u=8, f=8, d=3) is 2.8% increase and the weighted forecast is a decrease of 1.2%. 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 of around 1%.

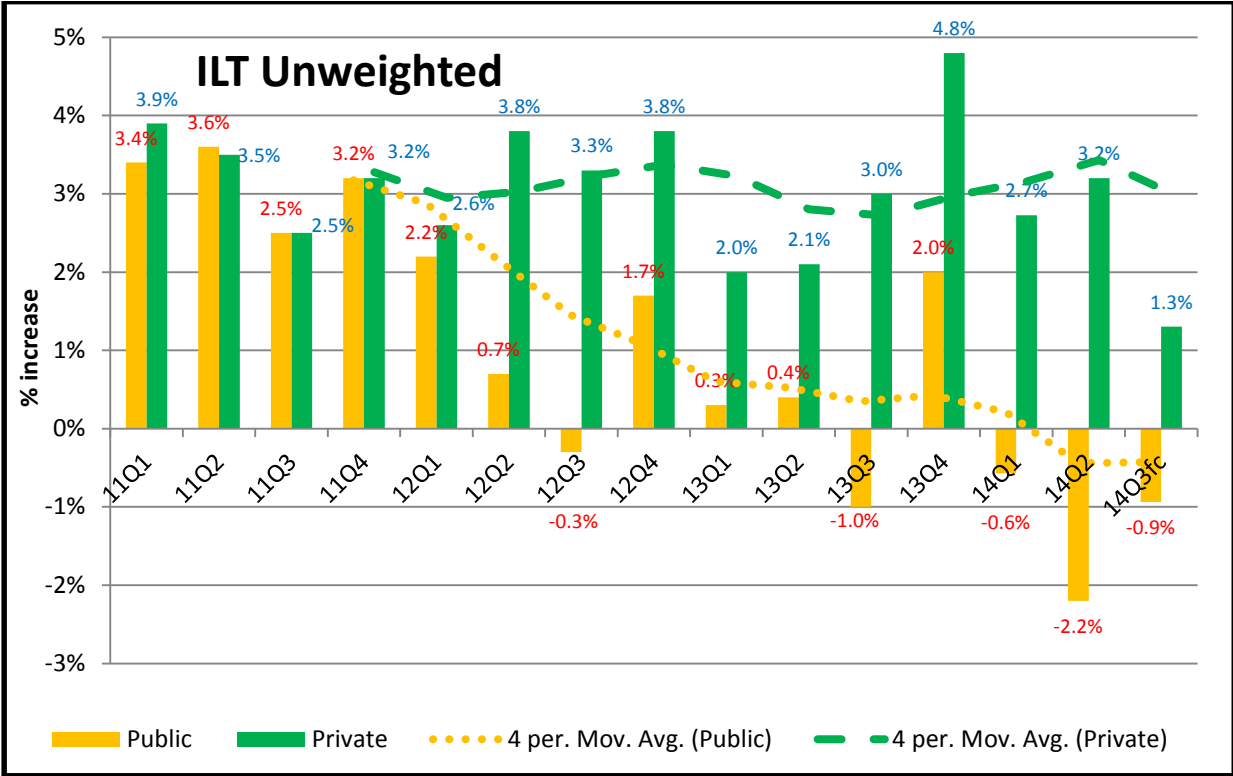


Instructor-led Training

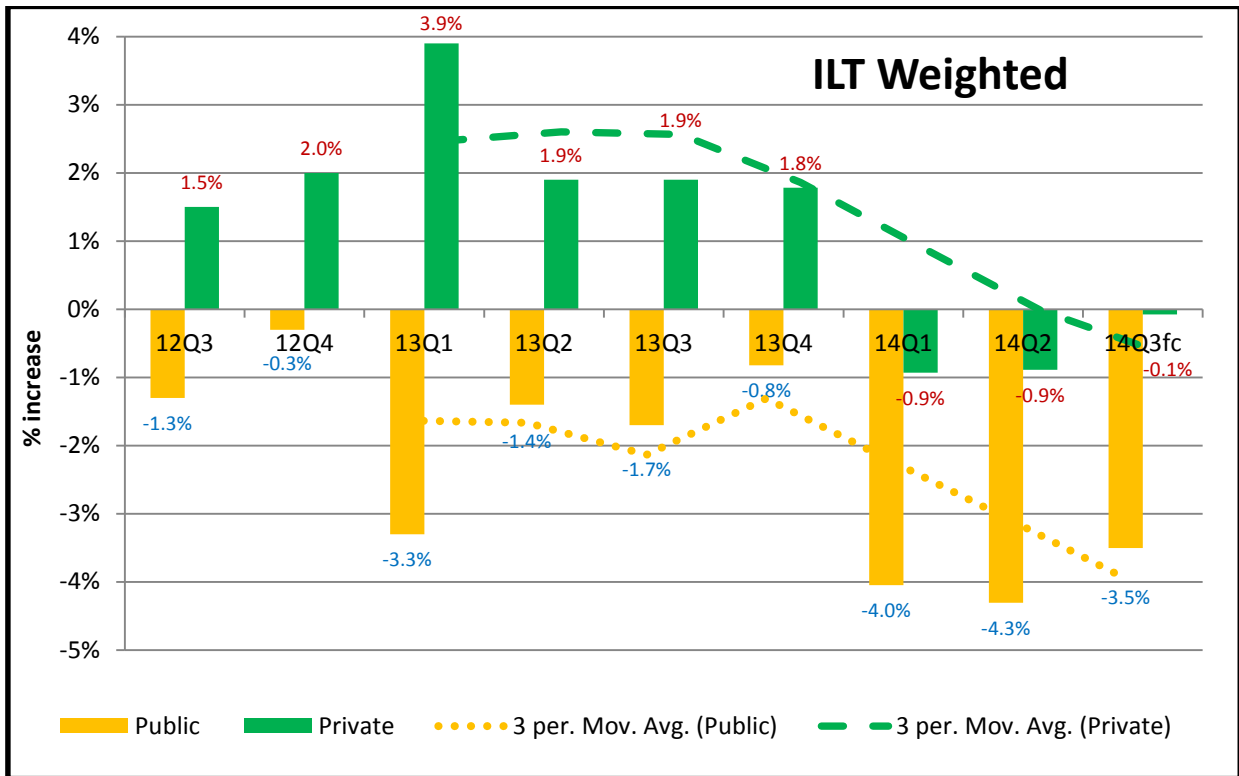
This chart below suggests that ILT revenue for the larger companies has been the main cause of lower overall training revenue increases. The unweighted 14Q2 increase of 0.2% (u=9, f=2, d=13) is lower than that predicted in the last report (2.5%). The weighted number is a decrease of 3.7% against a forecast decrease of 1.0%. The forecast unweighted increase for 14Q3 (u=10, f=5, d=10) is 1.0%, with weighted at negative 2.1%. The unweighted trendline shows an ongoing ILT increase dipping to under 2% but when size of company is taken into account, it has dropped to negative 2%.



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 have dipped below flat. This shows the unweighted values.

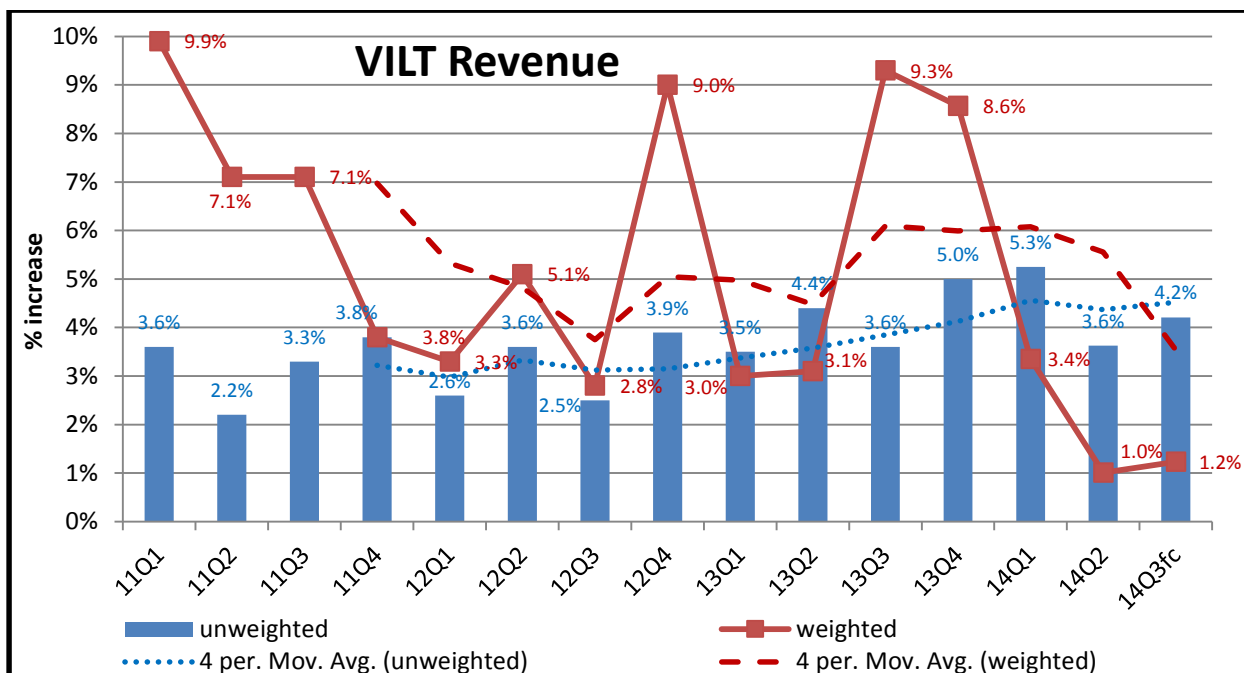


When weighted values are calculated, even private classes have now fallen to flat, while public classes are decreasing towards 4%.

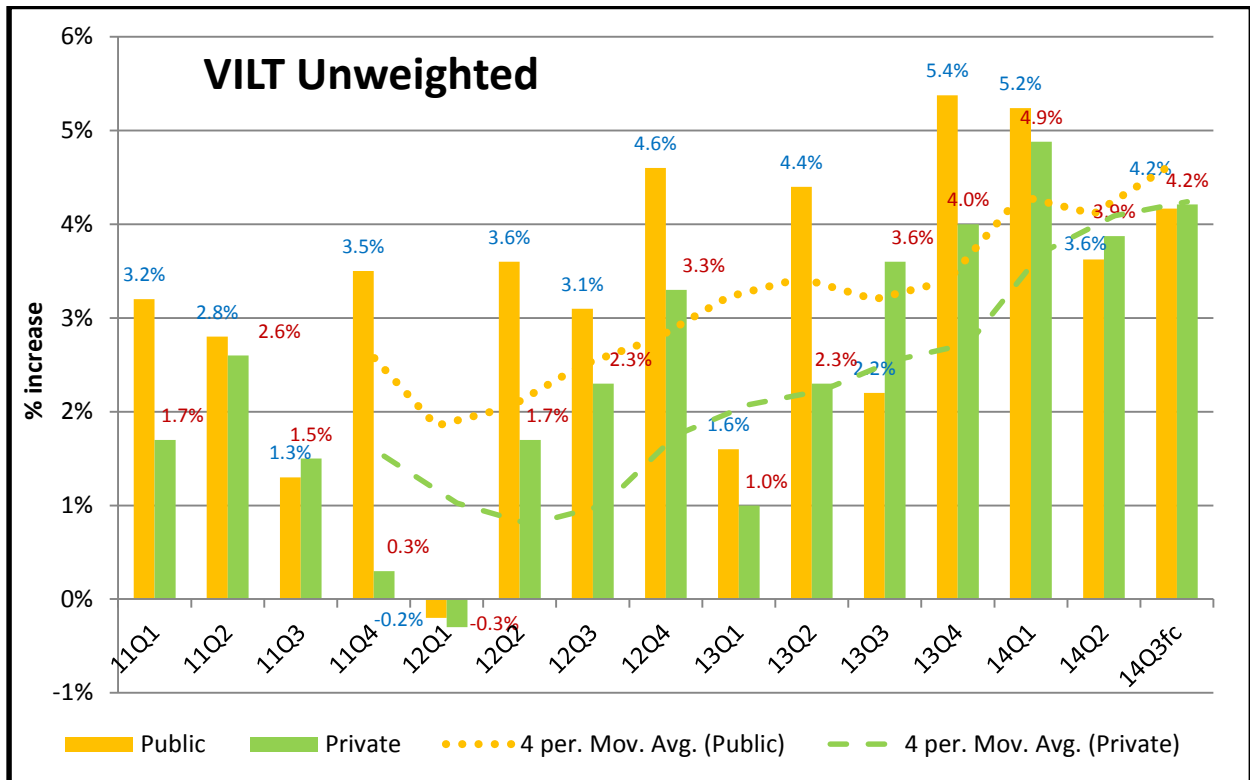


Virtual Instructor-led Training

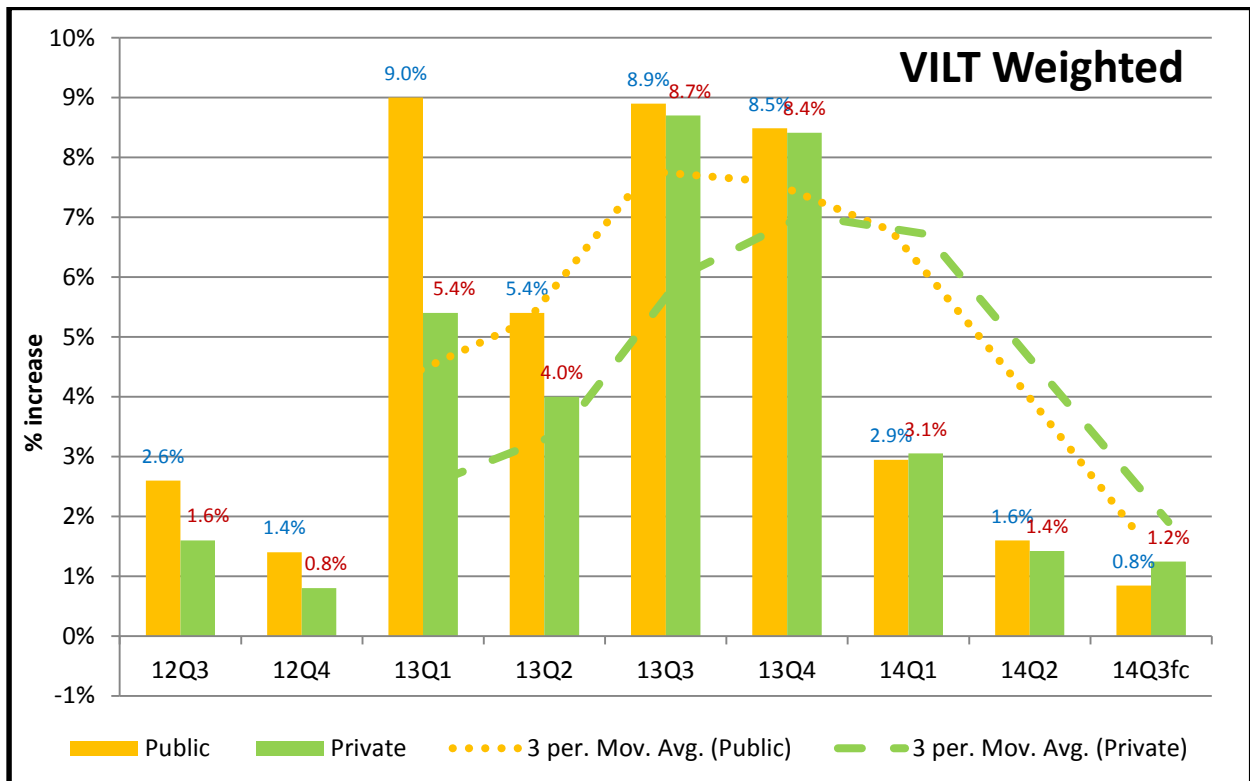
On the other hand, VILT is still buoyant, just. The unweighted increase of 3.6% (u=11, f=7, d=2) compares with the 5.0% forecast in the last report. The weighted increase of 1.0% is well short of the forecast of 4.2%. The forecasts for 14Q3 (u=13, f=5, d=1) are increases of 4.2% unweighted and 1.2% weighted). The unweighted trendline shows an ongoing VILT increase of over 4% just now but when size of company is taken into account, it has dropped from 6% to 4% more recently (larger companies were using VILT earlier but are they now slowing a little?). Note that 5 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 around 4%. This shows unweighted values.



When weighted values are used, the increases for public and private have dropped to around 3-4% from 7% 6-9 months ago.



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.

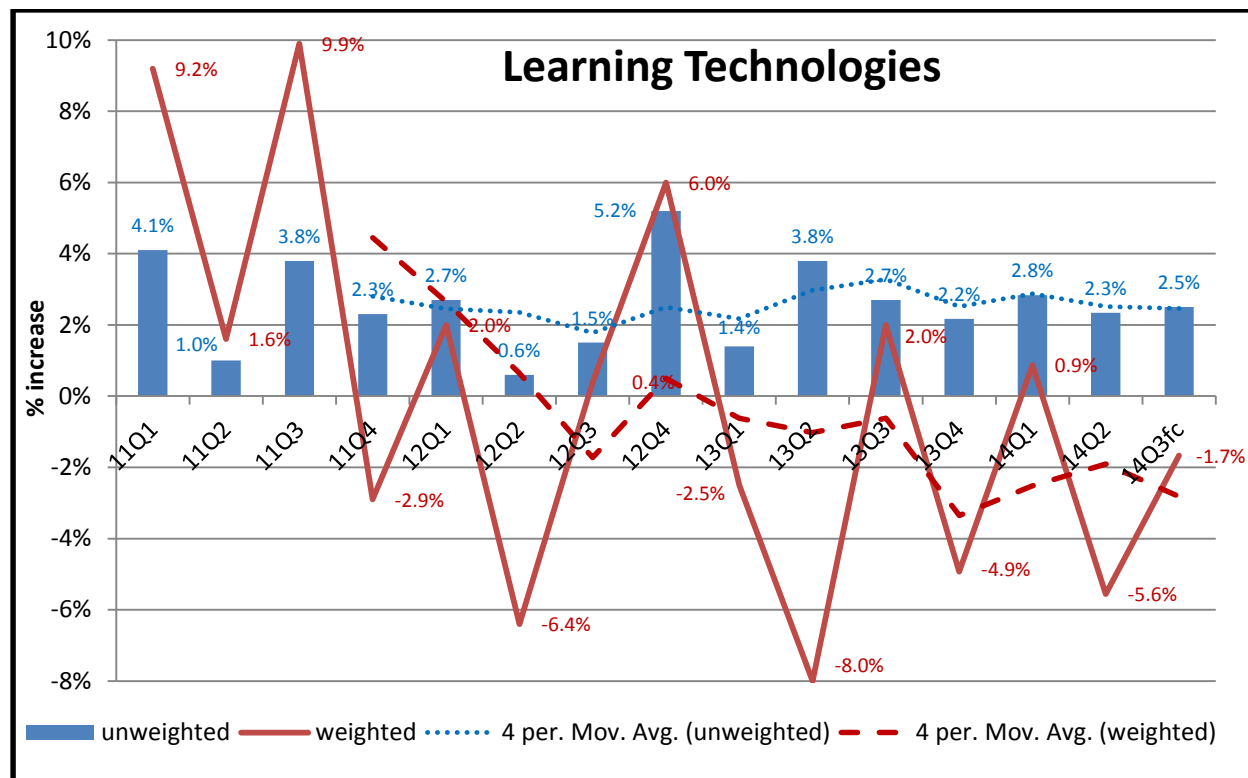
Generic Content includes generic courseware, templates, and models.

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.

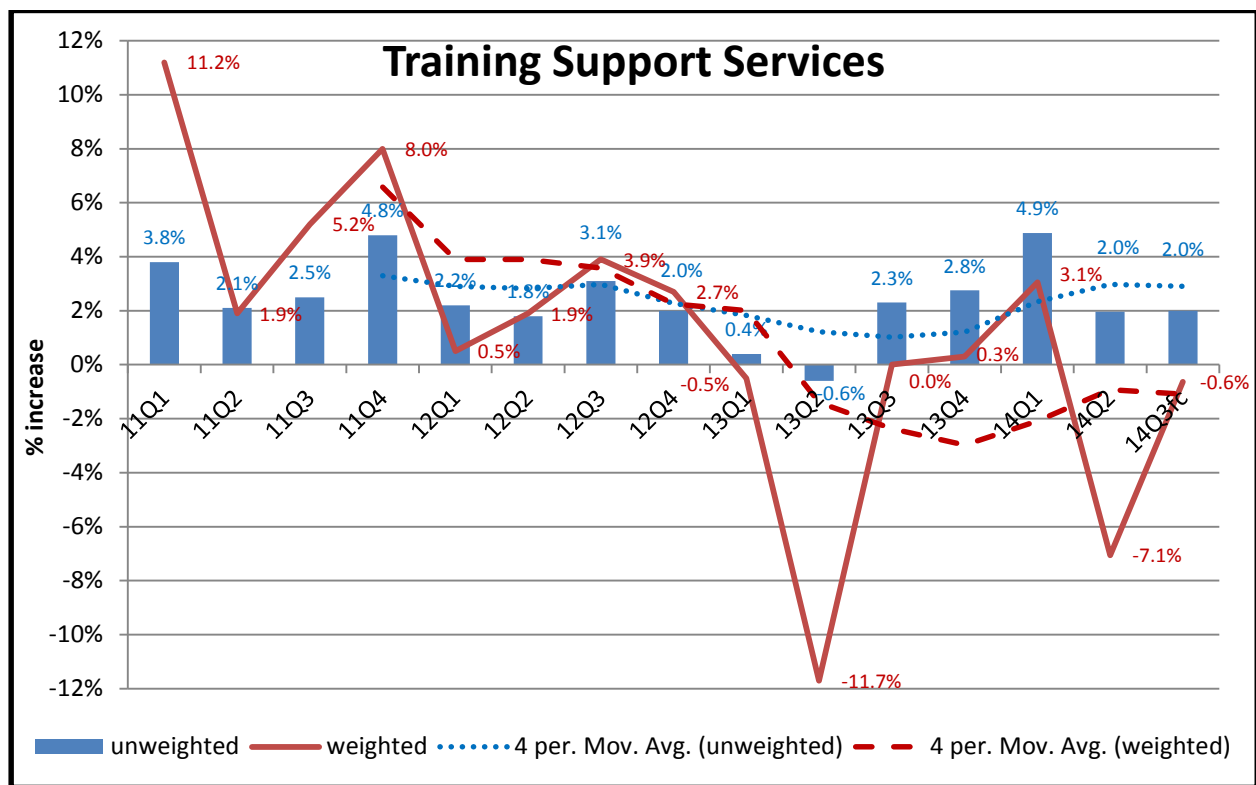
17 of the 21 companies reported activity in this area. The forecasts in the last report were 0.9% increase and 5.1% decrease for unweighted and weighted, respectively, and the results for 14Q2 (u=6, f=7, d=3) are 2.3% and -5.6%. The forecast for 14Q3 (u=7, f=8, d=2) is an increase of 2.5%, with weighted at negative 1.7%. 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

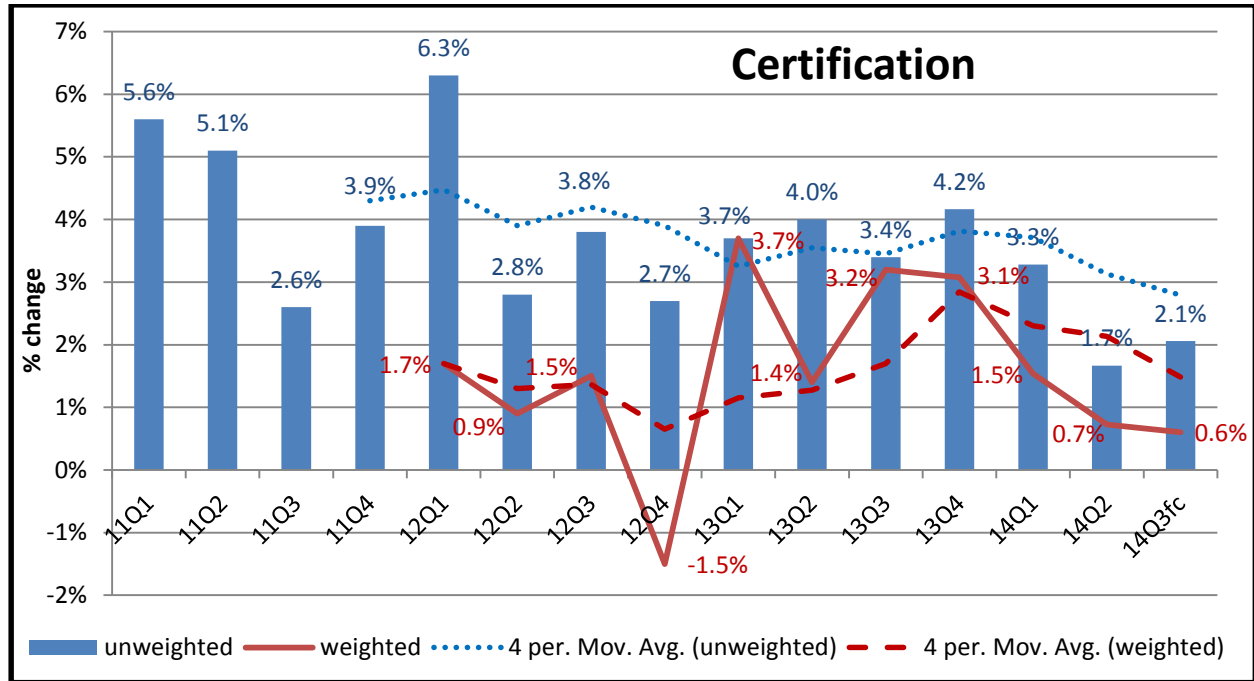
Again, we are no longer breaking out the various components within this area of Training Support Services, but members are asked to include Outsourcing/managed training services, TNA and pre-training consultancy, and evaluation and post-training consultancy.

There are only 15 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 1.0% increase and a 0.9% decrease for unweighted and weighted, respectively. The results for 14Q2 (u=4, f=6, d=2) were 2.0% increase and 7.1% decrease, respectively. The forecasts for 14Q3 (u=5, f=7, d=3) show an increase of 2.0% for unweighted and a decrease of 0.6% for weighted. The unweighted trendline shows that the increase hovering around the 2-3% 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 nearly flat, again reflecting the volatility in this area.



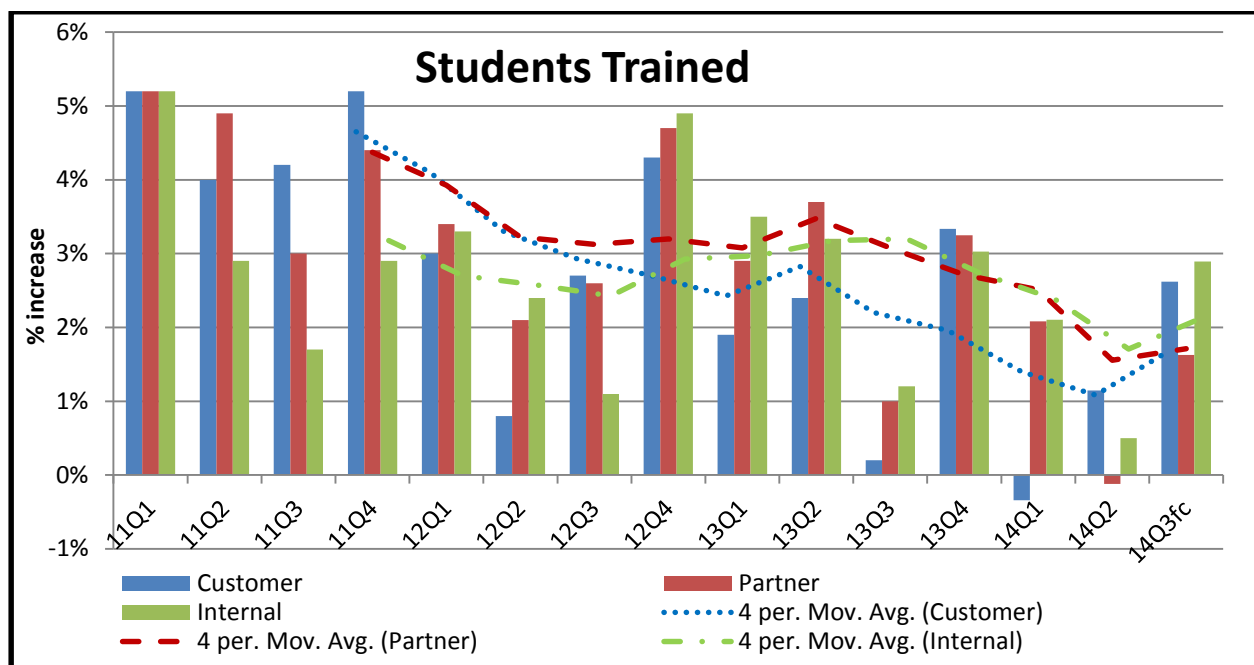
Certification Tests Administered

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 14Q2 (u=6, f=8, d=4) and 14Q3 (u=5, f=9, d=3) are similar. 18 out of the 25 companies offer certification.

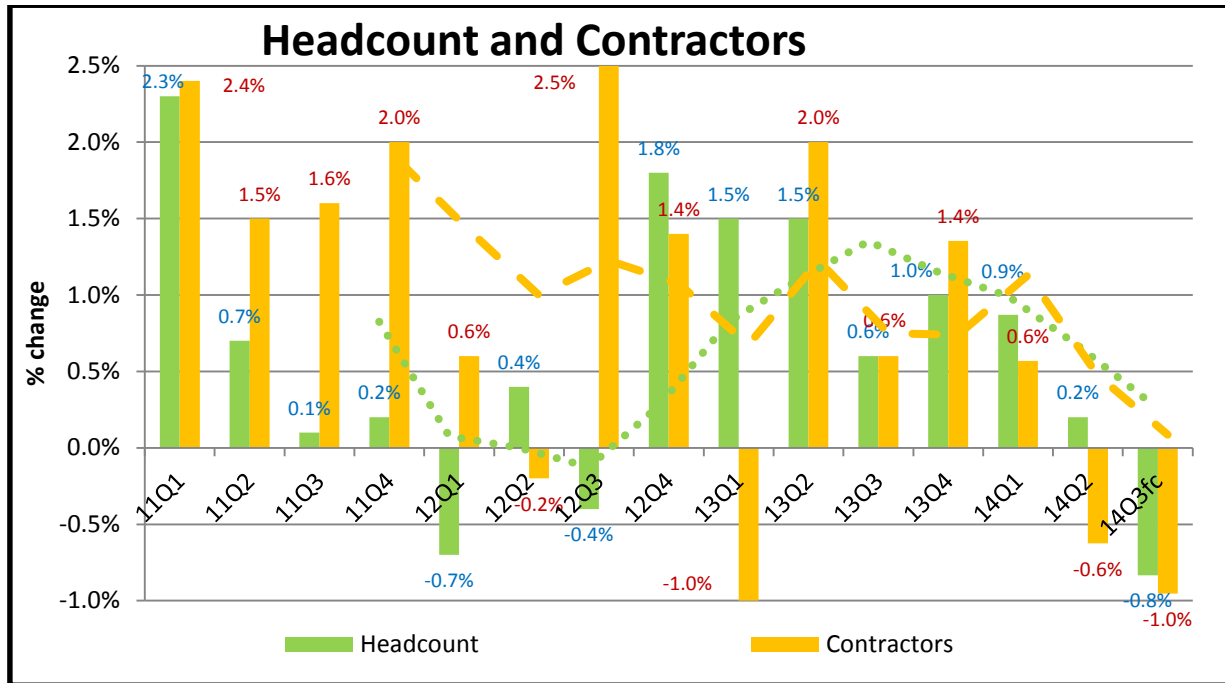


Miscellaneous

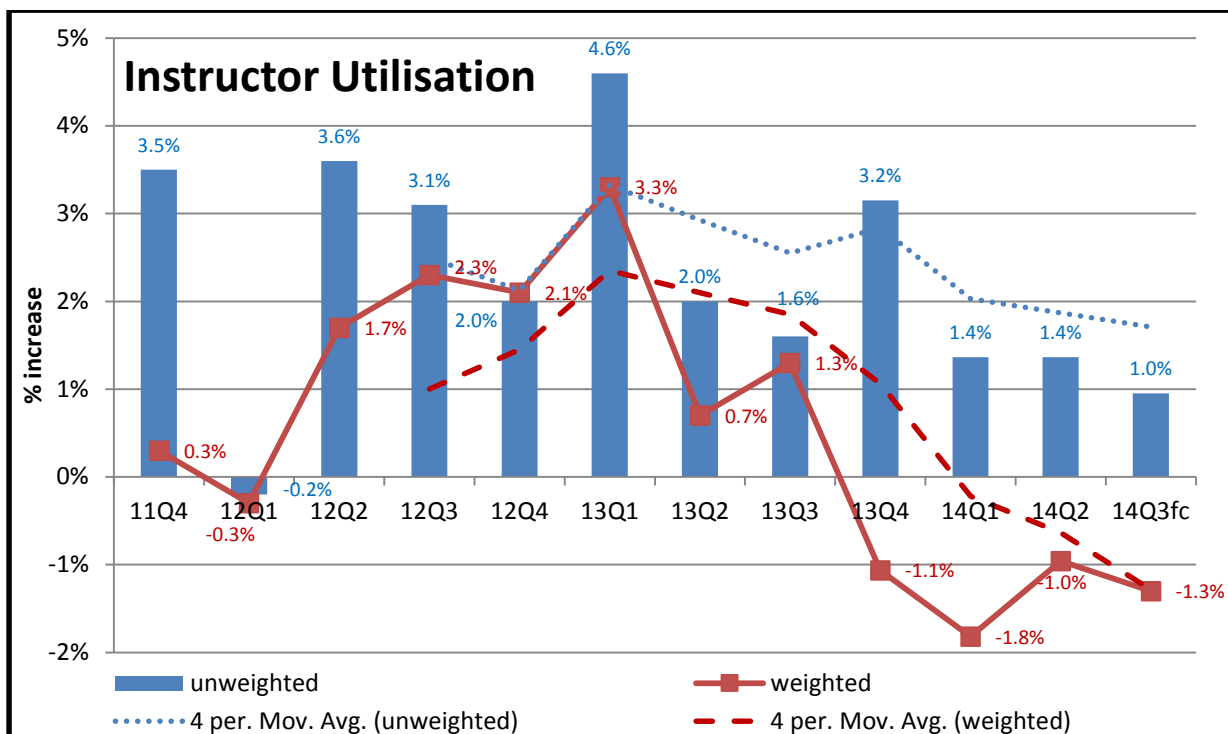
“Students trained” is broken out into customers, partners and employees. The trendlines are all showing increases in the 1-3% range over the total period, although decreasing to 1-2% just now.



The trendlines for both permanent headcount and contractors have hovered around 1% for the last year but both have dipped to flat in the 14Q3 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 14Q2 result (u=7, f=10, d=5) was 1.4% and -1.0% for unweighted and weighted, respectively, while the 14Q3 (u=5, f=9, d=7) forecasts are 1.0% and negative 1.3%. These probably reflect the smaller increases in ILT revenue being seen by larger companies. The trendlines follow each other quite closely but three percentage points apart, with unweighted being the higher at just under 2%.



Summary

Revenue: The unweighted trendline shows an ongoing revenue increase of around 2%, but when size of company is taken into account, it's around negative 1-2%.

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 of around 1%.

ILT: The unweighted trendline shows an ongoing revenue increase of around 2%, but when size of company is taken into account, it's around negative 1-2%.

VILT: The unweighted trendline shows an ongoing VILT increase of over 4% just now but when size of company is taken into account, it has dropped from 6% to 4% more recently (larger companies were using VILT earlier but are they now slowing a little?). Note that 5 of the 25 don't use VILT.

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 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 of around 1%.

Certification: 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%). 18 out of the 25 companies offer certification.

Public versus Private: While unweighted private ILT classes show a steady increase of around 3%, public ILT classes have dipped below flat. When weighted values are calculated, even private classes have now fallen to flat, while public classes are decreasing towards 4%. Both unweighted public and private VILT classes show a consistent steady increase of around 4%. When weighted values are used, the increases for public and private have dropped to around 3-4% from 7% 6-9 months ago.

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

eCommerce and Reporting
Storage and Servers
Channel Partner Training; Virtual Training; eLearning
Learning Products
Classroom training for our standard sign-sign on products
General uptick on all areas for the last 2 Q
On site events increase
Specific to F5 are our technology courses. Same last quarter
Finally getting VILT up and running - so huge upsurge

NetBackup; Enterprise Vault
Private ILT; Authorised Training Partners; eLearning
Onsite - although we have won a large contract which is skewing the figures
On-Demand Training
ILT & VILT revenue
Custom learning solutions - including self-study, mentoring etc
Storage management; Customised courses for multiple technologies (solutions classes)
Database
Custom Training
VILT
Onsite Training for end customers
Database and Technology; Business Intelligence
Customization of manuals. Onsite private classes
New product training,
Wind River Linux
Account Specific

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

Marketing, Year End Training
Networking and certification
ILT for customer; ILT employee training
Public classes
All growth - no decrease
Onsite below expectation
certification flat
Old products coming to end of life
Private ILT in Germany due to project phasing
Cluster Server
Public ILT
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 - this still applies.
Public scheduled ILT courses
n/a
Public ILT
High end storage
Apps
Adoption Services
Old products
Training of partners, as main product will be re-launched shortly and Channel Team has own training offering to partners - mainly for free.
Legacy
Public ILT
Older product training

Public class training
Scheduled Courses

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

Managing Growth globally, maintaining instructor quality, ramping. Burning down of backlog (booked revenue).
Attach to product; Marketing funding
Skilling up external development and delivery resources; With company situation decrease of available resources and resource constraints to deliver services
Pressure on cost to deliver ILTWW performance of online solutions
Scaling the administration function in the business to cope with the growth (100% Q/Q)
Demand for Training/ Budget cuts
lack of resource, lack of sales incentives training is too small in relation to overall solution sell
Authorised training centres not growing enough, demand outstripping capability
Transition to SaaS License model - impacts all areas of the business. Academy courseware update now caught up with product releases, and now focused on Internal enablement.
1. Moving our End User business to Authorized Training Partners2. No Sales Team due to change.
Outsourcing training delivery; Creating up to date training content; IVAs
Resourcing as ever; Trying to encourage the business to take the big step in to elearning
Decreased public schedule numbers. Decreased resources
Launch of LMS
improve profile internally/externally; drive more from a 'flat' business
Finance miss postings and recovery
Filling public classes. Ongoing weak performances in France & DE as well as weakness in UK
Challenge of finding and securing the right resources to meet complex customer requirements. We are in the middle of a business transformation programme where the UK is being merged with EMEA operations.
Demand creation of VILT in a market that never had VILT before
Compensating for reduction in public scheduled training; migrating customers to subscription-based online learning platform
Middle East is still one of the greatest challenges; lack of resource to deliver on commitments
Change from standard ILT delivery to self-paced;- shift of revenue allocations.
Headcount; education attachment to product sales
Sales team focus on selling training
Performing the work necessary to continue the transition to a consumption-based subscription model while also keeping the day to day activities necessary for accounts that are participating in our traditional training model moving forward

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

Very positive in niche areas where tied directly to product sales.
Summer vacation always hurts revenue July to September
Very good start to the year, which will be reflected in what will look like a decline in Q2, which came true. Danish business has stabilised after a number of years of being a problem.

Peer based training prevalent. Decrease in training budgets.
First involvement in 6 years - business has turned 180 degrees.
Governments in Eurozone have started spending again - helping to offset weakness in traditionally strong European countries.
My organisation has started to offer free learning content to all our customers and this is having an impact on the point of entry at which a customer will start spending on training. We are starting to witness a move towards reach over revenue.
Customers want training focused on their projects and environments