



**2018
Nine-Month
Trading
Update**

Wednesday 17 October 2018



Pearson

Forward-looking statements

Except for the historical information contained herein, the matters discussed in this statement include forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated costs savings and synergies and the execution of Pearson's strategy, are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future. They are based on numerous assumptions regarding Pearson's present and future business strategies and the environment in which it will operate in the future.

There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including a number of factors outside Pearson's control. These include international, national and local conditions, as well as competition. They also include other risks detailed from time to time in Pearson's publicly-filed documents and you are advised to read, in particular, the risk factors set out in Pearson's latest annual report and accounts, which can be found on its website (www.pearson.com/investors).

Any forward-looking statements speak only as of the date they are made, and Pearson gives no undertaking to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes to events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on such forward-looking statements.

Nine-month headlines

- Underlying revenue flat
- Good performance in structural growth businesses
- US Higher Education Courseware – challenging market; growth in digital
- Strong balance sheet
- Cost efficiency programme on track

Sales

£m	Underlying growth
North America	0%
Core	2%
Growth	(4)%
Total sales	0%

Continuing operations

Guidance 2018

Full Year 2018 Guidance	New Guidance		Previous Guidance	
	Lower	Upper	Lower	Upper
Adjusted operating profit	£520m	£560m	£520m	£560m
Finance charge	c.£30m		c.£45m	
Tax rate	(5%) – (7%)		20%	
Adjusted EPS	68p	72p	49p	53p
FX Sensitivity	A 5c movement in the US Dollar has a c.2.0p- 2.5p impact on EPS			

- Adjusted operating profit excludes the expected restructuring cost of £90m associated with the £300m 2017-2019 cost efficiency programme
- Based on 31 December 2017 exchange rates and portfolio
- The sale of WSE in March 2018 reduces the expected FY18 adjusted operating profit from our portfolio at the start of the year by around £6m. This impact has been absorbed within the guidance range for Adjusted Operating Profit, which remains £520m-£560m.

Simplification

2017 – 2020 Focus Areas

Further simplification through **shared service** centres

Leaner organisations through **reduction in headcount**

Reduction in number of **legacy applications**, data centres and office locations

9 Months to 30 Sept 2018

New US ERP go-live

>200 applications decommissioned

7 data centre & 7 office closures

Headcount reduction

Supply chain consolidation

Strategic priorities

45%
2017 revenues*

1. Grow market share through digital transformation



- US Higher Ed Courseware
- US Student Assessment
- Core Assessment and Qualification

33%
2017 revenues*

2. Invest in growing market opportunities



- Virtual Schools
- Online Program Management
- Professional Certification
- English



3. Become simpler and more efficient

- Increase speed of product development and innovation
- Improve stability and provide better customer experiences
- Eliminate duplication reduce cost and increase scalability

Underpinned by talent, culture & innovation

*Excludes GEDU, WSE and US K12 courseware

ALWAYS LEARNING