

Forward-looking statements

Except for the historical information contained herein, the matters discussed in this presentation 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 cost 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.



Pearson

Higher Education Investor Day

Friday 17 June 2016



Pearson

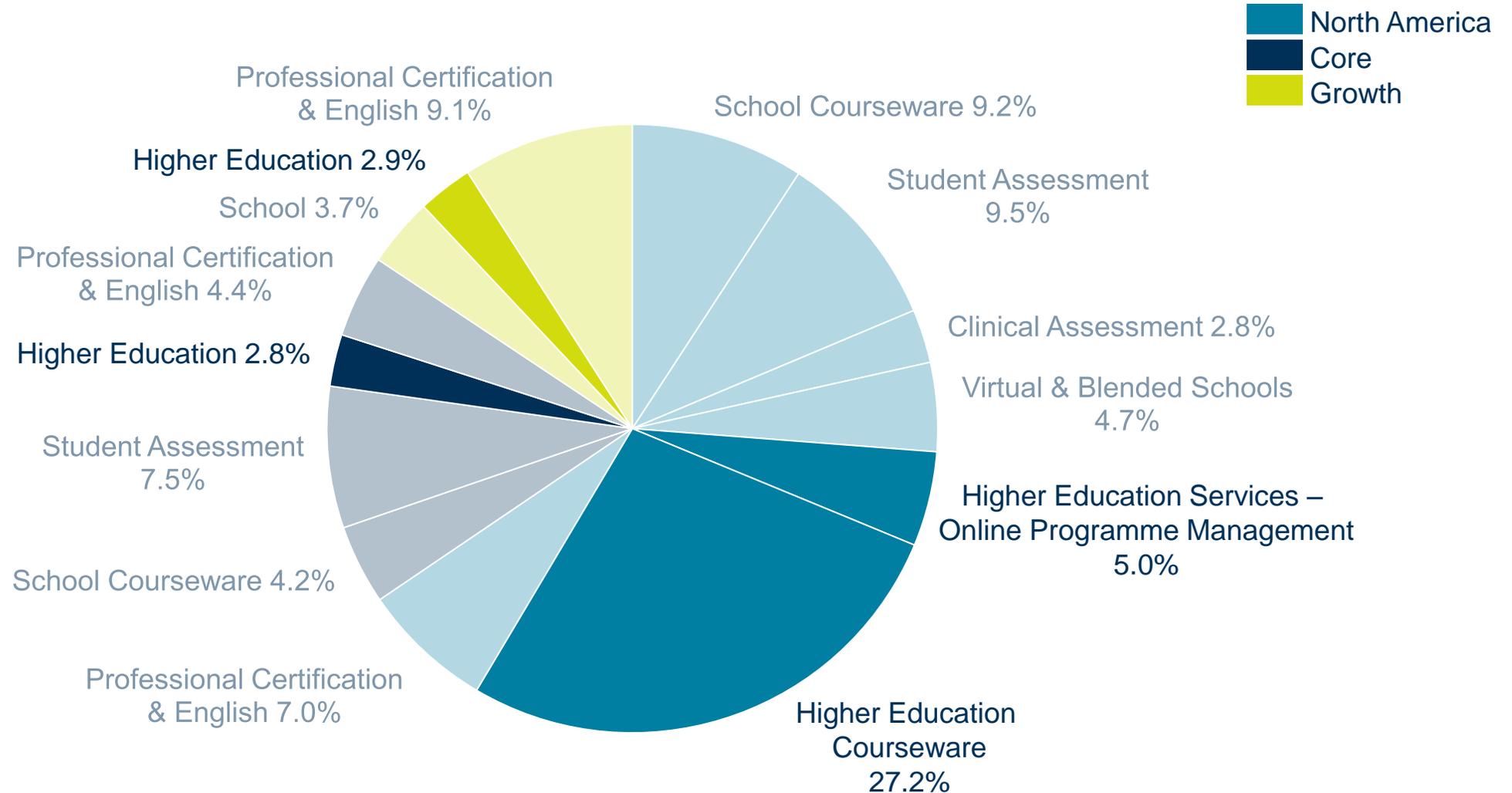


Agenda

Time	Topic	Speakers
1215 – 1300	Registration and light lunch for guests	
1300 – 1310	Welcome - Outline of the day	John Fallon
	Higher Education market backdrop	
1310 – 1320	Drivers of demand and supply Structural change	Tim Bozik Tim Bozik
	Courseware	
1320 – 1400	How we go to market Pearson's market position What is Higher Education courseware? Structural change in Higher Education Our Higher Education courseware strategy Personalised learning and efficacy Opportunities, risks and transition in Higher Education Institutional courseware solutions Summary and market forecast	Robin Baliszewski Tim Bozik Tim Bozik Tim Bozik Tim Bozik Angie McAllister Tim Bozik Don Kilburn Tim Bozik
1400 – 1440	Coffee Break and product demos	The Team

Time	Topic	Speakers
	Technology and Scale Opportunities in Higher Ed	
1440 – 1455	Global Product Platform enabling new models	Albert Hitchcock
	Online Program Management	
1455 – 1515	Institutional solutions & online learning Our strategy What is OPM? How we go to market Case studies Pearson's market position OPM Market forecast	Dave Daniels Dave Daniels Todd Hitchcock Todd Hitchcock Todd Hitchcock Todd Hitchcock Todd Hitchcock
	Higher Education and our 2018 Goals	
1515 – 1530	Outlook for Higher Education businesses	Coram Williams
1530 – 1545	Fireside Chat Professor Ed Byrne, Principal, King's College London	Rod Bristow & Ed Byrne
1545 – 1550	Summary and Conclusions of the Day	John Fallon
1550 – 1630	Q&A – Panel discussion	The Team
1630 – 1700	Drinks & breakout session booths	All

Higher Education courseware and OPM (2015)



Structural trends – our growth opportunity

- The economic value of an education is greater than ever
- The cost of an education is increasing; public funding is under pressure
- The process of getting an education remains inefficient; translating education into employment is uneven and highly variable
- Technology creates opportunities to make learning more affordable, accessible, flexible, personal and effective
- Education market is continuously evolving

Our strategy enables us to manage the transition, mitigate the threat, and maximise the opportunity

The world's learning company – our strategy

- World class capabilities in educational courseware and assessment
- Strong portfolio of products and services, powered by technology
- Combining these core capabilities with related services, enabling our partners to scale online, reaching more people and ensuring better learning outcomes
- A larger market opportunity for Pearson, with a sharper focus on the fastest-growing education markets and stronger financial returns

Real value lies in improving productivity, student completion and employability

Simplification of technology and infrastructure

The User Experience



Pearson products and services

Pearson Content

Technology & Product Platforms

Learning Application & Service Platforms

Enterprise and Enabling Platforms

Cloud & Infrastructure Platforms

Security

High level of change & innovation

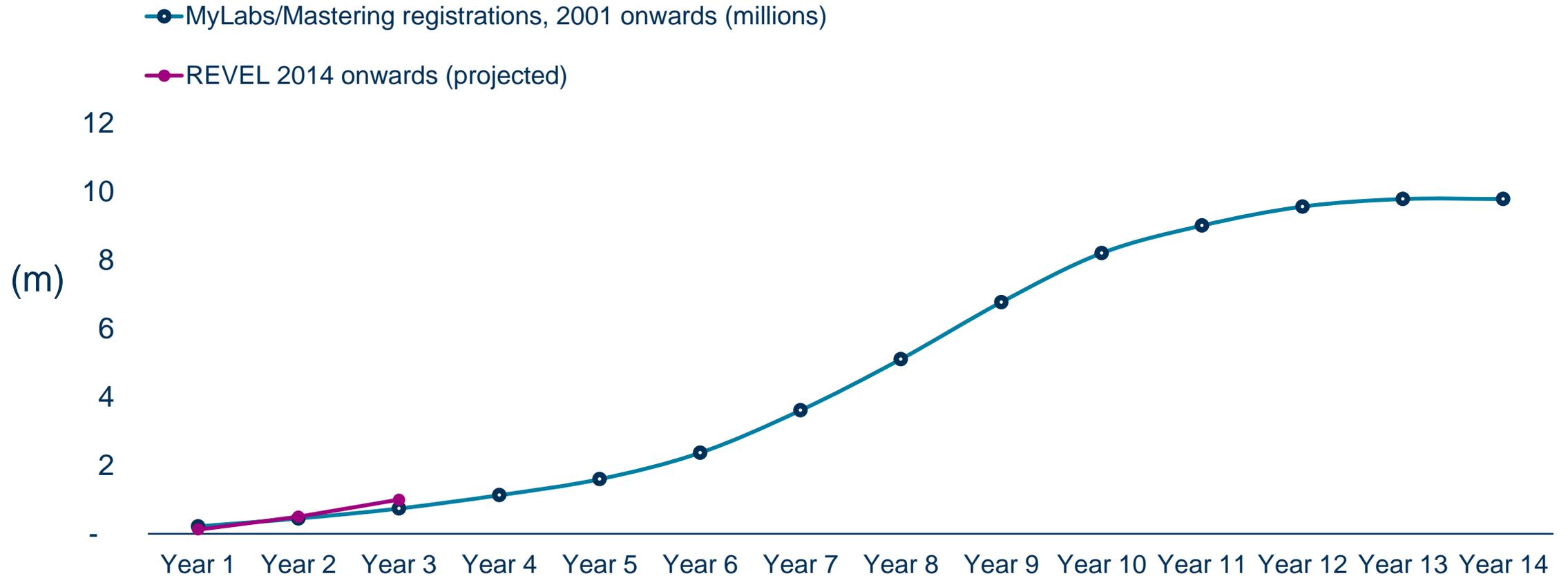
Increased investment

Shift investment from 'plumbing'

Lower level of change

Stable, reliable and repeatable

Grow in digital supplemental: defining a new category



Presenters



John Fallon
CEO



Coram Williams
CFO



Tim Bozik
President, Global Product



Robin Baliszewski
MD, Higher Education Sales



Dr Angie McAllister
SVP, Personalized Learning & Analytics



Don Kilburn
President, North America

Presenters



Albert Hitchcock
Chief Technology &
Operations Officer



Dave Daniels
MD, Higher Education Services
North America



Todd Hitchcock
SVP, Online Learning Services



Professor Ed Byrne
Kings College London



Rod Bristow
President, Core

In attendance



John Tweeddale,
SVP, Customer Experience
& Engagement



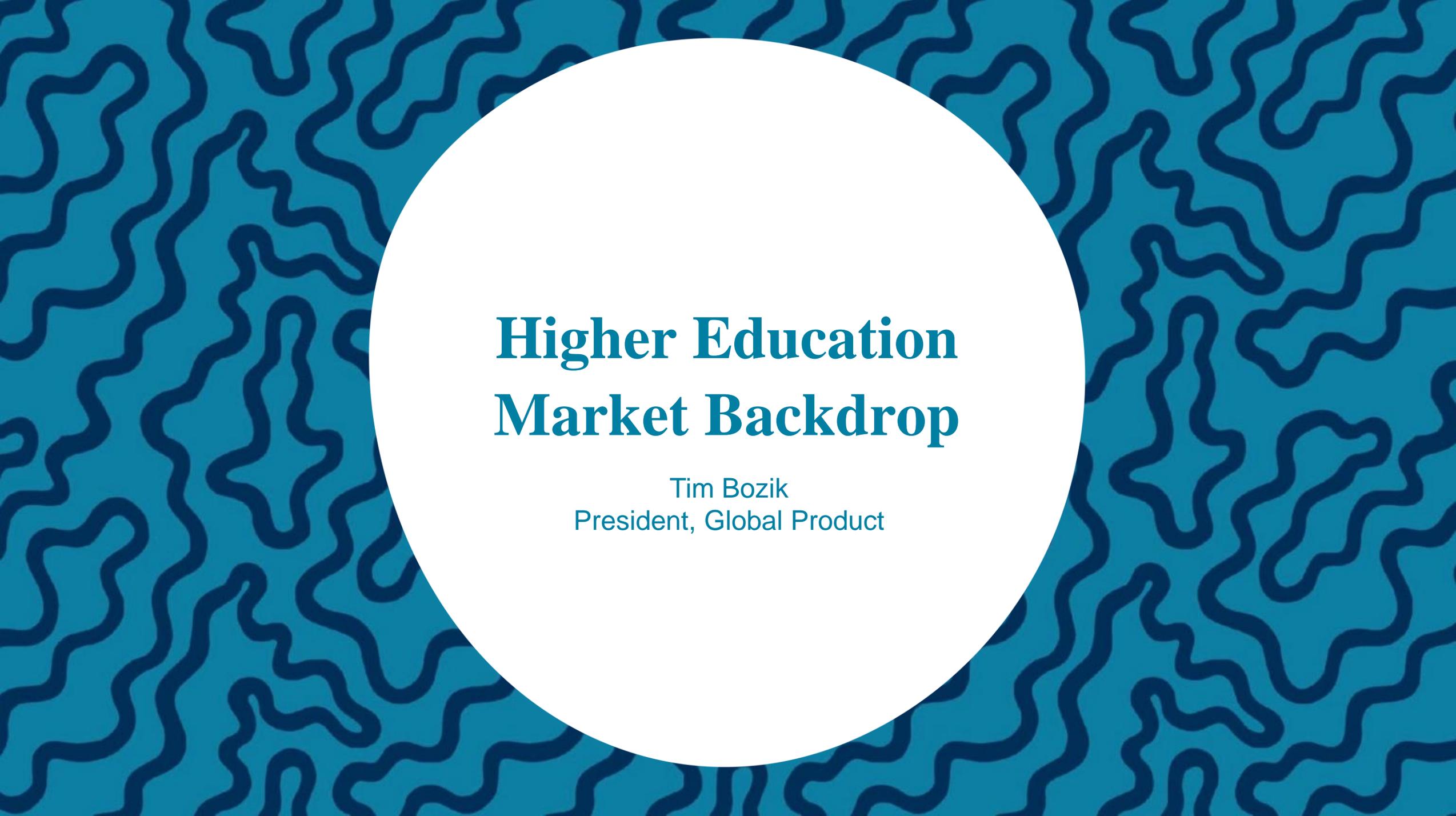
Paul Corey
MD, Higher Education Courseware



Sidney Taurel
Chairman



Dr. Kate Edwards
SVP, Efficacy & Research

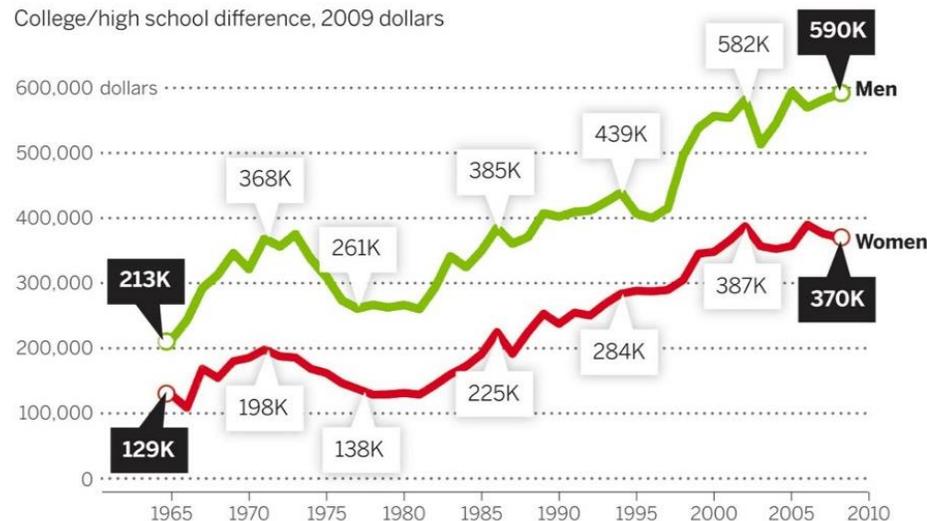


Higher Education Market Backdrop

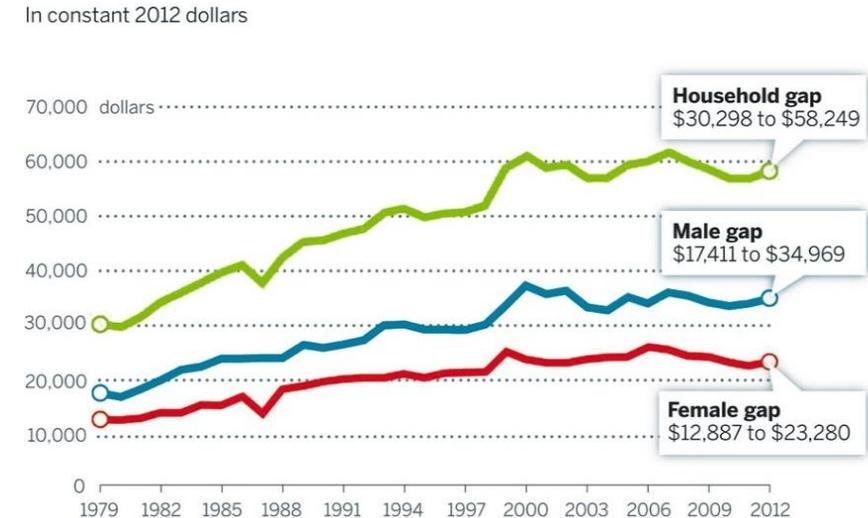
Tim Bozik
President, Global Product

The economic value of education has never been higher

Present discounted value of college relative to high school degree net of tuition, 1965 – 2008

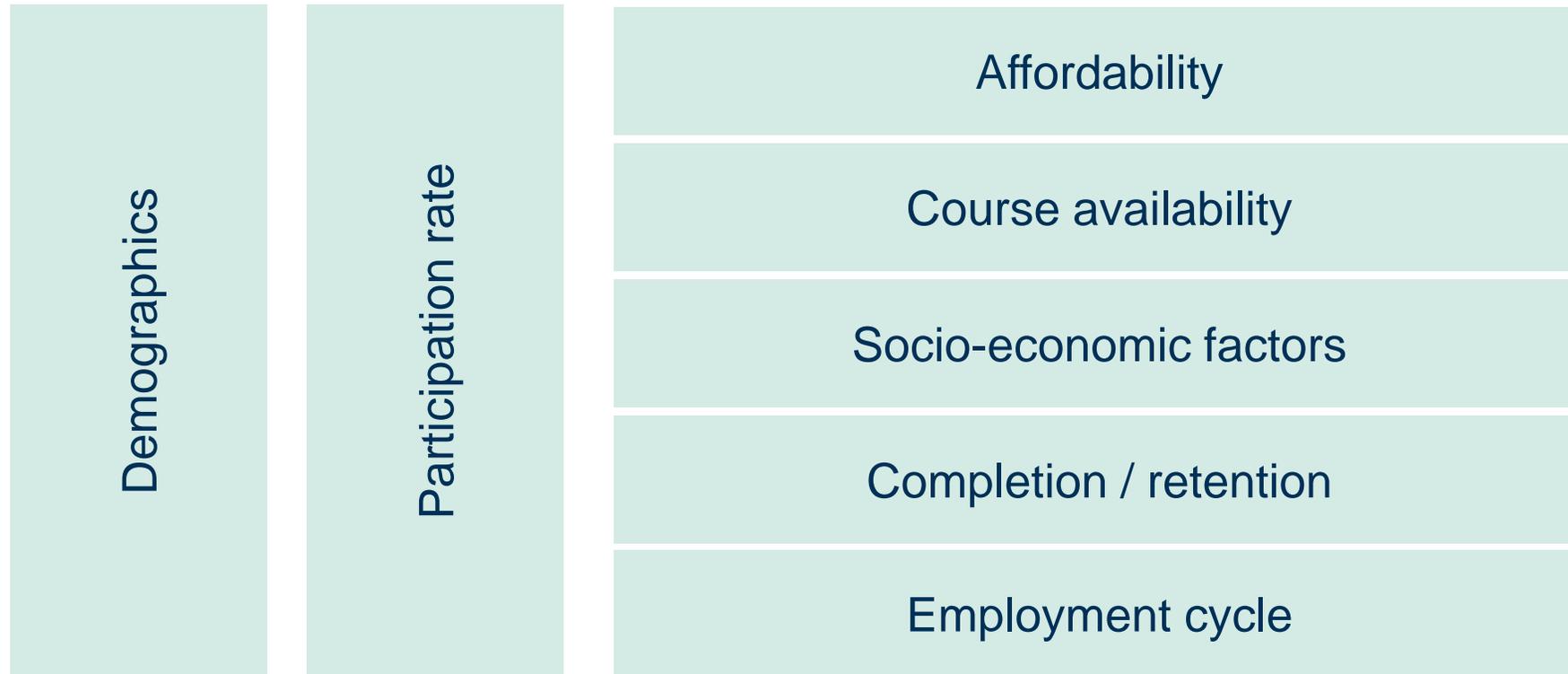


College / high school median annual earnings gap 1979 – 2012

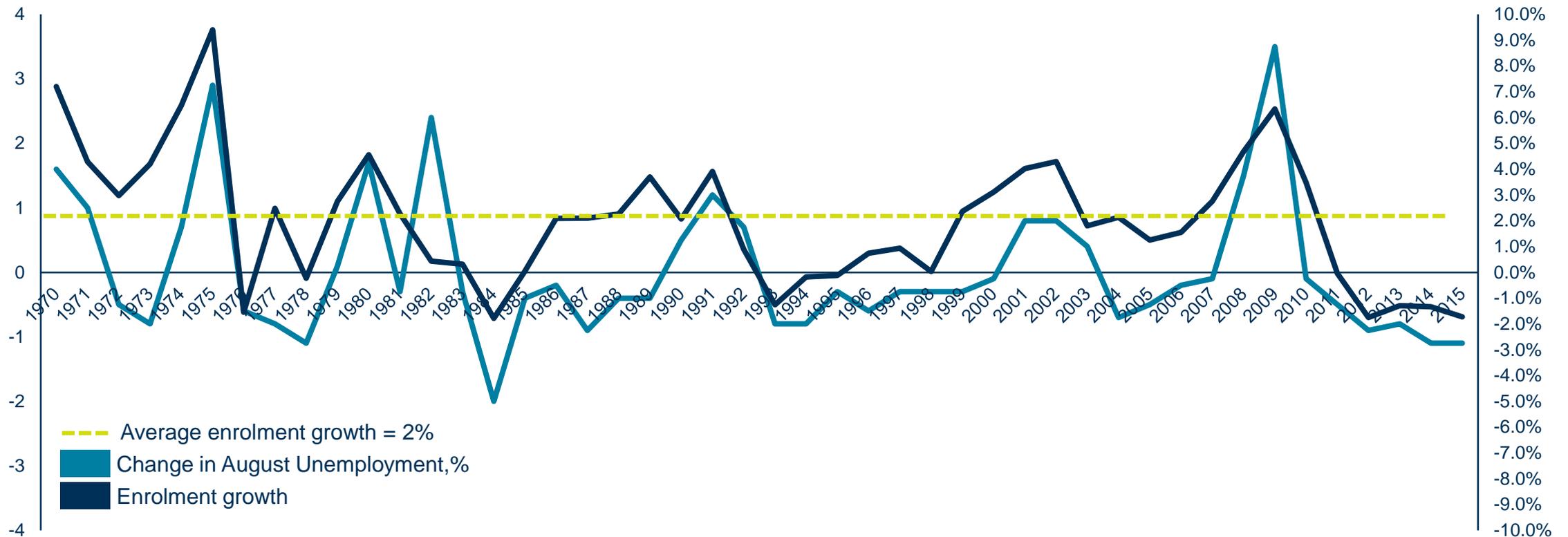


Source: adapted from "Skills, education, and the rise of earnings inequality among the "other 99 percent" David H. Autor

Factors affecting enrolments



Short term enrolments linked to the employment cycle



Source: NCES, NSCH, Bureau of Labor Statistics

Excluding the employment cycle, enrolments grow

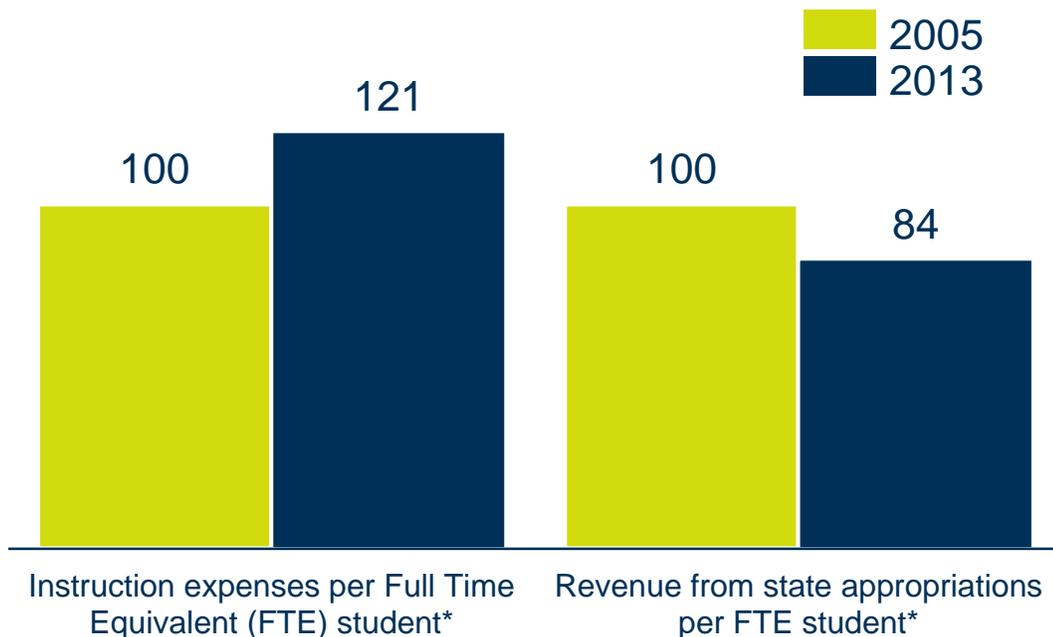
All students



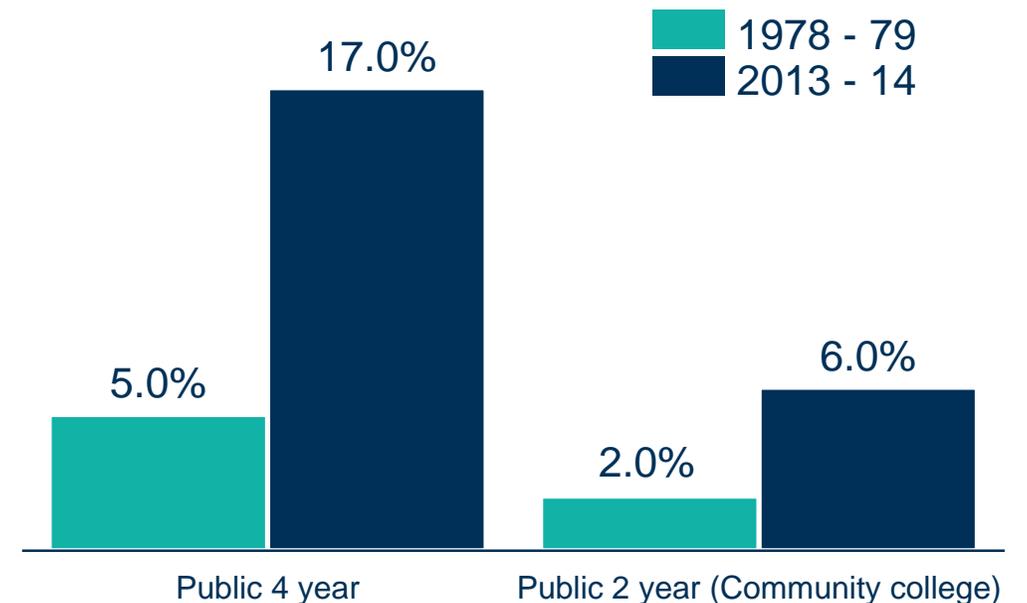
Source: US Department of Education (IPEDS); National Student Clearinghouse; US Bureau of Labour Statistics

Supply side structural issue – scalability and cost

Cost per student vs public funding per student



Tuition and fees as % of median household income

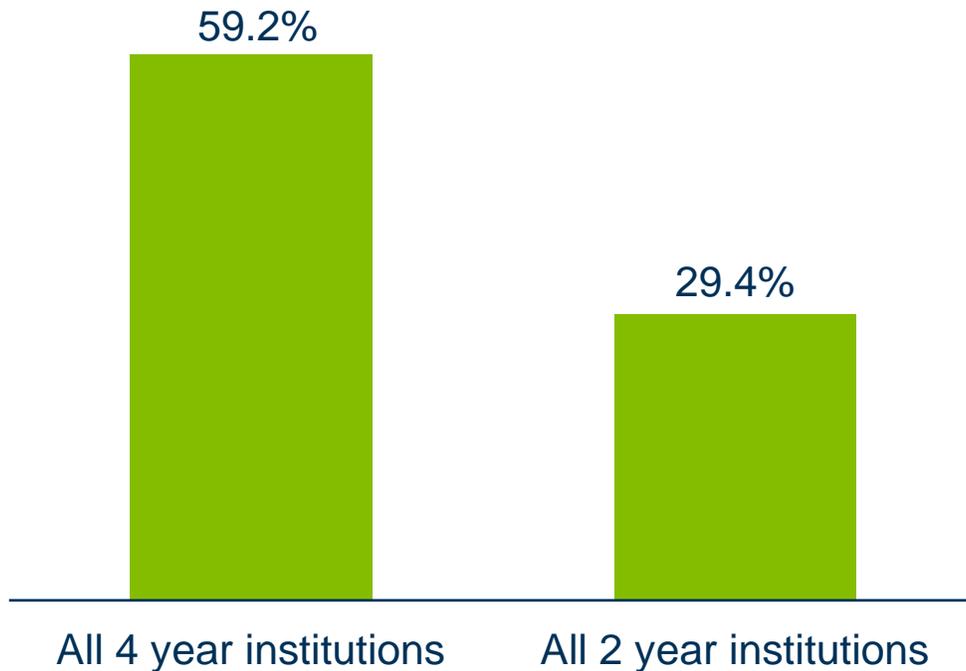


* Public 2-year and Public 4-year colleges only

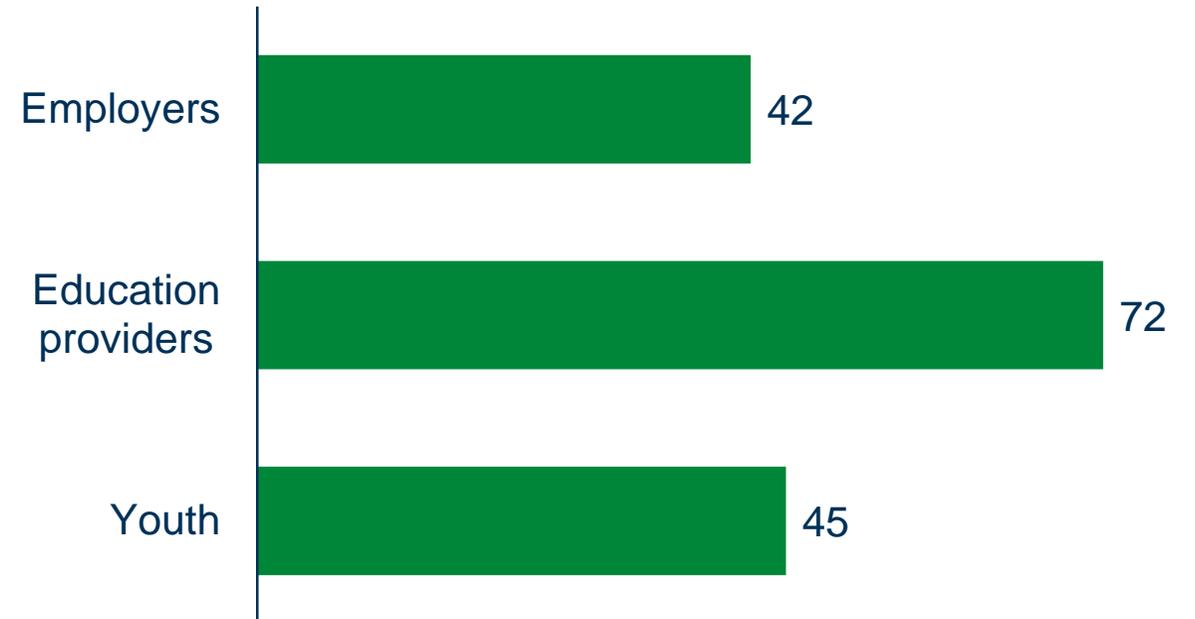
Source: Digest of Education Statistics, National Center for Education Statistics; US College Board, US Census Bureau

Education process remains inefficient; employment link uneven and variable

Graduation rates within
150% of programme length



Agreement that graduate/new
hires are adequately prepared (%)



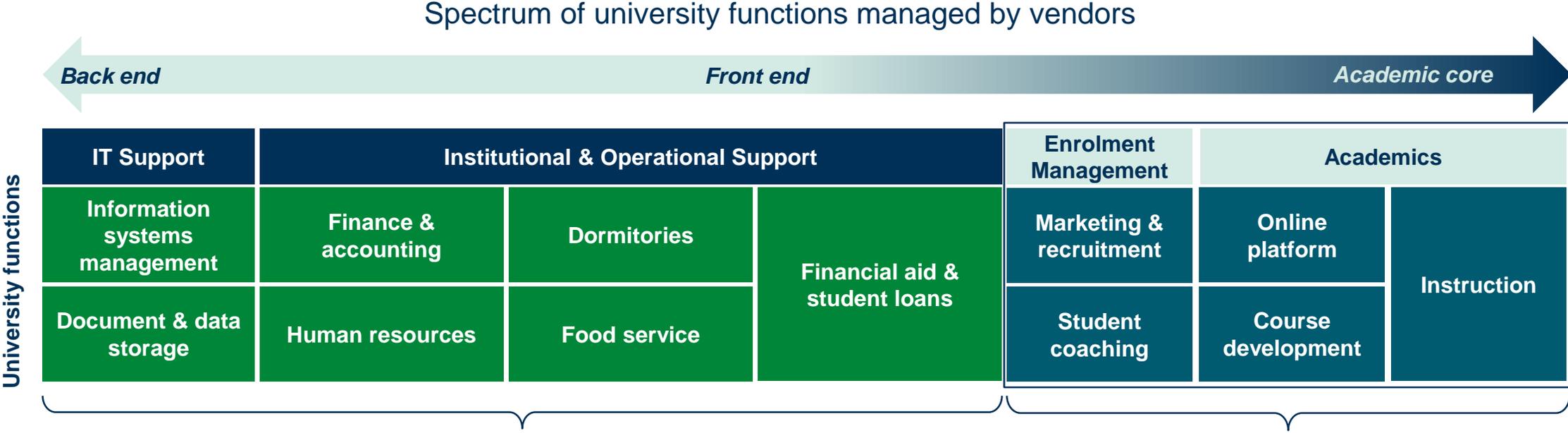
Sources: National Center for Education Statistics, McKinsey & Company

Classroom instruction & delivery models are changing to improve education effectiveness



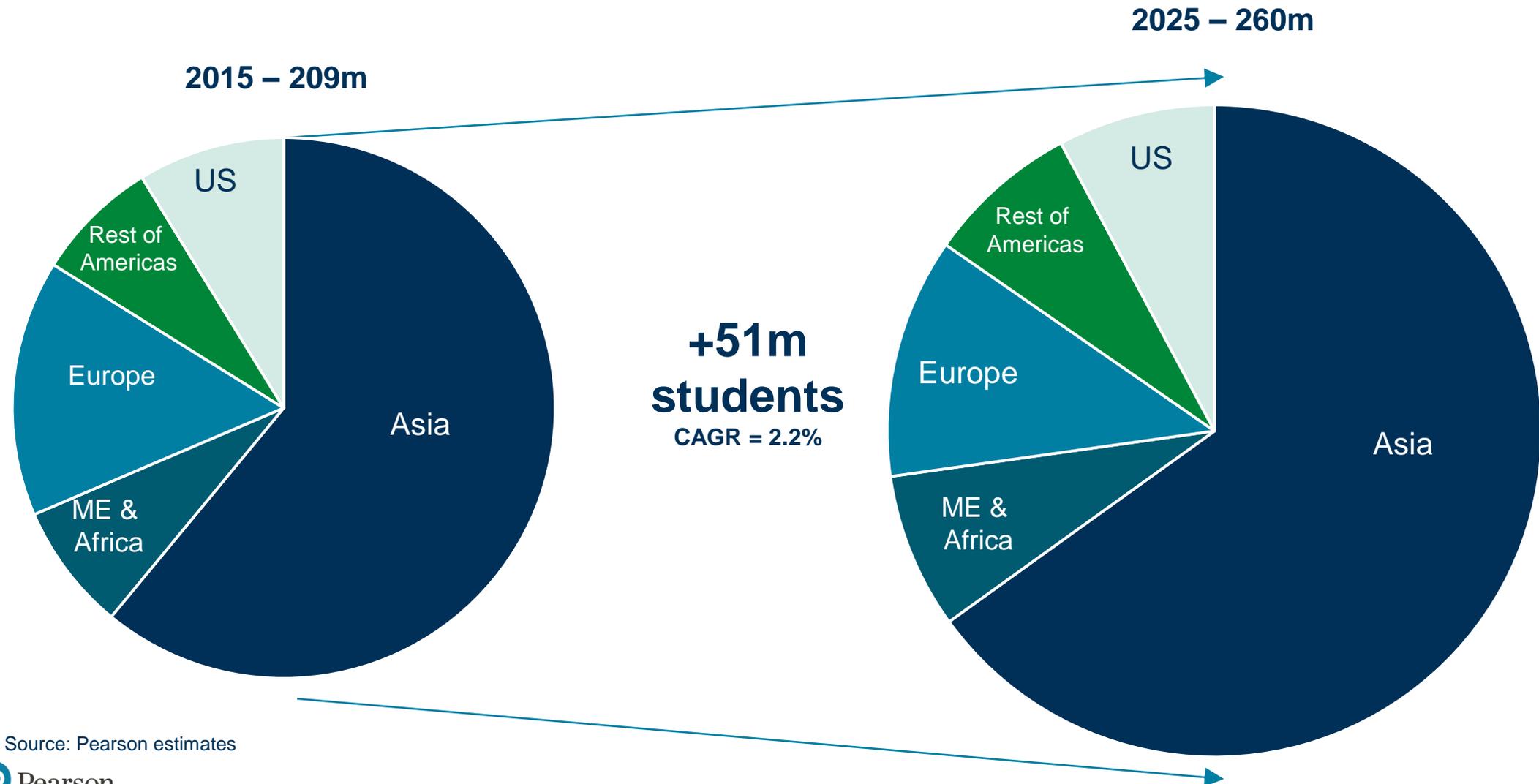
Flipped Classrooms | Blended Teaching | Digital/Online Teaching

Institutions are finding partners to improve scalability



Source: Parthenon-EY analysis

Global higher education enrolments



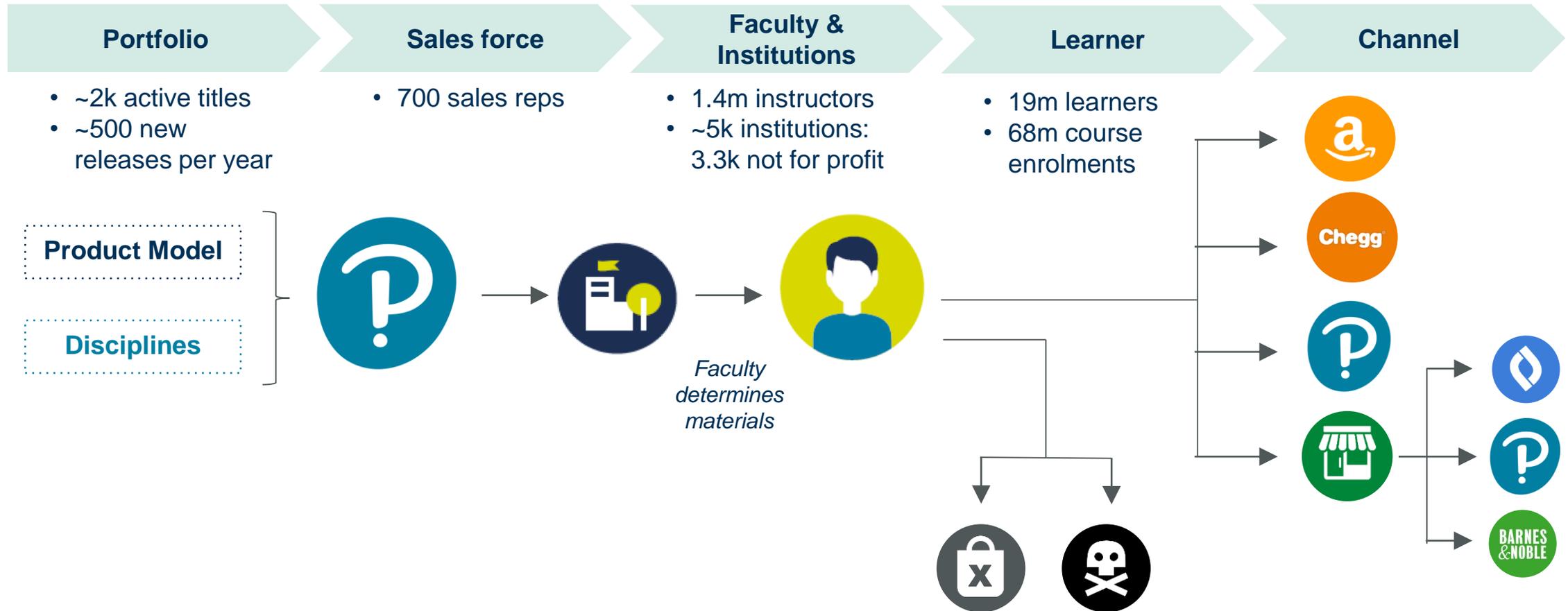
Source: Pearson estimates

Courseware

Tim Bozik
President, Global Product

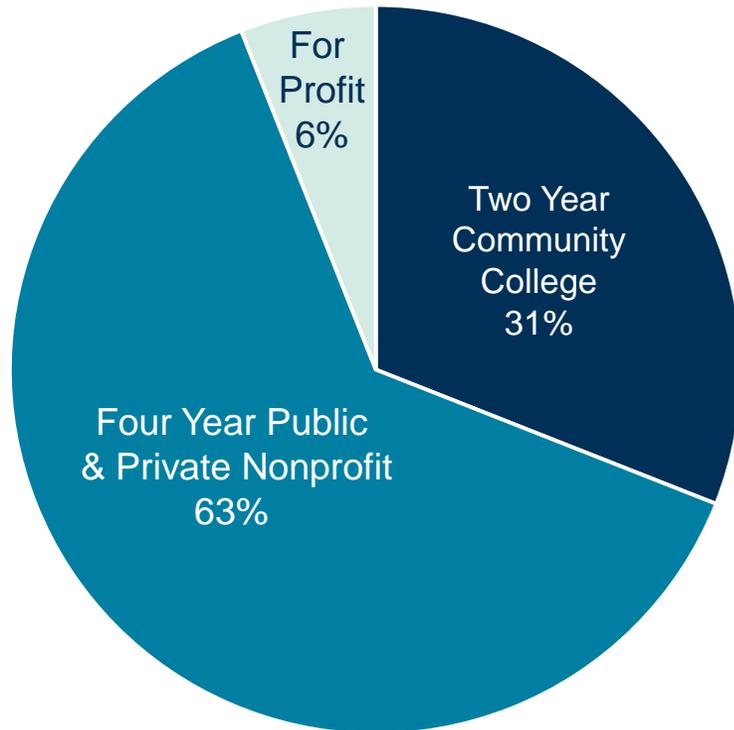
How we go to market

We sell to institutional **instructors** at the **course level** via an **adoption model**, fulfilled primarily through **student pay** retail channels



Course enrolments are the key economic driver

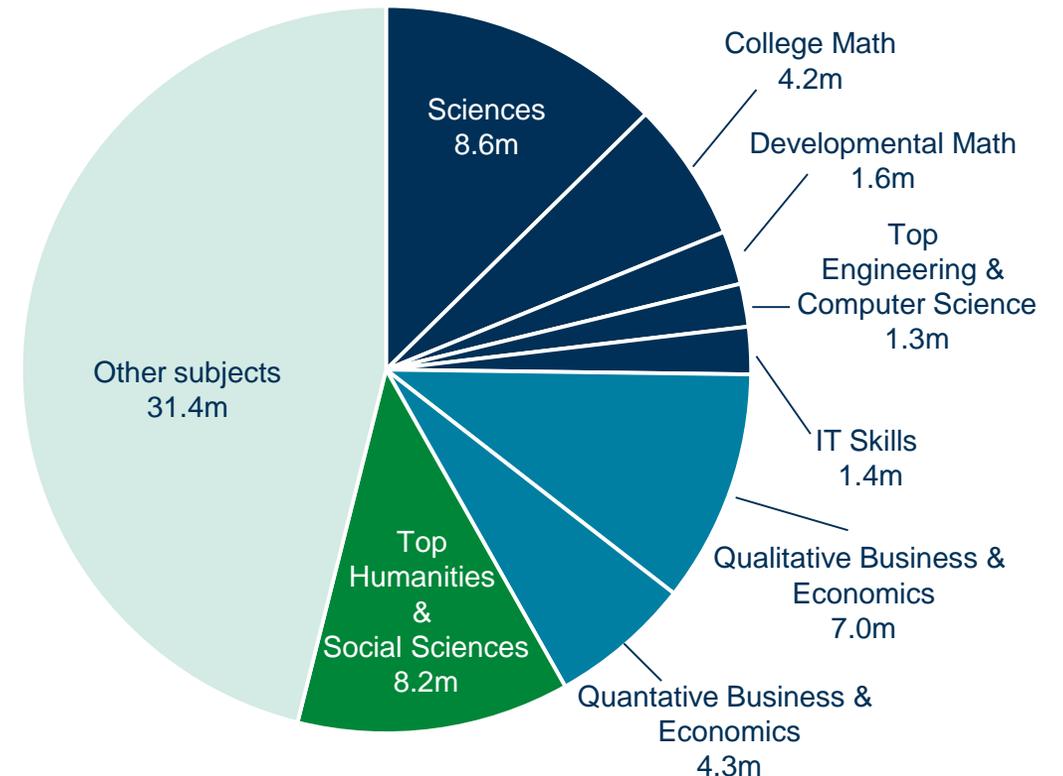
Student enrolments



~19m student enrolments*

Source: National Student Clearinghouse, 2015

Addressable course enrolments



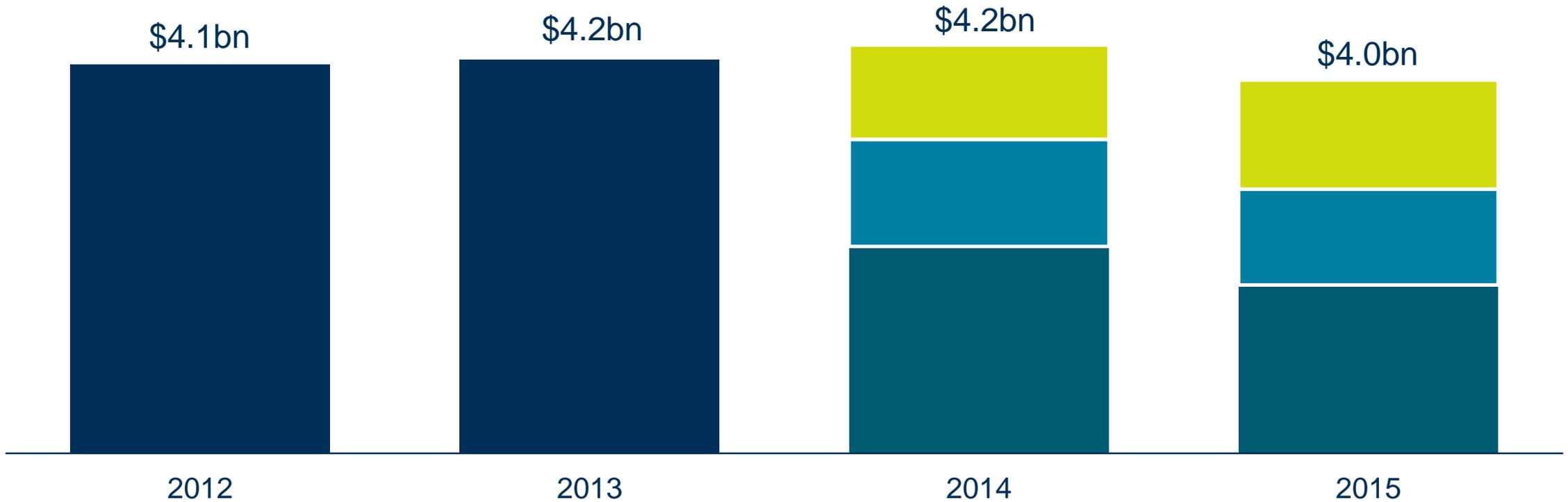
~68m course enrolments

Source: Pearson

Courseware trends

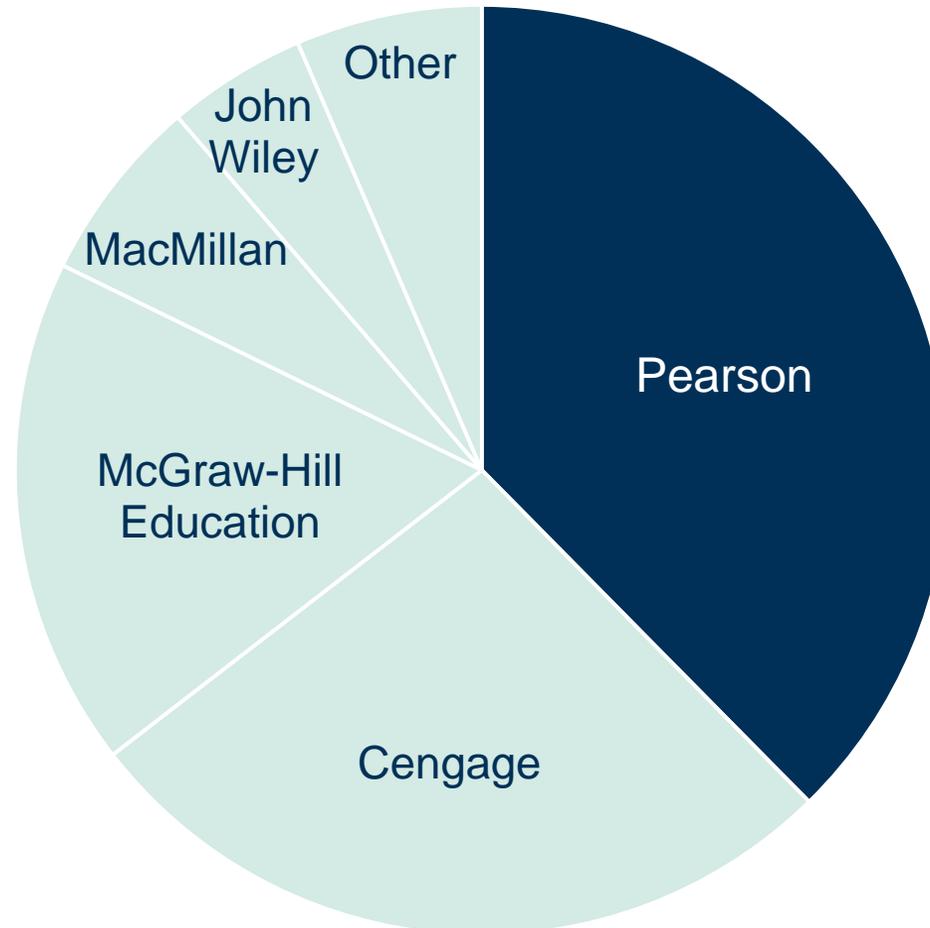


Industry net revenues, 2012-2015 (\$bn)



Source: Management Practice Inc. (MPI) American Association of Publishers (AAP). Annual Report 2015. Current methodology begins in 2014.

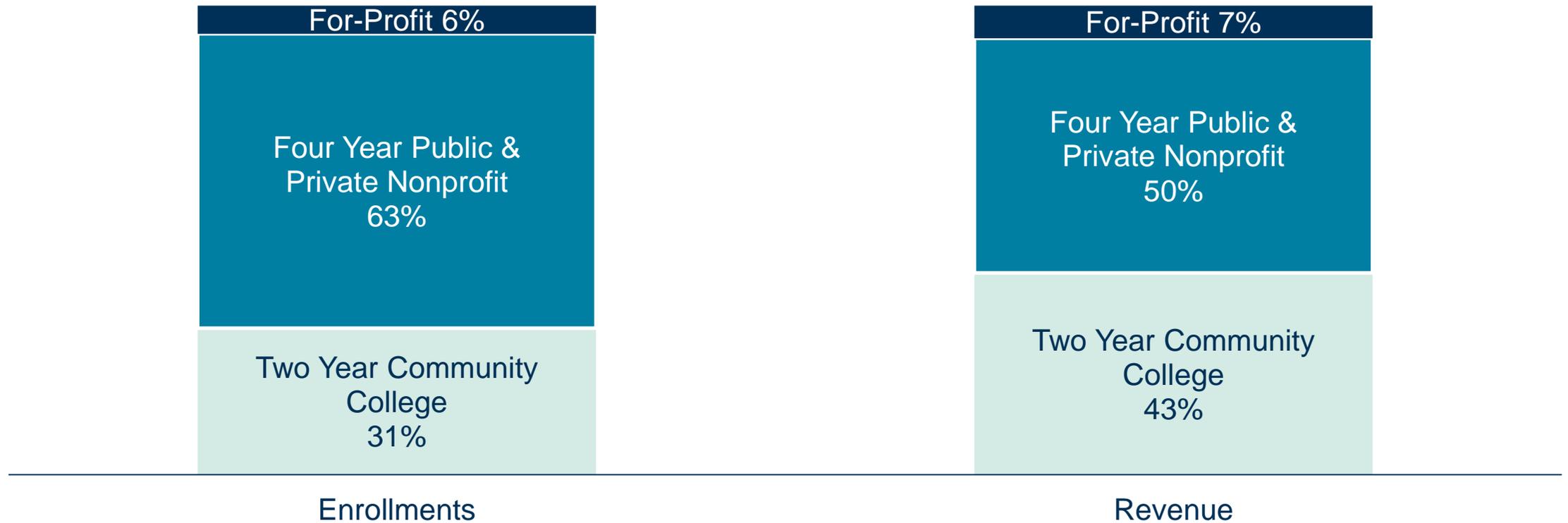
Pearson courseware market share, 2015



Source: MPI, BMO

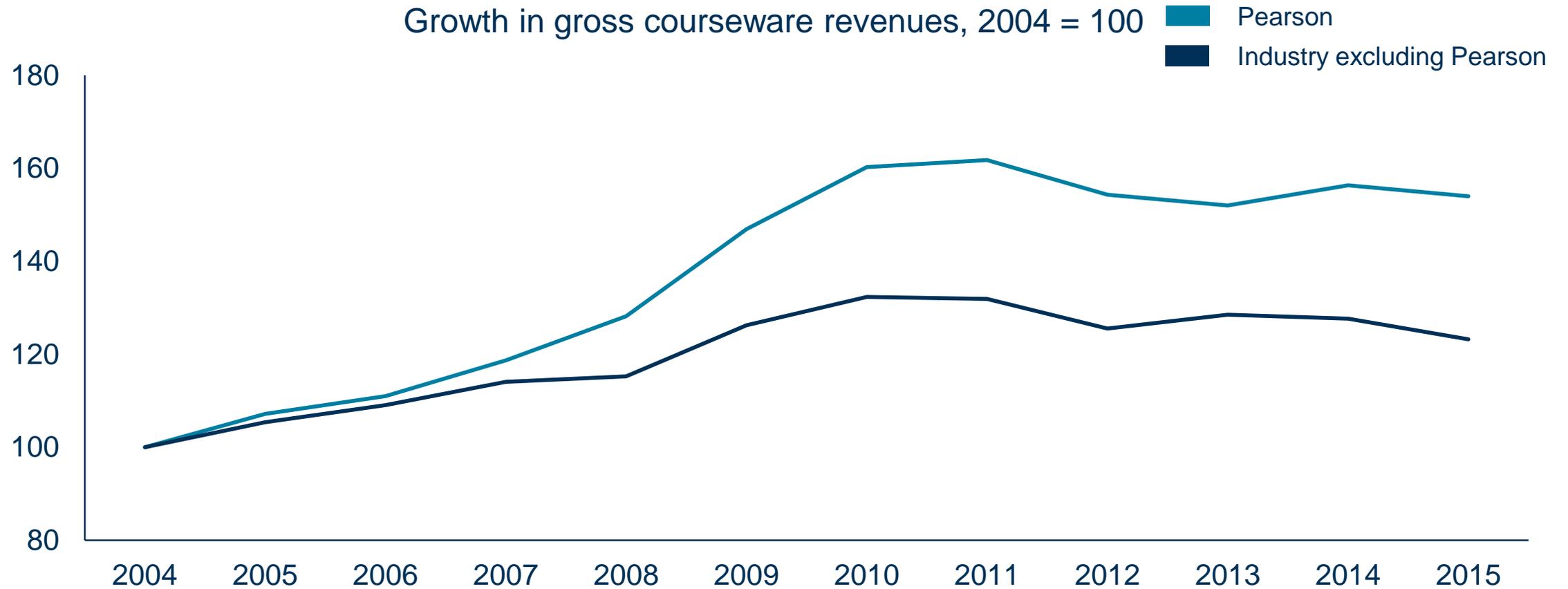
Pearson sales by institutional channel

Total enrolments vs. Pearson revenues by segment, 2015



Source: National Student Clearing House

Pearson market share gains

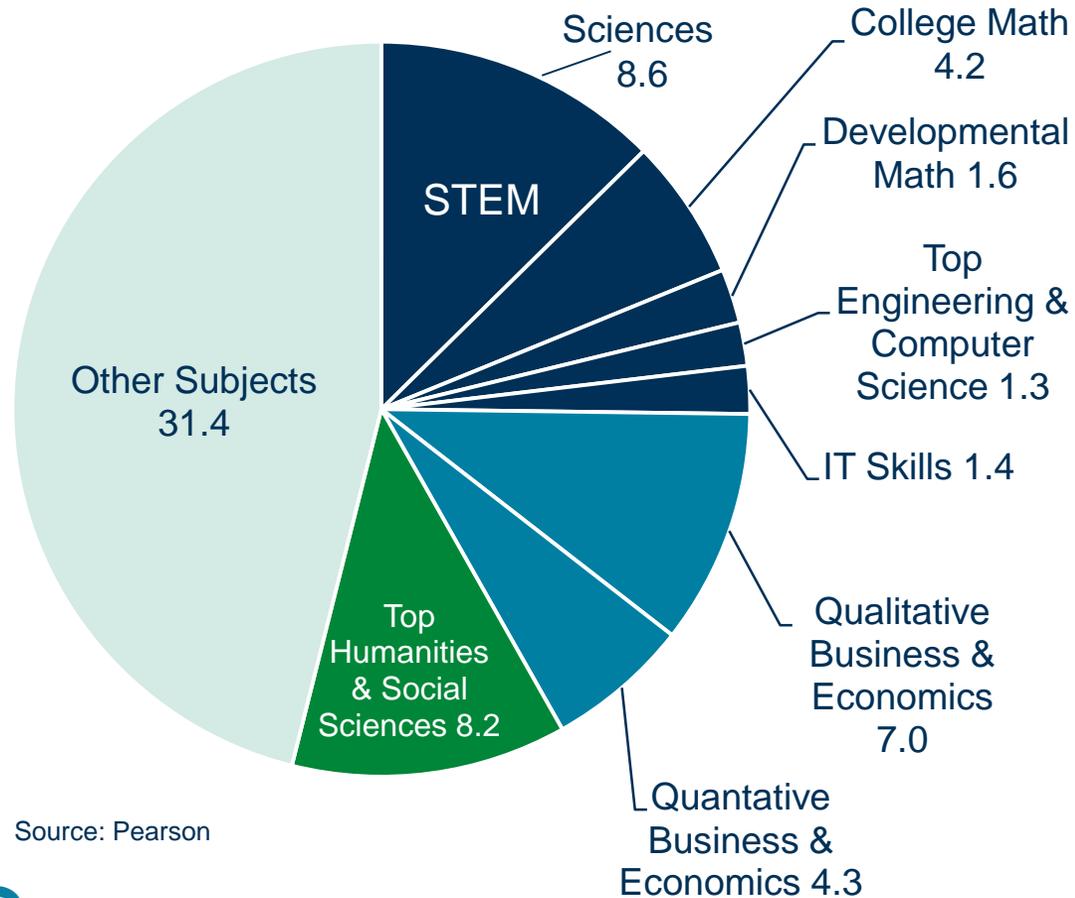


Source: MPI

Pearson sales by discipline

Strength in STEM

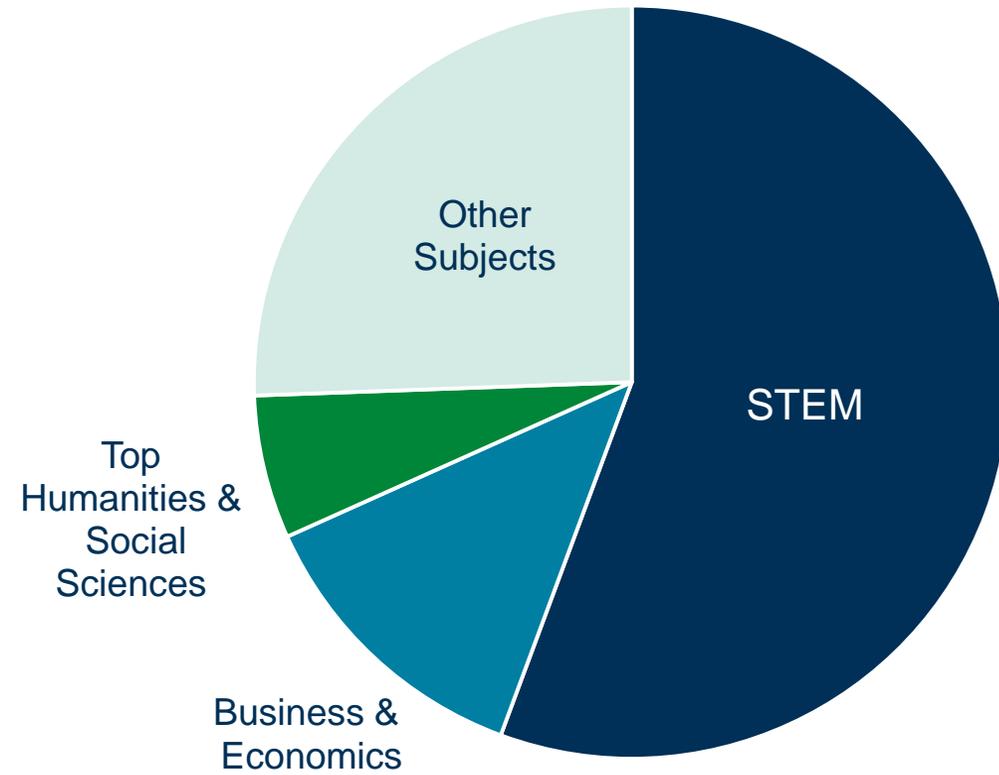
Course enrolments, million



Source: Pearson

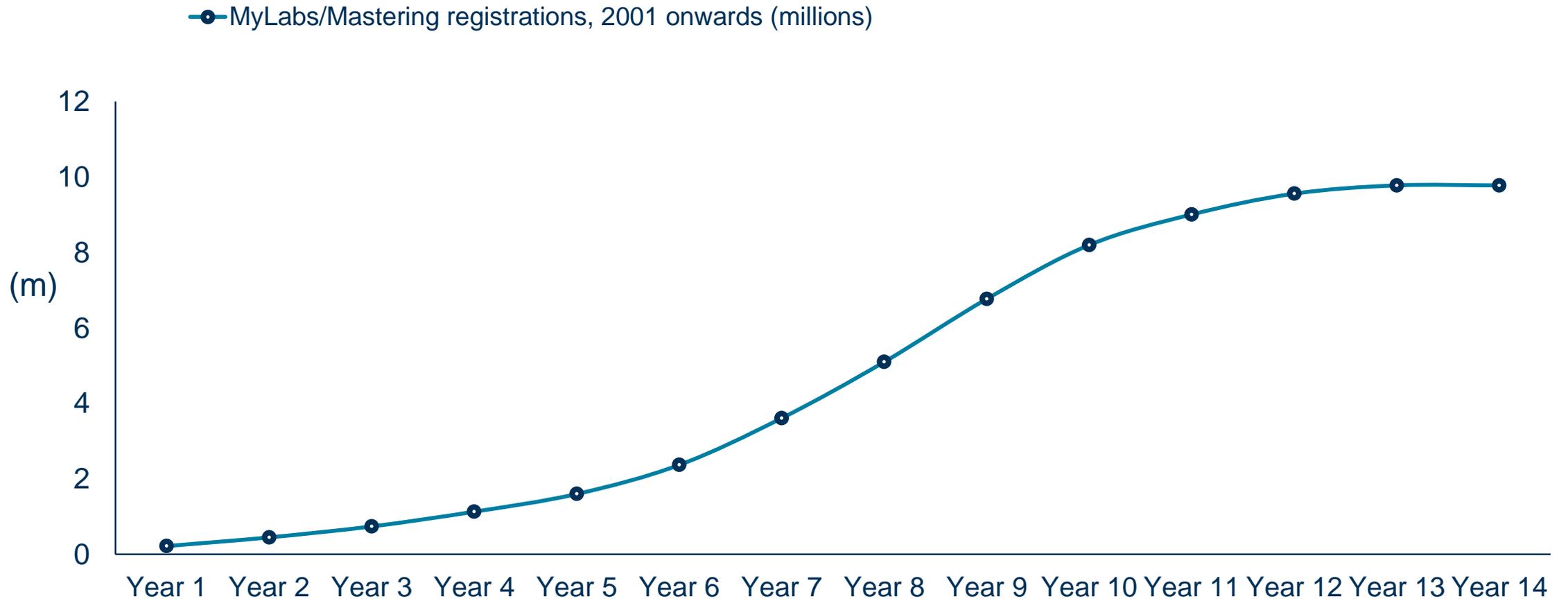


Pearson US courseware revenues, 2015



Growth in digital

Digital adoption in new area



Transition from analogue to digital

Pearson 2012-2015



Industry ex Pearson 2012-2015

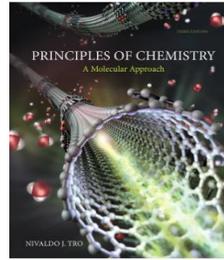


Source: Management Practice Inc. (MPI) American Association of Publishers (AAP). Annual Report 2015. Current methodology begins in 2014.

What is Higher Education courseware?

Portfolio of course resources managed by **product model** and **discipline**

Product Model



Text



Digital Supplemental



Integrated Digital



Disciplines

STEM & Business

Sciences | Engineering & Computer Science | Maths | Business & Economics

Arts

Humanities & Social Sciences | English | World Languages

Foundations

Developmental Math & English | Student Success

Career

Healthcare | Teacher Education | IT Skills | Career Skills

Our Authors



<https://youtu.be/iNYABYHh3Sw>

Structural challenges drive change in classroom instructional & delivery models



Flipped Classrooms | Blended Teaching | Digital/Online Teaching

Structural changes: a framework

Opportunities

- Improve outcomes
- Expand addressable market
- Discipline share growth
- Institutional selling

maximise

Risks

- New entrants (eg OER, MOOC's, edtech etc)

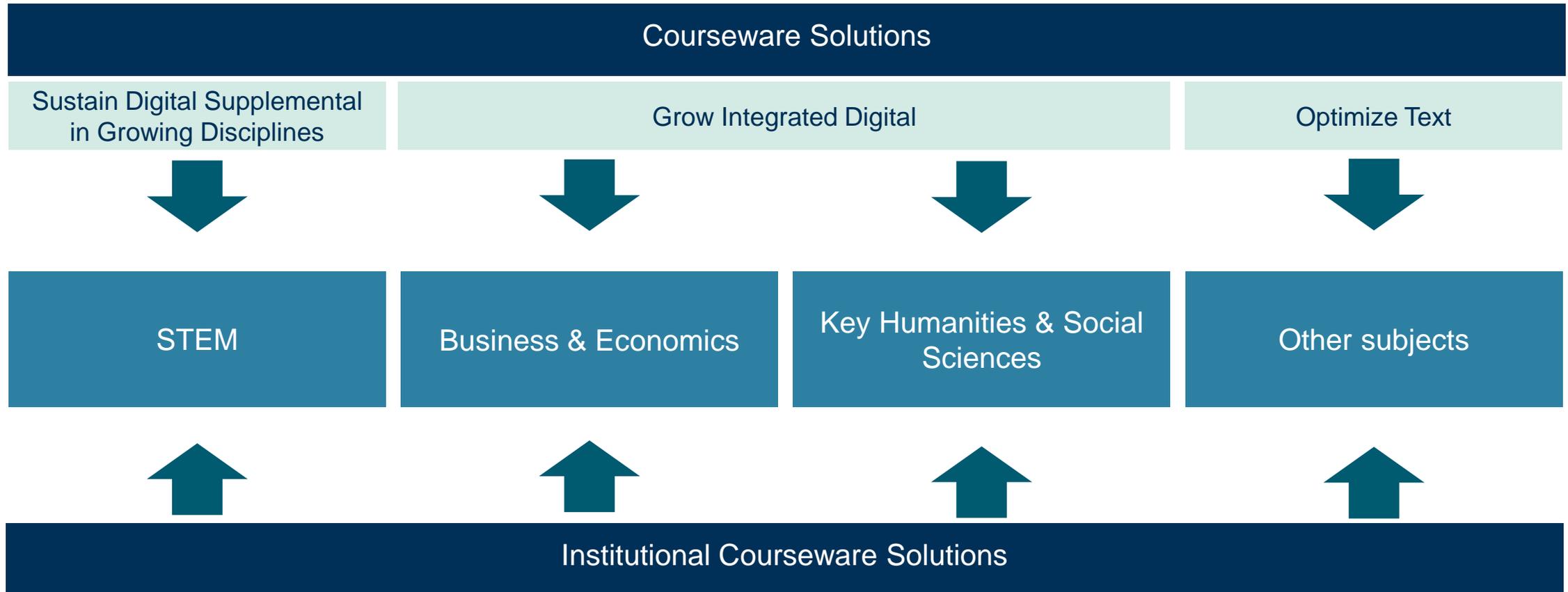
mitigate

Transition

- Print decline
- Rental models
- Physical retail
- Lower ASPs in Digital
- Investment in technology platforms, product and services

manage

Our courseware strategy



*Science, Technology, Engineering and Mathematics including Developmental Math and IT Skills

Maximise opportunity: Personalised Learning

Educators



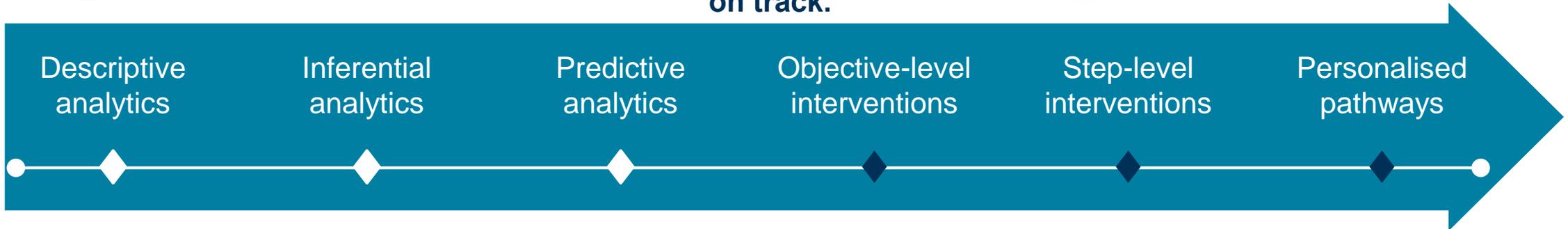
“I can make better decisions to help learners succeed.”



“I can intervene early to help learners get back on track.”



“Adaptive learning helps me build a personalised learning experience for each learner.”



Learners



“I can focus on the areas where I need to make progress.”



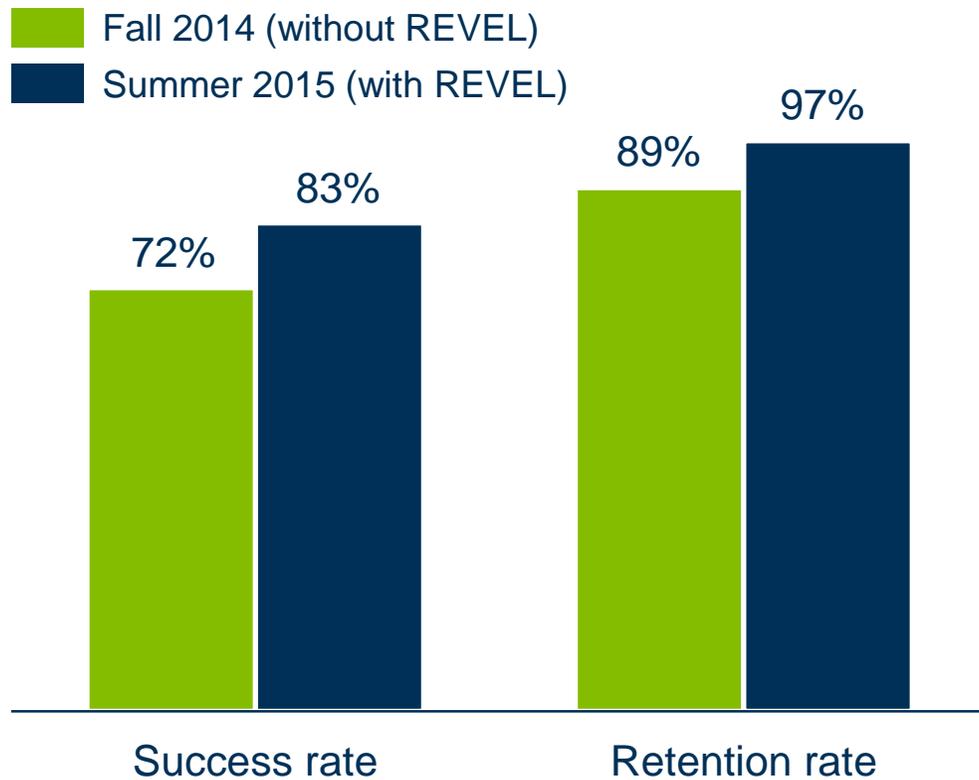
“I get help when I need it most.”



“My path to mastery is tailored just for me.”

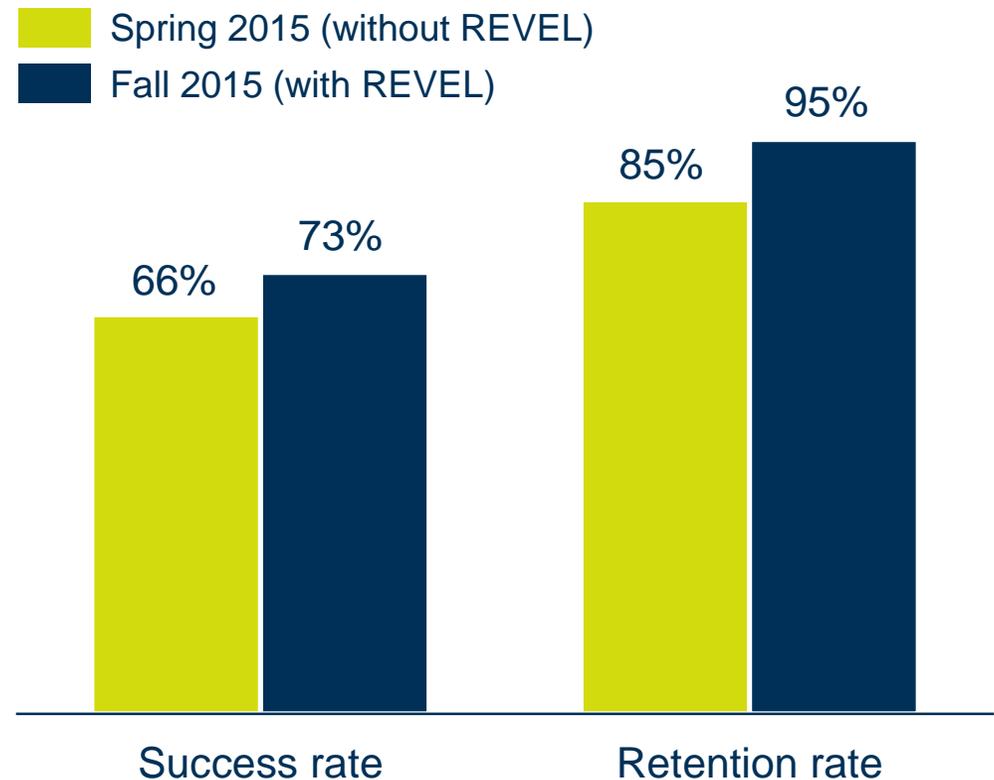
Maximise opportunity: doing more, and better, with less

Learning gains at Coastal Bend College with Pearson support



Source: Pearson

Learning gains at Palm Beach State College with Pearson support



Personalized Learning



<https://youtu.be/EBMHKEj3tI>

Maximise opportunity: Sustain digital supplemental in growing disciplines

	Course enrolments millions	Pearson market share vs. average	Enrolment growth trajectory	Digital penetration
Sciences	8.6	Above	Good	High
College Math	4.2	Above	Good	High
Developmental Math	1.6	Above	Down	High
Top Engineering & Computer Science	1.3	In-line	Good	Low
IT	1.4	In-line	Good	High
Qualitative Business & Economics	7.0	Below	Good	Low
Quantative Business & Economics	4.3	Below	Good	Moderate
Top Humanities & Social Sciences	8.2	Below	Flat	Low
Other Subjects	31.4	Below	Down	Low
TOTAL	68.1			

Maximise opportunity: expand addressable market and share

	Course enrolments millions	Pearson market share vs. average	Enrolment growth trajectory	Digital penetration
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REVEL

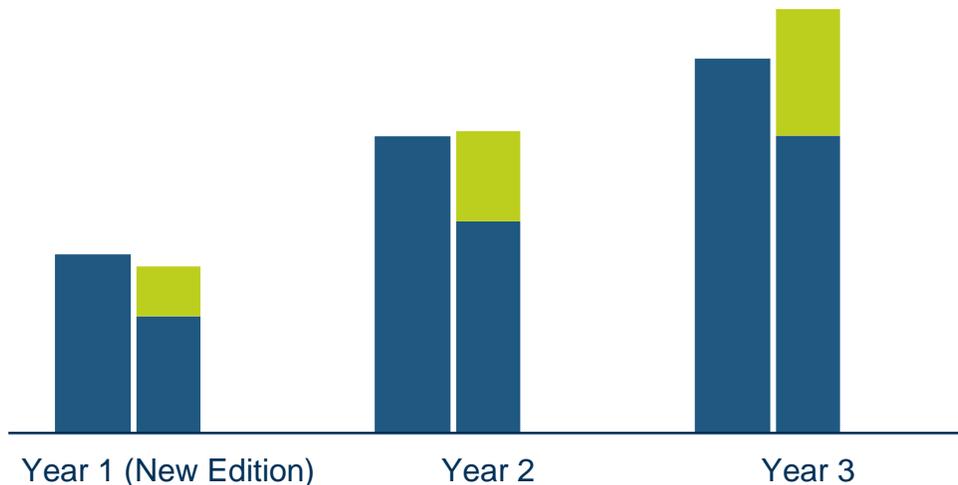


<https://youtu.be/gFcDZIKSNQ8>

Maximise opportunity: improved digital economics

■ Print cumulative revenue
■ Digital cumulative revenue

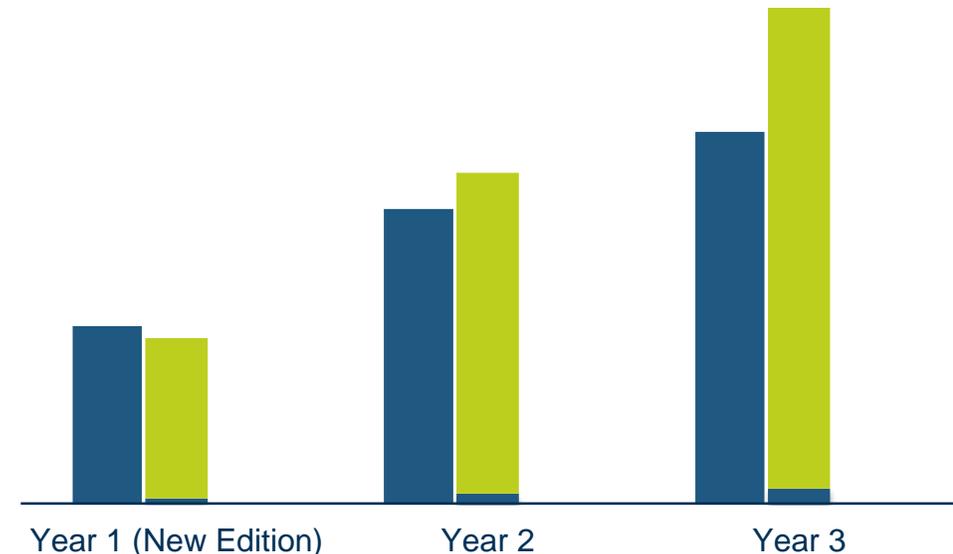
STEM 2001 onward Supplemental Digital



c2001 supplemental digital in STEM courses built around homework platforms

Some students adopt a pure digital model but most still use print too
 Lower price point for digital hurts in new edition years....
 ...but over the new edition cycle the higher sell through in digital and demand for bundles with print means higher revenue

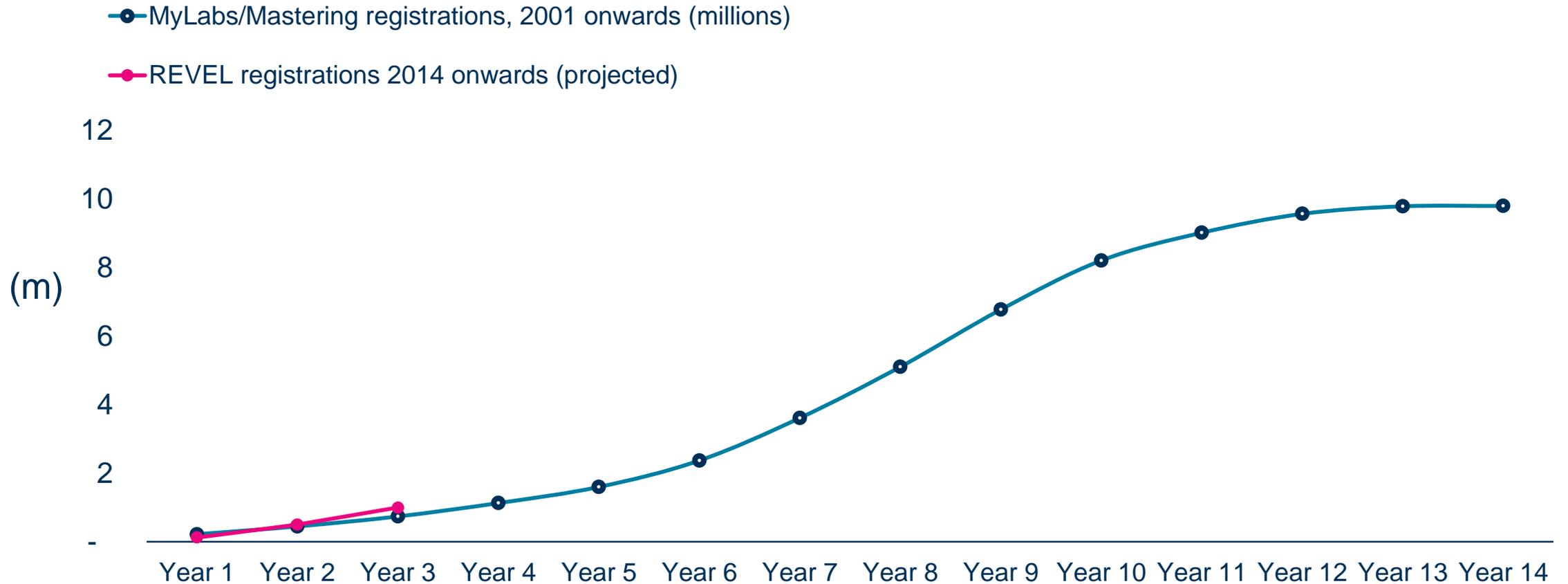
HSS 2014 onward Integrated Digital



c2014 integrated digital in Humanities and Social Science subjects

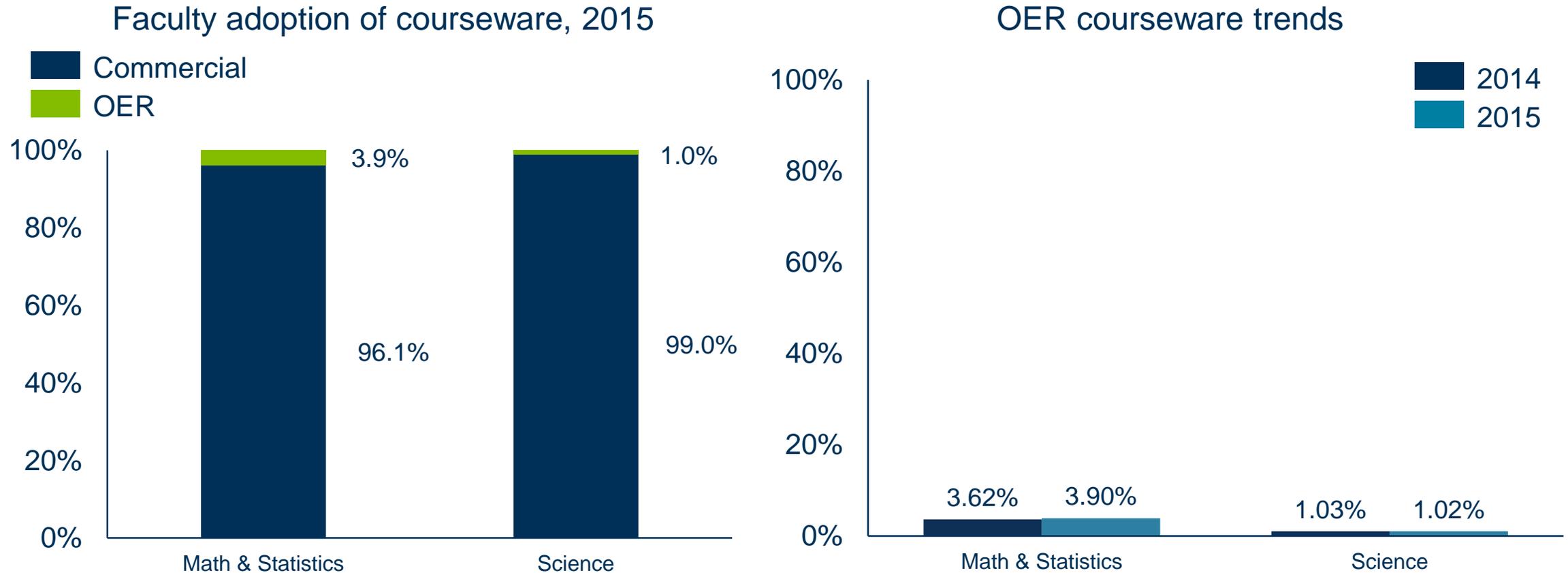
Most students adopt a pure digital model to access engaging, digital-first content
 Some supplemental print revenue from add on loose leaf sales

Maximise opportunity: integrated digital is the next engine of growth



Mitigating risks: new entrants

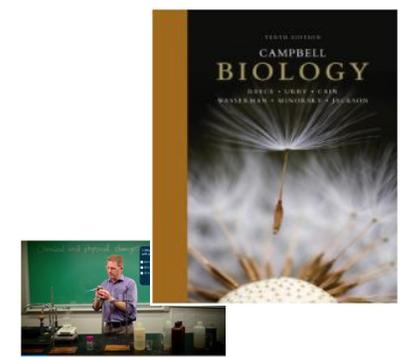
Open Education Resources (OER)



Source: NAVSTEM. Sample size of 3.1m course enrolments tracking adoptions at 370 of the largest 4year universities in STEM disciplines, around 65% of the total 4 year market.

Mitigating risks: new entrants

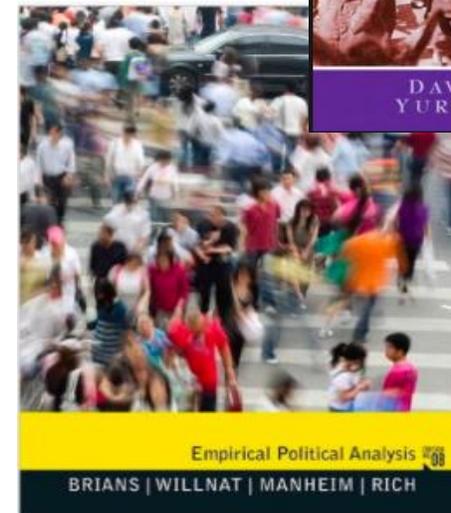
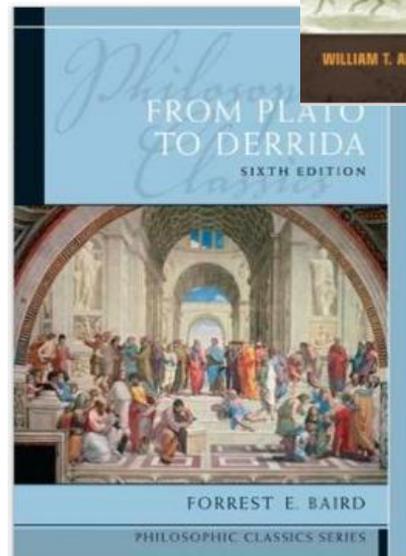
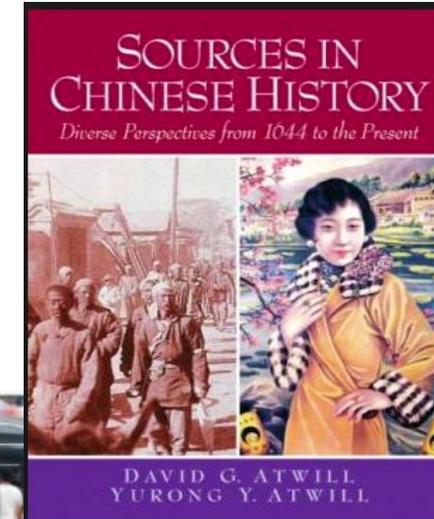
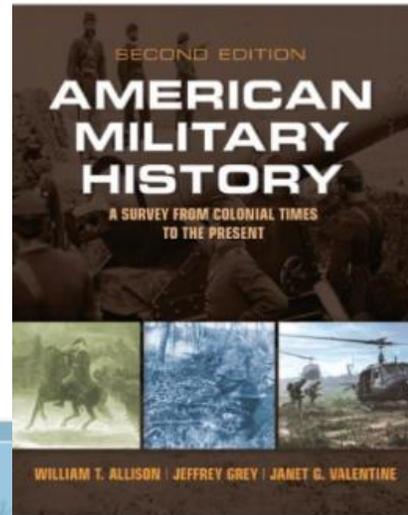
	OER	Mylab/Mastering
Essential content for course	●	●
Proven pedagogy, leading IP	○	●
Digital homeworking platforms	◐	●
Engaging Digital content	◐	●
24/7 support	○	●
Adaptive learning	○	●
Classroom analytics/Instructor dashboards	○	●
Support for peer-to-peer learning via Learning catalytics	○	●
Instructor support and professional development	○	●
ADA Accountability	○	●



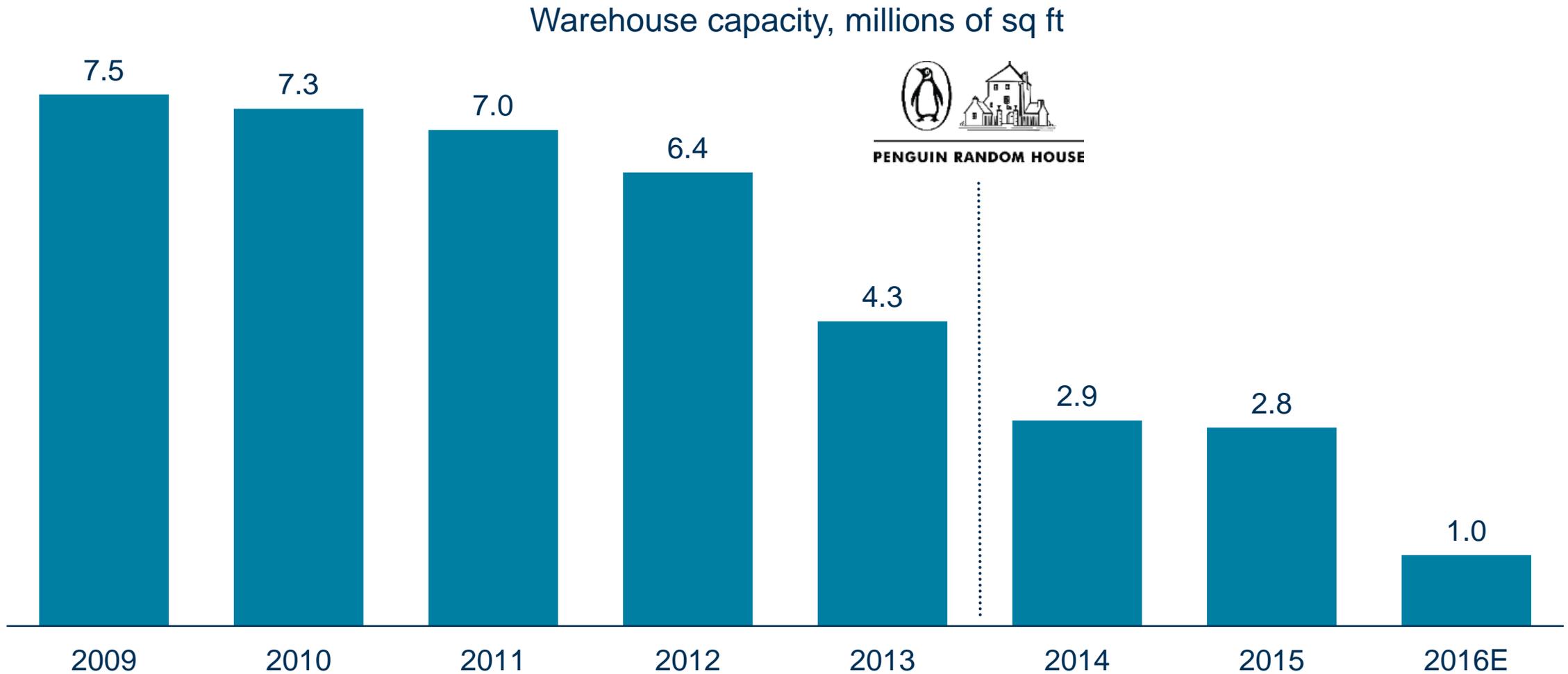
Managing transition: rental

- Affect changing over time
- Initially positive as distributors bought stock to launch rental programmes
- Then negative as rental a cheaper substitute than used while distributors fought for share
- Rental market consolidation and shift to digital will soften impact over time

Managing transition: optimise text

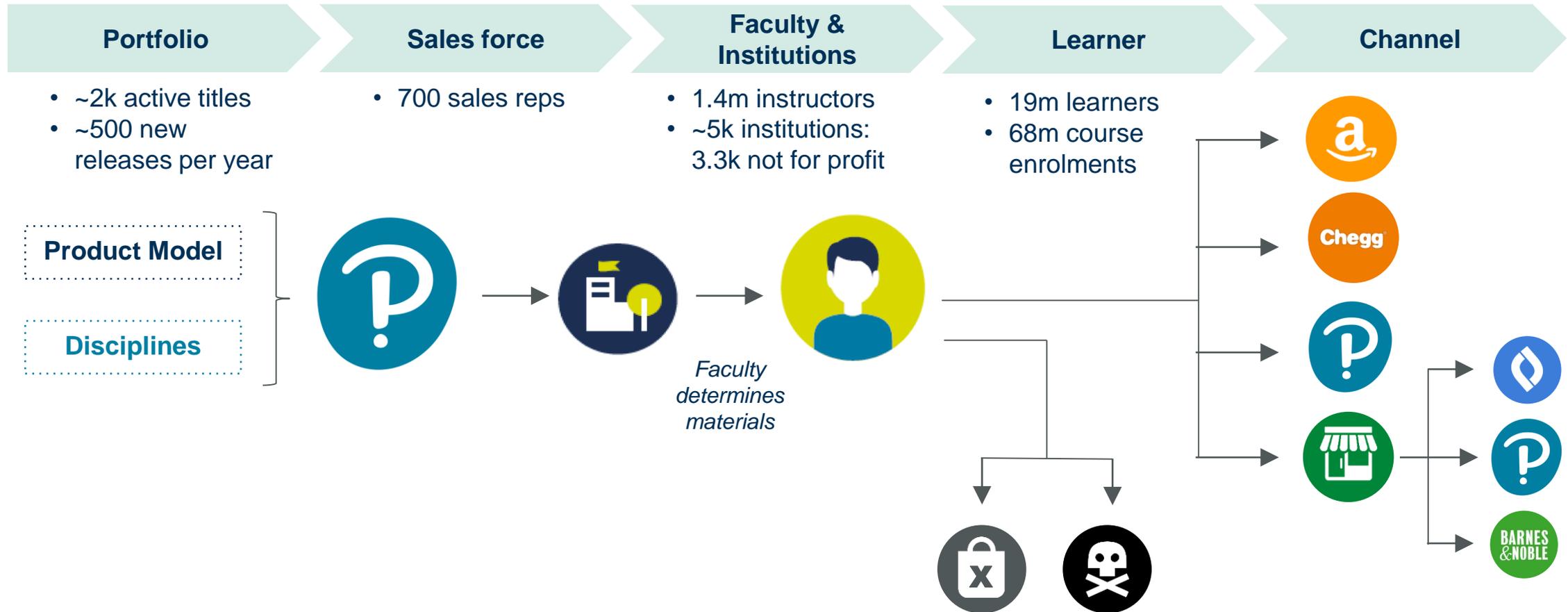


Managing the transition: optimise text



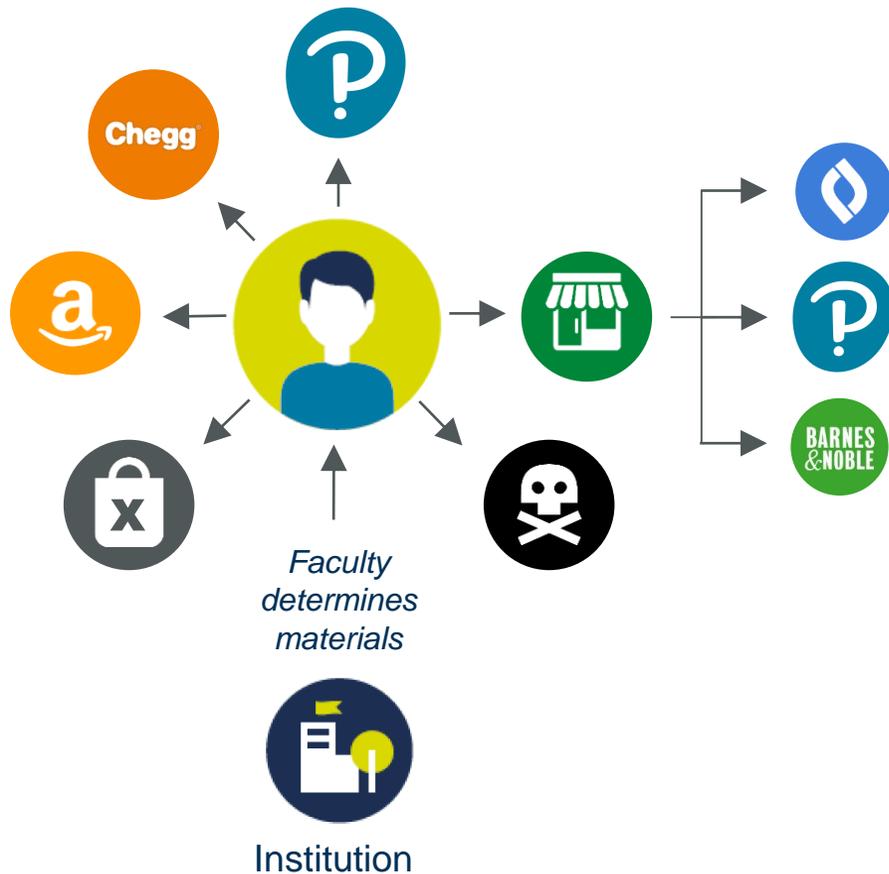
Managing the transition: channel

We sell to institutional **instructors** at the **course level** via an **adoption model**, fulfilled primarily through **student pay** retail channels



Maximise opportunity: institutional partnerships

From current market ...



...to future state



Maximise opportunity: scale competitive advantage



	Faculty Adoption share	Institutional relationships	Quality & Breadth of IP	Service & Analytics Capability	LMS Integration	Implementation and PD Capability
Pearson	●	●	●	●	◐	◑
Cengage	◑	◐	◑	◐	◐	◑
McGraw-Hill	◐	◐	◑	◐	◑	◐
Wiley	◑	◑	◐	◐	◑	◐

Institutional partnerships case studies

Course design collaboration



with Charles A. Dana Center at The University of Texas at Austin to provide web-based course resources to Community Colleges across Texas as part of the New Mathways Project - shortening the time taken to earn college credit in mathematics

Strategic Partnership



with Southern New Hampshire University College of Online and Continuing Education, supporting curriculum development, online tutoring, enterprise wide content and data integration, eBooks with a print-on-demand option and data and analytics services

Digital Direct Access



for Jones County Junior College, an enterprise adoption of cross-discipline digital content, where content is purchased via an upfront course fee and integrated with university IT systems.
E.g.

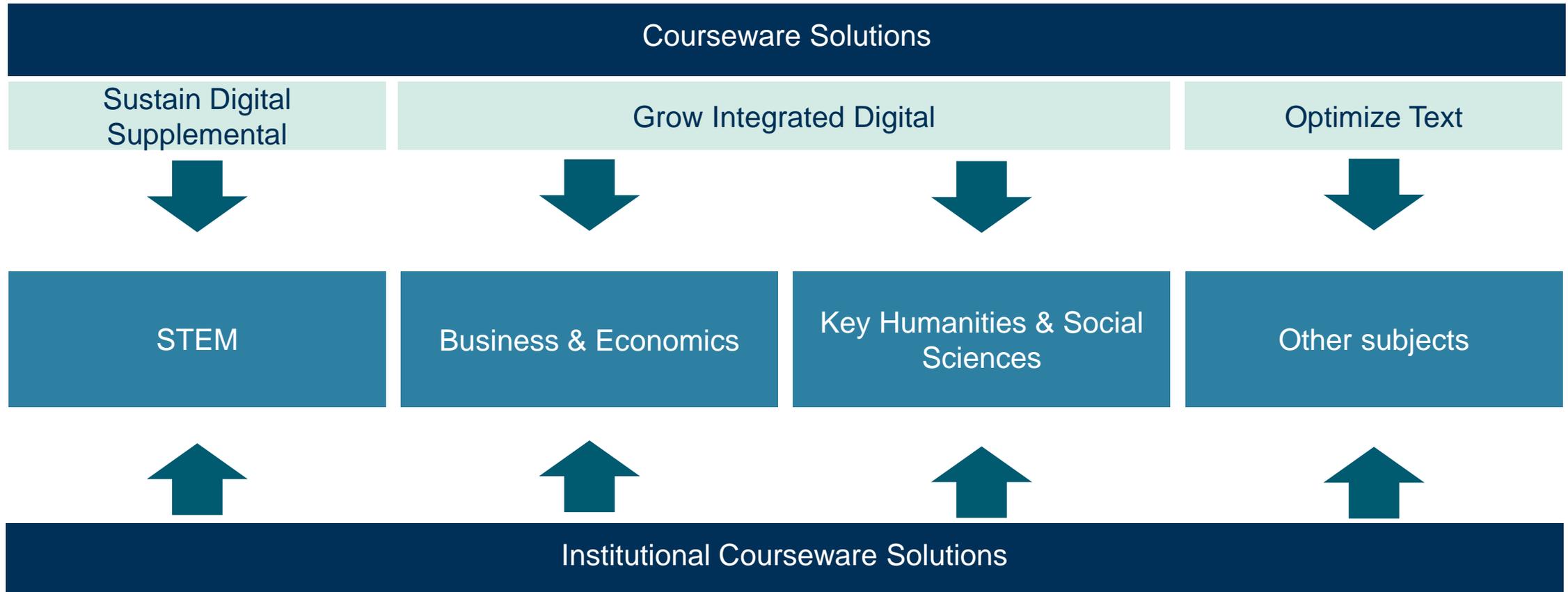
Employability partnership



with Broward College to launch new competency-based workforce certification pathways focused on IT and Healthcare.

Broader institutional courseware partnerships

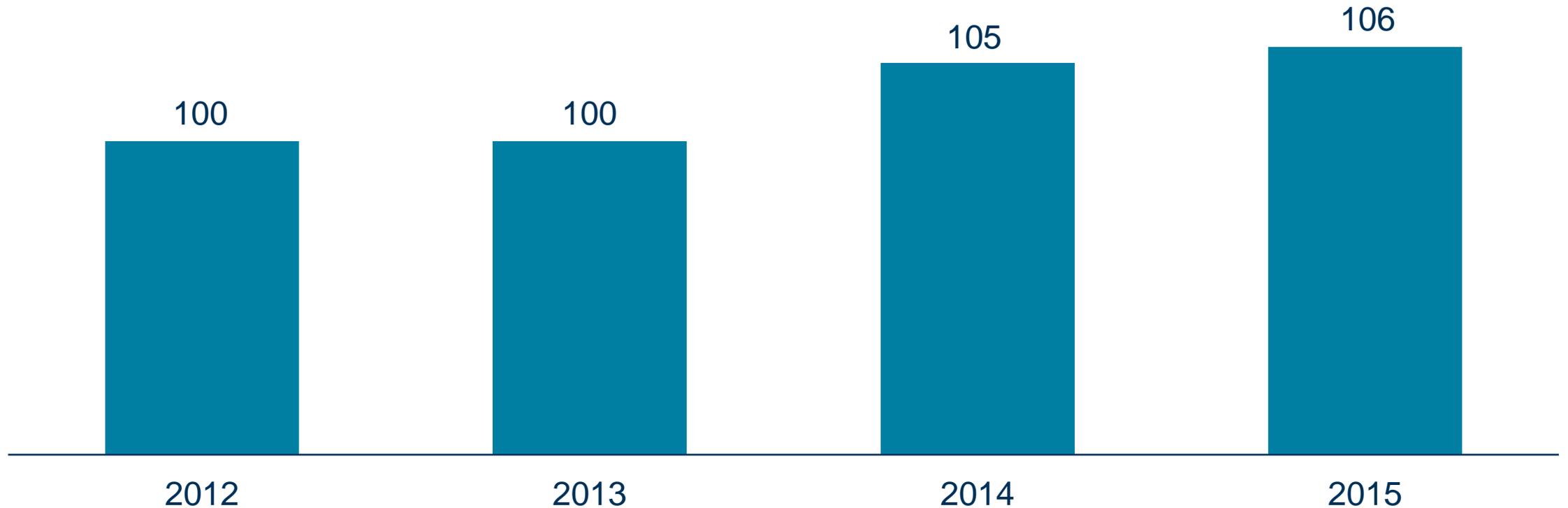
Our courseware strategy



*Science, Technology, Engineering and Mathematics including Developmental Math and IT Skills

Pearson share gain and digital growth have offset cyclical pressures

Average revenue per enrolment*

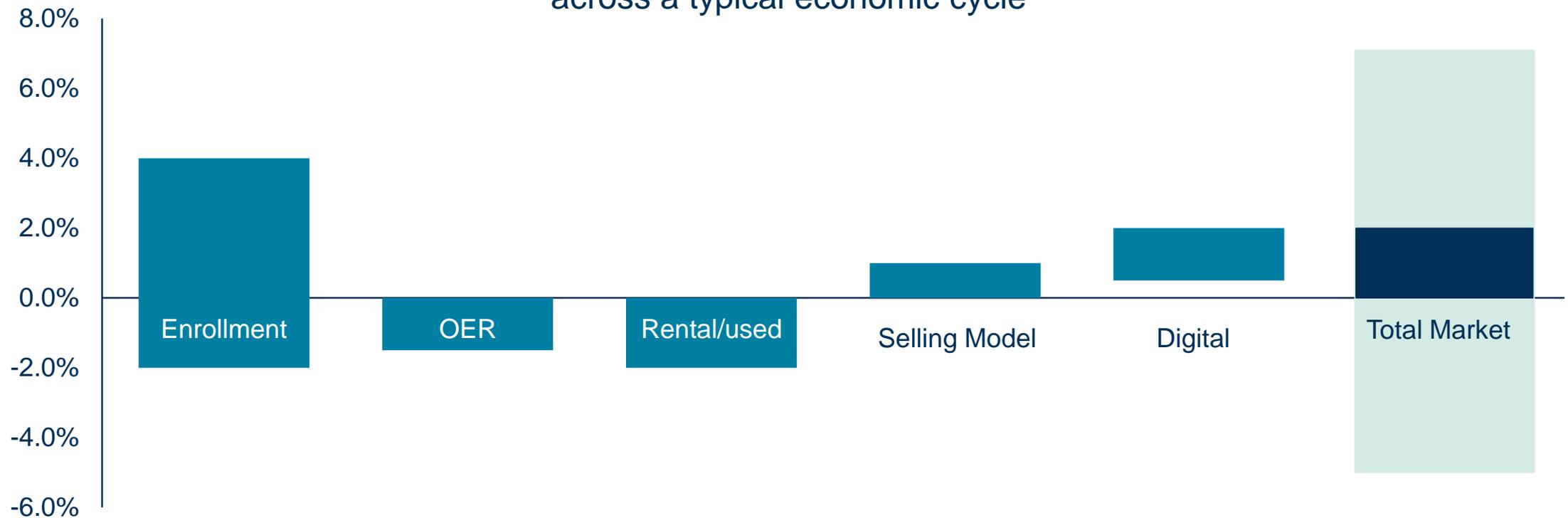


2012=100

* Gross higher education revenues divided by enrolment weighted by 2012 revenue mix. Continuing – adjusted for 2015 list sales

US Higher Education courseware market

Forecast components of market growth
across a typical economic cycle



The background is a solid blue color with a repeating pattern of dark blue, wavy, horizontal lines. In the center of the image is a large white circle. Inside this circle, the text "Coffee Break & Product Demos" is written in a dark blue, serif font. The text is centered both horizontally and vertically within the circle.

**Coffee Break
& Product Demos**



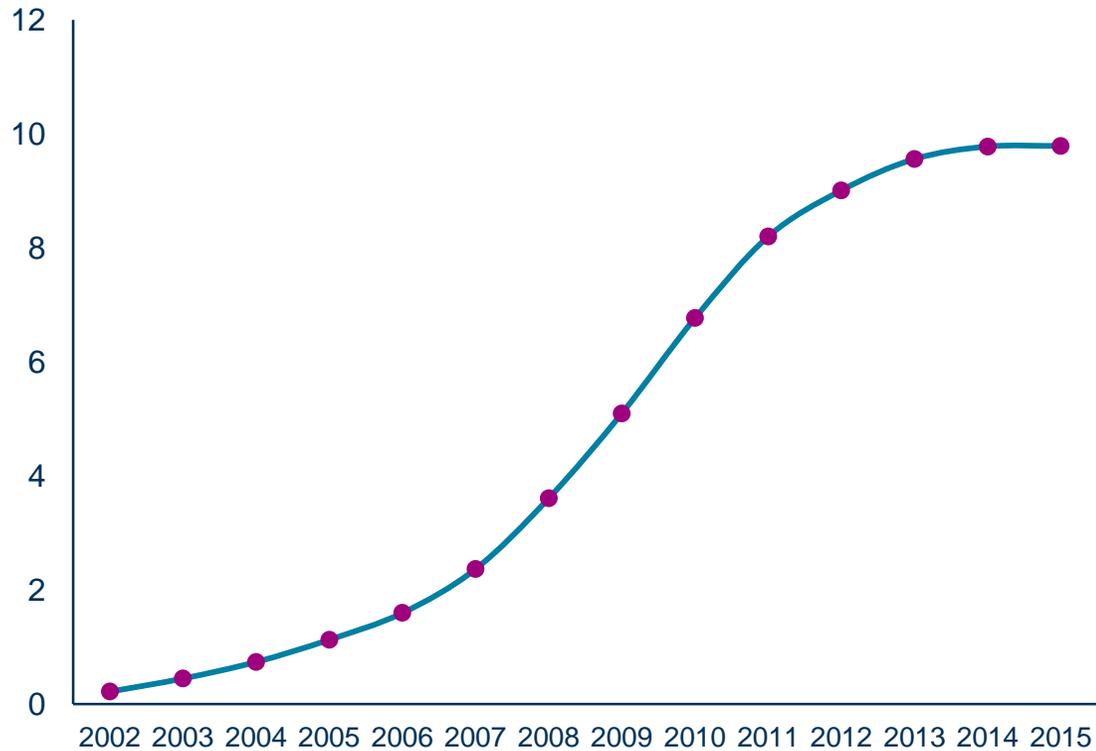
Technology & Scale Opportunities

Albert Hitchcock
Chief Technology & Operations Officer

History

Product Success but no common technologies

MyLabs/Mastering Registrations



Today's 'vertical' Pearson architecture

Consumers access our products, sales, services and digital learning experiences through 1,000s of apps and sites

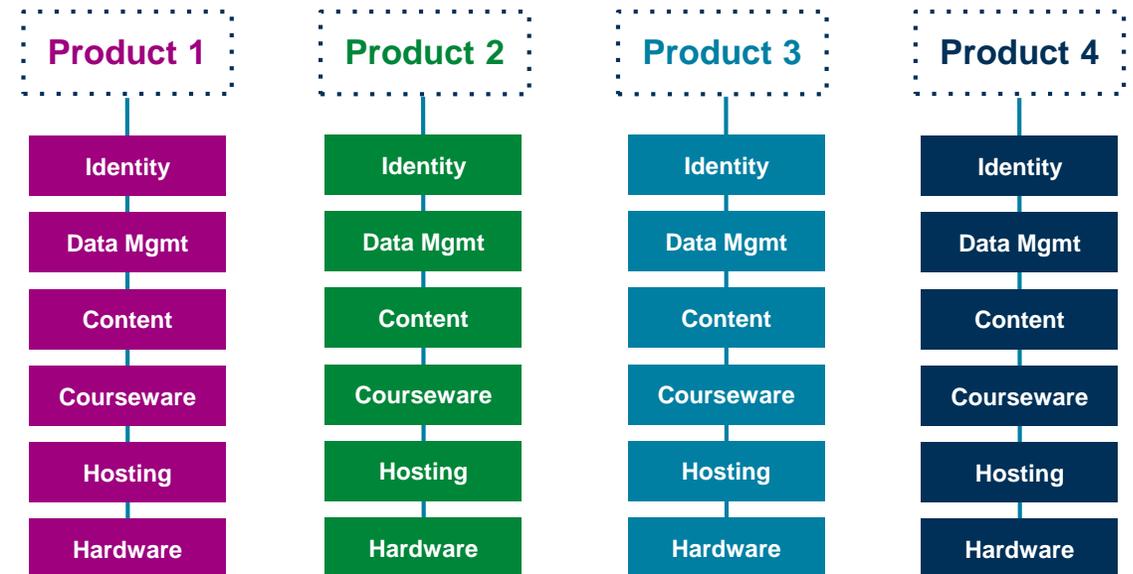
website

app

website

app

The products consumers access are mostly **separate and unconnected** and do not share common platforms or systems.



The Global Platform

We are transforming the foundations that our products and services are built on – our technology infrastructure and applications – to create a single global platform that will significantly improve quality, speed, flexibility and cost-effectiveness

The User Experience



Pearson products and services

Offered via a unified experience and domain, accessible on any device

Pearson Content

Technology & Product Platforms

Learning Application & Service Platforms

Product components | Adaptive Learning & Analytics

Enterprise and Enabling Platforms

Identity & Access Management | Content Management | Data & Analytics |
Customer Relationship Management | Marketing & eCommerce | HR & Finance
Enterprise Platforms (The Enabling Program)

Cloud & Infrastructure Platforms

Shared Hosting | Data Centers | Monitoring | Communications

Security

High level of change & innovation

Increased investment

Shift Investment to Differentiate

Lower level of change

Stable, reliable and repeatable

How the Platform Drives Competitive Differentiation

Brand & Customer Experience

Parity with world-class digital businesses

Unified, branded Pearson UX

Omni-channel experiences

Greater impact on brand loyalty

Product Innovation

Greater innovation in:

- Content
- Personalised learning
- Learning design
- UX

Personalisation

Personalisation of our:

- Learning models
- Customer experience
- Customer support

Leading to better insights on our efficacy, product and UX, and business models

Flexibility

Significantly reduced time to market

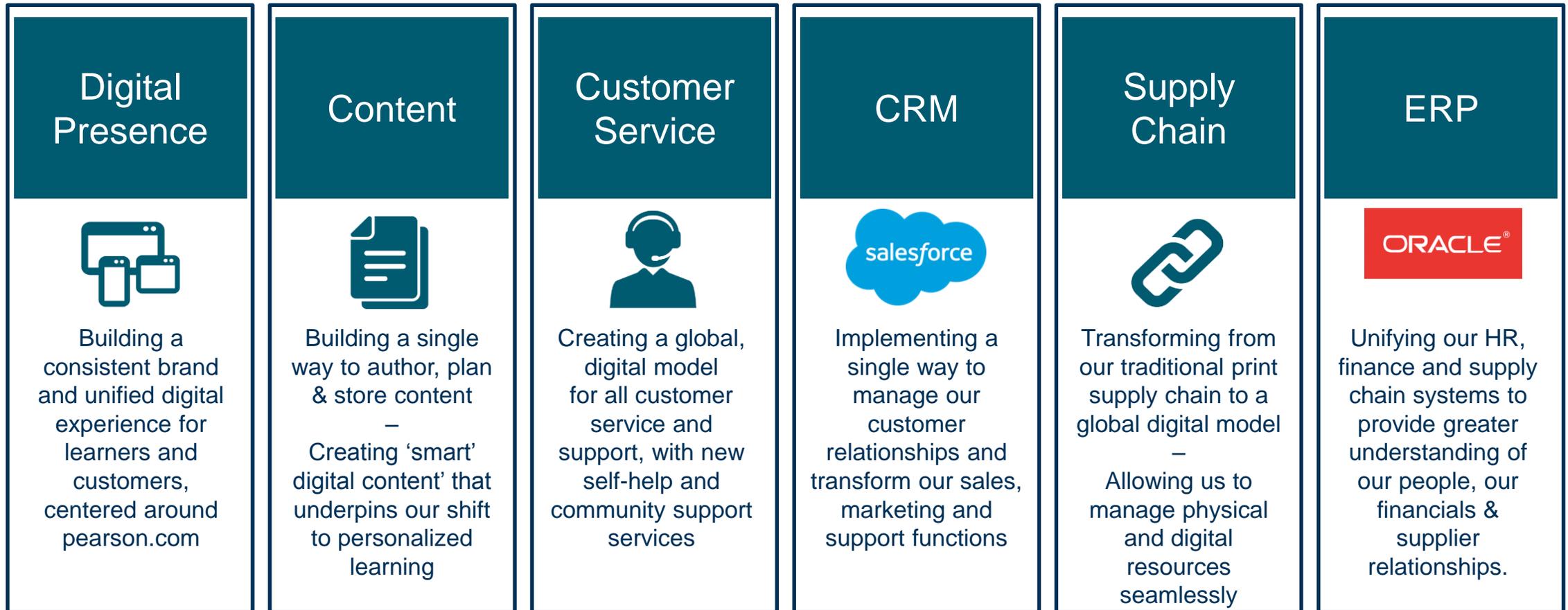
More flexible and adaptable

Allows our business to change and adapt to new market opportunities and customer requirements

Easily integrated into third-party ecosystems

The Digital Shift

Holistic business transformation

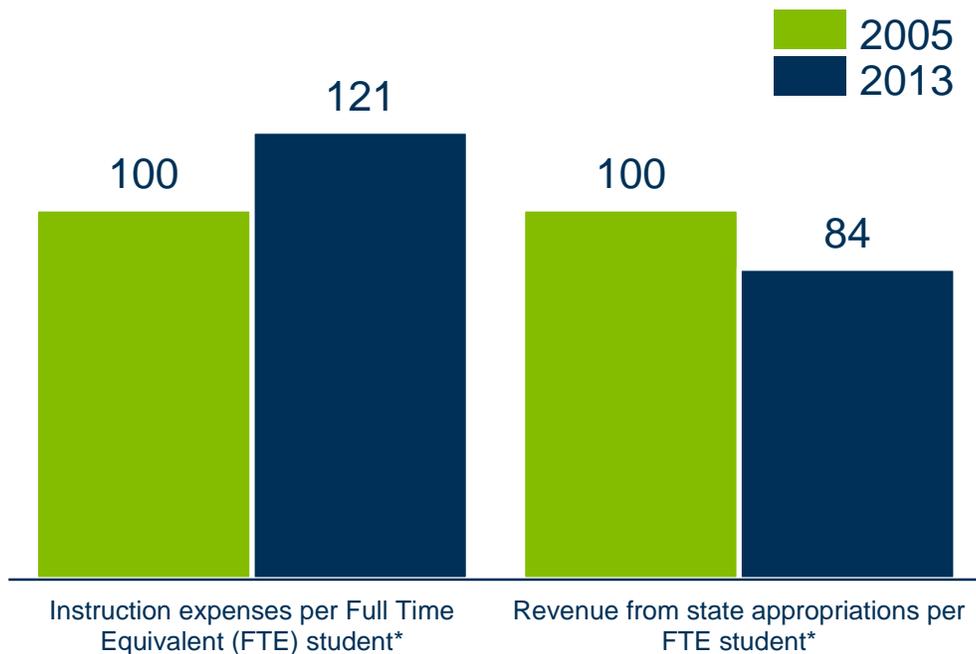


Online Program Management

Dave Daniels,
MD, Higher Education Services
North America
&
Todd Hitchcock
SVP, Online Learning Services

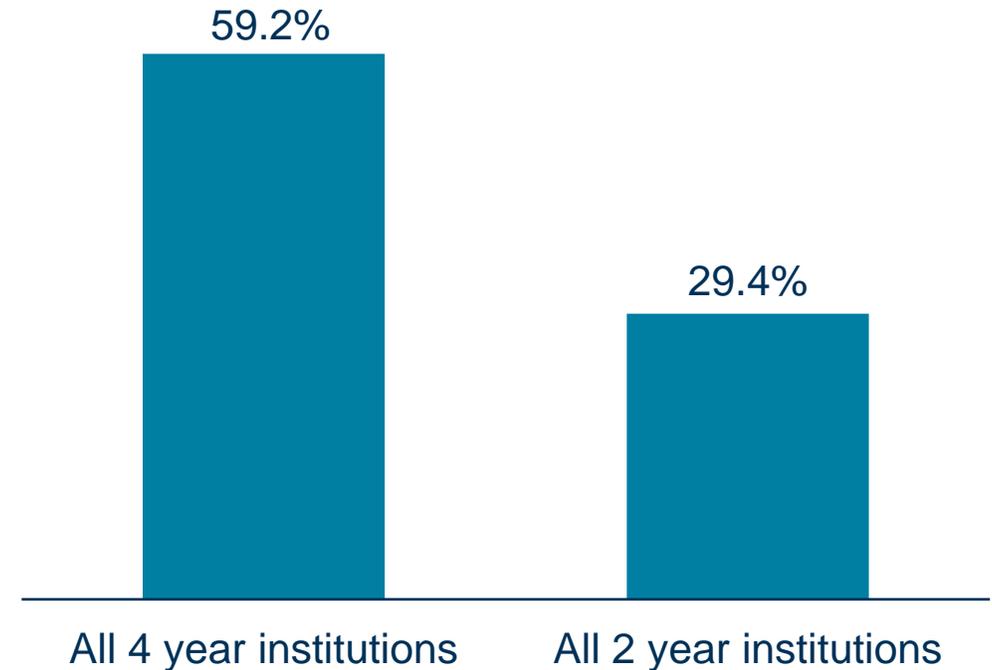
Supply side structural issue – scalability and outcomes

Cost per student vs public funding per student



* Public 2-year and Public 4-year colleges only
Source: Digest of Education Statistics, National Center for Education Statistics; US College Board, US Census Bureau

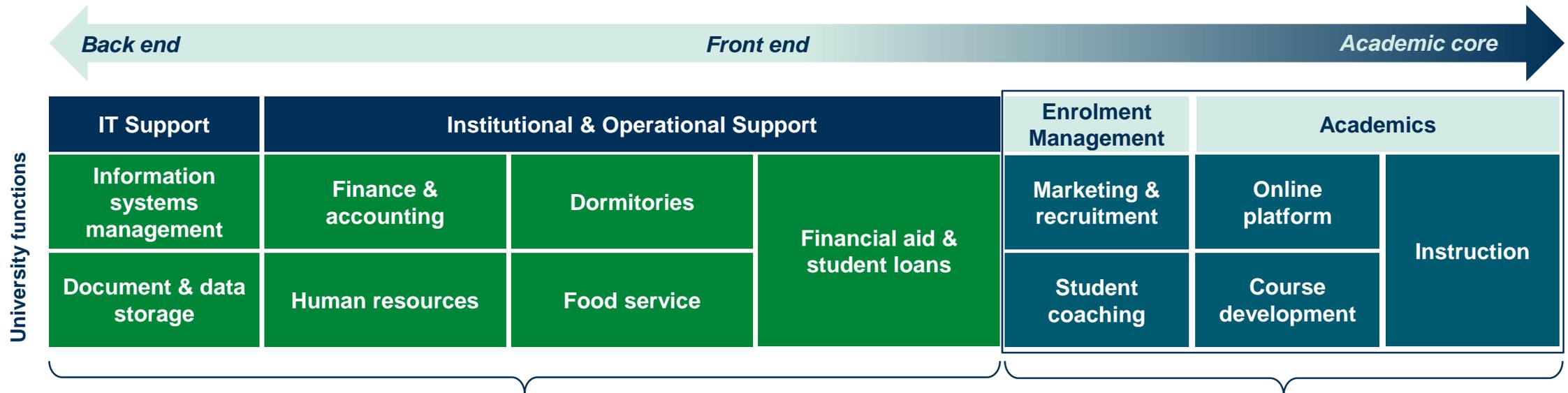
Graduation rates within 150% of programme length



Sources: National Center for Education Statistics, McKinsey & Company

Institutions are finding partners to improve scalability

Spectrum of university functions managed by vendors

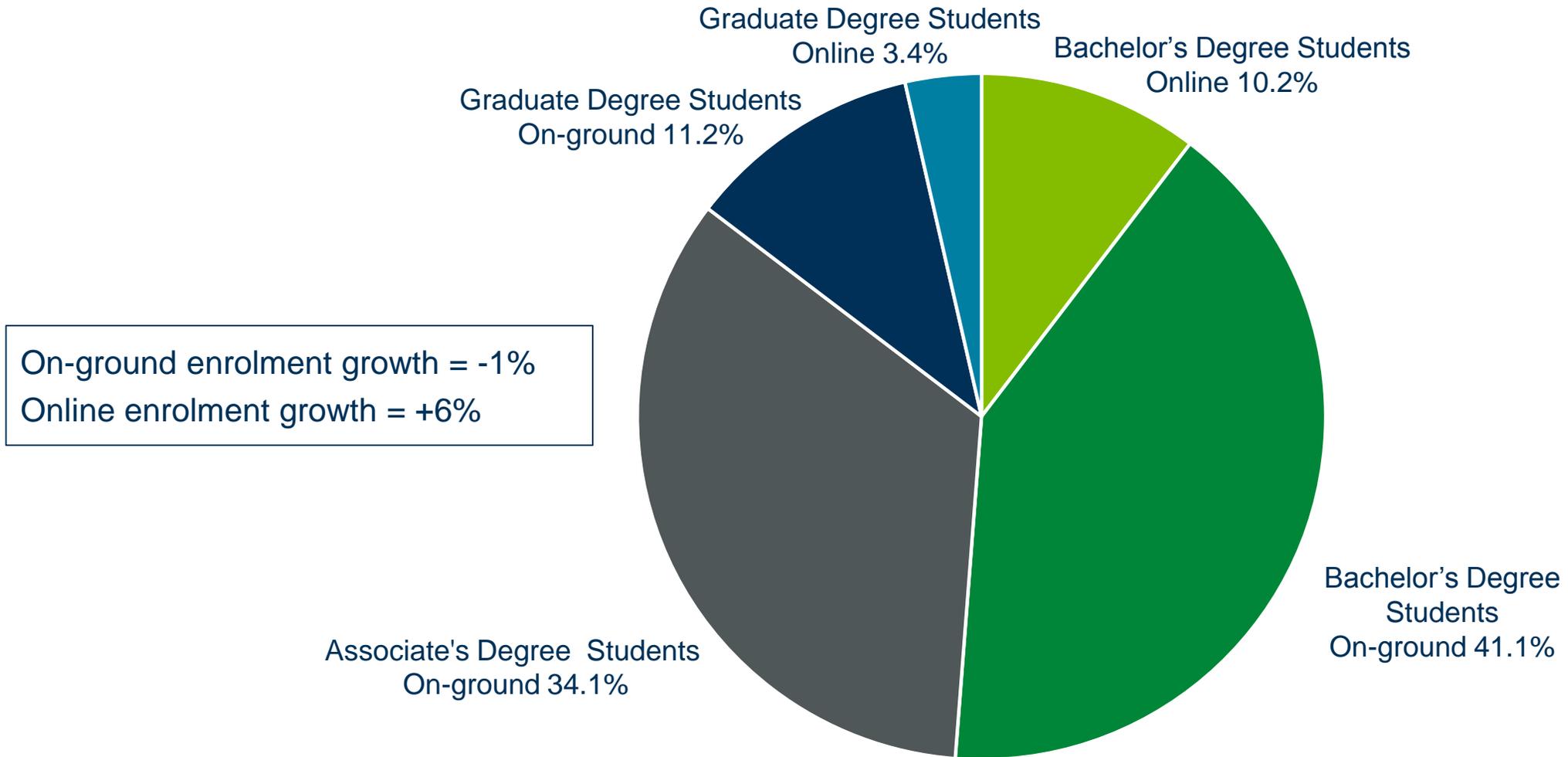


Market penetration of partnering:



Source: Parthenon-EY analysis

The online student



Source: NCES data 2013 (On-ground and Online enrolments)

The online student

		Entry into new field	Advancement in current field		
Academic background	Career Starters	 Recent Graduated Seeing Professional Degrees Before Entering Workforce	 Mid-Career Professionals Seeking Graduate Degrees for Promotions or Raises	Related disciplines	
	Career Changers	 Mid-Career Adults Seeking Graduate Degrees to Move into New Fields	 Mid-Career Professionals Seeking Cross-Training to Advance in Current Fields	Unrelated disciplines	

Source: Education Advisory Board – Understanding the Changing Market for Professional Master’s Programs

The online degree

Traditional Master's

Professional Master's

Full-Time, residential



Part-time, low residence

Thesis



Project or work experience

Path to PhD



Pathway to employment

Designed around faculty research interests



Designed around employer hiring interests

Taught exclusively by tenure-stream faculty



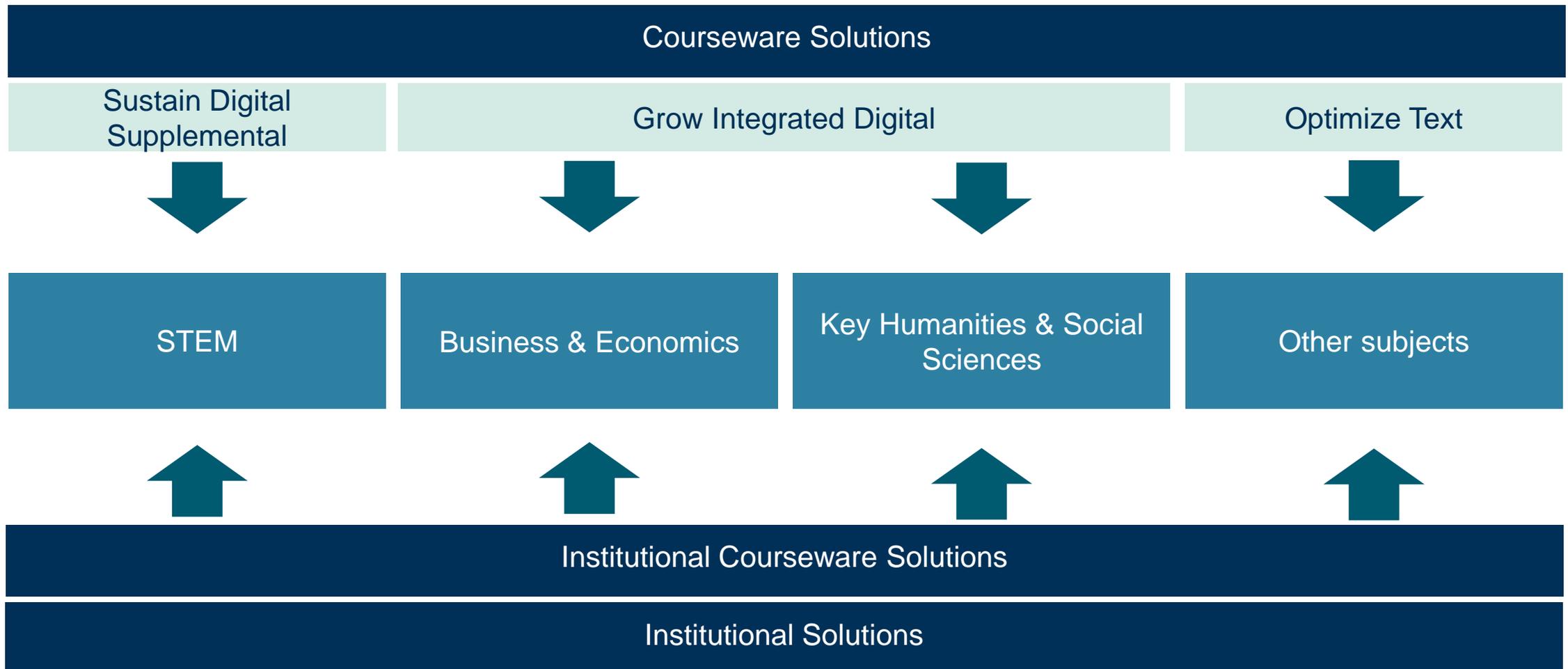
Taught by tenure-stream faculty and adjuncts

Younger students with less work experience



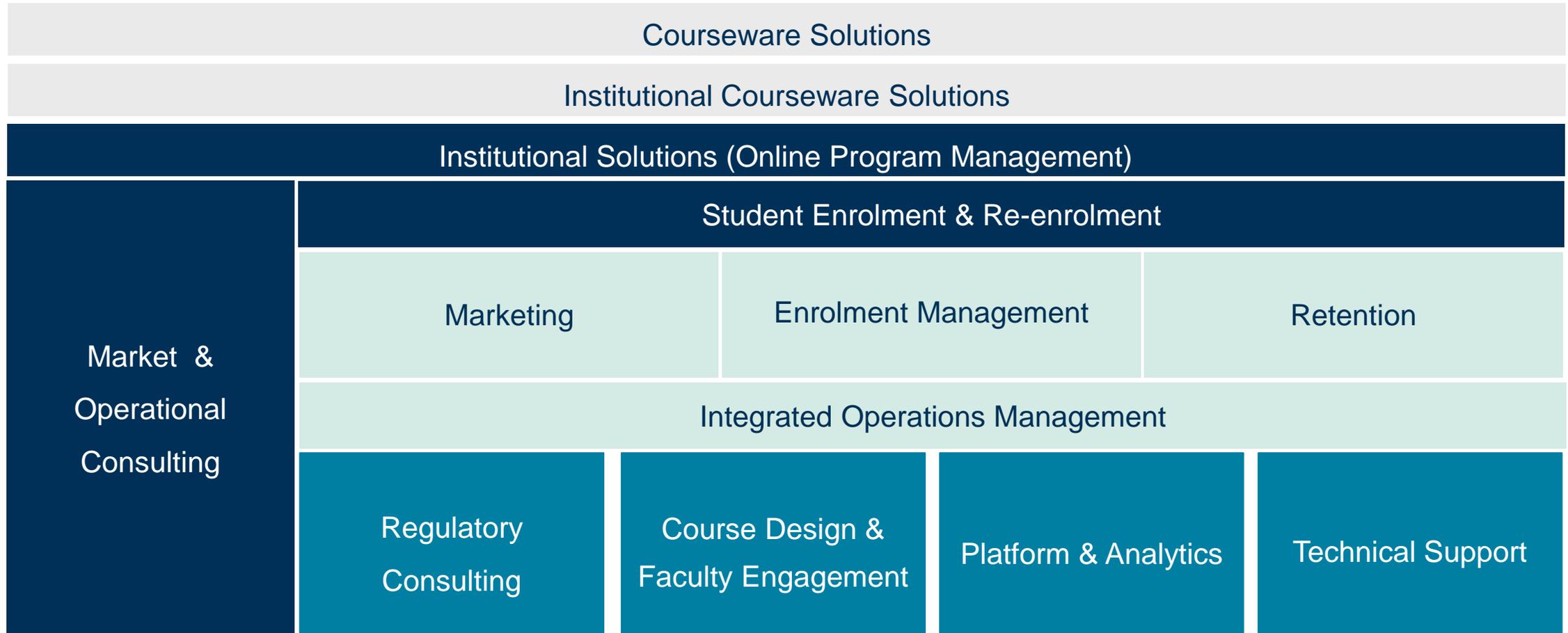
Often older students with work experience

Our strategy

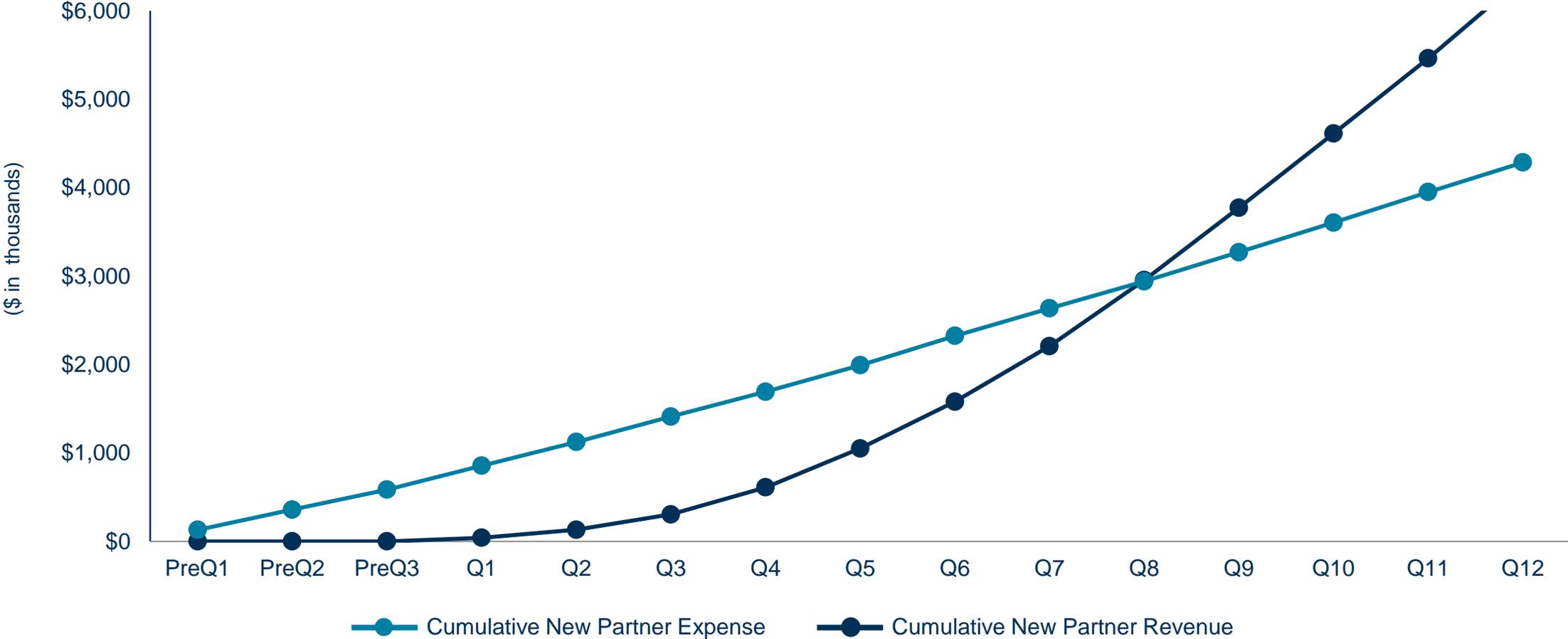


*Science, Technology, Engineering and Mathematics including Developmental Math and IT Skills

How we go to market



Investment profile of Online Program Management



How we go to market: market & operational consulting

Effective Practice	Description	Scoring Rubric (5=Great, 3=Average, 1=Fair, 0=NA)	MS CE	MS EE	MS CS	MBA
Section Owner: Marketing	Marketing	Average ->	4.4	4.3	4.4	4.3
Asset review/ response	Timely to review & provide feedback/approvals	Great = less < 5 days; Average = 5 - 10 days; Poor = > 10 days	4	4	4	4
Asset approval process	AP designated a point of contact for approval of Marketing	Great = Single reviewer; Average = multiple reviewers but no limitations; Average = multiple reviewers but with limitations	3	3	3	3
Geo-limitations	Enter to which we can market without geographic limitations	Great = no restrictions in paid search; Medium = Minor; Average = All states are available	5	5	5	5
Paid search	Degree to which we are free to market to all states	Great = no restrictions in paid search; Medium = Minor; Average = All states are available	5	5	5	5
State Authorization	Degree to which practitioners can be completed in any state	Great = no state limitations based on significant; Average = limited geographic access	0	0	0	0
Alumni	Enter to which we are allowed to cultivate undergraduate alumni	Great = Full access; Average = limited geographic access	1	1	1	1
SEO2 Linking	Quality of the SEO2 link placement and appearance of AP	Great = agrees to all recommendations; Average = agrees to PE recommendations; Poor = did not	5	5	5	5
Optimizing conversion	AP provides SEO2 content for link building and offers to help us with organic ranking for "online" search words	Great = all links are archived in a tool/facility; Great = yes; Poor = no	5	5	5	5
SEO content	AP approves PE recommendations for SEO2 content for link building and offers to help us with organic ranking for "online" search words	Great = open/regular access; Average = occasional or limited; Poor = no access	5	5	5	5
Testimonials	AP allow facilitates written and/or video testimonials from graduates/employers	Great = open/regular access; Average = occasional or limited; Poor = no access	5	5	5	5
Willingness to do focus groups/emails	AP allow facilitates focus groups/emails	Great = open/regular access; Average = occasional or limited; Poor = no access	5	3	5	3
Use of.edu subdomain	Does partner allow us to use a .edu subdomain	Great = yes; Poor = no	5	5	5	5
Report/AMA strategy	AP contributes to and helps with AMA strategy	Great = contributes & helps to strategize	5	5	5	5

1

Market Insights

Target Audience

The eligible audience size is 2.2m. Eight of the target occupations exceed the national average projected growth rate of 6.5%.

Occupational Category	Projected Growth Rate
Personal Financial Advisors	14.2%
Management Analysts	13.7%
Accountants and Auditors	10.7%
Business Operations Managers	8.4%
Business, Communications, and Financial Services	8.3%
Financial Analysts	8.2%
Financial Managers	6.1%
Quality Assurance	6.1%
Business Process Analysts	5.1%
The Government and Government and Revenue Agents	-1.3%
Biological, Agricultural and Fisheries Sciences	-0.8%
ITSM/ITIL	-0.8%

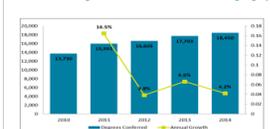
Occupational Outlook

Employment outlook is healthy as Accountants and Auditors continue to be in high demand. An 11% job growth rate is projected over the next 10 years.

Accounts and Auditors Key Employment Stats	Value
Employment (2024)	1,332,700
Projected Employment (2034)	1,475,100
Projected Change (2024-2034)	142,400
Projected Growth (2024-2034)	11%
Job Openings Due to Growth and Replacement Needs (2014-2024)	498,000
Median Annual Wage (2014)	\$67,190

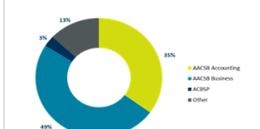
Degree Production

Masters in Accounting is growing at a steady pace. MBA in Accounting and MS Taxation are both declining slightly.



Accreditation

One-third of all online MSA programs have professional AACSB Accreditation in Accounting.



Competitive Insights

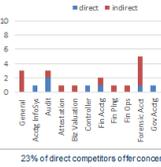
MSA Degree Naming



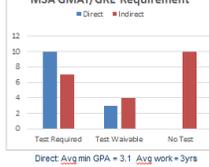
For Direct MSA PreReqs/Bridge



MSA Concentrations



MSA GMAT/GRE Requirement



Masters of Accounting Online Programs



- 30 University of North Carolina
- 51 University of Miami
- 57 University of Connecticut
- 72 Rutgers - New Brunswick
- 75 University of Massachusetts-Amherst
- 102 Auburn University
- 123 DePaul University
- 135 George Mason University
- 140 University of Texas - Dallas
- 149 University of Alabama - Birmingham
- 153 St. John's University
- 180 University of South Dakota
- 189 University of Colorado-Denver

Program Insights

Program Attributes



General Approaches

- Career Enhancer**: Students entering with a bachelor's degree in accounting.
 - Masters only design
 - Post-Bacc accounting grads take master accounting classes only
 - Heavy load of pre-reqs (met by BACC)
 - Examples: Auburn, So Utah, UMass
- Enhancers + Changers**: Students entering with and without accounting degree.
 - Bridge then Masters design
 - Students take pre-requisite or bridge accounting classes first, then MACC
 - Can be bridge or bootcamp format
 - Examples: UNC, UAB

WF Distinctive Competencies

- NASBA's #1 CPA pass rate in 12 of the last 19 years
- Faculty facilitates Becker prep courses at end of program
- 100% employment rate at graduation
- Offers a paid 9-week internship
- Concentrations in:
 - Assurance
 - Tax Consulting
 - Financial Transaction Svcs
- Vignette interview during application
- Faculty facilitates Becker prep courses at completion of program

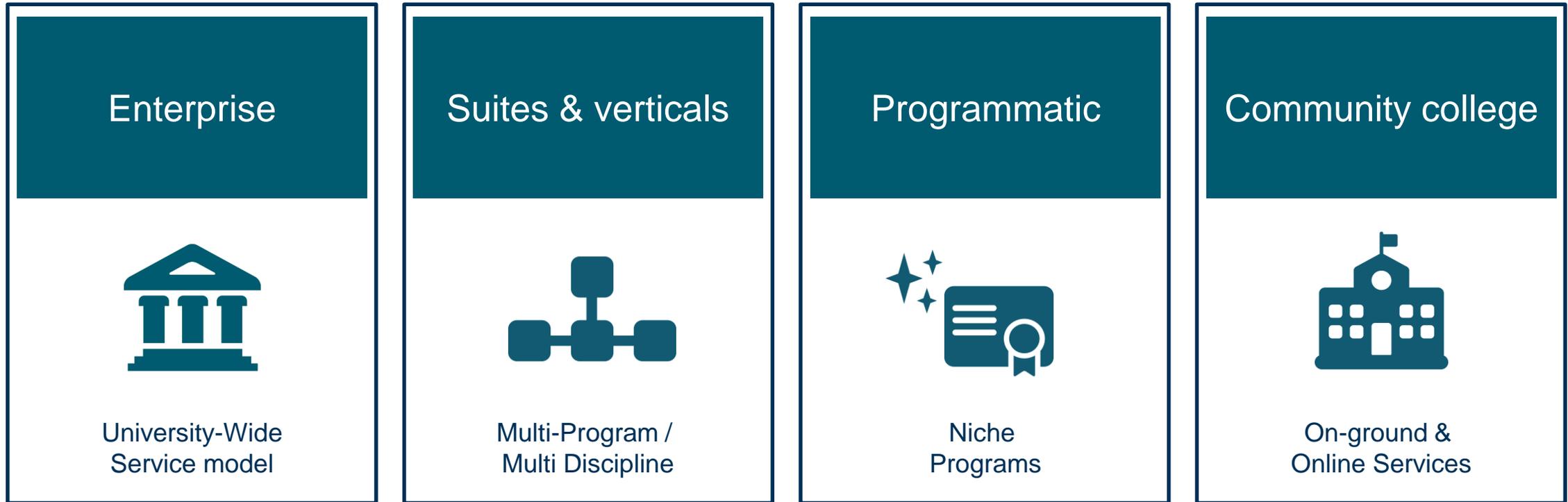
Trends & Opportunities

- Trends**:
 - Women's leadership in accounting
 - Cybersecurity & accounting
 - Business valuation | E-shop
- Issues**:
 - Accommodation for growing number of career changers
 - Fraud prevention & ethics
 - Changes in healthcare rules
- Opportunities**:
 - Excel mastery & skills bootcamps
 - Leadership development

2

Institutional services portfolio

Multiple delivery models



Institutional services: enterprise



MARKET &
OPERATIONAL
CONSULTING



Student Enrolment & Re-enrolment

Marketing



Enrolment



Retention



Integrated Operations Management



Action Lab



Scholarships



International
Engagements

Brand / enterprise

Institutional services: Community college services



**MARKET &
OPERATIONAL
CONSULTING**



Student Enrolment & Re-enrolment

Marketing



Enrolment



Retention



Integrated Operations Management



2+3

Programmatic



Suites & Verticals



Grow to Enterprise

Onground / managed services

Institutional services: Suites & verticals



MARYVILLE
UNIVERSITY

MARKET &
OPERATIONAL
CONSULTING



Student Enrolment & Re-enrolment

Marketing



Enrolment



Retention



Integrated Operations Management



2+3

Programmatic



Suites & Verticals



Grow to Enterprise

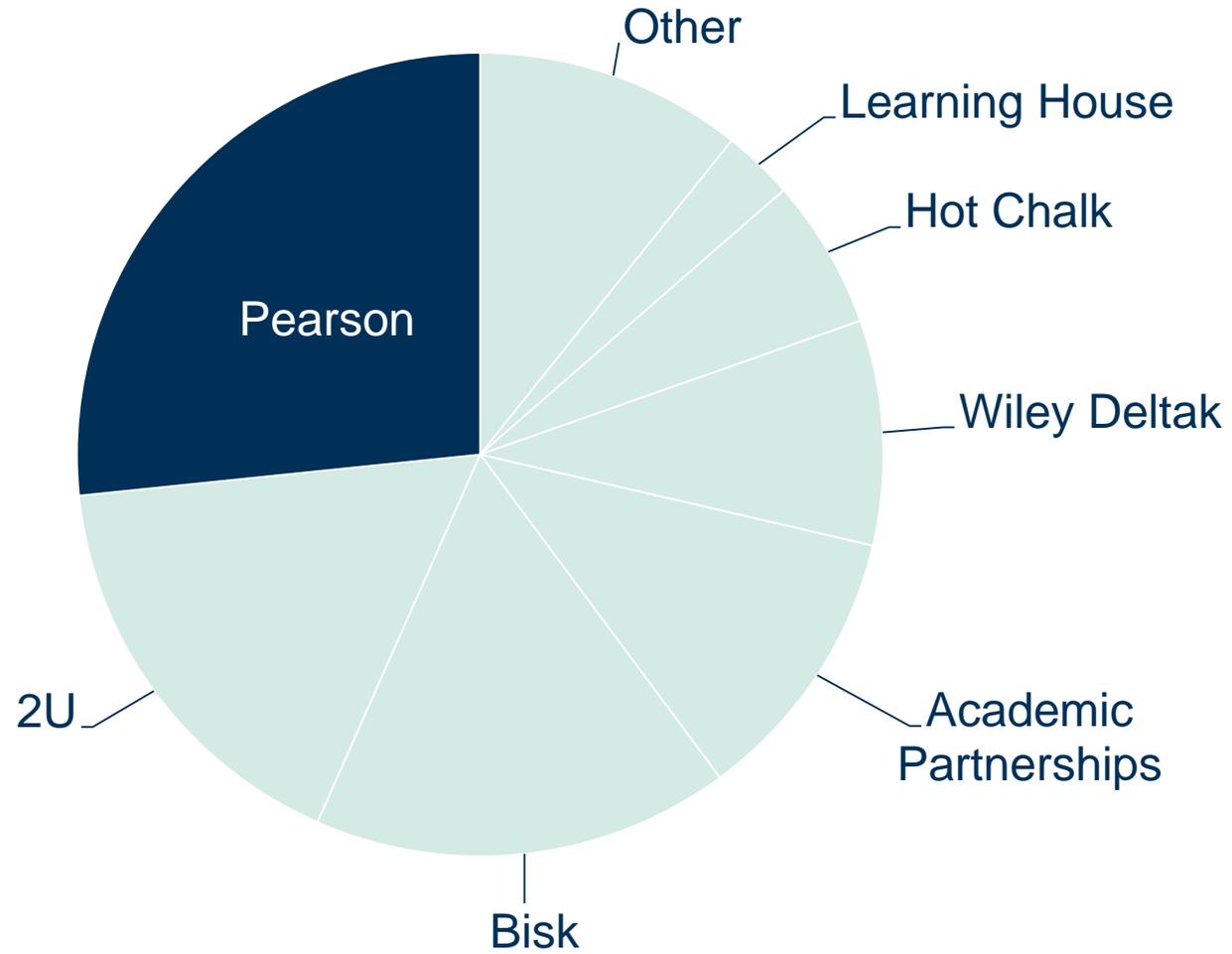
Vertical / grow to enterprise

President Mark Lombardi of Maryville University



<https://youtu.be/15uInt9nKSQ>

Pearson is the market leader: OPM market share



Source: Deutsche Bank Online Higher Education report, Capital IQ, Company websites, Eduventures

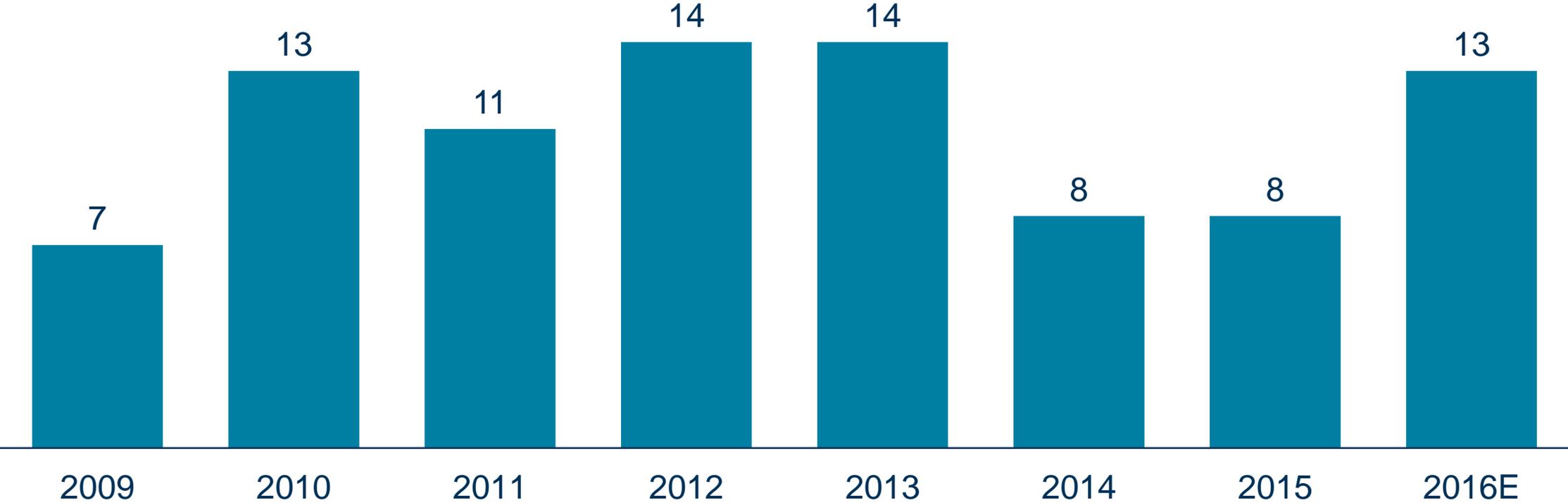
Unmatched scale and competitive advantage



	Consulting	Operations Management	Market Analysis	Academic Services	Corporate Partnerships	Marketing	Enrolment Management	Student Services	Technology Services	Curriculum Development
Pearson	●	●	●	●	◐	●	●	●	●	●
2U	◐	◐	●	◐	◐	●	●	●	◐	◐
Deltak	◐	◐	◐	◐	◐	◐	●	●	◐	◐
Bisk	◐	◐	◐	◐	◐	◐	●	◐	◐	◐
Academic Partnership	◐	◐	◐	◐	●	◐	●	◐	◐	◐

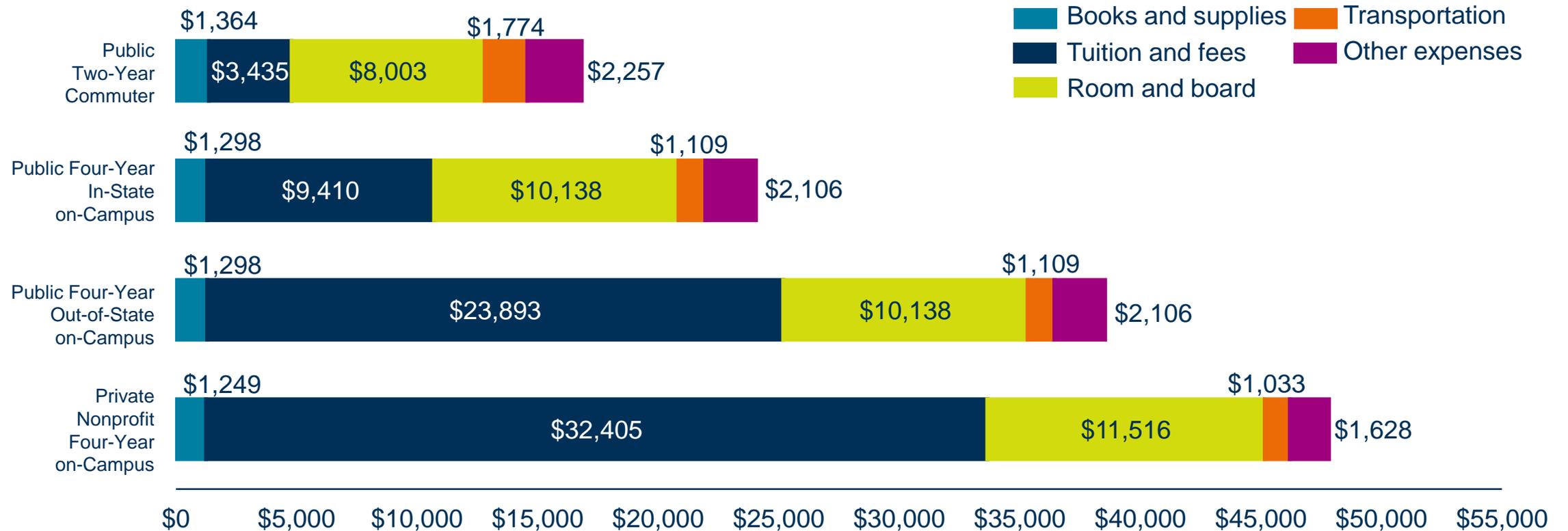
Rebuilding momentum

Pearson new OPM graduate programmes signed



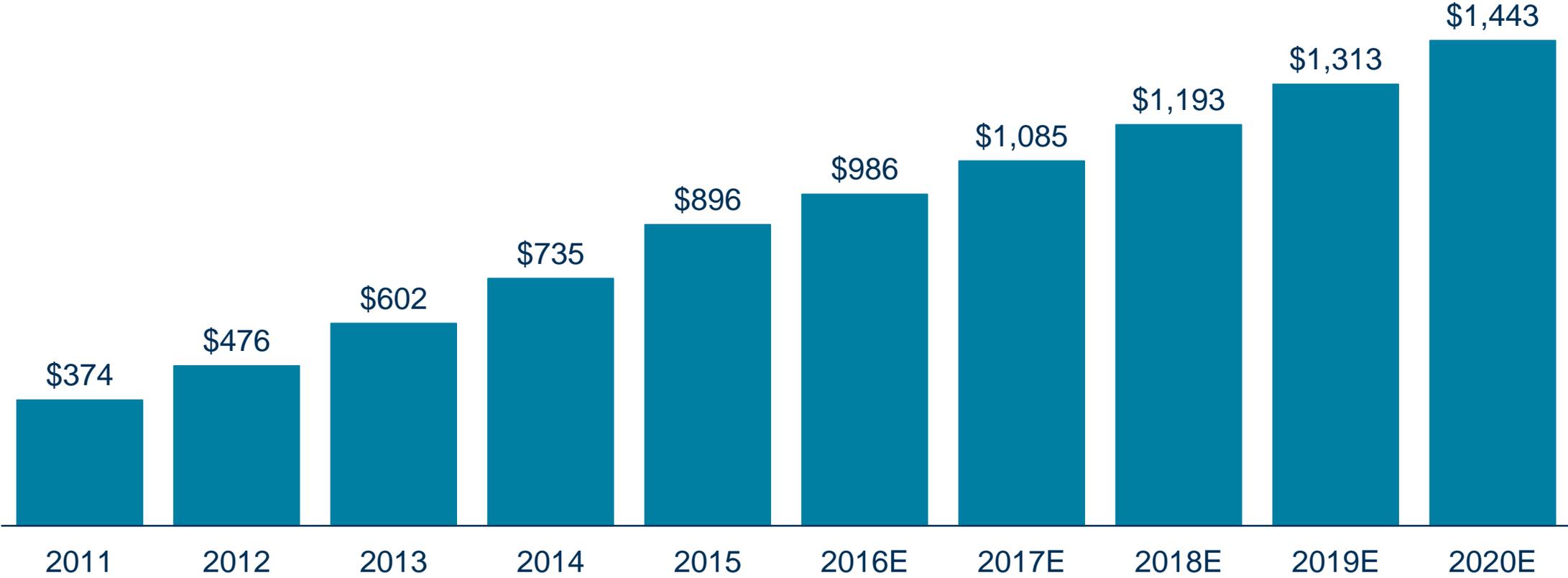
Expanded market opportunity

Average estimated full-time undergraduate budgets 2014-15



Source: The College Board, Annual Survey of Colleges

OPM market forecast, \$m



Source: Third party estimates



Higher Education and our 2018 Goals

Coram Williams
CFO

2018 goals: key assumptions

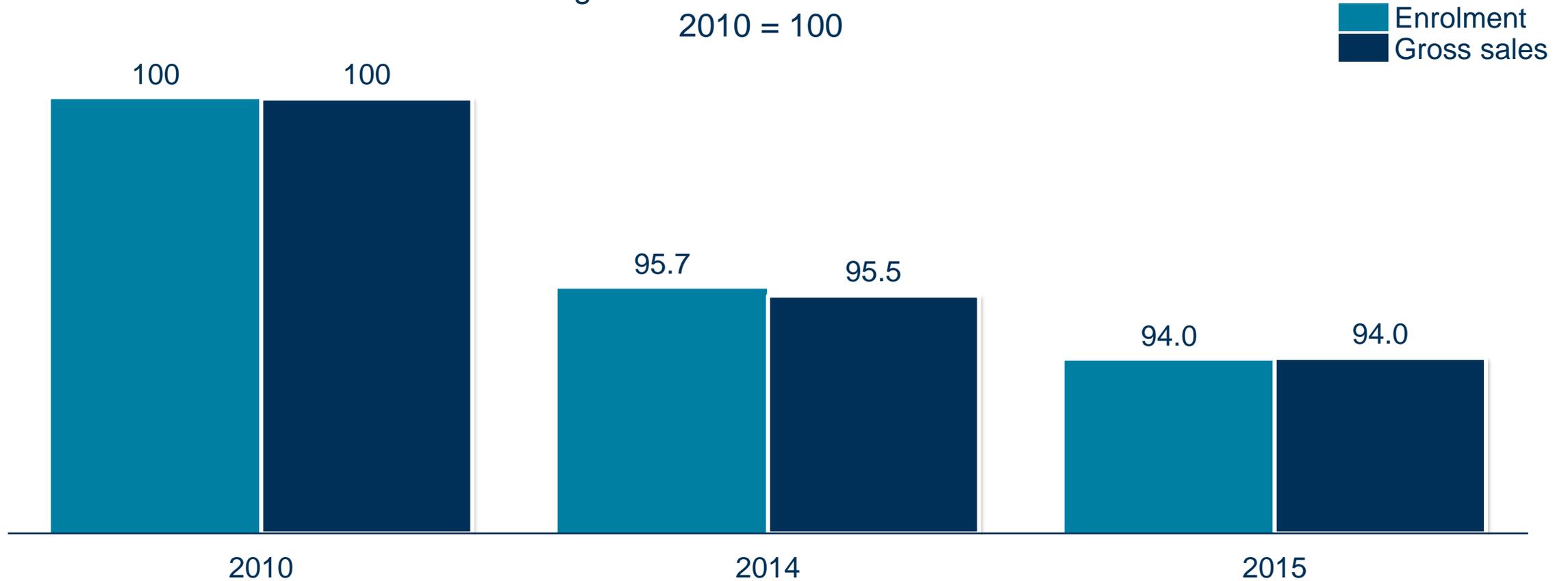
With the actions we announced in January, combined with a moderate return to growth in our major markets over the next few years, we expect adjusted operating profit to be at or above £800m in 2018. Underpinning this goal are the following assumptions:

1. The key cyclical and policy factors that have hurt us – **US college enrolments** and UK Qualifications – **stabilise by the end of 2017 and grow modestly thereafter helped by new product launches**;
2. **We make modest market share gains in North American Higher Education subjects (STEM, college and career readiness) where we are launching our “next generation” courseware**;
3. As current contracts unwind, we see scope for further contraction in US state testing revenues through 2017 but stabilisation in 2018. We expect continued growth in professional certification and clinical assessment;
4. Our businesses in China and Brazil will benefit from the launch of new products, including Wall Street English New Student Experience;
5. **We will continue to grow in our adjacent services businesses, led by online programme management, virtual schools and blended learning in English, as we bring new platforms and products to market and capitalise on strong market growth**;
6. **The successful delivery of the full benefits of the restructuring plan, with minimal disruption to sales, market share and operations from this major programme of change.**

Pearson 2015 Preliminary Results 26th February 2016

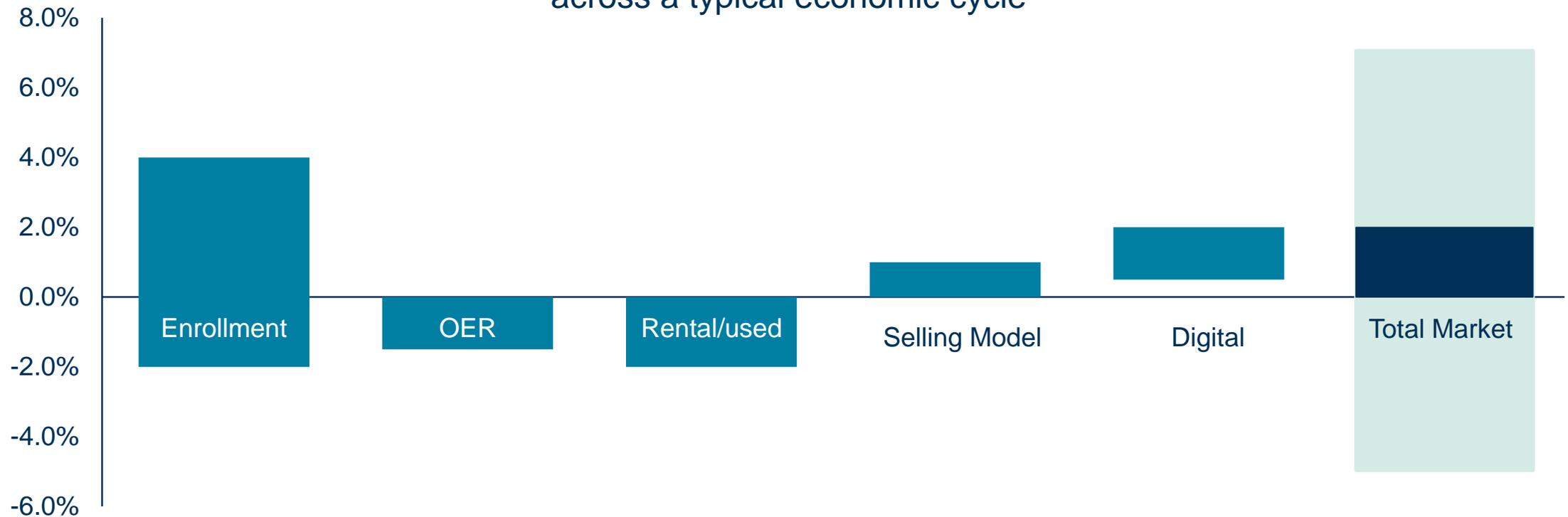
Cyclical and policy related forces

US Higher Ed enrolment and revenue
2010 = 100

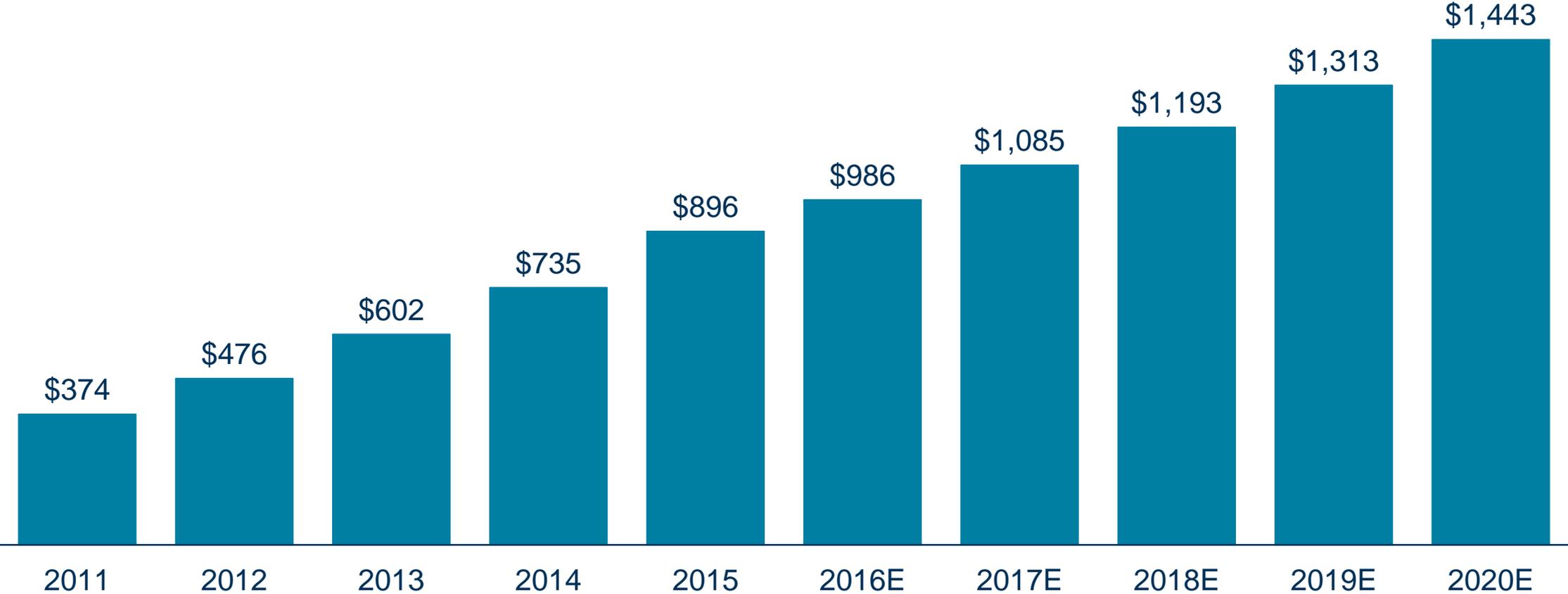


US Higher Education courseware market

Forecast components of market growth
across a typical economic cycle



OPM market forecast, \$m



Source: Third party estimates

The Global Platform

The User Experience



Pearson products and services

Pearson Content

Technology & Product Platforms

Learning Application & Service Platforms

Enterprise and Enabling Platforms

Cloud & Infrastructure Platforms

Security

High level of
change &
innovation

Increased
investment

Shift
investment
from
'plumbing'

Lower level
of change

Stable,
reliable and
repeatable

Guidance

2016 Guidance

- Adjusted Operating profit of £580-£620m before restructuring costs
- Adjusted eps 50-55p before restructuring cost
- Tax rate of approximately 19% and an interest charge of approximately £60m
- Guidance based on FX rates at 31st Dec 2015

2018 Goals

- Adjusted Operating Profit at or above £800m

Fireside Chat

Professor Ed Byrne KCL
Rod Bristow

OPM International opportunities



King's College London partnered with Pearson to launch online postgraduate degree programmes in Psychology and Law.



Our partnership with Griffith University started very strongly seeing consistent demand for the MBA programme and the launch of two further courses.



MONASH
University

The growth of our partnership with Monash University was led by the Graduate Diploma in Psychology, which is now one of Monash's largest postgraduate courses.

Summary

- **Digital** opens up big opportunities for Pearson to play a larger role in the delivery of higher education.
- **Integrated Digital** is the future of HE courseware – significantly expands our addressable market and maintaining market leading position.
- Integrated digital also helps us **mitigate and manage the transitional risks** from rental and OER.
- **Online Programme Management** is growing fast in the US – and can be taken global.
- Our **Technology Stack** is evolving to deliver consumer-grade, adaptive, personalised learning.
- **Courseware** and **OPM** are two of the critical building blocks underpinning our 2018 goals.

The image features a white circle centered on a blue background. The background is filled with a repeating pattern of dark blue, wavy, horizontal lines that resemble stylized waves or a topographic map. The white circle is perfectly circular and contains the text "Q&A Panel" in a dark blue, serif font.

Q&A Panel

The background is a vibrant blue with a repeating pattern of dark blue, wavy, organic lines that resemble water ripples or a topographical map. In the center of the image is a large, solid white circle. Inside this circle, the text "Drinks & Breakout Sessions" is written in a bold, teal-colored serif font. The text is centered both horizontally and vertically within the white circle.

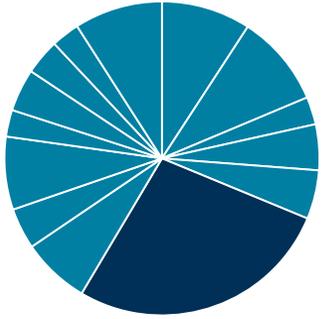
**Drinks & Breakout
Sessions**

There's so much more to learn

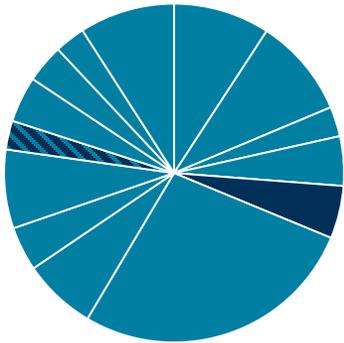
Find out more about us at
A Pearson website address runs here

ALWAYS LEARNING

North America
higher education
courseware



North America
Higher education
online services



Market
opportunity



Market
position



Capital
intensity
vs Group



Profitability
vs Group

