Assessment & Qualifications

Investor Seminar
6th November 2023

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.

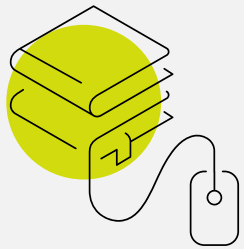
They also include other risks detailed from time to time in Pearson's publicly-filed documents and you are advised to read, in particular, the risk factors set out in Pearson's latest annual report and accounts, which can be found on its website (pearsonplc.com).

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.

Well-positioned to benefit from **3 global demand drivers**

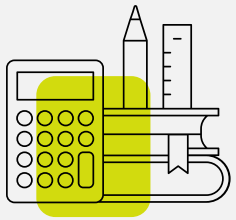
The rise in online and digital tools for schools and **education**

1



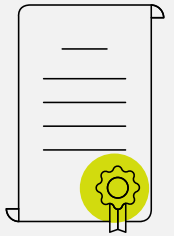
The workforce skills gap

2



The growing need for trusted accreditation and certification

3



Estimated c.£6 trillion market today, growing to c.£8 trillion by 2030*

*HolonIQ 2018

Assessment & Qualifications

Art Valentine
President, Assessment & Qualifications

Here Today – some of the A&Q leadership team

Art Valentine
President, Assessment & Qualifications and Managing Director, Clinical Assessment

Gary Gates
Managing Director, Pearson VUE

Sharon Hague
Managing Director, US Student Assessment and UK & International Qualifications

Mary Kempf
SVP, Finance, Assessment & Qualifications

Key takeaways from today's presentation

1 **Scale:** Assessment & Qualifications has four units with significant scale and strong competitive positions, with over 90 million interactions with learners and professionals per year.

2 **Breadth:** Our offerings span all stages of learning and professional development, giving us significant growth opportunities.

3 **Visibility:** Long-term contracts, high renewal rates, strong financial visibility and confidence in future financial performance.

4 **Consistent Performance:** Pearson's largest and most profitable division generating strong margins and strong cash flow, and significant Group synergies.

5 **Mission-driven:** What we do matters.

Assessment & Qualifications at a glance

Pearson VUE

Delivering tests to over 19m learners.
each year; Nearly 20K test centres in 190 countries
serving 550 credentialing organisations.

US Student Assessment

Helping K-12 students to advance at
appropriate pace in their schooling.

Clinical Assessment

Producing scientifically backed products to help experts
understand how people learn.

UK & International Qualifications

Developing highly sought after academic qualifications.

Assessment & Qualifications financial profile at a glance

Revenue Performance		
Underlying revenue 3-year CAGR 2022 to 2025	2022 Revenue	2023 expectations
Low to mid-single digit growth	£1,444m	Mid-single digit growth

Business Unit Contribution to A&Q Revenue (2022)			
40%	**Pearson VUE**	Test Delivery Services	✓
25%	**US Student Assessment**	Test Delivery Services	✓
18%	**Clinical Assessment**	IP	✓
17%	**UK & International School Qualifications, Courseware**	IP and Test Delivery Services	✓

Pearson VUE

Gary Gates
Managing Director
of Pearson VUE

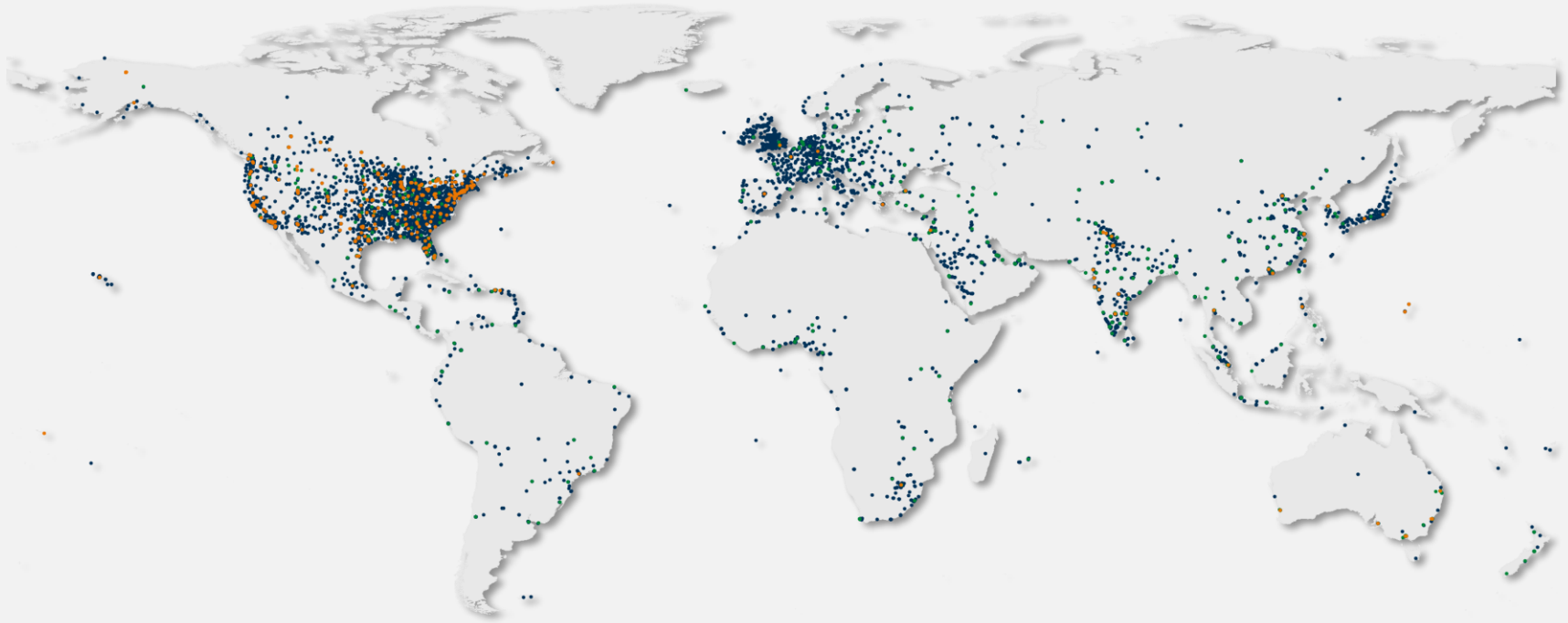
Pearson VUE at a glance

Robust services to enhance global exam delivery

Psychometric Services	Growth Services	Content Development	Security Services	Test Publishing

Our market position

- Strong competitive market position
- Global Scale with 20k Test Centre Network
- Secure, reliable, and accurate test administration



Pearson VUE global test centre map

Pearson Professional Centre Pearson VUE Authorised Test Center Pearson VUE Authorised Test Center Select

Pearson VUE's financial profile at a glance

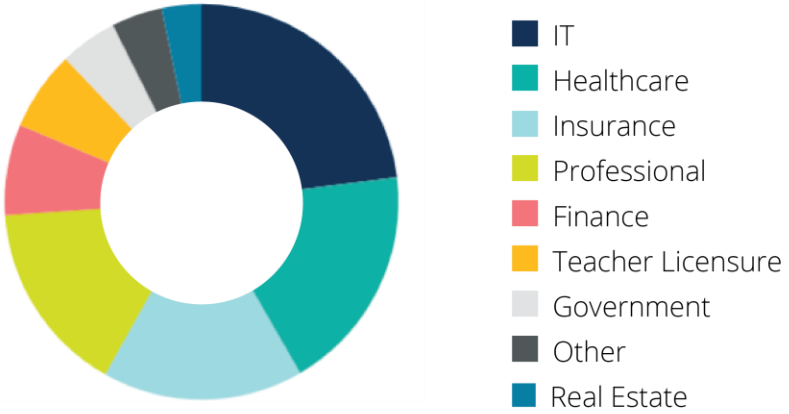
Revenue Performance		
Underlying revenue 3-year CAGR 2022 to 2025	2022 Revenue	2023 9 month underlying growth
Low to mid-single digit growth	£575m	11%

Business Unit Contribution to A&Q Revenue (2022)

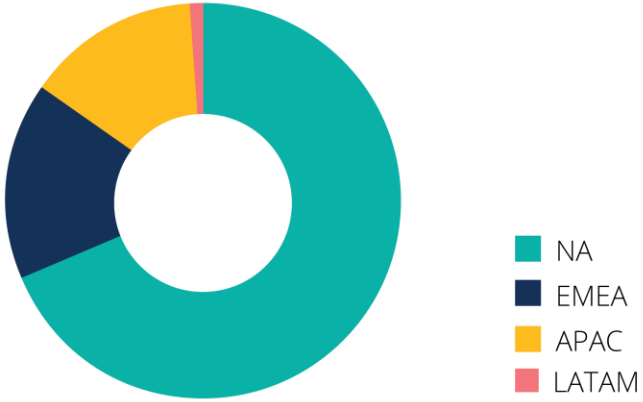
	Business Unit	Core capability
40%	**Pearson VUE**	Test Delivery Services

Pearson VUE's balanced portfolio drives growth

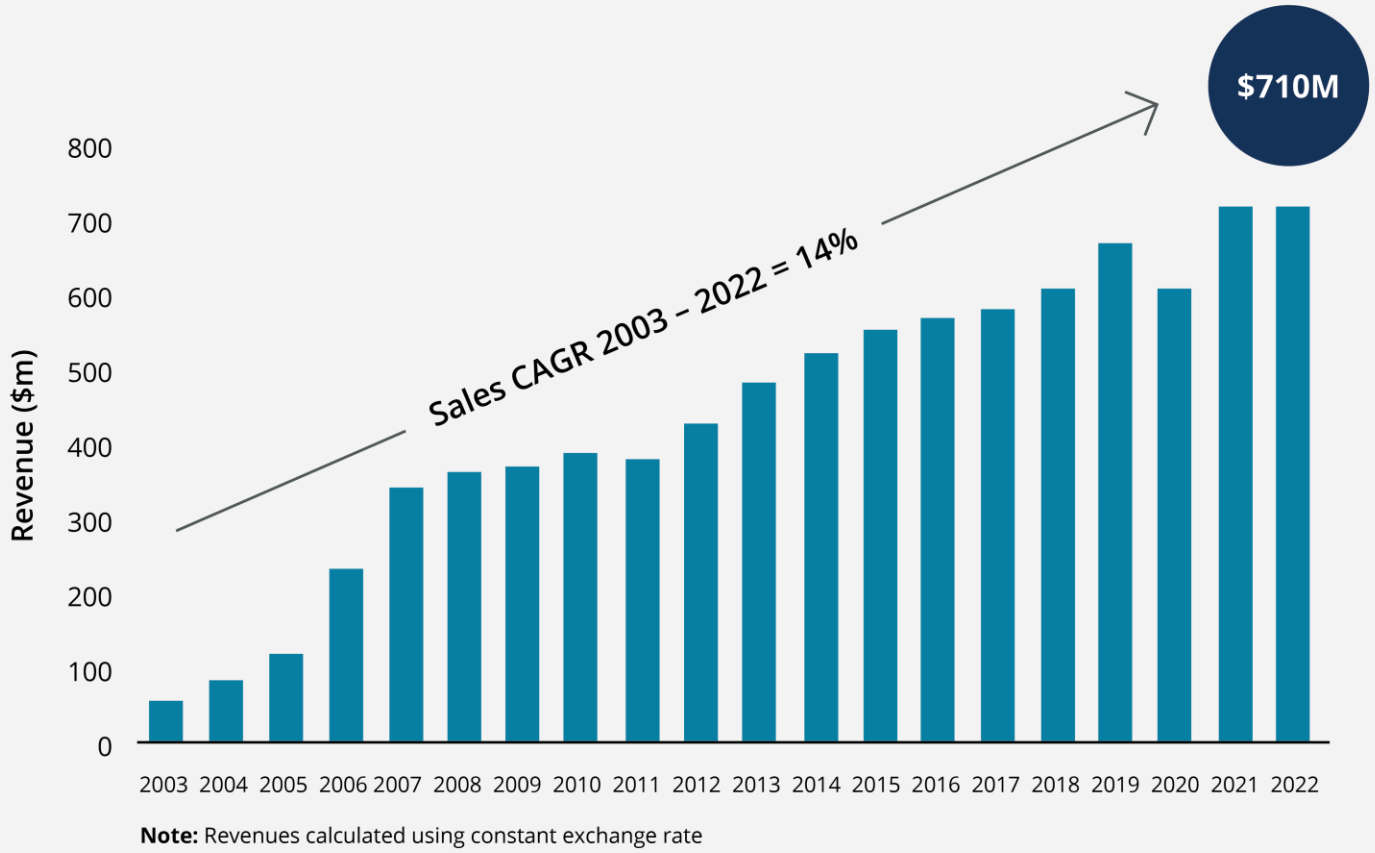
VUE Client Makeup – 550 clients



Revenue by Region



Diversified revenue base with long-term contracts across 550 clients across multiple sectors with a retention rate of over 95%



Note: Revenues calculated using constant exchange rate

Building out our sources of growth

Pearson VUE

1 Core strategic initiatives to drive growth

Maintain contract renewal rates and win new contracts

Incremental geographic expansion and IP ownership

PTE Academic growth is powered via the Pearson VUE platform/channel

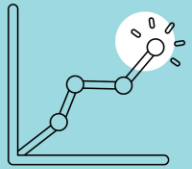
2 US federal market expansion

PDRI acquisition

Accretive to growth

Expanding reach in key strategic area

3 Expanding Pearson VUE's service offering



Moving up value chain

Expanding on core testing capabilities

A partnership to drive global growth Pearson Test of English

Pearson Test of English – what we do

- A high-stakes, secure test, **delivered through Pearson VUE testing centres**, that can be used to **validate someone's level of English.**
- Taken to allow them to study in, work in or permanently migrate to an English-speaking country.
- Innovative in its use of **digital delivery and AI scoring.**

Market landscape and growth opportunity

- Current addressable market for high-stakes **c.£900m.**
- PTE top 3 player by volume share with **c.14%.**
- Growth to be driven by test delivery in Canada and share gain in the UK.

Operating globally at scale...

483
Test centres in 118 countries

827k
Tests delivered in 2022

...driven by our recognition of governments of three key markets

*Canadian immigration authority recently announced recognition of PTE for both Student Direct Stream and economic immigration visa applications.

PDRI Federal workforce assessment service provider

Rationale

US Federal Government is one of the largest employers in the US with more than 4 million employees

- Acquisition further unlocks access and scale to a large, stable workforce
- Establishes presence in the recruitment assessment space
- Multi-year contract wins
- High-quality tailored psychometric content

Synergies

Established selling channel in complex regulatory environment

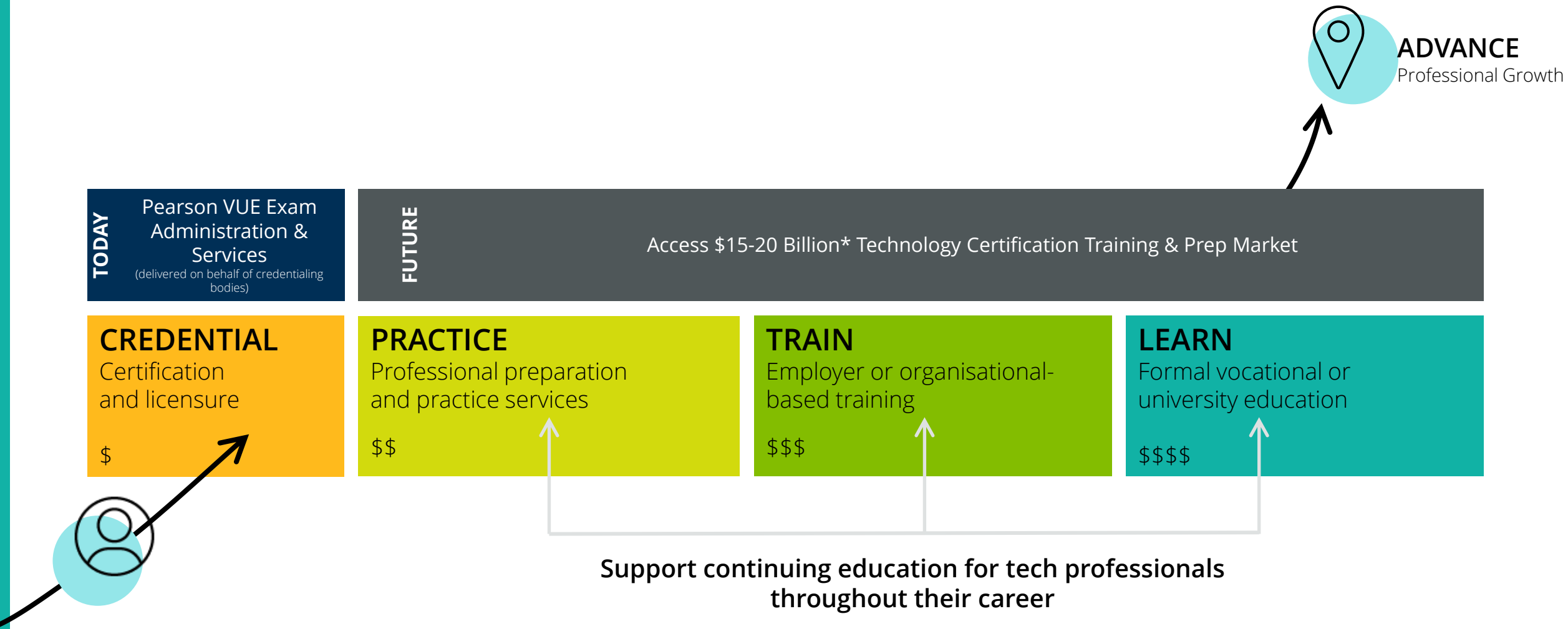
- The USA Hire platform serves more than 40 agencies and is utilised to assess more than 500,000 applicants annually
- Opportunities for synergies across Pearson divisions

Impact

Strong financial performance

- Accretive to growth and margins
- Continued momentum into 2024- six recent contract wins

Expanding VUE's Service offering Moving up the technology value chain



*Pearson estimate

Sharon Hague
Managing Director of...

US Student Assessment and UK & International School Qualifications

US Student Assessment and UK & International Qualifications at a glance

US & UK Curriculum Focused
Large local market and international recognition of both American & British standards

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Content
Content developed to meet state or national standards

Capability
Experts at delivering at scale providing technology, operational and specialist measurement services

US Student Assessment and UK & International Qualifications financial profile at a glance

Revenue Performance			
	Underlying revenue 3-year CAGR 2022 to 2025	2022 Revenue	2023 9 month underlying growth
US Student Assessment	Flat	£362m	8%
UK & International Qualifications	Growth	£245m	8%

Business Unit Contribution to A&Q Revenue (2022)

	Business Unit	Core capability	
25%	**US Student Assessment**	Test Delivery Services	✓
17%	**UK & International School Qualifications, Courseware**	IP and Test Delivery Services	✓

Two national K12-focused testing service providers competitive advantages drive our success

 **US Student Assessment**	**Competitive advantages**	 **UK & International School Qualifications**
State Departments of Education; multi-year contracts Testing confirms *state-level implementation* of federally-mandated curriculum standards	**Regulated, stable markets** **Expertise in managing stakeholder dynamics between governments, schools, teachers, & students**	*Schools* offering British curriculum; cyclical transactions Testing demonstrates student skills, gatekeeping learner's academic or vocational next steps
Full end-to-end delivery to meet customer requirements	**Capability & technology** **Delivery at scale**	Complementary courseware aligned to qualification exams

Strengthening our presence globally

Leveraging the growing demand for international education to grow our presence and build our market share

	2015	2023	
Schools The number of international schools working with Pearson	1,100	2,100	**88%** ↑
Learners The number of learners taking Pearson qualifications	91,000	147,000	**61%** ↑
Qualifications The number of qualifications students have taken with us	281,000	451,000	**61%** ↑
Countries The number of countries	90	114	**27%** ↑

1. **Dedicating resources to markets that will deliver the greatest impact**
2. **Disrupting the market through future-ready assessment**
3. **Business improvement driving excellent customer experience and retention**

The figures in the table above are not exact and have been rounded for simplicity.

Clinical Assessment

Art Valentine
President, Assessment & Qualifications + Managing Director of Pearson Clinical Assessment

Clinical Assessment at a glance

Core Customer Segments

K12 Special Education	General Education	Large Healthcare Systems	Private Practice	Government Agencies

Competitive advantage

- **WELL-POSITIONED IN THE MARKET**
- **CONTENT BREADTH & EXPERTISE**
- **INNOVATION**
- **GLOBAL SCALE**

Structural growth drivers

- Early-mover advantage in digital assessment
- Increasing number of clinicians entering the field
- Greater societal awareness of mental health issues and economic benefit of population wellness
- Policy shifts that increase K12 funding or favourable health insurance reimbursement, expanding our professionals' practice
- Large assortment of high-quality test instruments & IP across several domains

Clinical Assessment financial profile at a glance

Revenue Performance		
Underlying revenue 3-year CAGR 2022 to 2025	2022 Revenue	2023 9 month underlying growth
Low to mid-single digit growth	**£262m**	**4%**

Business Unit Contribution to A&Q Revenue (2022)

	Business Unit	Core capability
18%	Clinical Assessment	IP

Clinical Assessment growth initiatives

Strategic Growth Initiatives

- Strong pipeline of products, particularly in digital e.g. The Digital Assessment Library for Schools (“DALS”)
- Build out international portfolio and IP through translation and adaptation
- Creation of new digitally-enabled business subscription models
- New vertical with Clinical Observation Assessment (COA) - applying Pearson IP in Pharmaceutical Clinical Trials

Assessment & Qualifications Financials and Outlook

Mary Kempf
SVP, Assessment
& Qualifications

A&Q delivering strong financial performance

2022 financial KPIs

- Sales: **£1,444m** / 2021 £1,238m (+8% UL)
- Adjusted operating profit: **£258m** / 2021 £219m (+6% UL)
- Margin: 18%

2022 non-financial KPIs

VUE test volumes: **19.4m** (+16%)

OnVue test volumes: **3m** (2021: 3m)

VUE customer retention: **99.9%** (2021: 99%)

A&Q has a high proportion of recurring revenues

2023 performance and expectations

Nine-month trading: 8% underlying sales growth

Raised expectations to mid-single digit growth

Underlying revenue 3-year CAGR 2022 to 2025

Low to mid-single digit growth

Investment and cashflow in Assessment & Qualifications

Focused on enhancing our current market position and growing into new and exciting adjacencies.

Leading digital capabilities.

A&Q has strong return on capital and cash generation for the Group.

Pearson VUE

Acquired PDRI in 2023- capturing more of the value of our federal government contracts

Investing in complementary learning services to fuel growth

US Student Assessment

Investment in classroom/interim products

UK & International Qualifications

Investment in new product offerings

Clinical Assessment

Investment in new product offerings

Drivers of margin expansion

- Our margins in the A&Q division are strong (18% in 2022)
- We will increase our margins through to 2025 by:
  - Leveraging our infrastructure and scale to deliver high operating leverage on revenue growth.
  - Continuing to introduce market leading offerings.
  - Deploying innovation, particularly in AI, to drive efficiencies and enable future investment.

The role of A&Q in Group financial performance

Sally Johnson
CFO

Nine Month Trading Update - Strong financial performance

- Continued strong trading performance, with particularly strong performances in English Language Learning and Assessment & Qualifications
- On track to deliver the Group full year revenue growth we guided to at the beginning of the year
- Raising our Group full year adjusted operating profit guidance- **c.£20m** to **£570m - £575m** driven by a strong performance with revenue growth at the higher end of the guided range

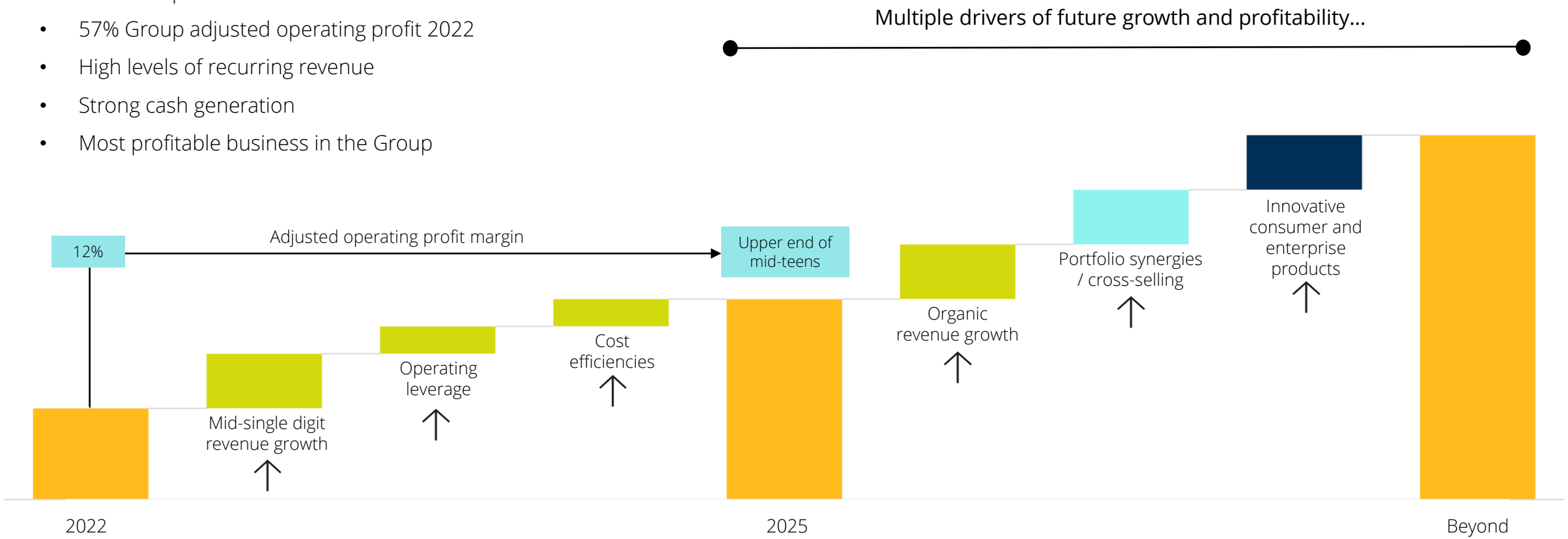
Assessment & Qualifications revenue growth **8%**	**Virtual Schools revenue growth** **(4)%**	**Higher Education revenue growth** **(5)%**
English Language Learning revenue growth **34%**	**Workforce Skills revenue growth** **8%**	**Group revenue growth*** **5%**

*excluding OPM and Strategic Review businesses

Driving long-term value through sustainable profitable growth

A&Q underpinning Group growth

- 38% Group revenue 2022
- 57% Group adjusted operating profit 2022
- High levels of recurring revenue
- Strong cash generation
- Most profitable business in the Group



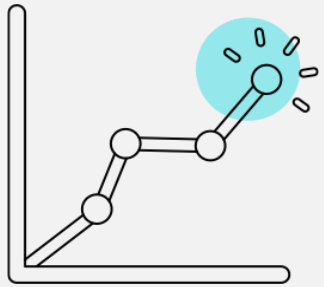
Supported by >90% operating cash conversion and improving free cash flow

Profitability and contribution of building blocks are illustrative only and not to scale.

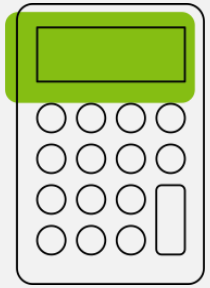
Five reasons to invest in Pearson

Market opportunity

Competitive advantage



Growth strategy



Strong financials

Purpose driven

Appendix

Assessment & Qualifications delivers across all tiers of learning

We support individual learners and learning organisations - healthcare, vocational, institutional, and governmental.

A&Q Business Unit	Purchase decision maker	End-Consumer	Value added by Pearson
Pearson VUE	Business, government, professional and academic organisations	**Learners seeking vocational skills and professional advancement**	Delivering scaled, secure test delivery
UK & International School Qualifications	UK secondary schools and international schools serving British curriculum	**Students pursuing K12 education**	Recognised educational and vocational pathways for learners
US Student Assessment	State education departments, school districts and other contractors	**Students pursuing K12 education**	Scaled measurement of state-level performance against curriculum standards
Clinical Assessment	Private practice clinics, large healthcare systems, K12 districts & schools	**Individuals or caregivers seeking special learning, cognitive, or mental health services**	Measures an individual's social/emotional or cognitive functioning to inform intervention and efficacy of support

Early childhood **Advanced age**

Five global business divisions

1	**Assessment & Qualifications (38% of sales)**	Certifications to prove achievements as learners upskill and reskill Largest division by revenue and consumer reach, as all activities across our five divisions can lead to some form of assessment or qualification
2	**Virtual Schools** (21% of sales)	Highly effective online learning for every age and stage Learning where, when and how a student learns best, with a truly personalised experience
3	**Higher Education** (23% of sales)	Market leader in Higher Education content High-quality digital content with increasing AI capabilities that provides enriching experiences for 18 million students annually Pearson+ provides foundation for premier digital learning ecosystem
4	**English Language Learning** (8% of sales)	Digital and blended English solutions for educational institutions and the flagship Pearson Test of English, in over 150 countries. Pearson Test of English is a trusted brand for entry into higher education and a path to immigration recognised by regulators and AI scored Mondly acquisition provides access to high-growth online DTC language learning market
5	**Workforce Skills** (5% of sales)	Helping workers gain skills to boost employability and access new job and career prospects Helping employers understand, maintain and enhance their most important asset – their people Faethm (AI-based) and Credly acquisitions boost our capabilities in this dynamic, high-growth space

A strong leadership team

Andy Bird
Chief Executive

Sally Johnson
Chief Financial Officer

Tom AP Simon
President – Higher Education and Virtual Learning

Ali Bebo
Chief Human Resources Officer

Lynne Frank
Chief Marketing Officer and Co-president, Direct to Consumer

Gio Giovannelli
President – English Language Learning

Mike Howells
President – Workforce Skills

Sulaekha "Sue" Kolloru
Chief Strategy Officer

Cinthia Nespoli
Chief Legal Officer

Tony Prentice
Chief Product Officer and Co-President, Direct to Consumer

Art Valentine
President – Assessment & Qualifications

Marykay Wells
Chief Information Officer

Group outlook

Segment	2022 Revenue (£m)	Margins* 2022	2023 expectations		Underlying revenue 3-year CAGR 2022 to 2025	Margins* 2025
			Revenue growth	Margins*		
Assessment & Qualifications	1,444	18%	Mid-single digit	Increase	Low to mid-single digit	Increase
Virtual Learning	820	9%				
• **Virtual Schools**	519		Mid-single digit decline	Increase	Low-single digit	Increase
• **OPM**	301			Disposed		
Higher Education	898	10%	Low-single digit decline	Increase	Low to mid-single digit	Increase
English Language Learning	321	8%	At least 25%	Increase	High-single digit	Increase
Workforce Skills	204	(1)%	High-single digit	Improve	Greater than 20%	Increase
Strategic review	154	10%				
Group	3,841	12%	Excluding OPM and strategic review: Higher end of low to mid-single digit	Mid-teens	Mid-single digit	Upper end of mid-teens