



Pearson 2024 Full Year Results

28th February 2025

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.



Delivered on our 2024 priorities



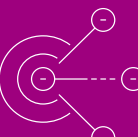
Delivered financial performance in line with market expectations

- Underlying sales growth of 3%*
- Adjusted operating profit +10% underlying to £600m
- Strong cash performance



Sharpened our focus on the Enterprise market

- Signed partnerships with AWS, Microsoft, ServiceNow and Degreed



Increased the intensity by which we infused our products and services with a wide range of AI capabilities

- Significantly expanded our AI powered products and services across the whole business and starting to see a commercial benefit

Strategic framework remains the same

Initial Observations

Strong Business

Trusted Business

Assessments &
Verification Core

Two Seismic Trends

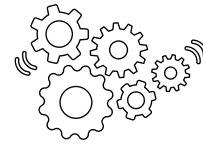
Demographic Shift

AI, AI, AI

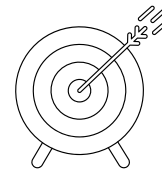
Strategic Priorities



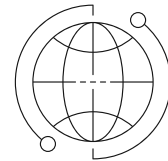
Driving performance
in the Core Business



Execution Synergies



Targeted Market
Expansion



Medium Term
Growth Vectors



Driving performance in the Core Business

2024

ASSESSMENT & QUALIFICATIONS

Execution

- Contract wins and 99% customer retention in VUE
- VUE enterprise customer wins (ServiceNow & Salesforce) and enhanced customer relationships (Microsoft & AWS)
- US Student Assessment customer renewals
- Commercial expansion of Digital Assessment Library for Schools platform subscription model
- Successful international expansion for UK & International Qualifications

Product & Services

- Building test prep content and sales capabilities for VUE
- Expanded formative assessment capabilities in US Student Assessment – Arizona and North Dakota
- Successful launch of the Wechsler Adult Intelligence Scale (5TH edition) in Clinical
- Content expansion of Digital Assessment Library for Schools platform in Clinical
- Developing new AI features within Exam Practice Assistant for GCSE students

2025

- Continued customer wins and retention momentum
- Monetisation of test prep offering
- Continued strategic focus on formative assessment within US Student Assessment
- International expansion
- AI scoring and proctoring
- Product launches, including pharma in Clinical

HIGHER EDUCATION

Execution

- Improved selling performance leading to adoption share gain and sales growth
- Built direct US K12 sales channel for AP / Dual Enrollment / Career + Technical Education
- Successful monetisation of Channels features

Product & Services

- Accelerated roll out of AI study tools to US students
- AI powered tools for instructors
- Roll out of AI study tools into leading titles internationally

- Building upon adoption share wins
- Continued focus on AI product enhancements
- Continued scaling of Channels features
- Growth focus in International Higher Education
- Scaling direct US K12 sales channel
- Expanding market opportunity into new collar skills



Driving performance in the Core Business

2024

VIRTUAL LEARNING

Execution

- 3 new school openings
- Scaling career and college readiness programmes – now in 24 schools
- New enrolment portal pilots

Product & Services

- AI powered custom assessments
- AI study tools embedded into curriculum for certain subjects and to enable teachers to design assessments

2025

- Career and college readiness programme expansion
- Improving core enrolment performance and scaling enrolments in new schools
- Expanding school network
- New school models

ENTERPRISE LEARNING & SKILLS

Execution

- Landed strategic partnerships with enterprise customers – ServiceNow, Microsoft & AWS
- Partner expansion with Degreed
- Credly crossed the 100 million unique badge milestone

Product & Services

- Faethm competency levels added to skills ontology
- Launched GED & Me mobile app

- Key account / strategic account management
- Product bundling focus
- International expansion in Vocational Qualifications

ENGLISH LANGUAGE LEARNING

Execution

- Strong sales performance in Institutional
- Market share gains in PTE
- Wizard expansion in Brazil

Product & Services

- PTE Core launch
- AI products – Digital Language Tutor launched and piloted Smart Lesson Generator for teachers

- Ongoing international market expansion in Institutional (LATAM/MENA)
- AI product enhancements
- Proficiency assessments

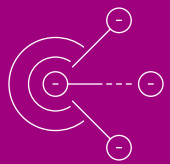


Driving performance in the Core Business

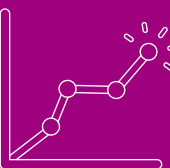
Improvements in core operations
benefitting Pearson as a whole



AI content generation



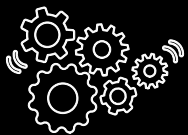
AI in customer services



Driving a Performance culture



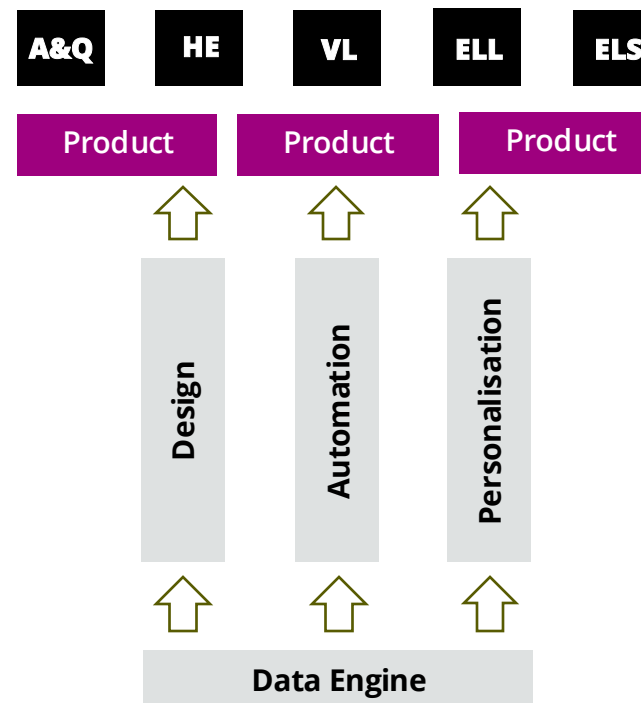
Drive Operational Performance – Improved Customer Service – Enhanced Productivity

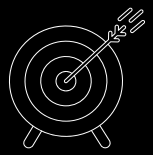


Execution Synergies

- Formation of Pearson Product Group
- Implementation of modern software management
 - Speed of innovation
 - Sharper investment focus
 - Deployment of common services
- AI Product enhancements
- Product simplification

Product Management






Targeted Market Expansion



~\$2T
US Learning
Market



~\$15B
(2% CAGR)
Core Business

~\$80B+
(5%+ CAGR)
Core + Adjacent
Opportunities

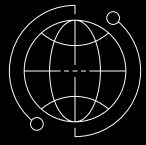
	School	Higher Ed	Enterprise
Delivery	Black bar		
Tech & Services			
Content			



Simplified our Go-To-Market approach for this segment:

- Large market opportunity
- Building dedicated strategic account management
- Customer Proof Points

*Scale of above visual is not indicative of segment size



Medium Term Growth Vectors

Early Careers



Enterprise Skilling



Financial Review & Outlook



2024 Financial Highlights

- **10% increase in adjusted operating profit** with margin expanding from **15.6% to 16.9%**
- Adjusted EPS increased **7% to 62.1p**
- **Cash performance was excellent** with operating cash conversion of 110% and **free cashflow conversion of 117%**
- **Increasing the dividend by 6%** as well as announcing a **Share Buyback of £350m**

Sales £3,552m
up 3% underlying*

(2023: £3,674m)

Adjusted operating
profit £600m up 10%
underlying

(2023: £573m)

Operating cash flow £662m,
110% conversion

(2023: £587m)

Free cash flow £490m,
117% conversion

(2023: £387m)

Adjusted earnings per
share 62.1p up 7%

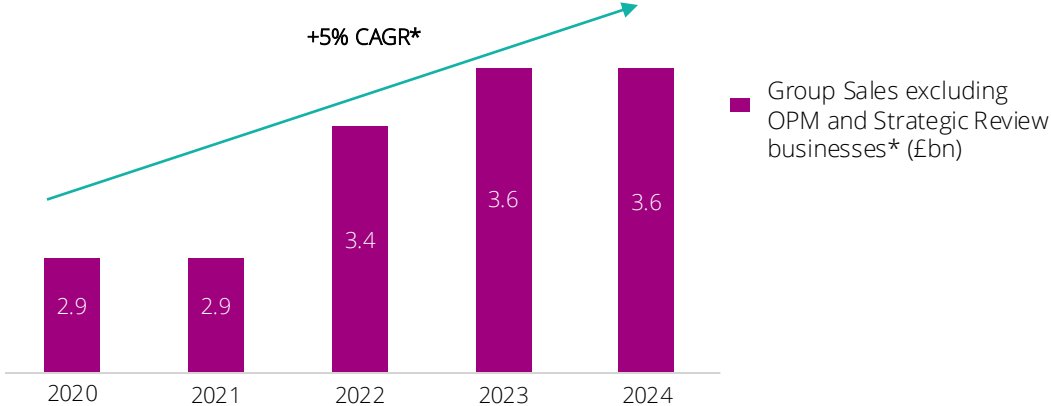
(2023: 58.2p)

Full year dividend 24.0p
up 6%

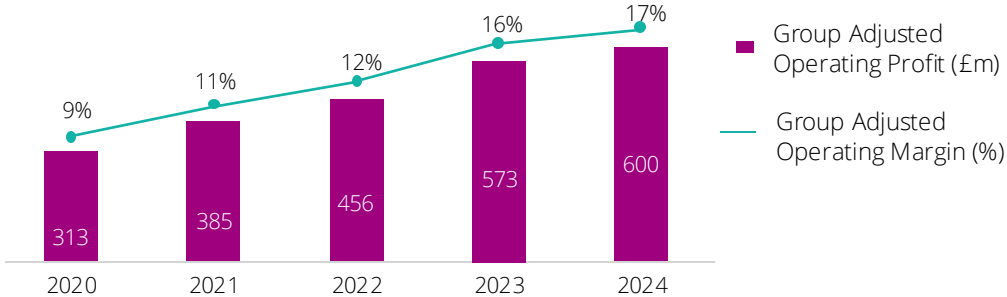
(2023: 22.7p)

Financial progress provides foundation for ongoing confidence

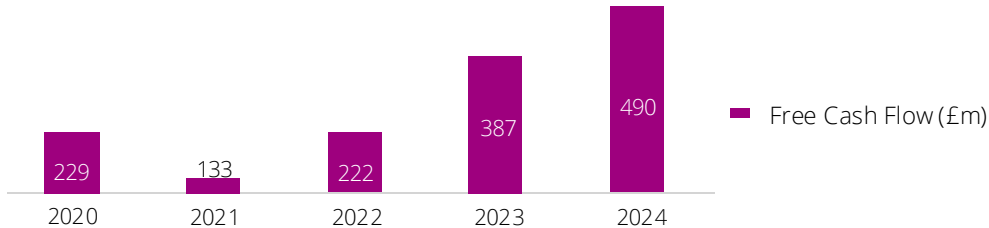
Sales



Adjusted operating profit and margin



Free cash flow



*Group Sales at reported FX rates. Group sales CAGR on an underlying basis excluding OPM and Strategic Review businesses
The average US dollar rate for the year against sterling was: 2020 \$1.28, 2021 \$1.38, 2022 \$1.24, 2023 \$1.25, 2024 \$1.28

2024 Sales

£m	2024	2023	Headline growth	CER growth*	Underlying growth*
Assessment & Qualifications	1,591	1,559	2%	4%	3%
Virtual Learning	489	616	(21%)	(19%)	(4%)
Higher Education	826	855	(3%)	(1%)	1%
English Language Learning	420	415	1%	8%	8%
Workforce Skills	226	220	3%	4%	6%
Strategic Review	-	9	(100%)	(100)%	(100%)
Total	3,552	3,674	(3%)	0%	2%
Total, excluding OPM** and Strategic Review***					3%

*Underlying growth rates exclude currency movements, and portfolio changes. Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

**We completed the sale of the Pearson Online Learning Services (POLS) business in June 2023 and as such have removed from underlying measures throughout. Within this specific measure we exclude our entire OPM business (POLS and ASU) to aid comparison to guidance.

***Strategic Review is sales in international courseware local publishing businesses which have been wound down. As expected, there are no sales in these businesses in 2024.

2024 Adjusted Operating Profit

£m	2024	2023	Margin 2024	Margin 2023	Underlying growth*
Assessment & Qualifications	368	350	23%	22%	7%
Virtual Learning	66	76	13%	12%	(9%)
Higher Education	108	110	13%	13%	12%
English Language Learning	50	47	12%	11%	30%
Workforce Skills	8	(8)	4%	(4%)	200%
Strategic Review	-	(2)	-	(22%)	100%
Total adjusted operating profit/(loss)	600	573	16.9%	15.6%	10%

*Underlying growth rates exclude currency movements, and portfolio changes. Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

Key cash flow movements

£m	2024	2023	YOY change	
Adjusted Operating Profit	600	573	27	
<i>Capex cash</i>	(170)	(168)	(2)	
<i>Depreciation</i>	193	202	(9)	
Net capex investment	23	34	(11)	
<i>Product development cash</i>	(284)	(300)	16	
<i>Amortisation</i>	291	284	7	
Net product development investment	7	(16)	23	
Working capital, FX and other	32	(4)	36	
Operating Cash Flow	662	587	75	13%
<i>Operating cash flow conversion rate</i>	<i>110%</i>	<i>102%</i>		
Cash interest paid	(45)	(40)	(5)	
Cash tax paid	(119)	(97)	(22)	
One-time reorganisation costs	(8)	(63)	55	
Free Cash Flow	490	387	103	27%
<i>Free cash flow conversion rate*</i>	<i>117%</i>	<i>93%</i>		

*Free cash flow conversion calculated as free cash flow divided by adjusted earnings.

Cash & Balance Sheet

	Net debt (£m)	Net debt: Adj. EBITDA	ROC	Operating cash flow (£m)	Operating cash flow conversion	Free cash flow (£m)
2024	853	1.1x	10.4%	662	110%	490
2023	744	1.0x	10.3%	587	102%	387
2022	577	0.8x	8.7%	401	88%	222
2021	350	0.6x	7.9%	388	101%	133
2020	463	0.8x	6.6%	315	101%	229
	Strong balance sheet retained		ROC improvement +380bps	Operating cash flow growth 20% CAGR	Average cash conversion 100%	Free cash flow growth 21% CAGR

Group Financial Expectations

2025 Group expectations	Underlying sales growth & adjusted operating profit	In line with current market expectations*
	Free cash flow conversion	90 - 100% + £0.1bn State Aid repayment
	Interest	c.£65m
	Tax	24 - 25%
Business unit expectations	<ul style="list-style-type: none"> • Assessment & Qualifications will grow low to mid-single digits • Virtual Learning will return to growth • Higher Education growth in 2025 to be higher than in 2024 • English Language Learning growth will moderate • Enterprise Learning and Skills will grow high single digits 	
Medium-term guidance reconfirmed	<ul style="list-style-type: none"> • Mid-single digit underlying sales CAGR • Average margin growth of 40 bps per annum • 90% - 100% free cash conversion, on average, across the period 	

*2025 consensus on the Pearson website dated 27th January 2025; underlying sales growth 4.4%, adjusted operating profit of £656m at £:\$ 1.23. For reference, each 1c move in USD FX rate equates to £5m of adjusted operating profit.

2025 Phasing

Group

Q1, which is our smallest quarter, will be muted. H1 will see low single digit growth, with stronger growth in H2. Growth will generally be weighted to H2 given the known business unit dynamics.

ASSESSMENT & QUALIFICATIONS

- Growth will be H2 weighted with new and renewed contracts and the test prep business building during the year

VIRTUAL LEARNING

- Decline in H1, given the final impact of previous school losses and the timing of funding in the previous year
- H2, and the full year, will grow through enrolment increases for the 25/26 school year

ENGLISH LANGUAGE LEARNING

- We expect Q1 to decline given growth profile of 2024, with growth increasing in each quarter thereafter

ENTERPRISE LEARNING & SKILLS

- Growth will increase quarter on quarter

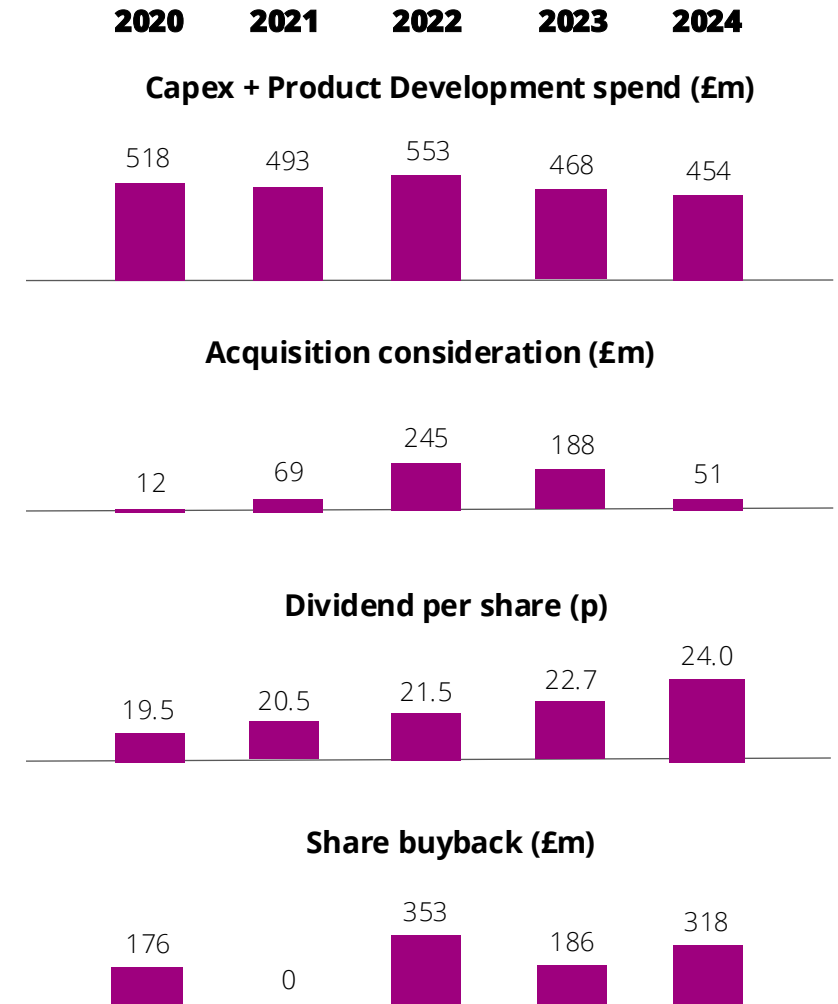
HIGHER EDUCATION

- Growth will remain relatively stable throughout the year

Capital Allocation – uses of cash

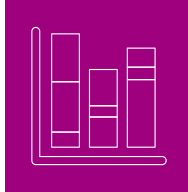
Strong balance sheet | Net debt / EBITDA around 2x

1. Invest in the business to accelerate growth opportunities	Capex and product development for organic growth
	Focused and disciplined approach to M&A
2. Dividends	Progressive and sustainable <u>Dividend per share growth 5% CAGR 2020-2024.</u>
3. Surplus cash returns	Buybacks or special dividends as and when appropriate <u>£1.0bn of surplus cash returned since 2020, £350m buyback announced for 2025</u>





Financial Summary



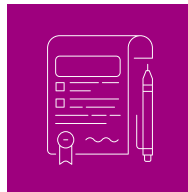
2024 financial performance in line with expectations



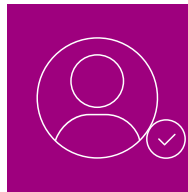
Excellent margin expansion



Strong Free Cash Flow



Strong Balance Sheet and £350m share buyback

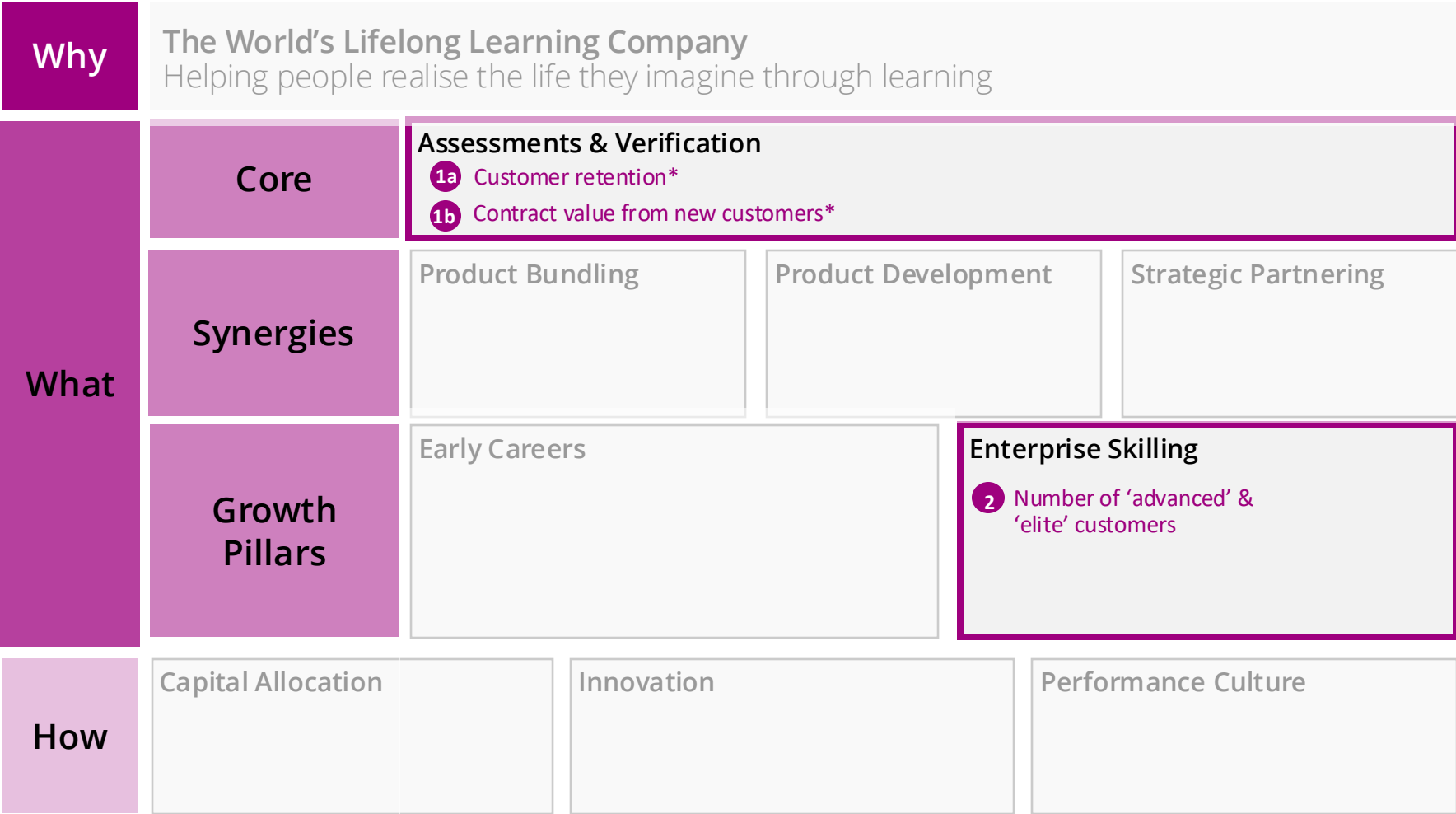


Confidence in our guidance for 2025 and beyond

A black and white photograph of two women sitting at a desk. The woman on the left is wearing a light-colored hijab and a dark top, looking towards the woman on the right. The woman on the right is wearing a light-colored button-down shirt and is gesturing with her hands while speaking. A laptop is open on the desk in front of the woman in the hijab. The background is a bright, out-of-focus office space with a window and a whiteboard.

Wrap up

Pearson's New Power Metrics



* For relevant assessment business units.

Three priorities for 2025

Financial Performance

Deliver financial performance in line with market expectations

Innovative Technologies

Continue to lead on application of innovative technologies, like **AI**, across our products and services

Enterprise

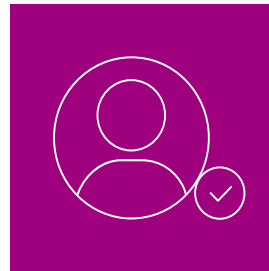
Grow Pearson's business across the enterprise customer segment



Key takeaways



Happy with execution focus and strategic and financial progress in 2024



Momentum building, confident in guidance for 2025 and beyond



Appendix

M&A Principles

Strategic Rationale	Deals must be part of pre-agreed strategy , aligned with our corporate priorities.
Returns	Deals need to demonstrate strong financial returns , with confidence in value creation.
Synergies	Deals need to have very clear synergies with our core business.
Strategic Focus Areas	M&A to focus on well-run, profitable and growing business units.
Deal Sourcing	Expect our business teams to develop proactive pipelines , with strong preference to bilateral transactions.

Measuring Our Success

Strategic KPIs*

Enabling sustainable growth, driving shareholder value and contributing to a more equitable world

KPI
Digital growth

Objective
Drive digital sales growth

	KPI Measure				
	Underlying growth in Group digital and digital-enabled sales**	Virtual Schools US enrolments***	OnVUE volumes	Higher Education US digital subscriptions	PTE volume
2024 Actual	4%	96k	2.3m	10.1m	1,108k
2023 Actual	8%	100k	2.7m	9.8m	1,231k

Note:
 * Will be replaced by power metrics in 2025.
 ** Excluding OPM and Strategic Review businesses.
 *** Measure definition has changed to number of government-funded student enrolments at partner schools within the US as of 30 September.
 Excludes private-pay students at Pearson Online Academy and district partnerships. This is more closely aligned to business processes.

Measuring Our Success

Strategic KPIs*

Enabling sustainable growth, driving shareholder value and contributing to a more equitable world

KPI
Consumer Engagement

Objective
Create engaging and personalised consumer experiences

	KPI Measure				
	NPS for Connections Academy	NPS for PTE	Pearson+ registered users	Credly new registered users	Mondly paid subscriptions
2024 Actual	+67	+60	3.06m	6.0m	495k
2023 Actual	+67	+55	3.03m	5.3m	432k

Note:
* Will be replaced by power metrics in 2025.

Measuring Our Success

Strategic KPIs*

Enabling sustainable growth, driving shareholder value and contributing to a more equitable world

KPI

Product Effectiveness

Objective

Improve the effectiveness of our products to deliver better outcomes

		KPI Measure					
		PTE speed of score return	VUE test volumes ***	VUE Partner retention	Higher Education product usage - text units	Workforce Skills number of enterprise customers	Credly enterprise customer net retention rate**
2024 Actual		1.3 days	20.7m	99.2%	4.7m	1,509	91%
2023 Actual		1.0 days	20.7m	93.6%	4.5m	1,547	88%

Notes:

* Will be replaced by power metrics in 2025.

** Previously reported 'Workforce Skills enterprise customer net retention rate' which combined Credly and Faethm. Methodology change to only include Credly customer retention going forward as Faethm is not a retention based business.

*** VUE test volumes include PTE and GED tests but sales for each of these tests are reflected in the English Language Learning and Workforce Skills business units respectively. From 2024 Pearson VUE test volumes now include PDRI tests.

Measuring Our Success

Strategic KPIs*

Enabling sustainable growth, driving shareholder value and contributing to a more equitable world

KPI

Culture of Engagement & Inclusion

Objective

Build a culture of engagement and inclusion where diverse talent is heard, invested in and valued for their strengths and skills

		KPI Measure			
		Employee engagement	Investing in diverse talent	Culture of Inclusion Index	Increasing diverse talent
		Pearson uses the Gallup Q ¹² ® survey to measure engagement, annually	The % of responses who agree or strongly agree to Gallup Q ¹² ® survey questions	<p>The GrandMean of 3 Gallup Q¹²® survey questions: At work, I am treated with respect</p> <p>My company is committed to building the strengths of each employee</p> <p>If I raised a concern about ethics and integrity, I am confident my employer would do what is right</p>	Objective: Increase BIPOC / BAME representation at all manager levels and maintain overall gender parity
2024 Actual		4.16 Grand Mean on a 5-point Likert scale	<p>In the last six months, someone at work has talked to me about my progress = 78%</p> <p>This last year, I have had opportunities at work to learn and grow = 77%</p>	4.24 Grand Mean on a 5-point Likert scale	<p>Representation of BIPOC/BAME employees at Manager level and above = 23%</p> <p>Global % of female employees = 59%</p>
		4.09 Grand Mean on a 5-point Likert scale	<p>In the last six months, someone at work has talked to me about my progress = 73%</p> <p>This last year, I have had opportunities at work to learn and grow = 76%</p>	4.21 Grand Mean on a 5-point Likert scale	<p>Representation of BIPOC/BAME employees at Manager level and above = 22%</p> <p>Global % of female employees = 59%</p>

* Will be replaced by power metrics in 2025.

Measuring Our Success

Strategic KPIs*

Enabling sustainable growth, driving shareholder value and contributing to a more equitable world

KPI		KPI Measure	
Sustainability Strategy		Progress against achieving Net Zero Carbon by 2050 as measured through percent carbon reduction	
Objective Reduce emissions by 50% by 2030 vs 2018	2024 Actual	Reduction in total tCO2 in 2024 (vs 2018)	41%
	2023 Actual	Reduction in total tCO2 in 2023 (vs 2018)	38%

Notes:

The net emissions reduction figures have been assured by an independent third-party, SLR Consulting Ltd. % reduction in total tCO2 above is calculated using a location methodology. In 2024, we updated our 2018 and 2023 GHG emissions baselines to reflect recent acquisitions and disposals, and to align with changes in data methodology as a result of transitioning to a new emissions data management system. Annual reductions include a 5% reduction in total tCO2e in 2024 vs 2023.

* Will be replaced by power metrics in 2025.

Sales by business – select businesses

£m	2024	2023	Underlying change*
Assessment & Qualifications	1.59	1.56	3%
Pearson VUE	0.67	0.65	3%
US Student Assessment	0.36	0.37	1%
Clinical Assessment	0.28	0.27	4%
UK & International Qualifications	0.28	0.26	8%
Virtual Schools	0.49	0.50	(1)%
Higher Education	0.83	0.85	1%
US Higher Education	0.70	0.71	2%
International Higher Education	0.13	0.14	(5)%

*Underlying growth rates exclude currency movements, and portfolio changes. Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

US Higher Education

US Higher Education Courseware college units

Units by format	2024 units (m)	2023 units (m)	Year on year change
Print	0.8	0.8	4%
Bundles	0.1	0.2	(35)%
Platform	5.6	5.6	0%
Rental	0.3	0.3	(8)%
eText	3.8	3.4	8%
Total	10.5	10.3	2%

UNITS KEY

Print: College textbooks
 Bundles: College textbooks and platform
 Platform: MyLab, Mastering and Revel
 Rental: Print textbook rental
 eText: eText and Pearson+

Pearson + Fall semester

	2024	2023	Year on year change
Registered users	3.06m	3.03m	1%
Paid subscriptions	518k	516k	0%

2024 Cash Flow Reconciliation

	Statutory	Costs of major restructuring	Property charges	Other net gains and losses	Intangible charges	Purchase/disposal of PPE and software	Net addition of ROU assets	Dividends received	Interest received	Adjusted	
Profit before tax + net finance costs	541	(2)		20	41					600	Adjusted operating profit
						(124) ¹	(46) ⁴			(170)	Capex cash
Depreciation and impairment – PPE, investment property and assets held for sale	77		(1)							76	
Amortisation and impairment - software	117									117	
										193	Depreciation
Amortisation and impairment - acquired intangible assets	41				(41)						
Other net gains and losses	5			(5)							
Product development capital expenditure	(284)									(284)	Product development cash
Product development amortisation	291									291	Amortisation
Share-based payment costs	44			(2)						42	
Change in inventories	15									15	
Change in trade and other receivables	32									32	
Change in trade and other liabilities	(99)									(99)	
Change in provisions for other liabilities and charges	(1)	10	1							10	
Other movements	32			(8)				2 ⁷		26	
						6 ²				6	Proceeds from sale of PPE and software
										32	Working capital, FX and other
Net cash generated from operations	811	8 ⁵		5 ⁶		(118)	(46)	2 ⁷		662	Operating cash flow
Interest paid	(65)							20 ³		(45)	Cash interest paid
Tax paid	(119)									(119)	Cash tax paid
		(8) ⁵								(8)	One-time reorganisation costs
Net cash generated from operating activities	627			5 ⁶		(118)	(46)	2 ⁷	20 ³	490	Free cash flow

1 Cash flows are included in the investing activities section of the statutory cash flow statement - £33m purchase of PPE and £91m purchase of intangible assets totaling £124m.

2 Cash flows are included in the investing activities section of the statutory cash flow statement - £6m proceeds from sale of PPE.

3 Cash flows are included in the investing activities section of the statutory cash flow statement - £20m interest received.

4 Net additions to right of use assets represent additions to and disposals of right of use assets. These items are non-cash but are included in operating cash flow as IFRS 16 capitalises new leases which impacts net debt.

5 Cash flows resulting from major reorganisation programmes are excluded from operating cash flow but are included in free cash flow.

6 Cash flows from acquisition and disposal activity (including transaction costs related to acquisitions which are classified within net cash generated from operations in the statutory cash flow) are excluded from operating cash flow and free cash flow and so are shown as a reconciling item.

7 Cash flows are included in the investing activities section of the statutory cash flow statement - £2m dividends received.

Other modelling assumptions

Evolution of Workforce Skills

- From January this year, Workforce Skills became Enterprise Learning and Skills, bringing together Pearson's enterprise sales capabilities globally (excluding those of Pearson VUE).
- The enterprise focused business within Higher Education (IT Pro) has been transferred into Enterprise Learning and Skills from January this year.
- This business generated £45m of revenue and £19m of adjusted operating profit in 2024.

2024	Higher Education	Workforce Skills/ELS
Revenue as reported	£826m	£226m
IT Pro	-£45m	+£45m
Revenue illustrative	£781m	£271m
Adjusted operating profit as reported	£108m	£8m
<i>Adjusted operating margin as reported</i>	13%	4%
IT Pro	-£19m	+£19m
Adjusted operating profit illustrative	£89m	£27m
<i>Adjusted operating margin illustrative</i>	11%	10%