Pearson

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Pearson Interim Results 2025 Pre-Close Aide Memoire

19th June 2025

This aide memoire brings together certain previous public communications made by Pearson as extracted from their original source, which readers may find helpful to consider ahead of Pearson's Interim Results 2025. All statements have had their source attributed and reflect views as at the date they were made and they do not reflect subsequent or recent events, circumstances, or developments. No new information or disclosure is given in this document. Any updates to the information contained in this document and other previous public communications would only be included in further communications by Pearson to the market and the inclusion of the extracted statements herein should not be taken to indicate that they will not be updated in the future.

H1 performance comments

H1 2025 guidance

- We expect low single-digit Group underlying sales growth in H1. (source: Q1 Trading Update RNS, 2 May 2025) Business unit 2025 sales phasing considerations included within the Outlook table later in this document.

H1 2024 business unit comments

- Assessment & Qualifications sales grew 2% [on an underlying basis], with growth across Pearson VUE, Clinical, and UK & International Qualifications partially offset by an expected, small decline in US Student Assessments. (source: Interim Results RNS, 29 July 2024)
  - Pearson VUE sales were up 4% in underlying terms driven by favorable mix and value-added services. Test volumes increased versus the same period last year to 10.9m. PDRI also saw good growth with strong volumes. (source: Interim Results RNS, 29 July 2024)
  - In US Student Assessment, sales decreased 3% in underlying terms due to reduced scope and phasing of some contracts which will normalise in the second half. (source: Interim Results RNS, 29 July 2024)
  - In Clinical Assessment, sales increased 1% in underlying terms supported by pricing, digital product growth and a new product release. (source: Interim Results RNS, 29 July 2024)
  - In UK and International Qualifications, sales increased 7% in underlying terms driven by volume, pricing and strong International growth. (source: Interim Results RNS, 29 July 2024)
  - Adjusted operating profit increased 7% in underlying terms due to operating leverage on sales growth, and cost phasing and savings partially offset by inflation and 7% in headline terms due to this, PDRI profit and currency movements. (source: Interim Results RNS, 29 July 2024)
- Virtual Schools sales were down 1% on an underlying basis, given the previously cited loss of a larger partner school in the 2023/24 academic year. (source: Interim Results RNS, 29 July 2024)
- Higher Education sales were down 2% [on an underlying basis], in line with our phasing guidance. (source: Interim Results RNS, 29 July 2024)
  - Adjusted operating profit increased in underlying terms driven by cost savings partially offset by restructuring costs and trading and was flat in headline terms due to this offset by currency movements and portfolio changes. (source: Interim Results RNS, 29 July 2024)
- English Language Learning sales increased 11% [on an underlying basis] due to strong growth in Institutional as well as growth in Mondly, partially offset by a sales decline in PTE given market dynamics. (source: Interim Results RNS, 29 July 2024)

  - PTE volumes were down 10%, due to declines in the English High Stakes testing market due to tightening of policies around international study and migration. (source: Interim Results RNS, 29 July 2024)
  - Within Institutional, performance was strong, with particularly good growth in Latin America and the Middle East. (source: Interim Results RNS, 29 July 2024)
  - Adjusted operating profit increased by 38% in underlying terms due to increased operating leverage on sales partially offset by increased investment and decreased 50% in headline terms due to this and currency movements. (source: Interim Results RNS, 29 July 2024)
- Workforce Skills [renamed Enterprise Learning & Skills from January 2025] sales grew 6% [on an underlying basis], with strong performances in Vocational Qualifications, GED and Credly. (source: Interim Results RNS, 29 July 2024)
  - Both the Vocational Qualifications and the Workforce Solutions [renamed Enterprise Solutions] from January 2025] businesses grew by 6% in underlying terms. (source: Interim Results RNS, 29 July 2024)
  - Adjusted operating profit increased by 27% in underlying terms due to trading and cost savings and increased 38% in headline terms due to this, currency movements and portfolio changes. (source: Interim Results RNS, 29 July 2024)

H1 2024 Group profit comments

- Adjusted operating profit up 4% on an underlying basis to £250m. Performance driven by trading alongside net cost phasing and savings, partially offset by inflation and restructuring charges in Higher Education, which were weighted to the first half. (source: Interim Results RNS, 29 July 2024)
- The average £:$ rate for H1 2024 was 1.26. (source: Note 8 of the Condensed Consolidated Financial Statements in the Interim Results RNS, 29 July 2024)
- Adjusted earnings per share was flat at 25.6p (H1 2023: 25.6p) with higher net interest costs offset by the reduction in issued shares, both due to the share buyback. (source: Interim Results RNS, 29 July 2024)

Outlook

In the Q1 Trading Update RNS, 2nd May 2025, we provided the following 2025 guidance:

Underlying Sales growth	Group	In line with market expectations[1]. We expect low single-digit sales growth in H1 with stronger growth in H2.
	Assessment & Qualifications	Sales to grow low to mid-single digit. Growth will be H2 weighted with new and renewed contracts and the test prep business building during the year.
	Virtual Learning	Sales to decline in H1 given the final impact of previous school losses and the timing of funding in the previous year. Return to growth in H2 and the full year driven by enrolment increases, partially from new school openings, for the 25/26 academic year.
	Higher Education	Sales growth in 2025 will be higher than in 2024 as we build on the successful results of our sales team transformation and product innovations, particularly using AI. Growth will be relatively stable throughout the year.
	English Language Learning	Sales growth will moderate given the likely impacts of elections on immigration rates in 2025 affecting our PTE business, which is expected to decline in the year. Q1 declined in line with expectations and we expect growth to increase each quarter thereafter. We remain confident in the medium term outlook given demographic projections.
	Enterprise Learning & Skills	Sales to grow high single digit with Vocational Qualifications seeing solid growth and the addition of several new contracts for Enterprise Solutions. Growth will increase quarter on quarter.
Group Profit	Adjusted Operating Profit	In line with market expectations[1].
	Interest	Adjusted net finance costs of c.£65m reflecting the impact of the Education Bond and £350m share buyback programme which commenced in March.
	Tax rate	We expect the effective tax rate on adjusted profit before tax to be between 24% and 25%.
Cash flow		We expect a free cash flow conversion[2] of 90-100% plus the £0.1bn State Aid repayment which was received in full during Q1 2025.
FX		Every 1c movement in GBP:USD rate equates to approximately £5m adjusted operating profit impact.

[1]2025 consensus on the Pearson website dated 27th January 2025; underlying sales growth 4.4%, adjusted operating profit of £656m at £:$ 1.23. The average £:$ rate for Q1 2025 was 1.27, which if held for the full year would imply an updated adjusted operating profit consensus of c.£636m, applying the FX guidance stated above.
[2]Free cash flow conversion calculated as free cash flow divided by adjusted earnings.

Sales

- During the Full Year 2024 results presentation the CFO said "Turning to 2025. We expect each business unit to grow." (source: Full Year 2024 Results Transcript, 28 February 2025)
- "In terms of phasing, as we have seen in other years, growth will generally be weighted to H2, given these known business unit dynamics." (source: Full Year 2024 Results Transcript, 28 February 2025)

Adjusted Operating Profit

- During the results presentation the CFO said "You can tell from guidance for 2025, we are going to see margin improvement in 2025." Group adjusted operating margin improvement will be driven by "operating leverage on sales growth and then cost efficiencies…offset by investment." (source: Full Year 2024 Results Transcript, 28 February 2025)

Medium Term Outlook

- Beyond 2025, Pearson is positioned to deliver a mid-single digit underlying sales growth CAGR, sustained margin improvement that will equate to an average increase of 40 basis points per annum and strong free cash conversion[2], in the region of 90% to 100%, on average, across the period. (source: Q1 Trading Update RNS, 2 May 2025)

Other comments for consideration

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). In addition, sub-unit Workforce Solutions became Enterprise Solutions. (source: Full Year 2024 Results RNS, 28 February 2025)
- 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. (source: Full Year 2024 Results RNS, 28 February 2025)

Assessment & Qualification

- We also secured several meaningful new enterprise customer contracts and renewals relevant to the Pearson VUE business including ServiceNow, Microsoft and AWS. (source: Full Year 2024 Results RNS, 28 February 2025)

Higher Education

- During the results presentation the CFO said "The H2 US Higher Ed growth of circa 3.5% underpins our confidence going forward." (source: Full Year 2024 Results Transcript, 28 February 2025)
- 2025 will be a transitionary year for our K-12 channel as we ramp up our direct sales team selling our proprietary AP®, Dual Enrolment, and CTE materials into US states and school districts. (source: Full Year 2024 Results RNS, 28 February 2025)

English Language Learning

- During the results presentation the CFO said "English is still going to grow really well, just not quite as much as it did last year because PTE is probably going to decline a little bit because of the Australian and Canadian elections caused the market to fluctuate a little bit this year. We are really confident that those demographic points that we have laid out mean that, that is going to be a great market for us in the future. There is just a little bit of volatility in it this year. Our Institutional business grew brilliantly last year. It will grow brilliantly this year as well." (source: Full Year 2024 Results Transcript, 28 February 2025)

US Federal Government

- During the Full Year 2024 results presentation the President of Assessment & Qualification said "PDRI is a relatively small part of the overall Pearson portfolio, less than 2% of our revenue. While it does do a lot of direct federal government work, the core value proposition of PDRI is around merit-based hiring. The overwhelming bulk of its offerings help hiring agencies identify candidates who have the exact skills and the exact knowledge to fill the jobs that they need. This, again, is absolutely in line with what the objectives of the administration are… We are paying very close attention to specific contracts, although much of our work is with military and public safety functions like TSA, which are viewed differently in the scope of the administration actions." (source: Full Year 2024 Results Transcript, 28 February 2025)

Dividend

- The Directors are proposing a final dividend in respect of the financial year ended 31 December 2024 of 16.6p per equity share which will absorb an estimated £111m of shareholders' funds. It will be paid on 9 May 2025 to shareholders who are on the register of members on 21 March 2025. (source: Pearson Annual Report and Accounts 2024, 14 March 2025)
- At the interim results in 2024, the CFO said "Reflecting our strong performance and our confidence in the outlook, we are proposing a 6% increase in the interim dividend to 7.4p." (source: Interim Results Transcript, 29 July 2024)

Share Buyback

- On 18th March 2025 we commenced the first tranche of our £350m share buyback programme. The first tranche of the programme will be in the sum of £175m and is anticipated to end on or before 18th August 2025. We intend to enter into arrangements to commence a second tranche of the programme in the sum of £175m in due course. (source: Announcement of share repurchase programme, 18 March 2025)
- As at close of business on 31 May 2025, the Company had 659,319,697 ordinary shares. (source: Total Voting Rights RNS, 2 June 2025)

Debt

- In September 2024, we issued a new £350m 5.375% GBP denominated Education Bond. Further details can be found on our corporate website. The €300m 1.375% Euro denominated Bond matures in 2025. (source: Pearson Annual Report and Accounts 2024, 14 March 2025)

Prior year comparatives and recent performance

<table>
<tr><th></th><th colspan="11">Underlying sales growth</th></tr>
<tr><th></th><th>Q1 2023</th><th>H1 2023</th><th>Q3 2023</th><th>Q4 2023</th><th>FY 2023</th><th>Q1 2024</th><th>H1 2024</th><th>Q3 2024</th><th>Q4 2024</th><th>FY 2024</th><th>Q1 2025</th></tr>
<tr><td>Assessment & Qualifications</td><td>6%</td><td>7%</td><td>11%</td><td>3%</td><td>7%</td><td>2%</td><td>2%</td><td>6%</td><td>4%</td><td>3%</td><td>1%</td></tr>
<tr><td>Virtual Learning</td><td>(14%)</td><td>(15%)</td><td>(29%)</td><td>(22%)</td><td>(20%)</td><td>(4%)</td><td>(8%)</td><td>4%</td><td>(5%)</td><td>(4%)</td><td>(4%)</td></tr>
<tr><td>Virtual Schools[5]</td><td>(2%)</td><td>(2%)</td><td>(4%)</td><td>5%</td><td>(2%)</td><td>4%</td><td>(1%)</td><td>4%</td><td>(5%)</td><td>(1%)</td><td>(4%)</td></tr>
<tr><td>Higher Education</td><td>(5%)</td><td>(2%)</td><td>(8%)</td><td>0%</td><td>(3%)</td><td>(4%)</td><td>(2%)</td><td>4%</td><td>2%</td><td>1%</td><td>6%</td></tr>
<tr><td>English Language Learning</td><td>66%</td><td>44%</td><td>21%</td><td>22%</td><td>30%</td><td>22%</td><td>11%</td><td>2%</td><td>11%</td><td>8%</td><td>(6%)</td></tr>
<tr><td>Enterprise Learning & Skills</td><td>8%</td><td>9%</td><td>3%</td><td>28%</td><td>11%</td><td>9%</td><td>6%</td><td>6%</td><td>4%</td><td>6%</td><td>1%</td></tr>
<tr><td>Strategic Review</td><td>(50%)</td><td>(50%)</td><td>(67%)</td><td>(125%)</td><td>(74%)</td><td>(100%)</td><td>(100%)</td><td>(100%)</td><td>(100%)</td><td>(100%)</td><td>-</td></tr>
<tr><td>Total</td><td>2%</td><td>4%</td><td>2%</td><td>0%</td><td>1%</td><td>2%</td><td>1%</td><td>4%</td><td>3%</td><td>2%</td><td rowspan="2">1%</td></tr>
<tr><td>Total, excluding OPM[3] and Strategic Review[4]</td><td>6%</td><td>6%</td><td>3%</td><td>6%</td><td>5%</td><td>3%</td><td>2%</td><td>5%</td><td>3%</td><td>3%</td></tr>
</table>

Throughout this document: a) Growth rates are stated on an underlying basis unless otherwise stated. Underlying growth rates exclude currency movements and portfolio changes. For growth rates on a reported basis, without such adjustments, please refer to full year and half-year results for further detail. b) The 'business performance' measures are non-GAAP measures. Please refer to full year and half-year results for further detail and reconciliations to the equivalent statutory heading under IFRS.

[3]We completed the sale of the Pearson Online Learning Services (POLS) business in June 2023 and as such have removed it from underlying measures from H1 2023 onwards. Within this specific measure we exclude our entire OPM business (POLS and ASU) to aid comparison to guidance for FY24. This presentational adjustment is not relevant for FY25 onwards.

[4]Strategic Review is sales in international courseware local publishing businesses which have been wound down. As expected, there were no sales in these businesses in 2024. This presentational adjustment is not relevant for FY25 onwards.

[5]Underlying sales growth rates for Virtual Schools were not disclosed for Q3 2024, Q4 2024 and Q1 2025 as are in line with Virtual Learning. To aid comparability against prior periods we have included Virtual Schools underlying sales growth rates for Q3 2024, Q4 2024 and Q1 2025 in the above table.

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Notes

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 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.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.