Pearson
2025 Interim Results

Friday, 1st August 2025

Introduction

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Welcome

Video: We are born to learn. From our very first breath, we never stopped learning. It is our nature, our instinct to expand, to explore. Learning is more than just gaining knowledge. It is an action that starts a reaction, rippling through our lives, changing more than we realise, proven to enrich our minds, enhance our health, revitalise our emotions, open doors, strengthen relationships, inspire purpose. Learning is vital to every aspect of our lives. To learn is to be truly alive.

Alex Shore: Good morning everyone, and welcome to Pearson's 2025 Interim Results. Today we will host a presentation followed by a Q&A session. There will be two ways to submit your questions. If you would like to ask your question personally, please use the numbers that are displayed on-screen. These lines will be open following the main presentation. Alternatively, please type your questions into the 'Questions' tab at the top right of the screen, and we will address them in turn at the end.

And with that, I will hand over to Omar.

Market Dynamics & Strategic and Operational Progress

Omar Abbosh

Chief Executive, Pearson

Introduction

Thank you, Alex. Good morning. It is a pleasure to be with you again today. I have been looking forward to it. As well as hearing from Sally and me, we will be joined later today by our colleagues, Art, Tom, Vishaal, Sharon and Tony for Q&A.

Agenda

Now, we are very aware that the external world has changed significantly since our prelims in February. I wanted to first provide a view of the market dynamics that are relevant for our business and our perspective on these. I will then move onto an update of the strategic and operational progress that we have made so far this year, before handing over to Sally, who will give you an overview of our interim financial results. And then we will open up as usual for your questions. However, before we get going, let me first outline the key takeaways.

Key Takeaways

Firstly, our strategy remains unchanged and is now well established across the organisation. The two seismic trends of demographics and AI that we outlined this time last year are playing out exactly as expected. And in a world where AI is decreasing the half-life of skills, we have a vital role to play in shaping the future of learning.

We are building medium-term growth engines for the company, for example, by gaining momentum in our enterprise business, while in parallel innovating to ensure our products and services continue to lead the way in the world of learning. Secondly, our execution is going to plan, and I will share some proof points with you today. And thirdly, when you put together our strategic clarity and the progress we are making with our execution focus, it only strengthens my conviction in Pearson's medium-term trajectory. And we are also on track to deliver a full-year financial performance in line with the expectations we set out in February, with phasing playing out precisely as anticipated.

I now want to step back for a moment and consider the environment we are operating in. You all know very well it has been evolving quickly, offering both opportunities and market dynamics to address, I would like to highlight two overarching points. Firstly, each of these dynamics influences only a small segment of our business, and we understand them deeply, which is a source of strategic advantage. And secondly, our diversified portfolio means that we benefit from market growth overall, while being resilient to subsegment trends.

Market dynamics

I would like to start with the US Federal Government. Our only material direct exposure is through PDRI, which faces some near-term pressure from hiring freezes, which we expect to continue into the second half of the year. However, PDRI's focus on merit-based hiring aligns exactly with the goals of the new administration and its long-term relationship with the Office of Personnel Management positions us well for future opportunities.

With the Department of Education, our core offerings are well aligned with the administration's priorities on outcomes and accountability, and we are ready to support mandates to upskill and develop a future ready and AI embedded workforce. While some disruption cannot be ruled out as changes are implemented, we have seen no meaningful impact on our businesses so far, and we are prepared to move quickly to take advantage of emerging opportunities.

For a bit of context, federal funding accounts for a relatively small proportion of total funding for K12 and Higher Ed, and the latter includes grants for research universities where Pearson's exposure is small.

On migration, the market backdrop is materially unchanged and is baked into our PTE guidance for the year. The medium-term outlook for PTE, and ELL as a whole, is undiminished, supported by demographics and our team is strong operational track record of taking market share.

Beyond ELL, international mobility has minimal impact, including in the US, where less than 2% of university students are international. So overall, we remain resilient and are well-positioned to take advantage of potential opportunities.

Now I want to move back to our strategic framework that I shared with you last July, which hopefully you are familiar with, and that includes our 'why,' our 'what' and our 'how.'

Strategic framework is unchanged

Firstly, our purpose has never been more relevant. Every day we see people advancing their lives through learning, demonstrating the power of education and skill development. Yet at the system level, our recent research highlights the huge costs of persistent and widespread skill gaps at key career and learning transition points. These have a very real economic impact, totalling over $1 trillion a year in the US and £96 billion a year in the UK. This represents a massive opportunity to ensure that learning keeps pace with the rapidly changing demands of the workforce and supports economic growth.

Secondly, our 'what.' We are a global leader in assessments and verification, and we are implementing our strategy to drive performance in our core businesses, realising execution synergies, expanding into larger and faster-growing adjacent markets and building scale in our medium-term growth vectors of Early Careers and Enterprise Skilling. I look forward to telling you more about our progress against all of these shortly.

Finally, our 'how' underpins our strategic priorities focusing our internal capital allocation process on higher growth opportunities, unlocking innovation to deliver better learning outcomes and more efficiently and embedding a high-performance culture top-to-bottom through the organisation.

I am pleased with the progress we have made over the last 18 months, and as you know this is a process of continuous improvement. These factors together drive the medium-term guidance I outlined this time last year, which we reiterate today.

Let me turn now to our ongoing strategic and operational progress against our four priority growth areas, starting with driving performance in our core business.

Driving performance in the Core Business

All five business units have demonstrated core performance improvements, executing upon the focus areas we outlined at full-year results, and that reflects a combination of strong commercial execution and excellent progress in developing and launching innovative, new products and services.

In Assessment & Qualifications, we see continued execution focus through customer wins and renewals across VUE and US Student Assessment, expanding our customer set in Clinical with the first statewide adoption of our digital offering and further international expansion for UK and international qualifications. We are on track to launch new VUE customers, ServiceNow, the Association of Social Work Boards and last month launched Salesforce, all of which will support faster growth in H2.

From a product point of view, we have successfully launched a Pearson Skilling suite and introduced further AI enhancements in US Student Assessment with the WriteUp! Platform. In Higher Education, we are building upon the successful monetisation last fall of our Study Prep tool, previously called Channels, with an expansion into international markets.

We continue to introduce innovative technologies in our products, including our new "Go Deeper" functionality in our AI study tools, which we developed using nearly 130,000 student queries. Our research continues to show that our AI study tools are helping students with their learning, including the development of new cognitive skills and higher order outcomes. In particular, when AI capabilities are built directly into the flow of study.

Driving performance in the Core Business

In Virtual Learning, spring saw positive enrolment and retention trends, and we completed the rollout of our new enrolment platform and improved our new student acquisition capabilities. Career academies will be fully embedded across the whole network for fall back to school, and we are on track to open two new schools in H2 for a total of 42 by year-end. These factors support sales in H2 and a platform for accelerated growth over the medium-term.

In Enterprise Learning & Skills, Vishaal and team continue to build momentum with their enterprise approach as we strengthen our global enterprise sales teams and have landed new wins with HCLTech and Google Cloud. These wins, coupled with pipeline activity strengthen the conviction we have in the growth potential for our enterprise opportunity.

Vocational Qualifications continue to demonstrate strong execution with international growth in BTEC and new contract wins, including apprenticeship courses with the UK Ministry of Defence and T levels in Health and Science.

And finally, in English Language Learning, PTE continues to show strong operational performance, and we are further advancing our offerings through our new Pearson English Express test while expanding our relationships with governments and institutions around the world. We have also won institutional clients in LATAM, building upon recent strength in the region. Meanwhile, for educators, we have launched our Smart Lesson Generator that draws from Pearson's massive array of English content and will cut down the hours that teachers take to plan lessons, freeing them up to concentrate on coaching students in the classroom.

I would like now to take a moment to step back and discuss our progress in the foundational operational improvements we are making in the business.

Driving performance in the Core Business

Firstly, we are transforming our revenue operations capabilities under the direction of our recently appointed Chief Business Officer, Naseem Tuffaha. This is a set of processes and systems that will over time give us improved visibility and leverage on the activities that drive revenue growth, from targeting through to enabling and incentivising sales teams. By using data to better make prioritisation decisions, we will develop a stronger, more resilient commercial engine and one that can quickly and effectively scale and deliver results in our competitive markets.

Secondly, we are now taking a modern marketing approach under our Chief Marketing Officer Ginny Ziegler, where we expect to see near-term improvements in output and cost efficiencies in activities such as branding, social media and events.

And thirdly, as we discussed before, we are focusing on driving a performance culture, a foundational aspect of which is bringing clarity to our performance expectations across every single role in the company. To this end, we have reduced what were 1,600 roles, down to 140 roles, enabling a circa 80% reduction in the number of job families and job categories, facilitating better performance management. In addition, through our focus on continual improvement, we have reduced headcount year over year, optimising our spans and layers resulting in quicker and more effective communication and decision-making across the organisation.

And finally, AI-driven simplification is progressing at pace as well. For example, we have reached over 40,000 customer interactions with our AI-powered service agent since its very recent launch. And AI content development tools have cut translation times from 18 months to less than 3, accelerating speed to market internationally. This progress adds to my confidence in our medium-term guidance for faster growth and margin improvement.

Let me turn now to our progress on unlocking synergies across the businesses.

Execution Synergies

You will recall we identified three buckets of execution synergies, and we have made significant progress already, starting with product and service bundling. Our new brand facilitates the simplification of our product estate, helping customers navigate our offerings more effectively, enabling increased bundling opportunities. We are also starting to lead with Pearson research grounded in real-world experience, which will improve our share of voice on key topics facing the future of education and learning.

Secondly, we have improved product discovery and development under Tony Prentice's leadership. We have implemented a single product management tool company-wide and migrated over 600 projects. This now gives us a real-time holistic view of product development, enabling better prioritisation and ROI tracking.

And lastly on strategic partnerships, we now clearly distinguish between transactional vendors through to strategic relationships, unlocking new value, and we have made progress against two key categories. I have talked to you before about our new relationships with Microsoft and AWS, and I am pleased to confirm we have now added a third with Google Cloud. These are long-term strategic partnerships where we can enable revenue growth alongside cloud transformation and unique go-to-market and innovation opportunities.

We are working with our partners' amazing strengths across enterprise, Higher Ed and K12 and these partnerships are developing as planned, and we are starting to see commercial benefit. For example, Amazon has selected us for the integration of our learning products to support their workforce development.

We will bring you further updates across these relationships as we progress. We have taken a similar approach to optimising professional and technology services. We are consolidating from many dozen vendors down to a select group of service partners, unlocking cost savings and also ensuring better outcomes through a deeper 360-degree partner relationship where they are invested in our success, of course, opening up balance of trade opportunities as well as joint go-to-market activities. I am pleased to announce our first services partnership with HCLTech, a leader in tech transformation services and a company of over 200,000 people who we are supporting in their own upskilling journey. Look out for more announcements in the coming months.

Now, moving on to how we are expanding in targeted markets. As I mentioned earlier, we have established a new internal capital allocation process that allocates investment dollars towards faster growth segments.

Targeted Market Expansion

As I shared last year, we are targeting growth in near adjacent markets, where we have a smaller presence today, and believe we are well-placed to take advantage of a larger $80 billion plus market opportunity that grows at a faster rate than our existing core markets.

One example is our recently announced partnership with McGraw Hill, which will unlock go-to-market opportunities in the formative assessment space. Another is how we have operationalised our district K12 sales team in Higher Ed, onboarding over 70 sales professionals and to take advantage of strong growth trends that we see in college and career readiness programmes. And finally, we have successfully launched our test prep capabilities in Pearson VUE, that we expect to contribute to growth in H2.

We are also redirecting investment into innovation. Through Dave Treat and his teams, we are investing in relationships that promote and scale AI and immersive learning, partnering with third parties like Meta, Google XR and Vu Technologies to explore what the future of learning may look like. We have created a dedicated research and innovation space here in 80 Strand, where we showcase our latest product solutions to partners, investors and other stakeholders. These investments help shape future products and keep Pearson focused on customer-driven innovation.

Finally, I want to share an update on our progress with our medium-term growth vectors.

Medium-Term Growth Vectors

In Early Careers, we help people develop job-ready skills as they transition from school or university. We have businesses that are relevant in this theme already today. Think of Virtual Schools and its career offerings, Certiport from Pearson VUE, and our nascent career and college readiness K12 offering in Higher Ed.

To these offerings, we have now added eDynamic Learning as a core pillar of our Early Career strategy. We bought eDynamic Learning into the Pearson team because it is a leader in career and technical education and has a track record of delivering excellent, strong growth and profitability. The integration of its capabilities with our scale creates a powerful engine to deliver job-ready skills for the next generation of workers at the exact moment AI is transforming their career paths.

Turning to Enterprise Skilling, I have spent time engaging with many CEOs and I hear a common theme. Leaders are grappling with how to better understand the actual skills of their people in a world where skill signals are opaque, and at the same time we are seeing a declining half-life of skills. This makes it pretty difficult to lead people on a learning path that is fit for a future workplace that must make heavy use of AI technologies.

The Pearson story and our ability to assess and verify human skills resonates with these CEOs. Now, on the back of this diagnosis, the opportunity for Pearson lies in helping enterprises build the capabilities they need for talent planning, talent sourcing and talent development in the AI era. We are actively addressing these needs, and we will continue to give you updates on this in due course.

Now, before I hand over to Sally for a deeper look at our first half financials, let me summarise. You will have picked up from our discussion today that there is a lot of progress underway at Pearson, and I am really pleased with what we have achieved over the past 18 months. It positions us well for the current year and our medium-term outlook, and I look forward to updating you in the future on further progress as we continue to build a better business and deliver improved learning outcomes for more learners.

Sally, over to you.

Interim Financials

Sally Johnson

CFO, Pearson

H1 2025 Financial Highlights

Thank you, Omar, and good morning, everybody.

We have delivered another solid performance in the first half with sales up 2% on an underlying basis in line with the guidance that we set out at prelims in February. Adjusted operating profit was also up 2% underlying to £242 million. Adjusted earnings per share were down to 24.5p, with the positive underlying trading performance and a reduction in share count due to the share buyback more than offset by FX headwinds.

Our balance sheet remains strong, driven by another good cash performance, enabling continued investment in the business as well as increased shareholder returns, with the $225 million acquisition of eDynamic Learning and the £350 million share buyback, which is expected to complete in H2.

Reflecting our performance and confidence in the outlook, we are proposing a 5% increase in our interim dividend to 7.8p.

At the beginning of the year, we announced that Workforce Skills would evolve to become Enterprise Learning & Skills, incorporating our IT Pro business, which was previously in Higher Ed. The comparative figures for H1 2024 have therefore been restated to reflect the modest financial transfers between segments, resulting in a £22 million pounds sales and £6 million pounds profit, moving from Higher Ed to Enterprise Learning & Skills. The full-year impact of this is now expected to be £45 million of sales and £12 million of profit.

H1 2025 Sales

Walking through the key elements of business unit sales performance, Assessments & Qualification sales grew 2%, with strong growth in Clinical Assessments and UK and international qualifications, partially offset by declines in Pearson VUE and US Student Assessment. The VUE decline is due to the pause in a contract delivered in 2024 and recommencing in H2 2025 and headwinds in PDRI.

Virtual School sales declined 1% as expected due to the final portion of the impact of the previous school losses. Enrolments for the 2024-25 academic year increased 5% in the spring semester on a same school basis and grew 7% including new school openings. We have also seen favourable retention trends in the first half.

Higher Education sales grew 4% with IA growth of 21% and 3% growth in US digital subscriptions. We continue to see good monetisation of our Study Prep tool, formerly known as Channels, and ongoing engagement with our AI study tools.

English Language Learning declined 3%, in line with our expectations, with our institutional business impacted by a strong comp period in H1 last year and Pearson Test of English was flat, performing well against the toughest market backdrop.

Enterprise Learning & Skills grew 4% with another solid performance from Vocational Qualifications and Enterprise Solutions building momentum during the period.

H1 2025 Adjusted Operating Profit

Turning to profit, Group adjusted operating profit grew 2% on an underlying basis driven by operating leverage on that sales growth partially offset by inflation. For each business unit, Assessments & Qualifications margins reduced to 21%, due to the margin on sales growth being more than offset by prior year cost phasing and inflation. Virtual Learning margins increased to 16% driven by cost phasing, partially offset by trading declines. Higher Ed and Enterprise Learning & Skills both saw margin improvement, driven by sales growth. And English Language Learning margins were adversely impacted by sales phasing.

H1 2025 Cash Performance

Free cash flow was again strong, up £129 million from last year to £156 million. Given similar operating cash performance with good working capital management, offsetting the impact of FX and the receipt of the state aid recovery. The state aid amount is £97 million on the tax line and £17 million on the interest line.

Net debt has decreased by £0.2 billion from June 2024 to £1 billion at June 2025, driven by free cash flow partially offset by dividends and that share buybacks.

2025 Outlook Unchanged

Turning to the outlook for the remainder of the year.

We are where we expected to be at the half-year point, and we are on track to deliver on the expectations we set out at prelims in February. Let me walk you through this by business unit, as a reminder.

Assessments & Qualifications will grow low-to-mid-single-digit in 2025. Growth will be H2-weighted in particular to Q4, due to new and renewed contracts including Salesforce which launched last month, as well as the build of our new Test Prep business.

Virtual Learning will return to growth in H2 and for the full year, driven by enrolment increases partially from new school openings for the 2025-26 academic year. The previously announced school losses will cease to be a headwind in H2.

Higher Education 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. English Language Learning full-year growth will moderate versus the 8% delivered in 2024, due to the PTE business, which is expected to decline in H2. The business unit growth will be H2-weighted, in particular to Q4.

Enterprise Learning & Skills will grow high-single-digit in 2025, with Vocational Qualifications seeing solid growth and the addition of those new contracts for Enterprise Solutions, which you have heard about. Growth will increase quarter-on-quarter in H2, supported by those recent customer announcements and pipeline activity.

2025 Outlook Unchanged

Turning to profit, market expectations at the beginning of the year for adjusted operating profit were £656 million at an FX rate of 1.23.

Subsequently, of course, there has been a significant move in the US dollar rate, so I thought it would be helpful to remind you that every one cent movement in the dollar equates to approximately £5 million of adjusted operating profit. Now, I am not going to try and forecast FX rates, but if we take the actual average FX rate for H1, which is 1.31, and assume the recent spot rate of 1.32 for the rest of the year, then the average FX rate for the full year would be about 1.32. So that would mean a 9-cent movement of FX, which reduces adjusted operating profit by £45 million down to £611 million, which is about where consensus is at the moment.

The announced acquisition of eDynamic Learning has recently closed, with consideration paid of $225 million, at a 13x adjusted EBITDA. We do not expect this to have a material impact to 2025 Group guidance, given near-term integration costs and the acquisition accounting for deferred revenue, which impacts the first 18 months sales recognised. eDynamic Learning has a highly attractive financial profile with strong margins and cash flow and a track record of delivering good growth. We expect this acquisition to be supportive of our medium-term guidance.

In terms of interest and tax, we continue to guide to circa £65 million of interest costs with a 90-100% free cash flow conversion, plus that state aid payment. Our tax guidance is unchanged at between 24% and 25% ETR.

Financial Summary

So, in summary, we are pleased with the performance we have delivered in H1, which is in line with expectations. We remain on track to deliver our 2025 outlook, with known business unit dynamics in place to support stronger growth in H2. And, we finished the first half of the year in a strong financial position, driven by another excellent cash performance, supporting continued investment in the business as well as increased shareholder returns.

And with that, I will hand back to Omar.

Conclusion

Omar Abbosh

Chief Executive, Pearson

Closing Thoughts

Thank you, Sally.

As you have heard, firstly our strategy remains the same and is now well established across the organisation, and this is driving demand for what we do. I believe Pearson has a vital role to play in shaping the future of learning, especially in a world of AI-driven transformation.

Secondly, we are executing well against our strategy, including core operational improvements with progress to unlock our medium-term growth vectors.

And thirdly, our strategic clarity and our execution focus strengthen my conviction in Pearson's medium-term trajectory and that we are on track to deliver on our 2025 priorities.

With that, Sally and I, along with Art, Tom, Vishaal, Sharon and Tony will be happy to take your questions. Operator, over to you.

Q&A

James Tate (Goldman Sachs International): Good morning, Omar, Sally, it is James Tate from Goldman Sachs. I have got two questions, please. I think firstly on VUE's new and renewed contracts, I know you talked about them having a greater contribution to growth in Q4, but you mentioned ServiceNow and a couple others are already online. Are these all operating and performing in line with your prior expectations? And as we start to think more about 2026, is it fair to assume that VUE should grow at least mid-single-digit as it gets almost a full-year benefit from a lot of these new deals?

And I guess secondly, you have highlighted some of the new Gen-AI products rolled out across the portfolio. Could you also provide some more detail on what you see as the opportunity from the technology to drive cost efficiencies across the business? How have these progressed so far and are there certain divisions where you see greater potential? Thank you.

Omar Abbosh: Thank you very much, James. Appreciate your questions. As you know, we are probably not going to offer too much guidance on 2026 at this point, but I will let Art talk to you about VUE and what he is seeing with the contractor and ServiceNow, Salesforce and the others. Over to you, Art.

Art Valentine: Absolutely. Good to have you with us today, James. On VUE in particular, Omar mentioned three specific contracts. Salesforce launched last month. ServiceNow and the Association of Social Work Boards are launching later in this year. And all of those contracts, as well as the VUE testing contract portfolio in general, is performing according to expectations. The launch efforts, as well as our view as to what the volumes that are going to run through those contracts, is absolutely in line with what our expectations are and reflected in the guidance that Sally's given.

Omar Abbosh: Thank you, Art. On Gen-AI, let me say something about the customer-facing products, and then perhaps I will ask Sally to comment on how we see it playing out in terms of our core operations.

I am particularly excited about the fact that we are getting more and more evidence, including in the last few months from 2 million students in the US, that when we apply AI correctly in the flow of study, you get higher order outcomes in terms of people's reasoning. I think there are more and more studies that have happened and that we will see more of that. When you use AI as a teleportation device, that moves you from here to the answer, you actually do not learn. However, when you use AI as a map to take you through the different stages to get to the endpoint, you really do learn. And that is our approach. And the work that Tony and the teams have been doing across our product sets is just really excellent in that space.

However, to your question on cost efficiencies in our operations, I will ask Sally to comment.

Sally Johnson: Yes, of course. One of the things that is really special about Pearson is that not only can we have AI usage for our customers in our products, but obviously, we have the benefits that other companies do in terms of generating cost efficiencies across our business. The things that Omar called out were things like content generation, which we are using AI in. Now that can be around actually just creation of content, or a really nice example would be translation so that we can get our products, for example in international Higher Education, into languages that just were not cost-effective before, and we can get them to market in a faster way as well. It is great for our top-line and our customers, and also for our cost base as well.

Another example is customer services, where we are putting AI capabilities in. Again, it helps from a cost point of view but also helps to make our customer experience more effective as well. There are lots of examples of where we are using it across the front-office and the back-office, generating cost savings, making the experience improved for our customers as well and helping the top line.

James Tate: Great. Thank you.

Sally Johnson: Thanks, James.

Luke Holbrook (Morgan Stanley): Thank you. Good morning, everyone. My main questions centre around the Q3 and Q4 weighting for this year again, because you are guiding for 4.4% revenue growth for 2025. We have seen 2% in H1, and I guess with the Q4 weighting, you are looking at 7% potential growth, maybe even a little bit higher than that. However, could you just walk us through with what some of what you have discussed today around Virtual School contracts, launching Salesforce contract, other partnerships, new contracts recommencing. Can you just help us bridge in a financial context how we get to that and what has underpinned into Q4? And then I have just got a follow-up. Thank you.

Sally Johnson: Sure. Why do not I take that one, and then we will take your follow-up.

Your maths is right in terms of the number you are quoting for the second half, first of all. And then it is known things that we have known about from the start of the year in each of the business units. It is slightly different between the business units. In A&Q and VUE in particular and in ELS, it is about those contracts that you have heard Omar and Art talk about and those coming online.

In answer to James' question on VUE, just to point out, because it might not be obvious to folks who are not deep in the business, it does take a while once we are awarded a contract for that to transition sometimes from a previous provider to us. So that is why it feels like we announced some of these a while ago, but they are only coming online now. Just in case that is not clear.

Then in Virtual Schools, you will remember for the 2024-25 school year, we were impacted by the loss of that California school. That has now passed. And so, we are now thinking about the 2025-26 academic year, which is what impacts H2 revenue. And that will be driven by enrolment growth, and we will not have that lost school issue anymore. And then last but not least, English Language Learning, where we had a tough comp in the first half of the year, which is not reflected in the second half of the year.

Luke Holbrook: Understood. And just my second question would just be on the Higher Ed, we saw a step-down in growth into Q2, noticing your enrolments look relatively good in that quarter. Just what is the delta on the step-down, or is that just a lower small number on the quarterly phasing?

Omar Abbosh: I mean, small numbers is piece of it. However, let us throw it over to Tom.

Tom ap Simon: Yes, thanks for the question. A couple of things really happened. Firstly, the core Higher Education business continued and was exactly where we were expecting it to be for the half year. What has really happened is that some of that deceleration you have seen in the second quarter is some of a function of what we were expecting to see in the college and career readiness business this year. There has been a smaller adoption cycle. Secondly, we have obviously been getting our new go-to-market team up and running. And as you can appreciate, bringing 70 new people on board and establishing all those relationships is inevitably going to have a few teething problems, which is why we were clear with where we would be from that point of view. And then the third thing I would say was that there have been some delays in terms of some of the federal government's spending for about $7 billion that would go out to the states. Now, that does not have any impact on the money that we received from the states from a college and career readiness perspective, but it did make superintendents just delay purchasing a little bit.

We feel good about where are from a K12 perspective. We feel pleased with the overall performance in Higher Education, and we feel confident about the full-year guidance.

Omar Abbosh: Thank you, Tom, and thanks for being up in the middle of the night.

Luke Holbrook: Thank you.

Omar Abbosh: Cheers, Luke.

Luke Holbrook: Thank you.

Nick Dempsey (Barclays Capital): Yes, good morning, guys. I have got three. So, the first one just on Pearson VUE, can you give us any information, more information on the contract that was paused? Why was it paused? And exactly when does that come back in? And is it common for large contracts that can move the needle on that subdivision to be paused like that?

Second question, in English Language Learning, if we are expecting PTE to still decline for this year, it feels like you need a really strong growth in the institutional business in the second half. How much of that can you already see coming through, and how much of it is hope in terms of the sales that you achieve from September?

And then thirdly, on Higher Education, are you still expecting full 2025 enrolments to be flattish as I think you said before, and if so, I guess you are going to need to see growth from other factors coming through. Is that going to be more weighting to inclusive access, more price or how should we think about that?

Omar Abbosh: Thank you very much, Nick. On VUE, I am going to ask Art to make a quick comment, but I think I can say that this is a very specific individual situation, not something you should expect to see repeated. However, over to you, Art.

Art Valentine: It is absolutely the case, Omar. And good to have you with us this morning, Nick. It is an international partner. The pause on the contract commenced in the back half of 2024. We are confident in the resumption later this year. And as Omar said, the circumstances are very specific to this customer and not something related to the product or service offering, and thus it is in fact something that is unusual.

Omar Abbosh: Sharon, how are you feeling about Institutional in the back half? And Nick's asking us if we are just being a bit hopeful here.

Sharon Hague: Hi, good morning. Thanks for the question, Nick. So, a couple of things to just mention. Obviously, the second half of the year waiting for English as a whole, but particularly for Institutional, is not a new feature of this business. Of course, it is driven very heavily by the academic year cycles and the fact that we have a particularly strong business in Latin America.

So, we are performing as we expected for the first half of the year and feeling good about growth in our institutional business in the second half of the year, where we expect to see that growth being driven by the business in LATAM, where we are expecting share gains and a strong focus on government deals. And we are very, very focused on that execution plan and working closely with a number of governments across the world, to land those deals. So ,we are performing as we expected right now and looking forward to strong performance in Institutional for the second half of the year.

Omar Abbosh: Thank you, Sharon. And then Tom, on Higher Ed, the weighting of enrolments and what else that might assume about the shape of the business in the second half?

Tom ap Simon: Yes, sure. It is obviously a dangerous game to be playing in terms of guessing enrolments at the end of July, given back to school is just around the corner, so I will stay well clear of that. However, I would say that we feel good about where we are seeing growth coming from in terms of pricing. You have seen the IA mix up 21% in the first half of the year. We are pleased about that in terms of the growth in IA year-over-year. And then lastly, some of the work we have been doing on Study Prep will help support us in the second half of the year, as we are excited about the rollout of those products. They are some of the key drivers which we feel confident about going into the back half of the year.

Omar Abbosh: Thanks, Tom.

Nick Dempsey: Can I just have a very quick follow-up? I think you talked before about flattish enrolments in fall 2025 being what you were using when you were thinking about the year. I know you do not want to guess those. Is that still your base case for your planning, Tom?

Sally Johnson: Yes. Yes, it is.

Nick Dempsey: Okay. Thank you.

Omar Abbosh: Cheers, Nick.

Adam Berlin (UBS): Hi, good morning, everyone. A few questions from me. The first question is just on Higher Ed. Following on from the last question, can you talk about adoption share performance during the recent sales cycle? Did you win more share than last year? That is the first question.

Second question is, can you talk a little bit about this eDynamic business you bought? Can you just be clear exactly what it does, which business unit will go into, how much revenue, how fast is it growing? Obviously, we want to put it into our models for next year. Any more information you can provide would be very helpful.

And then my third question is if you deliver what you are saying you are going to deliver, you are going to have this high single digit growth in H2. It feels to me that the drives of that should all continue into H1 of 2026. Any reasons why that would not be a fair assumption? Thanks.

Omar Abbosh: Okay, I am going to start with Tom. Just a couple of points on eDynamic and then Tom, you can pick up on the adoption share topic and also maybe get a bit more into exactly what eDynamic does.

I am really happy with the deal that we have done here. I think we have been very disciplined on not just the financial terms of the transaction, which Sally outlined some of earlier, but actually on really tight strategic alignment. I mean, this company is a company that we have been working with for many years. We know that one plus one equals three in this case because we have trialled it for real with customers. And so, I feel very happy about it being a strong addition to our Early Career strategy. And so, it is going to be run by Tom and his team in Higher Ed, and so he can talk to you a little bit more about the content of what it is. Tom, can you pick up first on the adoption share thing and then back on eDynamic, please?

Tom ap Simon: Yes, sure. From an adoption share perspective, in the first half of the year, we increased our share slightly this spring compared to fall last year. And as you know, Adam, in that context, we are obviously very focused on our full adoption share. As you know, our sales team has got a good degree of understanding of what has going on in the market at this stage. They have made their final full forecast, as it were, based on all the selling that they have done. And so, we are feeling good about where we are in that construct.

And then from an eDynamic perspective, the way to think about it really is if you are a middle school or predominantly a high school kid in the US, and you are looking for a CTE programme, they sell a broad portfolio of content into those schools. So, for example, you wanted to be a journalist, if you want to learn more about business, for example, if you want to do an early course in coding, that is where the sort of the courses and the courseware that it provides.

And that is incredibly important because what we are seeing is that the worlds of work and high school are up-layering. We see that as you think about sort of growth continuing in the US, from a Higher Education perspective, high schools becoming increasingly important. And we see really good evidence that people who have done CTE courses in high school, those high schools have better graduation rates overall, so it is good from an academic outcomes perspective in terms of efficacy. And secondly, more of these students are more likely to go on to two-year or four-year colleges. And so that is why we think this is really important strategically, because it is an extension of what we do: high-quality, outstanding content. And we think we can bring a lot to the eDynamic team in terms of the broader capabilities that Pearson has in this space.

As Omar mentioned, we have been a customer of this business for the last seven or eight years in Virtual Schools. We know them, we really like them, and we really respect what Gerry and the team have built in terms of this business. And we are delighted to be acquiring them and moving forwards.

Omar Abbosh: Thanks, Tom. And Sally, do you want to pick up the last question?

Sally Johnson: Yes, why do I not pick up the specifics on the end of that one and then your one about H2? In case it was not obvious, given that Tom answered the EDL question. From a business unit perspective, it is going to be going into Higher Ed. From a growth perspective, you can think of it as being alongside some of our higher growth business units. And then I gave you the 13x EBITDA multiple, so that you can work back to the EBITDA number. The DA bit, of course, is relevant for this business, and I do need to think about the acquisition accounting for deferred revenue, which will impact 2026.

And then in terms of thinking about H2 and the exit rate into next year, I am not going to guide on 2026 at this point, but all the things that we are talking about in terms of these new customer contracts coming online, of course are going to be customer contracts that move into next year. The comp things are not quite so relevant for next year, but virtual schools and that 2025-26 academic year obviously relevant for first half of 2026 as well.

Omar Abbosh: Thanks, Sally.

Adam Berlin: And Sally, eDynamic margin, is that broadly in line with the Group, or …?

Sally Johnson: Yes, they have got great margins, nice margins.

Adam Berlin: Okay, thanks. Thank you very much.

Alex Shore: Steve, I think we have answered your questions already but obviously come back to me if that is not the case. And then Sami again, we have answered some of them, but I will pose the remaining one. Do you expect to sustain double-digit organic revenue growth in Clinical Assessment and UK Qualifications in H2?

Omar Abbosh: So actually, I am really happy with how the launch of the new products in Clinical have been faring in the market. However, Art, do you want to comment a little bit on how you would like to guide Sami on his question on PSQ and Clinical?

Art Valentine: Would love to. I do not believe we are giving sub-BU guidance for H2 on the call, but very happy to comment on the trading characteristics of both of those business units.

Omar teed it up very nicely with Clinical. Strong product releases have carried over into this year, and a headline for that business continues to be very, very strong digital adoption. You will have seen in the notes that the state of Tennessee has adopted our digital library subscription, which was a very, very nice win for us. And upcoming in the second half, we have product releases that we are very, very happy about. Most notably the Wechsler Memory Scale and the Dallas Kaplan Executive Functioning System are two products that we expect good performance out of. And then in the UK and International Quals business, strong volume performance throughout the years. Very, very good international growth. We expect those trends to continue throughout the second half, and they are absolutely part of the story around us, reaffirming our guidance for the full year.

Omar Abbosh: Any further questions?

Alex Shore: Just one quick confirmation from Sami. What is the share of IA in your US Higher Ed business?

Omar Abbosh: Over to you, Tom. Do we break that one out, the share of IA?

Tom ap Simon: We said last year it was mid-30%, so that is a good starting point. And then obviously we disclosed it. It was up 21% for the first half. And we have disclosed the overall Higher Education growth rate, so you can probably extrapolate from there. However, we are pleased with our IA growth rate in the first half. And really, we think what we are really about is meeting the customer where they are.

And so, there was a glorious win we recently had at the University of Indiana in Anatomy and Physiology. And it was a wonderful opportunity to reinvent what was by and large a print adoption into a digital IA courseware adoption, where they had been using a print book of ours and one of our competitor's digital products, but they had not really been using the digital product properly at all.

And once we were able to walk the faculty member through the fabulous quality of the Mastering platform that we have, as well as his real love for our product, that actually secured the adoption, and that turned sort of a $2,000 print adoption into a $100,000 plus adoption more broadly, which is just a beautiful example of our sales team really getting close to the customer, understanding what the customer needs are. And that was something that we used IA for, because it was able to bring pricing down for the students. And it is just a really good example of one of our sales reps listening to the customer, understanding what they need, being clear about their pedagogical desires and understandings, and providing a great solution to the faculty and the students at really good pricing.

Omar Abbosh: Great. Thanks, Tom. Alex?

Alex Shore: Sami, I see a bit of piecemeal question answering here, but I will let you off. Two more, both for A&Q. Do you expect US Student Assessment will revert to growth in H2? And then also, how should we think about the scale and impact of VUE Test prep in 2025 and 2026?

Omar Abbosh: Okay, those are both for you, Art. The first one is around do we expect US Student Assessments to go back to growth in H2?

Art Valentine: Yes, we do. Again, the results of our expectations for each sub-BU are baked into that overall H2 guidance. However, specific to US School Assessment, in H1, we had the impact of some delivery timings that in the second half will contribute very positively to the overall picture. So, good outlook there.

On the Test Prep business in second half of 2025, complemented by the launch of the Pearson Skilling programme, which we announced earlier this year, that business is continuing to scale. Our go-to-market hires are getting placed out in the field and continuing to deliver. And we do expect to see results from that in H2, which again, are part of the story around the overall second half guidance.

Omar Abbosh: Thank you, Art.

I think that is it in terms of questions. All of you online who joined us today, thank you so much for being with us. We appreciate you and look forward to talking to you next. Thank you.

Sally Johnson: Thank you.

[END OF TRANSCRIPT]