



Pearson's 2025 Nine-Month Trading Update

Friday 17th October 2025

Introduction

Alex Shore

SVP, Investor Relations, Pearson

Welcome

Good morning, everyone, and welcome to Pearson's 2025 Nine Month Trading Update. There will be two ways to submit your questions today. If you would like to ask your questions personally, please use the numbers that are displayed on screen. These lines will be open following the prepared remarks. 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.

9M Trading Update

Omar Abbosh

CEO, Pearson

Highlights

Good morning, everyone, and thank you for joining us today for our 2025 Nine-Month Trading Update. I am here in London with our CFO, Sally Johnson. As always, I appreciate your time and interest in Pearson's journey as we continue to renew this company by executing against the three key priorities that we set out at the start of the year.

You will have seen this morning's announcement already. I will just pick out a few points on our progress, and then we will open it up for Q&A.

Financial Performance

Firstly, on our financial performance. Sales growth accelerated to 4% in Q3, and I am pleased with the broad-based execution across our teams that they are showing, and in particular, the way that we are navigating the market headwinds that I outlined at our interim results.

When we look at the business units, Virtual Learning delivered a really standout result in the back-to-school period with 17% sales growth, driven by excellent enrolment performance, reflecting improvements in our digital marketing approach, enrolment process and career offering.

Assessment & Qualifications growth accelerated to 4% in Q3, with Pearson VUE returning to growth as expected, driven by new contract launches. These were offset in part by ongoing headwinds in federal hiring and spending that continues to affect PDRI.

In Enterprise Learning & Skills, we continue to build our go-to-market for enterprise with growth accelerating in our Enterprise Solutions business and high-quality new customers coming on board. This is good progress, and I will come back to it in just a minute.

Higher Education delivered 2% growth in the nine-month period with a solid performance in core US Higher Ed, which continues to deliver sustained growth. Q3 saw a decline due to challenging trading conditions in International Higher Ed and the transitioning period in our K12 channel.

Lastly, English Language Learning returned to growth in Q3, driven by the competitiveness and resilience of PTE, despite difficult migration conditions in larger markets this year.

Our Q3 performance is in line with our expectations, and we are on track for a stronger Q4, given the known business unit dynamics driving Assessment & Qualifications and English Language Learning in particular, alongside the excellent momentum in Virtual Learning.

Naturally, visibility can vary across business units:

- First, we have a clear line of sight into Virtual Learning, where Q4 performance is primarily driven by academic year enrolments at the end of September, which are known to us;
- Second, within Pearson VUE, the customer landscape is certain and contracted, albeit volumes are forecast based on historical trends. Overall, visibility into Q4 is decent; and
- Third, even in the businesses that are more content and software-focused, we track detailed sales pipeline data to underpin our forecast.

Taken all together, we therefore have good confidence in a strong end to the year and delivering an annual result in line with market expectations.

Application of Innovative Tech

Our next priority for 2025 is to lead on the application of innovative technologies across our products and services. Since we last spoke, a lot has been written about the potential negative effects of AI on many sectors, including our own, so I wanted to take a moment to address that. We are, of course, alert to the potential for disruptive forces, so I want to share with you how we think about this.

We continue to invest to maintain the core strengths that distinguish us, including our brand, our very deep distribution and sales network, our broad and diversified scope and our leading expertise in assessments and verification. As you know, we are renewing our products and services at pace with AI at the heart of the significant progress that we are making across the Group.

On this, I am excited about the commercial opportunities new innovative technologies like AI bring to Pearson. Let me share four examples with you.

Firstly, when AI is used effectively, it can personalise learning and deliver enhanced experiences and learning outcomes, in turn, driving demand for our products. We are seeing evermore tangible evidence of the benefits of using AI in our products, including our recent research that shows our AI study tools are meaningfully improving academic outcomes for our Connections Academy students.

Our approach to leveraging innovative technologies is grounded in our data-backed learning science and our proprietary trusted IP, which are then deployed in the flow of study, which we believe is a special competitive advantage.

Second, we are using AI to increase our speed to market. I have spoken to you before about the suite of content development tools available for our authoring and editorial teams that are powered by a range of leading LLMs. And these teams are now able to produce high-quality

content in a fraction of the time, meaning we are able to shorten the product innovation cycle and expand our market presence faster and at a lower cost than before.

A good example of this being in Brazil, where our team was able to localise 7,700 videos in a little over a month, facilitating a faster international rollout of our study prep tools.

Thirdly, we are working with our hyperscaler partners on a set of products that leverage AI agents in combination with skilling and learning data sets to help employees learn in the flow of work, and you will hear more about these developments from us in the coming months.

Finally, you will recall that about two thirds of Pearson's business is pure assessments, where we are literally the world leader. Here, we are seeing our customers engage more with our assessment products, as they recognise the growing importance of relevant verified skills in a world of increasing AI usage. Therefore, as you can see, we are evolving and renewing our businesses quickly to take advantage of these new technologies, which we believe will support long-term growth and provide increased resilience to the business.

Before I pause for your questions, let me provide an update on our third priority for the year, growing our business across enterprise customers.

Pearson VUE successfully launched a multiyear programme with Salesforce, verifying in-demand skills across a diverse set of 80 exams. We were chosen for our global innovative exam delivery options that meet the needs of test takers around the world, and this deal extends our leadership in the technology vertical space.

We've also continued to announce new wins delivered by our new enterprise sales teams, including a strategic partnership with Cognizant and a global strategic alliance with Deloitte to help enterprises implement AI-powered learning and build new AI capabilities. These updates build upon the momentum we have made throughout this year, and I want to take a moment to show examples of the range of services we are providing in this space.

- Firstly, with HCL Tech, we will deploy curated Pearson learning paths in AI, cybersecurity, cloud and career success, both for their internal staff and their enterprise customers globally;
- Secondly, we are embedding our learning & assessment solutions into Cognizant's client programmes across key growth markets, leveraging Cognizant's regional sales and delivery network to accelerate adoption across industries; and
- Finally, in Saudi Arabia, Pearson has been chosen as a strategic vocational skilling partner for construction, leveraging our expertise in vocational training and English language to support a PIF, the sovereign wealth fund-led initiative, to build a future-ready workforce in the Kingdom.

I am pleased with the steady progress our teams are making. It reinforces my confidence in our ability to capitalise on the large opportunity in this highly fragmented market, as we support enterprises to address their challenges in talent planning, sourcing and development.

I look forward to updating you on our strategic progress with our full year results next year. And, with that, Sally and I are pleased to take your questions.

Q&A

James Tate (Goldman Sachs): I have got two questions, please, and then a follow-up. I guess, firstly, please, could you just clarify the revenue model for the new contract wins in VUE or perhaps more generally the contracts in the industry for IT certification programmes. Do you tend to receive any meaningful upfront implementation fees as part of the contract win? That is my first question.

Then second, just to be clear. Does VUE get paid based on a per candidate fee, so revenues are directly correlated to candidate volumes? Or is there something else we should be thinking about here? Then I've got a follow-up.

Sally Johnson: Okay. The revenue model for VUE, in a lot of our businesses, we have a two-stage sales process. The people that we call our customers are the people who we have a partnership with. Think about Microsoft in the technology space or the Association of Nurses in the nursing space, those sorts of people. They are our customer, and they give us the right to run that certification.

Then the people who actually pay are the people who take the test or the people who go into our test centre or who are online taking the test. The revenue model is effectively on a per candidate basis because it is the fee that they are paying for that particular test. You will know that from a stats point of view, we share test volume. The way of thinking of the P times Q calculation for VUE is the volume for the candidate times the test charge for that test.

That can range quite a lot because you can have a very quick half an hour certification. I think, I do not know, UK driving theory test or you can have something like a medical exam, which can be over days, and that is an increased fee.

In terms of the upfront piece, there is not really an upfront fee at all, but it is a quite small part of the business is where we actually provide services around actual development of the exam. I guess that will be slightly different to that volume-based piece. But predominantly, the business is about that volume and the per exam fee.

Omar Abbosh: That's perfect. I mean, James, I am going to just add a couple of little points as well about why I like this business. One is, obviously we team with these organisations like the one Sally just mentioned, whether it is Microsoft or the Nursing Association to drive volume. We collaborate with them on how they run promotions in their space. So, we have a lot of insight into those market dynamics, how they work.

The other thing I really love about what the VUE team are doing is they are making wins right now that we are totally aware of that we know are going to drive incremental revenue growth out into 2026 and 2027. So, I love that forward visibility that that business gives us as well. Thanks for your question.

James Tate: Just the follow-up is, you actually touched upon it there in terms of 2026. Should we expect that improved growth from the new contract wins that are ramping up through Q4, that should benefit the first nine months or first three quarters of 2026 for Pearson VUE specifically. I appreciate you have some headwinds from PDRI but also have easier comps from the contract pause for most of this year. Is it fair to say that VUE could grow high single digits for most of next year? Or is there something else I am missing here?

Omar Abbosh: Are we doing 2026 guidance, Sally?

Sally Johnson: No, we are not, Omar. No, I am not going to guide you on 2026 now, James. That is a conversation for next year. But clearly, a good performance in Q4 is good for the future of this business. What we are guiding to in the medium term is mid-single-digit growth, and that is what we expect in the future.

Adam Berlin (UBS): Maybe starting on Higher Ed. First, I suppose there is a few questions there. One is what happened in International Higher Ed? It seems it is down like high double digits for the whole segment to be negative in the quarter. Can you just explain what happened there and is that going to continue? Or is it just a difficult comp? Just anything you can explain there would be helpful.

Second thing is your guidance does imply that the Higher Ed segment does improve in Q4 versus Q3. Can you just talk about if that is correct and what the drivers of that improvement in Higher Ed are?

Then maybe I will ask a third one on Higher Ed as well is, can you comment on what you think happened with adoption share into this selling season? Did you gain share as you were trying to do?

Sally Johnson: In international, our business is in the mature markets, so think Canada, UK, those sorts of markets, has been particularly challenging. So, you are right in the math that you quoted, Adam. Obviously, for international, that is on relatively small numbers compared to the segment.

Strategically, we have shifted our strategy from those mature markets where we saw the fact that this was happening to emerging markets and shifting the strategy to digital rather than print products using the digital products that we have been developing for the US market, where you know now we are predominantly digital in terms of that business.

It has taken longer than we had hoped for that digital and emerging market strategy to make the difference in terms of what has been happening in the mature markets. We do see that, that will make a difference, that digital strategy. Next year, those digital products will be out across the important regions that we are looking at. We are not anticipating that the mature markets are going to become any easier, but that investment that we are making from a sales point of view in emerging markets should come through.

In terms of the Higher Ed segment overall in Q4, yes, there will be a slight improvement to what we saw in Q3 in Q4. If I talk through what has happened in the other pieces outside of international, Higher Ed US core has actually grown 2%. So that is another year of growth for Higher Ed US, which is great.

That is actually two things that are happening in there. Good growth in our core business offset by a decline in our K12 business, which you will remember has a transitional year this year. At this point last year, we told you that we were bringing that sales team in-house. So the sales team that sell our Higher Ed products into the K12 segment for things like AP. The reason for that is it is really strategically important for us, as we think about early careers to have our sales teams talking directly ourselves with those customers because they can also then sell our career and technical product.

That is why we did it. We knew that that meant that this year would be a transitional year because we have effectively hired a whole new sales team, who are coming up to speed with our product. Therefore, that is something that will be passed as we go into next year.

From the Q4 point, K12 is more of a Q3 from a phasing point of view. So K12 does not impact Q4 so much, which is why you see a better performance for Higher Ed overall in Q4. Then adoption share, we do not have the data for yet so we will talk about that at the full year. Thanks, Adam.

Adam Berlin: Thank you. I assume that means you do not have the enrolment data either?

Sally Johnson: No. Our understanding is these data sets are going to come out later this year than we are used to. We are going to have to be patient.

Nick Dempsey (Barclays): First of all, on Virtual Learning. I mean, really strong growth there. Just the way this works, is there any reason why that strong growth should not be broadly at that level through Q4, Q1 2026 and Q2 2026?

Second question, in ELL Institutional, I think you were expecting decent-sized new contracts in LATAM in Q4. Do you now have the visibility on those coming in for sure? Or is there any uncertainty on the timing of those?

The third question, how do you think about AI offerings like Gemini-guided learning and Claude for Education that we saw launched over the summer? Could there be opportunities for partnerships there? Or should we worry that these offerings could make textbooks less central to learning inside university courses?

Omar Abbosh: Those are wonderful questions, Nick. Thank you very much. I will take the first one. Sally, maybe you can pick up ELL and I will come back to the AI one. On Virtual Learning, as you know, Nick, what happened in the back-to-school season and particularly the enrolments that we look at the end of September, give you very good visibility for the school year.

Now there are puts and takes because, obviously, parents can choose to unenroll at some point in the year, and there may be some true-ups to do with state-based funding. But overall, we have really quite good visibility going forward. So, I think we feel very strong and good about virtual learning certainly going into Q4. ELL?

Sally Johnson: Yes, sure. ELL and Institutional, in particular, will have a great Q4. That is I would not say predominantly, but a large part of that is in Latin America. The way that we forecast and run this business from a sales point of view is we have a pipeline of things that we've got, of course, good visibility into at this stage of the year, and that is how we forecast for the quarter. So, we are expecting a good quarter for Institutional.

Omar Abbosh: Perfect. Then on what some of the AI labs are producing, I mean, I have to say that when we look at things like Gemini's learn mode, I mean, they are doing some great things and we really like it. Our people are using it and leveraging it as well as part of our own tools. I think, Nick, you can assume that we are deeply engaged in relevant conversations with the right companies to figure out business models and commercial approaches, but ultimately, solutions that really help learners into the future. So, I feel good about the progress that we are seeing with those advances today.

Steve Liechti (Deutsche Numis): I have got three. First one, just in terms of the like-for-like numbers. I know you only go to one significant figure on your like-for-likes. But I am just trying to bring together your third quarter plus 4% against your nine-month figure of 2%, which is in line with the first half, 2%. It just seems a bit odd to me, given the third quarter is a relatively bigger quarter, but that did not have an effect on the nine months. Just any clarification you can give us there or one further decimal place would be helpful.

Then second question, just clarify a bit on PDRI. I know it is a drag in this year, but you are saying it is going to extend into next year as well. Just any quantification or help you can give there?

Then the third question is on PTE, where I kind of had in my head that it was going to be down, and you are saying it is stronger given timings and stuff. Just clarification there and what you expect in the fourth quarter there, please?

Omar Abbosh: Do you want to grab the first two?

Sally Johnson: Yes, sure. I am not going to do numbers to one decimal place, and do not question my math, the 4%, the 2% is definitely right. But effectively, it is about decimal places. It is a high 2% is the answer. I hoped when we did the maths, it might even be 3%, but sometimes it doesn't work that way for you.

Then for PDRI, it has been a really difficult year for PDRI this year with what has happened at a federal level. It is a fantastic business. One of the things that we knew was an opportunity when we bought the business was what it could do in the enterprise space as well as in the federal space. That is part of the things that they are concentrating on now is how that we can use what they do in the recruitment assessment space across the wider Pearson business as well.

For example, they are working very closely with our TalentLens business, which is in ELS at the moment. We are not anticipating given the kind of contract nature of that business, them having a quick rebound next year. But strategically, we are pivoting to make sure that we are making the very best use of the assets that we've got in a fantastic business. And you wanted to take PTE?

Omar Abbosh: Yes. On PTE, just very simply, Steve. When we guided at the beginning of the year, obviously, we were alert to some of the migration discussions happening around the world. So, we wanted to be somewhat conservative. Also, we could see like the volumes were down in many of the big markets.

Actually, the team have performed really well, including with the change in the nature of the test, for example, for Australia. They have gone through that period with great results in the nine months to date. Given that Sally has got great visibility into registrations for PTE in October and November as well, we felt that it was time to say, okay, like this is going in a decent direction despite the market. And, actually, we know that we are taking share. That is what we are signalling.

Alex Shore: One question from Sami Kassab at BNP. Can you comment on the test prep business that you launched in April? Is it performing as expected?

Omar Abbosh: Hi, Sami. I think my answer on the test prep business is it is a small thing at the moment. What we are doing is we are pulling together different threads from across Pearson to say like we have got prep for language, prep for science, prep for workplace skills and pulling it together into a singular package. We launched something called the Pearson Skilling Suite, which is a software platform to help deliver some of that. It is going to be an area that we will continue to invest and focus on.

But in the scheme of Pearson today, it is a relatively small area. So, it is not something that we are making too much of a fuss about.

Alex Shore: No further questions.

Omar Abbosh: Okay. Well, Sally, thank you. Team, thank you. For our investors and analysts on the line, thank you so much for your interest in Pearson. We appreciate you. We know you could be doing something else. So, thanks for being with us.

Sally Johnson: Thank you. Have a great day.

[END OF TRANSCRIPT]