

Pearson Q1 Trading Update

Friday, 1st May 2026

Overview

Omar Abbosh

CEO, Pearson

Welcome

Good morning, everyone, and thank you for joining us today. I am here in London with our CFO, Sally Johnson. Many of you will already have seen our Q1 results announcement this morning, so I will just pick out a few key points and then we will open it up for Q&A.

First, we are encouraged by the good start to 2026, reporting revenue growth of 4%. I am pleased with the momentum that we are seeing in our business, driven by continued strong execution from all our teams. We remain confident in achieving our guidance for 2026, and we reconfirm our medium term outlook.

Business Unit Performance

Looking at performance by business unit. Assessment & Qualifications declined 1%, as we had expected, and this is on track to return to growth in Q2 and beyond, supported by new business such as the Standards and Testing Agency in the UK and recently extended or awarded contracts, including ACCA and Google Cloud.

Virtual Learning delivered another standout result with 21% revenue growth, driven by another excellent enrolment performance, which accelerated from the Fall semester. We are further encouraged by preliminary market share data, which indicates that we are gaining share in the market.

Higher Education delivered 2% growth with another solid performance in our core US Courseware business, which continues to deliver sustained growth. We expect Higher Education revenue growth for the year to be higher than 2025 with improvements in the K-12 channel and International markets.

English Language Learning was up 2%, reflecting growth in the Institutional business, driven by China and our Enterprise offerings. We continue to expect PTE to return to growth this year, driven by share gains and pricing, although the market remains pressured, including in the Middle East, which I will touch on in a moment.

Lastly, Enterprise Learning & Skills grew 8%, supported by good growth in Vocational Qualifications and continued momentum in Enterprise Solutions.

Summary

The strength of our Q1 results illustrates the message we gave at the prelims. Pearson is successful, thanks to our unique characteristics and enduring competitive strengths. You will remember that about 90% of our profit comes from operationally complex, interconnected, hybrid physical and digital services, which comprise assessments, virtual schools and print. These demand uncompromising quality levels and trust.

The remaining approximately 10% of profit comes from primary digital courseware, where we are deeply integrated in the critical workflows that decision-makers use to perform their roles.

We are seeing the benefits of these characteristics and strength in our Q1 performance, and they underpin our confidence in delivering attractive long-term growth.

Second, we have made good strategic progress against the priorities we set out for 2026. Let me share a couple of examples. We continue to expand our AI learning and skilling programmes through the launch of our Foundations of AI course for US school teachers. Together with Adobe, we launched the first professional certification for Adobe Firefly. These reflect our opportunity in helping learners and workers upskill in the AI era.

In Enterprise Skilling, our teams have been further developing the strategic relationships across our nine partners, including recently with Salesforce as reflected in our Q1 results.

We are just at the beginning of what we can achieve with these partners. We are working with these companies that are amongst the world's leading technology players to shape the approach, tools, and solutions for reskilling in the AI era. This is why they have committed hundreds of millions of dollars of incremental revenues up to 2030 to Pearson.

We are using Pearson's proprietary content, data and assessment capabilities with their scale to serve their skilling needs, those of their partner ecosystems and those of their customers. Communication Coach developed alongside Microsoft is just one example in this area.

Third, we wanted to acknowledge the conflict in the Middle East. Our first priority is and always will be the safety of our people, and we are committed to doing everything we can to support them. This region, including near adjacent countries such as Turkey and Pakistan, represents approximately 2% of our revenues, mainly across A&Q and ELL.

We do not expect the conflict to impact full year Group growth in any meaningful way, but our teams are dealing with operational considerations such as the announced changes to school exam delivery this year, where we are leveraging well established contingency arrangements to support schools and students. We are seeing early signs of possible disruption to the migration and study abroad market relevant for our PTE business. However, both of these factors are small in the context of Pearson's overall performance. And thanks to our very resilient business model, we remain confident in our 2026 guidance.

Lastly, as you know, this is our wonderful and lovely Sally's last set of results. I wanted to say, thank you again, what a fantastic partner she is and a friend she has been to me and the whole Pearson executive team. Sally has been working very closely with Simon Robson, our new CFO, to ensure a very smooth transition, and we look forward to introducing you to Simon at our interim results this summer.

With that, Sally and I are pleased to answer your questions.

Q&A

Ciarán Donnelly (Citi): Just on A&Q, could you just remind us of the dynamics going into Q2 around any impact from the New Jersey contract loss, PDRI and just trying to help us understand the return to growth comments in Q2 within A&Q?

Then just in Virtual Learning, those enrolment growth numbers are very strong versus some peers that have reported recently. Can you just help us understand any dynamics around the enrolment growth trends in there?

Sally Johnson: This is both mine. Thanks, Ciarán. A&Q in Q1, you will remember, has the comp for PDRI because the federal impact happened in Q2 last year, Q1 had not got that. So

that is part of the dynamic in Q1, along with New Jersey. The New Jersey impact is across Q1 and Q2. So it is still relevant in Q2, but the PDRI piece is not so relevant in Q2.

Then we have growth coming from the underlying businesses, but also some new contracts that we have had. The new contracts like Salesforce and ServiceNow that started in the second half of last year. Also in our qualifications business, we have our NCT contract, so that is the delivery of exams for primary school kids in the UK. Of course, if you have got primary school kids in the UK, you will know that they take those exams in the summer term. That will also be part of the growth that we see in A&Q for Q2. So very confident in A&Q growth in Q2.

Then Virtual Learning enrolments are up 15% for Pearson. I know one of our competitors reported earlier with a lower enrolment number. There are some specific dynamics in that business that I will let you go and look at that are relevant to them. I am not going to necessarily talk to a competitor's numbers, but really good performance in Virtual Learning. The dynamics there are a market with a tailwind, the drive for parental choice is meaning that people are turning to the Virtual Learning environment. Then we have been really pleased with what we have been doing in terms of our enrolment processes and improvements there as well as how we have driven marketing.

One thing that is worth pointing out is that we talked about 13% for fall back to school. The 15% is demonstrating that we have actually added enrolments in the year, which has been partly a factor of how we have done our marketing this year in terms of when we put marketing spend into the funnel. So really pleased with Virtual Learning.

James Tate (Goldman Sachs): Three questions, please. I guess, firstly, just on the US Student Assessment business in A&Q. You recently won or expanded contracts in Maryland and Wyoming. Do these have a financial benefit in calendar 2026, or is this delivery in the first half of 2027? Then I guess are there any other upcoming tenders you would flag either to win or retain over the next few quarters?

Secondly, on ELS. We are now a third of the way through the year. Do you have any more visibility on growth for the division this year? Do you expect to see an acceleration from the 8% in Q1, given the current product road maps from some of the new partnerships?

Then lastly, on capital allocation. The accelerated share buyback is due to be completed by the end of May I think and leverage remains below the 2 times maximum you have outlined. How should we think about the scope to increase this through the rest of 2026 and the timing for such a decision?

Sally Johnson: Shall I take the first one and the third one, and you can take the second one?

Omar Abbosh: Sure.

Sally Johnson: US Student Assessment, yes, we have got the New Jersey impact in Q1 and Q2. You are quite right. We renewed many contracts last year. I think 38 was the number that we talked about at prelims. We had also talked about the extension of the Maryland contract and the win in Wyoming. Both of those come through a small amount in the second half of 2026, but then also, there will be the upside in 2027 as well when we have a full year. I guess the answer to your question there, James, is both.

Then in terms of other tenders, it is very normal for there to be an RFP cycle in this business. There are tenders that are coming up. I would remind you of our track record in terms of our

retention rate, so 96% last year, and that included New Jersey. So, lots of confidence in our ability to retain those contracts going forward.

Then on the share buyback, obviously, we are amidst the share buyback at the moment. There is no capital allocation for the Board to be making a decision on. At the point that we then get into a next cycle where that decision is made, we will apply our capital allocation policy, which is quite clear to people from a go-forward basis.

Omar Abbosh: Perfect. Let me just pick up the ELS comments, James. I mean, obviously, we are not giving segmental guidance by quarter for each of these BUs. We feel very good about where ELS is. I mean, the performance in Q1 was strong in Vocational Qualifications, which as you probably know, always is biased somewhat to H1. That one has performed very well. We are very good with how it is tracking for the year.

Enterprise Solutions, which is where a lot of our enterprise partnerships are inked, is trending in a very good way. The way those contracts are designed, they are all five-year contracts and they ramp over time is essentially how they work. What our teams are doing is working alongside our partners to, of course, figure out like where do we apply very helpful engineering resources in terms of transforming and improving Pearson's business, how do we bring Pearson solutions and skilling capabilities into their business to help their people. Importantly, how do we work together on joint go-to-market?

The most obvious vector of activity in the short term that we are seeing is the tech companies are asking for help in skilling their salespeople on their own AI because the tech is moving so quickly, and that is providing an area of growth. Importantly, also for their partner organisations. I mean, to give you a sense, an organisation like IBM will have something like 30,000 partner organisations around it that help them implement their tech with their end customers. Those partners also need help in skilling with the new tech that is coming out of IBM.

Then you have the actual end customers who also need help with using that AI in the most effective way. Obviously, in order for these companies to derive ROI on their investments in the tech that they are building, they need their customers to be using it effectively. That is where our teams are working together on shaping the products and services to meet that need. That is why we are very confident in the future growth in that business.

Steve Liechti (Deutsche Numis): Just a couple of phasing questions actually. First of all, just going back to Virtual Learning. It looks to me as though the second quarter comp is still relatively easy when we look back at next year and then it gets more difficult in the second half. Is it fair to assume that the second quarter growth rate can be at a similar rate to the first quarter and then it starts slowing down? Is that the way to think about it? That is the first question.

Then I think I heard you refer in Vocational, I know it is first half-weighted. There was some phasing benefits in the first quarter. Can you just clarify whether I was correct on that?

Sally Johnson: Yes, I will take both of those. Hi Steve. On Virtual Learning, you are quite right. The comp for Q2 is "easy", the way the one in Q1 was because you think about this business semester by semester. Q1 and Q2 generally would look very similar. Actually, H1

would look very similar to H2 of the previous year because the enrolments effectively that you are getting are mostly for that school year.

The one thing I would point out is that we have highlighted that we got a small amount of funding upside in Q1, which we would normally get in Q2. Whilst the growth in Q2 will be very good for virtual schools, it would not be quite as high as it was in Q1. The way I would encourage you to think about it is that H1 will look very much like H2 last year, and H2 last year we told you was 18%.

Then on Vocational, yes, I mean it is really small in pound terms, but we have had a very small phasing benefit in Vocational in Q1 that normalises in Q2, but it is really small from a pound million point of view.

Yes, great. It looks like the update was comprehensive. We have covered questions quite quickly. Thank you very much, everybody, for your interest in Pearson.

With that, goodbye.

Omar Abbosh: Thank you, everyone, and thank you, Sally Johnson.

[END OF TRANSCRIPT]