Pearson 2026 Interim Results

Friday, 31st July 2026

Introduction

Alex Shore

Head of Investor Relations, Pearson

Good morning, everyone. Welcome to Pearson's 2026 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 questions personally, please use the numbers that are displayed on screen. These lines will 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.

With that, I will hand over to Omar.

Overview

Omar Abbosh

CEO, Pearson

Welcome

Thank you, Alex. Good morning. It is a pleasure to be with you again today. I have really been looking forward to it.

Agenda

I am pleased to be joined by Simon Robson, our great new CFO. Simon will run you through our financial results for the first half, alongside his initial reflections following early engagement with the Pearson teams and many of you in the investment community as well. As usual, we will be joined by our colleagues, Art, Tom, Vishaal and Sharon for Q&A.

Key takeaways

Let me start with the key takeaways from today's presentation:

- First, we have delivered a good H1 financial result with revenue up 4%, profit up 14%, and EPS up 19%, alongside continued strong cash flow;
- Second, we are on track to deliver our guidance for the year; and
- Third, we continue to be excited about the future for Pearson.

Our relationship with a leading AI lab reinforces our conviction that advances in technology are driving major demand for the validation of new skills, with Pearson uniquely placed to benefit.

Unique characteristics and enduring strengths

Before we go into the results, let me begin with reminding you of Pearson's unique characteristics and enduring strengths that drive resilient profit and cash flow, and that help deliver our encouraging financial result in H1.

90% of our profit comes from assessments and verification, virtual schools, and print. These businesses are driven by human-led services, where complex, interconnected physical and digital workflows enable large-scale delivery, often within highly regulated markets.

Our services act as verification infrastructure for skills globally, spanning companies, industry associations, states and government agencies. The remaining 10% of Pearson's profit comes from digital courseware, predominantly in US Higher Ed, where we are deeply embedded in critical workflows of decision-makers, delivering solutions that enable educators to deliver courses end-to-end.

These characteristics, alongside our competitive strengths underpinned by trust, deliver a clear value proposition for our customers, powering our financial performance.

Ongoing execution against strategic framework

Let me come next to our guidance for this year. As we have showed you several times before, this is the framework by which we operate. Execution against this framework is already translating into delivery.

We grew revenue by 4% in H1 and remain on track for our full year guidance. Our confidence in driving consistent mid-single digit top-line growth and margin expansion over the medium term is underpinned by continued execution against this framework. This includes core business improvements, unlocking execution synergies, and driving our medium-term growth vectors.

Driving performance in the core business

Let me pick out a few highlights across each of those areas. Firstly, we continue to drive performance across our core businesses.

In Assessment & Qualifications, we are delivering continued enterprise growth with our Google Cloud certification programme launching in H1, and securing a new contract with a leading AI lab, which I will talk more about shortly. Our clinical business delivered strong growth, benefiting from international demand and digital expansion.

In UK and international qualifications, we delivered the first large-scale testing cycle for UK primary schools, marking approximately two million papers. As some of you may have seen, technical issues with the new platform led to a short delay in the delivery of results. We apologised for the disruption and moved quickly to support schools and strengthen delivery for future cycles.

Moving on to Virtual Learning. This business unit is clearly having a standout year underpinned by a positive market environment, recent share gains, investment and ongoing strong execution. We were successful in all 10 long-term contract renewals this year and are on track to open five new schools for the upcoming academic year. We continue to feel confident about the sustainability of strong growth for this business into the medium term.

In Higher Education, Inclusive Access continues to be a key priority, and we are seeing improved performance here reflecting go-to-market changes implemented in H1, including revised incentives and better market intelligence for our sales teams. Inclusive Access growth accelerated to 23% in Q2 and now represents 50% of our US core Courseware business.

In Enterprise Learning & Skills, Enterprise Solutions continue to be a key driver of growth through powering enterprise AI upskilling at scale, including delivering a suite of AI learning programmes to our strategic partners. For example, we delivered a strategic AI fluency program for Cognizant's global sales and consulting teams, enabling them to become more effective individually while also supporting high stakes technical sales conversations.

In Vocational Qualifications, we continue to execute strongly, including in international markets, where we extended our contract with the Jordanian Ministry of Education and successfully launched a vocational skilling programme for construction in Saudi Arabia.

Lastly, in English Language Learning, institutional performed well with continued enterprise growth. Although, the backdrop for international mobility has become more difficult since we last spoke, with softer study abroad trends, continued tight migration policies, and the geopolitical disruption weighing on demand.

With this backdrop, I am pleased that our teams are outperforming the market and executing well, showing clear operational resilience. Although we expect market headwinds to persist in the near term, we do remain confident in the long-term attractiveness of this business given demographic factors.

Progress on driving execution synergies

Now let me touch upon progress in unlocking value through our execution synergies. We continue to identify areas of opportunity to break down silos, fix fragmented approaches and drive operational effectiveness.

First, let me pick out a few examples across the implementation of Pearson-wide operational systems. Our work to-date on content development processes has identified nearly 150 distinct content tools and over 140 different approaches to describe, tag, and structure content assets across Pearson. We are systematically working through to standardise our approach here, moving towards Pearson-wide workflows supported by agentic technologies.

We continue to make AI-enabled process improvements, for example in customer services, where AI self-service is now handling 40% of customer interactions across voice, chat and email in our initial rollout phases. Our new revenue operations team is driving a more consistent, disciplined approach to forecasting and sales incentives. We are consolidating more than 130 individual sales incentive plans across Pearson into about 30 streamlined role-based plans aligned to a common set of principles.

Second, we are continuing to drive product innovation and leverage benefits from our modern software approach, combining new technologies alongside our data, quality IP, and core assessment capabilities. We have launched new products in ambient assessment, like Communication Coach, and have been pleased with early feedback from customers.

We are also expanding our clinical business with AI-enabled functionality that enhances our platform offering, supporting our continued digital strength. And we are leveraging our data and applying our learning science to drive improved learner outcomes. For example, in Higher Ed, where our latest research shows that by using our AI adaptive products, students were 90% more likely to reach initial mastery in a topic versus legacy education tools.

And lastly, we are leveraging our strategic partners to unlock value and improve operational effectiveness. Our latest strategic partnership announcement is with Adobe, who are supporting our efforts to rebuild and upgrade our digital estate, enabling easier selling and purchasing.

To shine a light on where we are today, we manage 4,500 web domains, of which over 300 are product focused. We are simplifying this web estate and redesigning it to fit core customer personas and journeys. In parallel, we are upgrading our e-commerce capabilities to improve performance, ensuring our customer platforms are ready for LLM discoverability and agent-driven experiences.

As you can hear, there are a lot of activities ongoing across the Group to drive execution synergies. We are investing in these changes because we are very confident that they will continue to deliver cost efficiencies underpinning our 40 basis points medium-term guide, as well as increasing our operational agility and supporting an improved and more consistent top line performance.

Enterprise Skilling

Finally, I want to share an update on our progress with our medium-term growth vectors, firstly with enterprise skilling. The first half results demonstrate growing momentum across our key enterprise offerings.

Pearson Professional Assessments grew well. Enterprise Solutions delivered strong double-digit growth, and we are seeing continued enterprise opportunities for our English offerings. We are delivering continued success in strategic account growth, increasing our network to 10 during the first half. These new long-term relationships secure incremental joint go-to-market and the monetisation opportunities for Pearson.

I now want to spend a few moments on AI skills verification. We have spoken before about the widening gap between the pace of AI innovation, people's ability to use it effectively, and the returns enterprises are seeking from AI. Our agreement with a leading AI lab to deliver their global certification programme reinforces our leadership in skills verification and our conviction that AI adoption increases demand for trusted, validated new skills.

I am particularly proud of how quickly our team moved from initial discussion to global launch across our Pearson Professional Assessments network in just a matter of months. This speed reflects both the pace the technology industry expects and Pearson's agility in delivering at global scale.

Overall, this agreement is a clear signal of the demand we expect to see as organisations scale AI adoption, and Pearson is uniquely positioned to help meet that need.

Early Careers

In Early Careers, we continue to make progress in unlocking this large adjacent market opportunity. The eDynamic Learning integration is progressing well, we are pleased with performance, and we continue to expect this deal to be supportive of our medium-term guidance. We have also successfully brought together our sales teams and capabilities across our early career assets that we first signalled at Prelims, including eDynamic Learning, Certiport, and Career and Technical Education, meaning Pearson now offers a complete explore, learn, practice, and certification continuum.

This revised go-to-market approach is unlocking near-term cross-sell revenue synergies, and initial school district customer feedback has been encouraging, meaning we feel confident in our value prop and our ability to address this large market opportunity.

Now, let me hand over to Simon for a deeper look at our first half financials.

Financial Review & Outlook

Simon Robson

CFO, Pearson

Thanks, Omar. Great to be with you all, and good morning. Before I get on to the first half results and full year outlook, let me take a couple of minutes to reflect on my first three months in this role. I have been spending most of my time engaging with Omar and the executive team, going deep on the business and our offerings, and connecting with colleagues from across Pearson.

I have also met and listened to many of you across the investor and analyst community, which has been an important investment of my time. Everything I have seen so far has reinforced my conviction that Pearson combines leading positions in attractive markets, structural growth opportunities, and resilient cash generation.

The speed that Omar and the leadership team are moving at to unlock these opportunities is impressive. My role is to work closely with Omar to continue this momentum, deliver sustained growth, and consequently drive shareholder value.

Early Priorities

Three areas I have identified to be my early priorities are:

- Continued disciplined investment;
- Operational excellence; and
- Simplification and transparency.

Just quickly on each of those.

Driving sustainable growth requires thoughtful and disciplined investment, making choices about where to back growth, where to improve returns, where to reallocate internally as markets and technology evolve.

Our capital allocation priorities have served us well and will remain unchanged. My focus will be on improving our processes, reinforcing our investment discipline, and ensuring our approach facilitates the optimal return for Pearson as a Group.

With regard to operational excellence, I see opportunity to get Pearson working more effectively across the business units. And this matters because the growth opportunities in front of us will require us to move quickly, share capabilities, and put the end customer at the centre of our efforts.

I will take a fresh look at resource allocation and how we develop the capabilities to be more agile whilst keeping decision-making close to the business.

And lastly, on simplification and transparency. I have heard from many of you that Pearson can still feel complex when looked at from the outside. There is an opportunity to make the business easier to understand, including by continuing to improve how we explain our growth drivers, our investment choices, and the link between operating progress and financial outcomes.

H1 2026 Financial highlights

Now, onto our financial performance. We have delivered a good financial performance in the first half. Group revenue is up 4% on an underlying basis in line with our expectations. Group adjusted operating profit is up 14% underlying to £276 million, with 140 basis points of margin expansion to 15.5%.

Profit performance is driven by operating leverage and cost efficiencies, partially offset by investment and inflation. In addition, profit benefited from the one-off impairment of legacy product development assets announced at the full year, alongside investment phasing.

Adjusted earnings per share increased 19% at constant exchange rates and 18% on a headline basis to 28.9p, reflecting the increase in adjusted operating profit and a reduction in share count due to the share buyback, partially offset by increased interest costs.

Our balance sheet remains robust, driven by another strong cash performance, enabling further investment in the business and increased shareholder returns, including our accelerated £350 million share buyback. Reflecting our performance and confidence in the outlook, we are proposing a 5% increase in our interim dividend to 8.2p.

H1 2026 Revenue & Adjusted operating profit

Walking through the key elements of business unit performance. Assessment & Qualifications returned to growth in Q2, as expected, with H1 revenue increasing 2%. This was driven by strong performance in clinical assessment, growth in UK and international qualifications and Pearson Professional Assessments, partially offset by a decline in US student assessment, which was impacted by the previously disclosed loss of the New Jersey contract. Margin declined to 20% as trading performance was more than offset by sales mix and delivery costs.

Virtual Learning grew 19%, reflecting strong enrolment momentum in the 2025-2026 academic year, with enrolment growth accelerating to 15% in the spring semester, alongside funding and favourable mix. Margin increased to 18%, driven by strong revenue growth and operating leverage.

Higher Education revenue grew 2%, driven by a continued solid performance in our core US Courseware business and a return to growth in the K12 channel. This was partially offset by a decline in international, reflecting challenging trading conditions in mature markets, although the business is stabilising as our turnaround plan progresses.

Margin increased to 6% due to operational leverage, continued cost efficiencies, and lower amortisation costs following the 2025 product development impairment.

English Language Learning revenue declined 3%, with growth in institutional more than offset by declines in Pearson Test of English. Margin improved slightly with cost efficiencies offsetting trading performance.

Enterprise Learning & Skills revenue grew 7%, with another solid performance from Vocational Qualifications and continued strong growth in Enterprise Solutions, supported by the monetisation of our strategic partnerships.

Margin increased to 28%, with operational leverage from revenue growth partially offset by investment in the business.

H1 2026 Cash Performance

Free cash flow was again strong, up £103 million from last year to £259 million. Operating cash performance was driven by disciplined working capital management and benefited from payables timing and one-off proceeds from the settlement of a US insurance policy.

Cash interest and tax payments returned to more normalised trends, following the £114 million one-off benefit received last year due to the state aid refund. Our balance sheet remains robust, enabling further investment in the business and increased shareholder returns.

Net debt increased by £0.3 billion to £1.3 billion at June 2026, reflecting strong free cash flow generation more than offset by share buybacks, acquisition spend and dividends.

2026 outlook unchanged

Turning now 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 guidance we set out at prelims in February.

Specifically, Group underlying revenue growth of mid-single digit, Group adjusted operating profit within the range £640 million to £685 million, at FX rates as at the end of last year. And we expect free cash conversion of 90% to 100%. We continue to expect growth to improve in H2, supported by new business, products and pricing in A&Q and continued progress in Inclusive Access pricing and the K12 channel in Higher Education.

Virtual Learning had a standout H1 and demonstrates continued momentum, and we expect this business to grow well in H2, despite the tough comparable, supported by strong market trends. We expect Group growth to be weighted to Q3, given the shape of last year and known business unit dynamics.

Business unit expectations

Turning now to business unit expectations for the full year. We have updated guidance for English Language Learning, where growth this year is less certain given first half trading and market conditions. However, there is clear resilience in the Pearson portfolio, as evidenced by our first half results, and we remain confident in delivering our guidance for 2026.

Let me step through business unit considerations as a reminder.

- Assessment & Qualifications to grow low to mid-single digit in 2026, driven by new contracts, products, and pricing;
- Virtual Learning to deliver stronger growth in 2025, driven by a full year of enrolment growth;
- Higher Education to grow more than 2025, supported by continued product and platform innovation, pricing, and Inclusive Access in our core US Courseware business, with improvement in the K12 channel;
- English Language Learning performance to be driven by market share gains and pricing in institutional, with Pearson Test of English expected to decline given the challenging market backdrop;

- Enterprise Learning & Skills growth to be driven by a solid performance in Vocational Qualifications and strategic account growth in Enterprise Solutions.

Key takeaways

Let me repeat my key takeaway. My first three months have reinforced my confidence in Pearson's position and prospects. We have strong foundations, resilient cash generation, and clear opportunities to drive sustained growth and shareholder value. I am excited for the road ahead and look forward to keeping you all updated.

With that, I will hand back to Omar.

Conclusion

Omar Abbosh

CEO, Pearson

Thank you, Simon. As you have heard, we have delivered a good H1 financial result. We are on track to deliver our guidance for the year, and we continue to be excited about the future for Pearson.

With that, Simon and I, along with Art, Tom, Vishaal, and Sharon, will be happy to take your questions.

Q&A

Ciarán Donnelly (Citi): Couple questions from me. Firstly, just in terms of the divisional guidance for the full year. Obviously, the only material change is on ELL. I just wanted to ask incrementally, is there any of the other divisions that you are positive on? Because clearly, ELL is slightly negative. You have reiterated the guide for the full year, so it would just be good to get any insight into any incremental positivity on any of the other divisions vis-à-vis this time at the start of the year.

Number two, just on A&Q margin. Could you just talk us through the recoverability in H2, and just help us think about maybe full-year margins versus last year? Thanks.

Omar Abbosh: That is great. Ciarán, good to hear you. Let me make a couple of little comments here. You mentioned ELL. The institutional part of ELL is performing really well, so we feel very good about that. You are right, we are sending a little message saying that the migration market still remains a tough backdrop. It is still declining relative to last year, but at a slower rate, just to be very clear.

Last year it was down 15% in 2025. This year it is declining, but at a much slower rate than that. We just want people to know that it is still a bit of a tough backdrop for that market.

As you saw in H1, I am really delighted with how ELS performed, both in Vocational Qualifications and in Enterprise Solutions. Enterprise Solutions now has had several quarters of really excellent, strong growth. We feel very good about that looking forward as well. That is a good one.

Simon has mentioned with Virtual Schools, despite the tough comp for H2, Virtual Schools is going to grow faster than it grew last year. We feel very good about how that business is performing. Again, as you have heard, Higher Ed is on a stronger track than last year. Last year, Higher Ed had some switchover in the sales team for the core K12 assets. That business is back in growth now, so we feel good about Higher Ed overall for this year as well. That is just some thoughts there for you.

On the A&Q margin, I am going to bring Simon in to just comment on how we are thinking about that.

Simon Robson: Hi, Ciarán. Thanks for the question. I want to note, Ciarán, you are the first asker of a question to me as CFO of Pearson, so thank you. Special moment.

On A&Q margin, a few things to understand that happened in Q1. I called out sales mix, and I should have called out when I mentioned delivery costs, one-time delivery costs. So a couple of things that weighed down the margin in H1.

On the sales mix, we obviously ended the New Jersey contract. That was, by the point we exit, obviously a very mature contract. The shape of all of our contracts tends to be that they are lower margin at the start, and then they mature, and we increase the margin over time. New Jersey, one exited at a good margin rate, and we started the UK SATs contract, which given it was the first year of the UK SATs contract, that is a lower margin. That weighed down on margin, but that will normalise out over time.

Then the one-time delivery costs that I mentioned were in relation to the SATs contract, and obviously, we do not expect those to be here this time next year. That is what is weighing down and gives us growth, in the margin going into H2, and obviously contributes to my confidence in the full year guidance for the £640 million to £685 million overall Group profit.

James Tate (Goldman Sachs): I have got three questions, please. I guess firstly, on the new certification contract with an AI lab. Could you just provide a bit more detail on this contract? I guess in particular, could you help us understand how to think about the scale of the contract in terms of volumes and revenues, as well as the timing? Will this contract roll out later this year?

Secondly, on A&Q. Growth accelerated to around 5% in Q2, benefiting from a number of new contract launches. Could you help us unpack some of the moving pieces into H2? Is this 5% level of growth sustainable, particularly as you lap the New Jersey contract loss?

Thirdly, on capital allocation, the share buyback program completed in May, and leverage remains below the 2 times maximum you set out. Could you explain the rationale to not expanding the buyback? Does that mean you are looking more actively at M&A?

Omar Abbosh: Sure. Thank you very much, James. Good to hear you. I am going to take the first question, then I will go to Art for the next one, and then ask Simon to come in on capital allocation.

As you know, James, Pearson is already very strongly established in the technology vertical, as a learning content provider and assessments provider, and as a credentialing and digital badging partner. I have been saying for a while, AI is a tailwind for reskilling because companies all around the world know that AI is going to reconfigure the nature of jobs and work over the next 10 years, and they want to bring their workforce with them. They want to help figure out how to equip workers to do really well no matter what their tasks and roles are with AI.

That is essentially what the ask is. For me, the AI lab signing us up is just great news because this is one of the world's leading companies that is seeing unbelievably explosive growth. You know all about it. They are saying that the demand that they are seeing for people wanting to be skilled and qualified in their assets, in their tools, is very high. They have come to us as Pearson, as one of the world's unique providers with a large global network that can scale that delivery across the globe.

The work that we are doing with them is essentially assessments and certifications. As I mentioned in the script, normally in that business, historically, it would have been 18 to 24 months from start to finish to just launch a programme. This one is in a handful of single-digit months that we have gone from start to launching. It is launched. The first tens of thousands of people are coming through the doors. Of course, their ambition is much higher than that. It is early days. I do not want to overstate it, but of course, we are excited about that because when some of the world's best companies come to you and say, we want to use your assets and your capability to help verify people and assess people and qualify them in our new technologies, that is a good thing.

I am very happy with what Vishaal and the team have done in the Enterprise Business building out those relationships. Yes, we expect that to continue to be a strong focus area for us going forward for a long while to come.

On the second question on A&Q and what the dynamics are in terms of growth, we told you that at the end of H1 that we expected to see growth in Q2. That happened, and now you are asking about what happens next. Art, over to you, please.

Art Valentine: Thanks, Omar, and good to have you with us today, James. We are very happy that we did deliver that return to growth in Q2, and also happy to reaffirm our guidance for the year of low to mid-single. Let me talk a little bit about the drivers of that.

First off, in our Professional Assessment business, we are going to see the full year impact of contracts that launched in the second half of last year, and I will draw particular attention to Salesforce and ServiceNow.

In 2026, we have launched a Google Cloud contract, and then the one that you were asking about just a moment ago with the AI lab. I am happy to report, as we are sitting here speaking right now, there are test takers around the world sitting that exam.

We also will show this year the revenue from the first year of the delivery of the SATs contract. And again, the clinical portfolio just continues to perform extremely well. We are injecting AI capabilities into a number of those products throughout the year and expect to see the financial pull-through on that.

Lastly, in the second half of the year, the comp effect of PDRI year-over-year diminishes. Those are the factors that have us feeling very good about the A&Q outlook for H2.

Omar Abbosh: Thank you, Art. Simon, on capital allocation, please.

Simon Robson: Sure. Hi, James. Nothing to second question, I am afraid. On capital allocation, as you can imagine, I have spent a lot of time looking at that since I arrived here.

I have mentioned in my remarks earlier that our approach to capital allocation remains unchanged. We assess it regularly. Our priorities are very clear, and I absolutely do not want an inefficient balance sheet.

Let me just touch on the £350 million share buyback that we have done for 2026. We announced that earlier in the year, and then actually, Omar and Sally, I cannot take any credit for this, responded well to the conditions in the market and the weakness in the price, and they started earlier and accelerated that. That proved a really good return for shareholders.

As I say, my capital allocation priorities are investing in the business, always looking at where we can invest and drive great returns. Looking at M&A opportunities, again, we will be very disciplined about how we do that. Omar has laid out the criteria before. I would not go through those again, but I will let you touch on it if you want to. We will always be scouring and looking for good opportunities to invest and grow the business.

We announced today a 5% increase in the dividend. Beyond that, we will distribute any excess capital. For now, our capital allocation policy unchanged.

Omar Abbosh: Thanks, Simon. James, if I could just emphasise what Simon is saying. Over the last few years, we have demonstrated that we are always going to think about shareholders' interests and protecting them and making sure we run an efficient balance sheet. You can expect us to continue to do that going forward.

Next question, please.

Nick Dempsey (Barclays): I have got three, please. First of all, we noticed that ETS bought the ACT qualification recently. I believe that ACT runs on Pearson's platforms, and ETS, I know has a lot of experience of being a key service provider to tests just like this. Can you tell us, first of all, whether the ACT business is a relevant part of your US student assessment subdivision, and whether you have a contract that means you keep that business until a particular date?

Second question, just maybe update us on your latest thinking on college enrolments for fall 2026.

Third question, Simon flagged that the Group organic revenue growth expected to be weighted to Q3. Can you just remind us what the dynamics are that means that weighting will occur?

Omar Abbosh: Sure. I am going to bring in Art for the first question, and then Tom on the second question, and then probably I will make a comment about the third one.

Just one little intro. You asked was ACT an important customer for us? Every customer is important for us. Just to be very clear. That is the mindset that we want to have across the business at all times. Anyway, it is a great question. Art, over to you regarding ETS' acquisition of ACT.

Art Valentine: Absolutely. Hi, Nick. Good to have you with us today. Yes, you are right. We are a provider via our US school assessment business of exam of paper preparation and delivery services for ACT. We have had that relationship for years, and that relationship continues through this year, and we expect it to continue beyond that.

It is early days post the acquisition, and we are in discussions with ACT management. We will continue to be providing those services to ACT, and that is reflected in the guidance that we are sharing today.

Omar Abbosh: Thank you, Art. Tom, any thoughts on college enrolments for 2026? This is a long-term favourite with our sell side friends. Over to you, Tom.

Tom ap Simon: Hi, Nick. Great to hear you again. From a college enrolment perspective, we are seeing slight enrolment headwinds, which is exactly what we said we would expect to see at prelims. That said, we still feel very confident in a strong H2 performance. As Omar mentioned, Inclusive Access has been an increasing area of focus for us. We have also seen significant improvements in the K12 market and what we are doing there with the sales team.

Lastly, from an international perspective in Higher Education, we are very much focused on executing the turnaround there and delivering a strong H2 in that space as well. Overall, there’s been a slight decline in enrolments. I do not think there is any particular surprise there, but we’re very much focused on growing the business despite that.

Omar Abbosh: Thank you, Tom. Nick, on the last question, I do not think there is anything new here for you. You will know that in Pearson, there is always some level of seasonality baked into how the business units perform depending on their customer base. Traditionally, the main back-to-school period for Higher Education in the US, but also parts of international, tend to be Q3. That is a little bit of that little peaky thing that you see there.

Q4 has always been a bit of a bigger one, for example, for English courseware, English institutional. On balance, the back weighting in the year is much less this year than we have seen in past years, and we feel good about that as we drive out our strategy.

Simon Robson: Nick, there is also the Q4 last year. Q4 2025 was very strong. I mentioned that. That obviously makes growth this Q4 will be less.

Omar Abbosh: A good point. The comparable.

David Nolan (Morgan Stanley): The first one for me is just on the medium-term margin potential. If we look across the divisions, there appears to be significant tailwinds, especially within Higher Ed. The medium-term guidance is only for around 40 basis points of annual margin expansion. Could you maybe just help us reconcile the two and explain how you think between the trade-off between growth, and margin more broadly?

My second question is just on the Virtual Learning momentum. Obviously, the announcement of the five new school openings is a significant positive. It would be great to get more colour on same school momentum and whether you continue to take market share in the space. Also any colour on how the career learning offering is improving your overall competitive advantage in the space as well.

Omar Abbosh: Sorry, Dave, I just want to make sure I heard that correctly. The second question you are asking is about virtual school momentum with the new schools and market share. The third one was, you said career learning? You mean the early careers stuff? Is that what you are asking about?

David Nolan: No, just within Virtual Learning itself. Obviously, the career learning.

Omar Abbosh: The career pathways.

David Nolan: Yes.

Omar Abbosh: Okay. Career pathways within Virtual Schools. Question two and three, I will come to Tom. Let me take the first one directly.

What we have been trying to say for a little while is Pearson, if I go back in history, ran itself a little bit like a holding company with a lot of separate units each doing their own thing. The separate units were not five business units. It was like the next click down. It was more than 20 smaller units.

What we have said is we are going to run the company more as a unified operating company. We simply do not need to run it so fragmented. As you defragment, you create productivity and performance opportunities. It happens at every level. If you look at go-to-markets, if you look at product, if you look at technology infrastructure, if you look at vendors, there is just an opportunity to do things more effectively and efficiently. That is what we are doing.

The journey we are on is constantly improving our margin performance. The reason we are so confident about the 40 bps is yes, you are right, Dave. Last year, and I think Sally said this, is when we dropped 30 bps to the bottom line in 2025, actually the investment capacity we created was about 200 bps, because we want to reinvest in the business for future growth. That is exactly the formulae you should expect us to continue to drive. We will constantly work out to improve our fitness, so even when we are fit, we will go back to the gym and work out some more. That is the gig, and we will expand investment capacity. We will drop at least 40 basis points on average over the medium term. That is the promise from us to the market. I hope that makes sense.

I am going to go to Tom now on Virtual Learning. Tom, you heard there were two bits there in terms of how do we feel about the current growth potential and market share. Then career pathways and how we see our growth opportunity there.

Tom ap Simon: I better make sure you do not choke on the answer. Great question. In this space, we feel very pleased with our first half performance. As you take a step back, the overall market for Virtual Learning continues to be really strong. We do not see any signs of that abating, and that is fundamentally being driven by the US School Choice Movement and parents taking a more active role in education decisions. That is the market backdrop, and we see that market growing high single digits on an enrolment basis in 2025-2026. We see that we have been doing better from a share perspective there.

We are doing that as a result of being really forensic in our marketing funnel and being really disciplined in terms of understanding where we can improve funnel conversion, where we can see opportunities to improve operationally, and continuing to do that. That is fantastic, and that will continue to be an important driver for us against that market backdrop.

That applies obviously both to the same schools, and then the new schools we are excited about because some of those are in some states where demand has been a little constrained in the past few years. We are super excited about the new schools over the medium term as well as the same store momentum.

In terms of the career offering, the way to think about this is twofold. Firstly, parents and kids are increasingly thinking about what their career options are, and they are doing that earlier and earlier, as low as eighth grade. That means that the worlds of high school, higher education, and work are blurring. This is giving kids the opportunities to do fantastic things, so for example, micro internships with IBM. That then means that we have an opportunity not only to engage students in their career choices earlier, but also this helps drive retention because as students in the high school are thinking about what to do. The things that we are doing here are really helping them think about what they want to do next in their career.

We are excited about what we are doing with the career education part of PVS [Pearson Virtual Schools]. We think it is a great part of the value proposition to parents and to students, and we are really pleased with the performance of the business.

Omar Abbosh: Thank you, Tom. Any other questions?

Alex Shore: Hi, Charlie. Thank you for your question. I am afraid I think they have already been answered. So we have no further questions from the platform.

Omar Abbosh: Okay. All of you who are with us today, thank you so much for your interest. We really appreciate it. We know you could be doing something else. We appreciate your interest in Pearson, and we hope you enjoyed the session today, and we look forward to seeing you soon. Take care, everyone.

[END OF TRANSCRIPT]