Pearson Nine Month Trading Update

Thursday, 22nd October 2026

Introduction

Alex Shore

Investor Relations Officer, Pearson

Forward-looking statements

Good morning, everyone, and welcome to Pearson's 2026 Nine Month Trading Update. There will be two ways to submit questions today. If you would like to ask your questions personally, please use the numbers that are displayed on screen. The lines will open following the prepared remarks. Alternatively, please submit your questions using 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.

Nine Month Trading Update

Omar Abbosh

CEO, Pearson

Welcome

Thank you, Alex. Good morning, everybody. It is a pleasure to be with you today and thank you for joining us. I am here in London with our CFO, Simon Robson.

Before we begin, let me briefly touch on the executive change that we announced this morning. I'd like to thank Tom ap Simon for his two decades of service to Pearson and his significant contribution to the evolution of Virtual Learning and Higher Education. Both business units are in better shape today because of Tom's leadership.

I am pleased to welcome Kate Eberle Walker, who joins us in December to lead our newly formed US Higher Education business unit. Kate brings deep experience across technology and education, and will work closely with Tom to ensure a smooth transition.

In addition, I want to provide an update on Vishaal Gupta. Vishaal has been doing a good job driving progress within our enterprise business, in particular, establishing and operationalising a new enterprise sales team that can sell the entire range of Pearson's offerings. Vishaal will continue to lead the new Enterprise business unit, and I've asked him to take on an expanded role as Chief Business Development Officer, tasked with establishing a wider Business Development function across Pearson.

Turning now to our trading update. You will have seen this morning's announcement already, so let me expand on the key takeaways and then we'll open it up for Q&A.

Key Takeaways

Today, I'd like to make four points:

- First, we have delivered another good performance, with Group growth accelerating to 6% in Q3. This performance reflects the breadth and diversity of our portfolio, the strength of our brands and offerings, and our role as trusted verification infrastructure for skills globally;

- Second, this progress means we remain firmly on track to deliver our full year 2026 guidance, with a narrowed profit range reflecting confidence in our outlook;
- Third, we are deploying capital in a disciplined manner to drive long-term shareholder value and accelerate our strategic progress. You can see this through the acquisitions of ITS and Workera which we announced this quarter; and
- Finally, today we are announcing an important step towards building an even stronger company for the future. Our objective here is simple: to optimise Pearson's structure to orient on growth and unlock our full potential.

These changes will be:

- Better for our customers;
- Better for our business; and
- Simpler for investors.

Let me take each of these in turn, starting with our performance.

Good nine-month performance, with growth accelerating in Q3, as expected

We have delivered another good performance, with sales growth accelerating to 6% in the third quarter, as expected. Our portfolio strength underpins the Group performance, offsetting puts and takes at the business unit level.

In Assessment & Qualifications, we are pleased to report good momentum from new contracts. Our agreement with Anthropic to deliver its global certification programme reinforces our leadership position in skills verification. Since launch in July, we have moved quickly, delivering more than 230,000 secure tests. Even though it's early days, strong demand signals reinforce our conviction that AI adoption is increasing the need for trusted, validated skills, with Pearson uniquely placed to benefit.

Virtual Learning delivered another standout back-to-school result. Enrolment performance was driven by continued demand for alternative schooling options and strong execution, underpinning our confidence for the academic year ahead of us.

In English Language Learning, we are lapping a difficult comparator in PTE following last summer's test enhancements, alongside navigating an ongoing challenging market. Our teams are continuing to execute well, positioning us strongly for when the end markets recover.

Enterprise Learning & Skills continued to benefit from new Vocational Qualifications contracts coming on stream and the monetisation of our strategic partnerships, specifically outcome-based skilling programmes for our technology and software partners.

Finally, Higher Education performance sits below our expectations. While our core US courseware business delivered a solid back-to-school result, progress was not as strong as we had anticipated, and market conditions in K12 created additional headwinds. In response, we are taking further targeted action to strengthen product innovation, commercial execution and talent, supported by a new organisation structure that sharpens our customer focus.

Improving performance and closing the gap to peers over time remains a clear priority, and our go-forward reporting will provide investors with greater visibility in our ongoing progress.

On track to meet 2026 guidance, narrowing the profit range

Our third quarter performance, together with the resilience provided by our diversified portfolio, means we remain firmly on track for the year. We have narrowed the profit range to reflect our confidence in the outlook, while continuing to expect a very strong cash result.

More importantly, our performance provides further evidence that Pearson is becoming a more predictable mid-single-digit growth company, which is exactly what we set out in our medium-term framework in 2024. Visibility into the fourth quarter is good and it is worth remembering that FY25 was heavily weighted towards Q4.

Let me turn now to our disciplined deployment of capital through strategic M&A.

Accelerating growth through disciplined, strategic M&A

The framework that guides our decisions is straightforward. We continue to invest in assessment and verification infrastructure, the core of Pearson. And we are building capabilities to scale in our medium-term growth vectors, where we see attractive growth opportunities and a clear right to win. The acquisitions we announced this quarter with ITS and Workera demonstrate that approach.

The acquisition of ITS brings a trusted assessment technology partner in-house. They are deeply embedded in the professional association assessment ecosystem, and will help broaden the services we can provide to customers. Their capabilities also support growth in adjacent areas, including mid-stakes assessment and international markets.

Workera is a pioneer in enterprise assessment and skills verification. Its AI-powered skills intelligence platform complements our existing offerings and will help us build a more comprehensive skills product portfolio for enterprise customers. Workera already serves blue-chip customers including Siemens Energy, ServiceNow and Booz Allen, which will open further growth opportunities for Pearson. And Workera's talented, AI-native team will play an important role in driving innovation and scale across our enterprise skills offerings.

These acquisitions reflect our disciplined approach to capital allocation. We will continue to invest behind them to drive scale and product innovation, supporting our growth plans. We expect both acquisitions to be accretive to Pearson's medium-term revenue growth.

Optimising Pearson's structure

Finally, I want to turn to the changes we announced this morning on how we will report and operate. We are sharing this news now to give you early visibility of how our reporting will change from 1st January next year. Of course, Alex and the IR team will support you through the transition ahead of our preliminary results, including providing the necessary pro-forma restatements.

Simpler organisation and new operating model to drive growth

Today, our portfolio is organised through five business units, which internally reflect more than 20 specialised sub-units. This structure is a function of our history, and it now needs to evolve to give us greater agility and consistency across the business, improve our go-to market capability and to unlock greater value from our offerings and expertise across the whole Pearson platform.

The new model creates four larger, more predictable, customer-led businesses, with clear ownership of customers, offerings and performance. Supported by strengthened core capabilities, this will bring greater commercial focus, closer customer relationships and more consistent execution.

This is fundamentally a growth move. It will help us identify and pursue opportunities more effectively, bring our distinct offerings together around customer needs, and build the platform for Pearson's next phase of growth. Importantly, this is not a change in strategy or portfolio. We are optimising our structure to allow more effective execution.

Let me take you through the new approach.

Focused organisational design, centred around customers and growth

We are organising Pearson around our two core customer groups:

- Learning institutions; and
- Enterprises.

This gives us a clear organising principle, with accountability closer to the markets that we serve. We will operate through four larger business units:

- US K12, led by Art Valentine;
- US Higher Education, led by Kate Eberle Walker;
- UK & International Education, led by Sharon Hague; alongside,
- A dedicated Enterprise unit led by Vishaal Gupta.

Each will have P&L accountability and stronger ownership of its growth drivers. Together, these larger, more focused customer-led businesses give us a more balanced platform and support our ambition to deliver sustainable, predictable mid-single-digit growth over time. The offerings within each unit reflect the customers they serve, that bring related capabilities together focused on customer needs, helping us serve customers more effectively and pursue opportunities with greater focus.

Importantly, assessment and verification infrastructure remains at the core of Pearson and runs through the businesses.

Alongside the new customer-led structure, we are investing in four core capabilities to unlock growth. We will:

- Align product investment more closely with customer needs;
- Strengthen business development across strategic customers and opportunities;
- Bring greater consistency to how we commercialise our offerings; and
- Create a simpler, more joined-up customer experience through driving best practice across the Group.

We have already made good progress in each of these areas, as outlined at previous results. The new operating model represents the next natural step in Pearson's evolution from a holding company into a modern operating business.

New approach unlocks full potential for Pearson

So why does this matter? This structure is designed to unlock Pearson's full potential, with benefits across the business.

- First, it supports growth. Sharper customer focus and a better-connected portfolio will help us deepen relationships, identify opportunities and bring more of Pearson's expertise to bear;
- Second, it improves performance. Elevated capabilities and more consistent execution on ways of working will strengthen how we develop products and serve customers;
- And third, it increases agility. Clearer accountability, standardised core capabilities and decision-making closer to customers, will help us respond faster to their needs and to market opportunities; and
- Also as a result, it makes Pearson simpler.

Four larger, more focused and more predicable businesses with a clear set of offerings will give investors good visibility of our growth drivers and progress.

Key takeaways

To close today's call, I'd like to repeat our key takeaways. We have delivered another good performance, with Group growth accelerating to 6% in Q3. We remain firmly on track to deliver our full year 2026 guidance, with a narrowed profit range reflecting confidence in our outlook. And we're deploying our capital to drive long-term shareholder value and accelerate strategic progress. And we're optimising our structure to orient on growth and unlock Pearson's full potential.

These changes will be better for our customers, better for our business, and simpler for investors.

With that, Simon and I would love to welcome your questions. Operator, over to you.

Q&A

David Nolan (Morgan Stanley): The first one is just on A&Q. Obviously, A&Q accelerated meaningfully to 10% growth in Q3, yet both the Group and divisional guidance remained unchanged. Can you maybe just walk us through what is driving that and what to assume for Q4?

Then maybe on Virtual Learning. At H1, market was growing high single digits, but Stride reported declining enrolments earlier this week. Is that market still holding up, or are we seeing a shift in market share here, and Pearson is really taking share in this market?

Omar Abbosh: Good morning, David. Good to hear from you. I will let Simon jump on the A&Q question, and maybe I will pick up the Virtual Learning one.

Simon Robson: Yes. David, good morning. Yes, as you say, good result for A&Q. Maybe go back a step and just to reiterate good performance for the Group. So really happy with the 5% growth for nine months year-to-date.

As we said back at interims, the growth throughout 2026 would be second half-weighted, but much flatter than last year. That is playing out. We also said that Q3 would be the faster quarter in H2, and that is playing out as well. So we expect the slowdown into Q4.

What is driving the growth in Q3? It is principally within A&Q. It is principally in PPA, so the new contracts we brought on there. Obviously, we have got the benefit of the contracts we brought on in the second half of 2025 coming through. So we have got a full quarter of those this year. We have also got Google Cloud and Anthropic that we brought on earlier in 2026 benefiting Q3 this year.

Going on to Q4, as you know, very tough comp in A&Q from last year. We had the new contracts I just referred to when they came on in Q4 2025, helped growth in that period, so that comp is very tough. It is also true that on exam and test delivery, whilst predictable, it is not always the same period that those tests and exams fall in. Actually, we benefited from the phasing and the delivery of some tests in Q3 in 2026, and those will not fall therefore into Q4 this year. That is also contributing to the slowdown in growth there.

Big picture is good nine months year-to-date, 5% growth, and very pleased to and confident in reiterating the full year guidance of mid-single-digit.

Omar Abbosh: Yes. Thanks, Simon. Actually, David, I will just add a little point on A&Q. Clinical performed super strongly. Pearson School Qualifications performed super strongly. Even when you look at PPA, Pearson Professional Assessments, it is a complex portfolio of very large customers down to very small organisations. I love that. I love the diversity of that portfolio. It was very strong because we saw growth across the board, including, as Simon said, in the tech companies especially, and obviously, more recently with AI labs, with Anthropic.

You asked a question about Virtual Learning. The short answer is we are still very excited about that market. The School Choice movement in America appears to be gaining momentum, not decelerating. Actually that is driving more and more options in different states, and so we feel good about that. The thing that we have an eye on is how the nature of the options evolve.

Connections Academy, which is the main brand that we use for a chunk of virtual schools, is super strong and performing incredibly well. I think 17% year-to-date growth in Virtual Learning, so that is great. We are looking at all the other options emerging in the market to make sure Pearson is on the front foot to take advantage of that opportunity going forward. So feel good about it for now. Thank you so much. Who is next?

Ciaran Donnelly (Citi): Three from me. Maybe firstly, Omar, just in terms of the operational structure change and the positive impacts you alluded to in the presentation. Could you just give me a sense of timeline, how long does it take to fully implement these, and maybe going beyond when we should start to see that positive impact come through to numbers?

Maybe two for Simon. Simon, just following the comments on phasing and A&Q. Could I press you to maybe quantify the impact in Q3 on that?

Thirdly, just on the updated EBIT range. Can you just talk us through the moving parts for the updated range and any comments around perhaps A&Q margin for the full year?

Omar Abbosh: That is great. Good morning, Ciaran. Thank you. On the operating model, let me step back a little bit. It was just over two years ago, in July 2024, where we came out, and

we said Pearson will be a mid-single-digit growth company and will consistently expand margins 40 basis points or so on average over the medium term. That is the path that we set out.

Honestly, at the time, even some folks in the market were sceptical that we would do that. In addition to delivering against those commitments, under the hood, we have been improving the performance of Pearson across a wide range of areas, like how we think about our career architecture and simplifying salary bands and roles and titles, and all these things that were very fragmented across the company. In the op model picture that we showed you on the chart, we showed a picture that said, look, yes, it is five business units, but actually under the hood, there were more like 20-something units, each with their own corporate functions, with their own technology stacks, with their own vendors. So there is a degree of fragmentation there.

We have been working quietly on improving processes across the board, from sales operations, from vendor consolidation, from product and software engineering, just across the board to make that better. Which is why now is the perfect moment for the next natural step in the evolution of the model towards something that just aligns us very obviously and directly against customer segments. I think growth comes from customers, and if everyone knows exactly who their customer is, which products and offerings are lined up against those customers, the P&L accountability is super clear right down to the individual facing off that customer, then we can position for driving consistent, strong growth going forward.

I feel very good about the shift that we are making. I do not see it as a particular moment in time. Obviously, the detailed design work is happening like now. 1st January, we will lock into the new model. Our people will be mapped, the customers will be mapped, all of that thing that you would expect. And I expect us to continue to stay incredibly focused on our markets and making sure we deliver better and better offerings for those customers.

Over the medium term, Pearson will consistently be a mid-single-digit compounder expanding its margins, and that is what this is all about. It is very much a growth-oriented move and just taking out some friction from the fragmentation that we have today into a simpler structure going forward, which will also make us nimbler, more agile, and hopefully easier and simpler for investors as well. Simon?

Simon Robson: Hi, Ciaran. Let me start with the EBIT question. We have narrowed the range for our EBIT outcome for the full year, which reflects actually the good performance in the nine months to-date and the fact we have really good visibility going into Q4, and feel confident in the outlook, which is why I am comfortable to narrow the range. The range previously was £640 million to £685 million, so pretty wide. We are nine months in now, and happy to narrow that to £650 million to £675 million, keeping the same midpoint. It speaks to the confidence that we have in the outlook for the business there.

Then you pushed on Q3 on A&Q again a little bit more. I would not reiterate the whole answer, but maybe add a couple of other things, which is why I am talking about the delivery phasing between Q3 and Q4 in A&Q. Things like the UK TOPS deal, obviously, we had the benefit of that in Q3, so that was contributing to the plus 10%, but we do not have the impact of that into Q4. We saw some similar things around the testing delivery in US Student Assessments where tests fell into Q3 and would not fall into Q4. Those things are contributing to why we still see A&Q for the full year, low mid-single digits and why Q4 will be slower than Q3.

Omar Abbosh: In summary, the Group is compounding at mid-single digits.

James Tate (Goldman Sachs): I have got three questions, please. Firstly, on the portfolio. Pearson made a couple of acquisitions that you talked about recently as well as the re-segmentation today. I guess as you go through that process and look across the portfolio, do you feel you have the right mix of businesses to deliver your mid-term strategy, or could we potentially see disposals alongside further acquisitions?

Secondly, again, following up on Professional Assessments. Given the Anthropic certification programme only launched in July, how should we think about the ramp from here over the next couple of quarters? More broadly, could you give us an update on the pipeline for new contract wins and renewals?

Lastly, on PTE. I think market conditions clearly remain challenging. You had previously expected English Language Learning to return to growth in Q4, but I could not see that language in the release today. How should we think about the business returning to growth in Q4? And looking into 2027, are there some levers in your control to return PTE to growth even if the market backdrop remains challenging?

Omar Abbosh: Right. James, I am going to take the fun two first questions, and then I am going to give Simon the PTE question because he will enjoy that one.

On the portfolio, I think we have got a great portfolio, James. Pearson is a diversified bet on learning education with the broadest scope of products and services across the world in the publicly listed markets in our space. That broad portfolio, that resilience is what gives the Group the ability to consistently compound, even when there are puts and takes in some of the subunits in a given quarter.

Yes, I feel good about the portfolio. Yes, I also feel good that the new structure will give incredible transparency and visibility into the performance of the units. Investors will find that valuable. Sure, it will put more performance focus on some of the units exactly as they should be, and we want that. Overall, I feel good about it.

You mentioned that M&A is part of the mix, and ITS and Workera, welcome to those two fantastic teams. They augment what we are doing in assessments in the core business and in enterprise skilling. You could imagine that we are constantly looking at useful bolt-ons that could make a difference to augmenting and accelerating our organic growth strategy, whether in assessments, in next-gen education, in early careers, and in enterprise skills. I feel very pleased that the teams have landed on these deals, that it is bang on strategy and very good cultural and product fit with our portfolio. The new structure just makes growth easier, and that is great, and so excited about it.

You ask about Anthropic. This thing started in July. It is very recent. We have done something like 230,000 tests so far. I will let you calculate how many people are out there in the world needing to get certified for Claude skills in the coming period. It obviously is a rocket ship as a company. Our team is incredibly focused on just delivery, and delivering to a very high quality. Obviously, for them and all of our core customers, it is very important that we retain the security and the fidelity of all those assessments, and we keep innovating at the pace that these customers expect. These are demanding customers in the tech segment, and Pearson is the provider across the entire tech segment, including with AI labs. I feel very good about that.

The pipeline is strong. Looking forward into 2027, as you know, the nice thing about A&Q is you have incredible visibility. As Simon said, yes, Anthropic, but also Google Cloud, ServiceNow, Salesforce, all of these amazing companies are partners for us. We are looking to just lean in and serve them as best as we possibly can because that is great for them and great for our business and great for the end learners.

Over to you with the final question about PTE, Simon.

Simon Robson: Hi, James. I will come back to PTE in a second, but it is relevant, given what is the situation in ELL to just step back and look at the whole portfolio. This is the reason I like the fact that we have got a resilient, diverse portfolio so that when one of our BUs is having a tougher time, the other one is performing well. Overall, we are hitting guidance and, as I say, growing 5% for the nine months year-to-date.

For PTE specifically, so that market is just proving tougher for longer than we expected. Not ruling out growth in the fourth quarter, but it is certainly more uncertain than we thought it might be. That is just the situation in the market. However, worth saying that over the 12-month period for PTE, I am confident and feel good about our share performance, that we are going to grow share over the 12 months. We are well-positioned in that market, so when it does return to growth, we are in a good place to benefit from that.

Omar Abbosh: The other thing worth saying, if I may add, James, is you will remember that the comparable for PTE is tough Q3-on-Q3, because last year we launched essentially PTE 2.0, and that drove a surge in demand back then. That in addition to the migration context that everyone is aware of as part of the reason.

Nick Dempsey (Barclays): I guess, in US Higher Education, for the last couple of years, you have flagged new approaches to the sales process, bigger focus on Inclusive Access, other ways in which you were looking to improve, and we have not really seen a boost in the growth rate here. I am just thinking, if it is not possible to get this division to grow faster than 2% within a Group aiming for mid-single-digit, does it make sense to keep this as part of Pearson?

Second question in Enterprise Learning & Skills. It is a small division and you have added new contracts from a bunch of interesting tech groups, but we are still growing at 6% in Q3. Does that mean that while those contracts are helping in A&Q, you are not really generating much in the way of conceptual new revenue, which I guess would show up in this division's growth?

Lastly, can you give us an indication of what subdivisional detail you are going to give us in these new divisions? Will we still be able to see virtual schools which have been really volatile and also English Language Learning as subdivisions?

Omar Abbosh: Okay. Nick, thank you very much. I am going to take some of the challenging ones this time, and then maybe Simon will pick up on how we think about the sub-detail, although it is obviously a space that we would love people like you, your thoughts on actually, in terms of how we can help you most.

On Higher Ed, I just want to be super clear. Two or three years ago, our Higher Ed performance was completely unacceptable. It is in a much better place today. The team, under Tom's leadership, have moved it to a genuinely much better spot. The products are stable. They were not in the past, and that is earning us benefit with educators.

The sales team is much stronger, and the sales operations data sets are strong today. Even a year ago, some of that wasn't in place. There are already a lot of improvements under the hood in US Higher Ed. As Simon Robson pointed out, in core US courseware, actually the growth in Q3 was quite good. It was creditable.

The overall Higher Ed in the way we document it today includes the K12 part and the international Higher Ed part. What we are doing in the new structure is we are going to put incredible clarity on the US core bit because actually that is a perfectly good market. It is great gross margins. The growth, as I said, is creditable. It is not exactly where we want to be. Actually, the competition show us what is 100% possible, and there is nothing that they are doing that we cannot do.

The truth is we were slow in getting deep into Inclusive Access. That is ramping, and you will see that in the numbers, but it is still not at the level it can be. Some of the defragmentation of the tech platforms, again, I think Pearson took a long while to get to grips with that. I feel happy with how that is playing out now, and that will give us benefits in the future.

Overall, we are going to be good with US Higher Ed. It will be very transparent to investors looking forward in the future structure, and I feel good of it as part of the overall portfolio.

Your next question about ELS. You are exactly right. We set up the ELS sales team to sell all Pearson, and indeed that has been incredibly successful. Actually there are benefits, yes, in A&Q, actually also in English, in the institutional side. The enterprise sales team have done a great job on that and elevating those businesses.

In Q3, the vocational business was super strong, so I am very happy with it. Now Enterprise Solutions you referenced in saying, where are the numbers there? We have always been very transparent. That comes from a very small starting base. The laws of small numbers govern. The contracts that we have struck with these big enterprise partnerships are multi-year contracts and they ramp over the annual basis. They are not designed to ramp on a quarterly basis. That is a little bit more arbitrary of what happens at a given quarter with a specific customer. The trend is 100% in the growth direction, and we feel very good about that.

Again, next year, there will be just one enterprise division, and you will be able to look at the whole of our enterprise performance overall, and that will be helpful as well. So I feel good about where we are trending with ELS, including in Q3 so far, and certainly for the year.

Simon, over to you for the segmentation question.

Simon Robson: Hi, Nick. Again, just to step back on the restructure. The restructure is about making the business better positioned for growth. It is ultimately about being better for customers, being better for the people at Pearson, being better for the business, but also one of the factors that we have taken into account is we believe it is going to be better for investors and analysts to understand the business, and to make it simpler to understand.

The next few months for us, and in particular for Alex and the IR team, is to work with you guys, and to help you, and to form how we are going to report going forward, what levels of detail, build the comps, and map across the existing business into the new business, and we are very committed to spending a lot of time making sure we can make that clear so that you are in a good place when we come back and start reporting on that basis through 2027.

Omar Abbosh: Thanks, Simon. Thank you, Nick. Any other questions?

Charlie Muir-Sands (Exane BNP Paribas): Three from me, please. Firstly, within Professional Assessments, obviously the opportunities around assessments of new AI capabilities for workers is growing very rapidly. I just wonder what you are seeing in the, let us call it, more traditional space of IT or bundling it together, IT and AI assessment volumes overall. Are they accelerating or decelerating or declining?

Secondly, in US Student, you have obviously flagged the win of the Pennsylvania contract. Given the population is slightly larger there than New Jersey, which you had previously lost, can we assume that you get a proportionate, commensurate benefit from that, and what kind of phasing should we expect around the revenue recognition ramp on that?

Thirdly, on cash conversion. You have obviously confirmed 90% to 100% cash conversion for the year. Is that inclusive of your acquisitions? If not, can you give us a rough budget for how much M&A spend will be in your cash flow this year and what liabilities will be outstanding for 2027-plus?

Omar Abbosh: That is perfect, Charlie. Thank you. I will take the first question and then I will have Simon pick up the next two, if that is okay.

What I should say about professional assessments, and you are asking essentially about AI and IT. Pearson is the world leader at professional assessments for the tech industry globally. I am sure you know that, Charlie. The reason of that is we actually have many years of building trust with those organisations, who are some of the world's most demanding organisations, of having trust in terms of the quality and the scale of our network and our ability to help take their IP and convert it into assessments and certifications for people to really validate that they have the skills that they need to have for their work.

I feel very good about how that whole portfolio is performing, and honestly, it is going to keep getting better. I do not really distinguish between IT and AI. In the world of cyber, you now need to understand how to generate agent swarms of your own to defend yourself. In the world of SaaS, all of the SaaS providers are injecting a lot of AI into their tools. Then obviously with the AI labs, they are generalising beyond models into the application layer in many areas as well. Pearson needs to be on the front foot with all of that, and I believe we are, and we will continue to innovate with all of those companies.

Overall, demand for bringing technology into the workplace is increasing and will continue to increase. Every CEO I talk to, and of which are many, talk about how occupations and roles have to be reconfigured with AI in the workplace, and that demands people with skills to be able to do that. You will see us, particularly next year, talk to you a lot about AI fluency and what that is and how Pearson is generating a set of offers and services in that space to meet global demand, which is not just in the tech industry, but way beyond that, as people realise that their normal employees need to become citizen developers in a way that can use AI to improve how they work.

Today what you see in companies is individual contributors are improving their productivity with AI. Companies are not yet improving their productivity. There are some reasons for that, and we are going to be in the middle of helping unlock that value for corporations. I am very excited about AI fluency and what we can do around assessments for that across the whole IT and AI suite looking into next year.

Simon, over to you on our Student Assessments question.

Simon Robson: Hi Charlie. US Student Assessments and the Pennsylvania contract first. You can think about that new contract as when we get up to full run rate on that contract, they will be broadly similar in size to the New Jersey contract.

In terms of timing, it starts for the 2027-2028 academic year, and actually, given the phasing within an academic year, actually most of the benefit starts to come through in 2028. So we will see a small benefit in 2027 from that contract at the back end of 2027. But really, it hits the road from 2028 onwards.

On M&A and cash, so we have not put out a number yet, but I am happy to give guidance that roughly the two acquisitions are £200 million in total, and you will see the details of that obviously, in our full year results, and that is not part of the 90% to 100% cash conversion number.

Omar Abbosh: Thank you. Is there anyone else?

Steve Liechti (Deutsche Numis): On Higher Education, can you just go in a little bit deeper in terms of the lowered outlook there? I am presuming from what you say, it is more the international side, but just flesh that out. Then you did mention US courseware growth is good, and you called it credible. Can I push you for a number on that? That is the first question.

The second question, just on Virtual Learning. I hear what you are saying about enrolments and feeling good about the market, but is it possible to unpick market share gains against a big competitor that is listed in the US to see what the normalised numbers should be and if there is a short-term benefit you are getting in that area?

Omar Abbosh: Right. Steve, thanks for those questions. On Higher Ed, actually, I have to tell you, international Higher Ed did great in Q3. I was very proud of what that team did because that was a team that probably did not have sufficient focus for a while. Under that leadership, they have done a very good job in Q3, and that bodes very well.

Now, the issue in Higher Ed, as Simon hinted, was around K12 adoptions. So one of the Higher Ed products selling into the upper end of school is something called Advanced Placement. You only really get visibility of how that performs during August. What happens is when states are in doubt about tax receipts or federal funding, and it seems like that happened because we can see that pattern across a lot of our competitors, then they delay adoptions. That did impact part of what we document as Higher Ed, but it is the K12 part, and so that dragged down the number somewhat in Q3 relative to what we were hoping and expecting.

The US courseware number, I do not think we segment that out broadly, but if Simon would not kill me, I will say to you that it was at the lower end of mid-single digits it was performing. So again, it is okay. It can be better. That is again something that we are leaning into with the team and making sure that we continually build for more strength going forward.

With Virtual Learning and the enrolments, again, I am obviously not going to comment on our friends across the water, and what they are dealing with. I am very pleased with what the team is doing on enrolment, in recruitment of parents, in retention of parents, in improving the offering. There is a huge focus with Jess and the team now on making sure that the offering continues to drive better attainment outcomes for the kids. You will expect to see that as a big focus for us.

At 17% year-to-date with Virtual Schools, we could probably assume that the share position is good. We do not have the latest figures in terms of the whole market, so I am not going to make one up and get it wrong here for you, Steve. Thank you very much for your question.

Alex Shore: Yes. Thank you. We have two final questions, both on the re-segmentation, so I will ask them together. Firstly, why make the segment an internal structure change now and not two years ago?

Secondly, can you just expand a little bit where Pearson Clinical sits in this new operating model?

Omar Abbosh: Yes. On the org change, I will be brutally honest with you, is I hate making operating model and org changes. Because they are disruptive to people, they introduce risk, they risk distracting people from focusing on their customers. I do not make those moves lightly ever. You want to be very careful when you do that.

Frankly, people don't like them, so they resist them. Then you have to also work to overcome resistance and create the change impetus. In order to have the change impetus, you need three conditions to be true. The first one is people need to universally agree that the current is not quite good enough. I have now more than enough data from our people telling us that the lived experience of working through a fragmented set of 23, 24 different units is painful in terms of processes.

They also tell us that we sub-optimise customer service for our customers when we have to pass customers between different units to address something. For example, PTE, a Pearson Test of English, is run on the Pearson Professional Assessments platform. It is in two different businesses, so sometimes customers can get punted between them, and that is just not good for anyone.

The first condition is in place now, which is people really genuinely agree on the improvements we can make from the current.

The second condition is people have to be excited about where you can get to. I think people at Pearson now are super excited that Pearson can lead on the future of education globally with AI and the future of skills at work with AI. That vision is exciting and motivating a lot of our people. People are like, "Okay, good. We have got the current that is not ideal, the future is gorgeous, let us go for it."

The third condition is the most critical one, is that people believe it that there is a realistic path to executing the change. That it is not just high-level PowerPoint nonsense, but it is super detailed, operational grunt work of exactly how the processes will map, how the systems will map, how the data will work, how the operational dashboards will perform.

As I was hinting earlier, over the last two years, we have been working on all of that. There has been a lot of work done under the hood to transform the core processes, the data foundations, the capabilities of Pearson, so that actually when you put the new structure in place, you can hit the ground running and go fast. That is actually where we are, and that is why the timing is perfect now. I am excited, actually, for what this will unlock for the future of the company in the coming months and years. I feel very good about that. Thank you for your question.

On Pearson Clinical, that is very simple. When you go under the hood of Clinical, actually you will find that it is about half-half between special needs for kids in K12 in the US. That half will be in the K12 business in the future, and the other half is actually more focused on life sciences and clinical trials and enterprise situations with psychologists in small companies. That will go to the enterprise part.

Actually, that focus of go-to-market with dedicated teams who are specialised in K12 and specialised in enterprise is going to help accelerate the clinical business even further than its actually brilliant performance that it has already had so far this year.

Thank you so much for your questions. Very appreciated. Any other questions, Alex?

Alex Shore: Over to you for the final remarks. Thank you, Omar.

Omar Abbosh: All of you out there with your interest in Pearson, thank you so much. We really appreciate your interest in us. Hopefully, you have heard from today's comments that we are positioning the company for more growth, more performance, and more agility in the future. I am excited to see you at Prelims next time. Thank you ever so much.

Simon Robson: Thank you.

[END OF TRANSCRIPT]