

Another year of significant strategic, operational and financial progress.

Andy Bird, Chief Executive



Underlying sales growth in 2022

5%

Underlying adjusted operating profit growth in 2022

11%

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Dear shareholders,

I am pleased to report to you on another year of significant strategic, operational, and financial progress, one that has strengthened our foundations for a future of increasing sustainable growth.

Over the last year, a new Pearson has emerged - streamlined, interconnected, and more agile. This new Pearson is expanding our market opportunities, driving value for our stakeholders, and making a positive impact on our world.

Our 2022 financial results demonstrate the strong momentum we've been building. For a second consecutive year, our financial performance was ahead of our expectations, with underlying sales growing by 5% and underlying adjusted operating profits increasing by 11% to £456m. This reflects excellent progress across the Group, driven by our strategic initiatives.

Delivering on our strategy

Our strategy focuses on a lifetime of learning and building a company that is digital-first, puts the consumer at its heart, and delivers high quality learning products at scale. A major focus this year has been enhancing the interconnectivity between our divisions, making more parts of Pearson more relevant to each other while driving financial and operational benefits. Because of this, our business model is moving from standalone products and services to connected learning applications, centered around our trusted relationships with consumers.

At the start of 2022, I identified four clear priorities for Pearson:

- Deliver sales and profit growth
- Increase our focus on execution, quality, and trust
- Embed customer and consumer insights across the company
- Scale and grow Pearson+

We delivered on those priorities and much more, including significantly evolving our overall proposition and our go-to-market strategies. Critically, we remain on track to deliver approximately £120m of cost efficiencies in 2023, accelerating our improved margin expectations to 2023 from 2025. We reshaped our portfolio with the acquisitions of Credly and Mondly, and announced the intention to acquire Personnel Decisions Research Institutes (PDRI), to drive growth. In addition, we completed the sale of our international courseware local publishing businesses and initiated the strategic review of our Online Programme Management (OPM) business. We saw strong growth in Pearson+ paid subscribers, launched the new Pearson+ Channels feature, and integrated Mondly into the service. As we do all of this, we are growing our universe of consumer relationships. In 2022, our products and services impacted the lives of around 160 million global users.

A future focused on a lifetime of learning

While we continue to work with the full spectrum of learning institutions, the workplace is now the heart of many people's learning journey. Enterprise learning has long been foundational to our business but 2022 saw us scale that in new ways. Credly added about 70,000 new users each week, for the past 12 months, a strong signal of the need for individual upskilling. We now have more than 2000 enterprise learning clients. This part of our business is, and will continue to be, the subject of strategic investment. We have been hard at work developing our new Workforce Skills talent investment platform, a combination of Credly and Faethm capabilities that aims to help enterprises solve their talent planning, upskilling, and recruiting challenges. As it goes to market in 2023 and beyond, this new product has the potential to greatly accelerate the growth of our Workforce Skills division. In addition, we continue to expand our Pearson VUE offerings, and we are capitalising on the demand for English learning as a gateway to employment.



Beyond our workforce offerings, the progress of Pearson+ continues to point to an exciting future. In the calendar year 2022, our first full year in the market, Pearson+ had c.600,000 paid subscribers and 4.8 million registered users. We now have more than 1,800 e-textbook titles in Pearson+ and we have introduced 18 study Channels to provide students with supplemental video and learning content. In the Fall of 2022, students viewed nearly 2 million minutes of Channels video content and utilised 1 million practice problems- impressive engagement activity. Between new content, the integration of Mondly, and broadened distribution through college bookstores, we continue to expand our total addressable market and prove the product market fit of Pearson+. We still see Pearson+ as the springboard for our Higher Education business and our bigger ambitions across a lifetime of learning. In our broader Higher Education business, we're making excellent progress building the tools to return that division to top line growth. This effort centres on going to market more effectively and ensuring we have engaging products that faculty and students love to use.

As we've demonstrated throughout the year, the cross over between our businesses is accelerating, which is creating synergies and forming the foundations of our digital learning ecosystem. We are at a critical moment where we can combine our capabilities to benefit a vast number of people. We believe there is enormous power in an ecosystem that brings our products together, with a consumer profile at its heart. As we move into 2023 and beyond, you will see us push further into a business model that connects consumer led learning into one Pearson experience.

Looking forward with confidence

As we turn this concept into reality, we continue to work hard every day to deliver what consumers demand: vibrant, impactful, frictionless learning solutions that will help them progress in their lives. As we deepen relationships with our consumers, they can move with ease between our products as their learning needs evolve. That creates lifetime value for learners, for Pearson, and for all our stakeholders.

We are delivering on what we have promised to our stakeholders, and we will continue to do that. The level of activity around the business is unprecedented. But it is also focused and better executed, resulting in better delivery of our strategic goals. I'd like to take this opportunity to thank each and every Pearson employee for their unwavering dedication to our purpose and our strategy. Led by their drive, determination, and unparalleled expertise, we are in a strong position to capture the opportunities in front of us.

Andy Bird
Chief Executive