

Business model

Creating value

Our foundations

Committed people and partners

Our talented employees and fantastic partners share Pearson's values and commitment to education. Our relationships with governments, customers, non-governmental organisations (NGOs) and other global organisations help us to amplify our positive impact on learners around the world.

R&D and product innovation

Our product team, with expertise in learning science, is committed to creating learning products which offer a great user experience and improved learning outcomes. Through ongoing innovation and Research and Development (R&D), we develop and incorporate the most advanced technologies, including generative AI, into our products and services.

Financial assets

Our shareholders entrust us with their capital in order to invest on their behalf for the long term.

Our physical footprint

Our products and services are available in most countries and territories around the world. At the same time we are progressing in simplifying our property portfolio and strengthening our digital and flexible ways of working.

Data and insight

Through the effective and responsible use of data we are able to know our customers better and serve them more effectively. We are further building our capabilities in data analytics and AI such as those acquired through Faethm, which enable us to use data insights to help identify skill gaps and provide compelling solutions to workforce challenges.

Strong market fundamentals

We are well-placed to benefit from structural tailwinds in the global learning market including three big market opportunities:

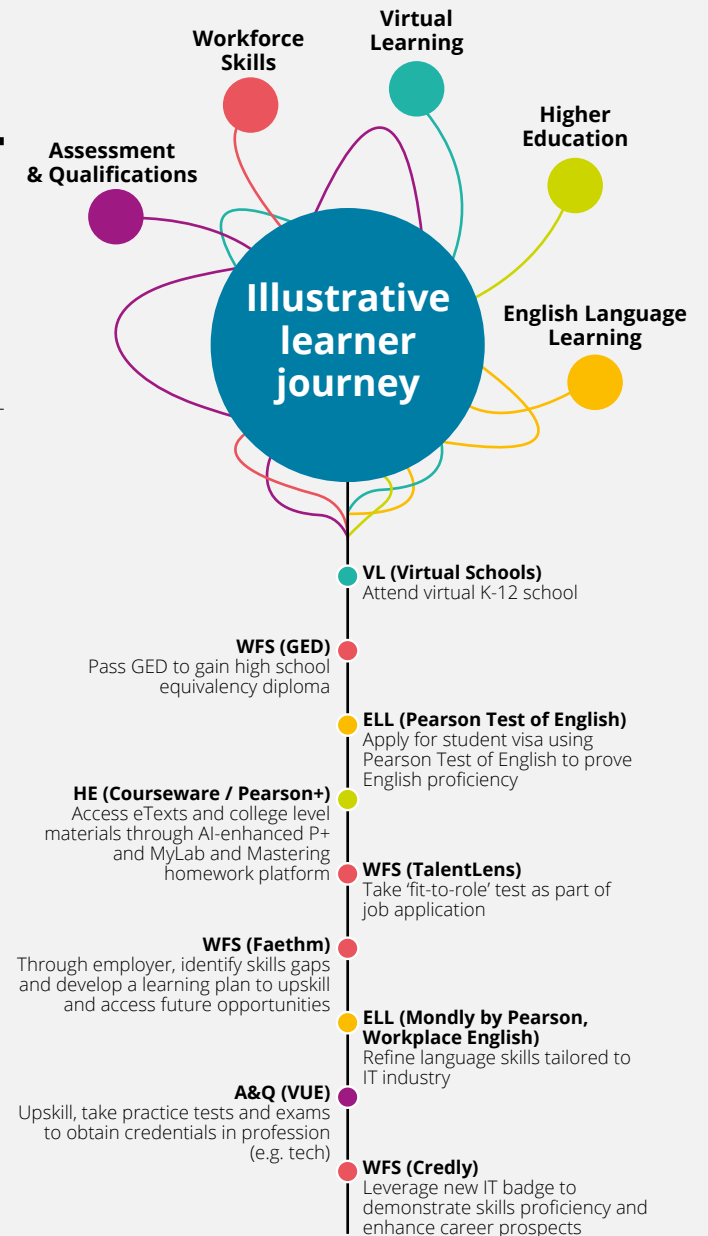
1
Online and digital tools for schools and education

2
Solutions to evaluate and address workforce skills gaps

3
Academic and professional skills accreditation and certification

Strategic report

Pearson supports learners throughout their learning journey



Direct to Consumer

Through initiatives across divisions we are expanding our offerings which go directly to consumers. This is in addition to our existing models whereby we reach the consumer via an educational institution, employer or other partner.

For example, we are scaling Pearson+, our digital learning service in Higher Education, expanding features such as Channels, to provide learners with tutorial videos and practice questions. We are also growing our Direct to Consumer language learning platform Mondly and introducing even more advanced AI features. Both of these services will be an important customer acquisition tool underpinning our direct to consumer offerings across the Group.



Partners and support functions

Technology is enabling consumers to learn virtually and in a more personalised and effective manner. This means we can improve accessibility to education, reach a larger market at a lower cost and be at the forefront of the evolving learning marketplace. This enables us to reach our ambition to be the leading, trusted provider of educational tools and services, and enhance learning outcomes globally.

We've made real progress building a tech strategy that supports a cross-functional approach to data, content delivery and product development.



MaryKay Wells
Chief Information Officer

How we create long-term stakeholder value

Consumers

We empower learners across the globe with high-quality, trusted learning products and services.

Educators

We work with educators, from teachers to institutions, across all stages of education to support their learners in achieving their goals.

Employers

We partner with employers to empower their employees to learn and succeed in the future of work.

Business partners

We nurture long-term collaboration with our business partners to create shared value, building on our deep relationships and mutual trust.

Governments

We partner with local, federal and national government bodies around the world to develop learning solutions.

Communities

We prize our role in shaping the future of education and its impact on society, and strive to meet the expectations that accompany this responsibility.

Employees

We unlock the potential of our human capital by investing in our people's growth and providing opportunities to learn and progress.

Shareholders

We strive to deliver long-term value creation for our shareholders.

Sustainability

As a learning company, creating a more sustainable world is part of everything we do. Starting with the millions of users who already trust our products, we want to help more people create a better life for themselves and a better world for society. We recognise our responsibility to reduce our environmental impact and are making progress on our Climate Action Plan (see page 42). Our sustainability strategy is shaped by our stakeholders, and in line with the outcomes of our 2022 materiality assessment (see page 34).

Measuring progress

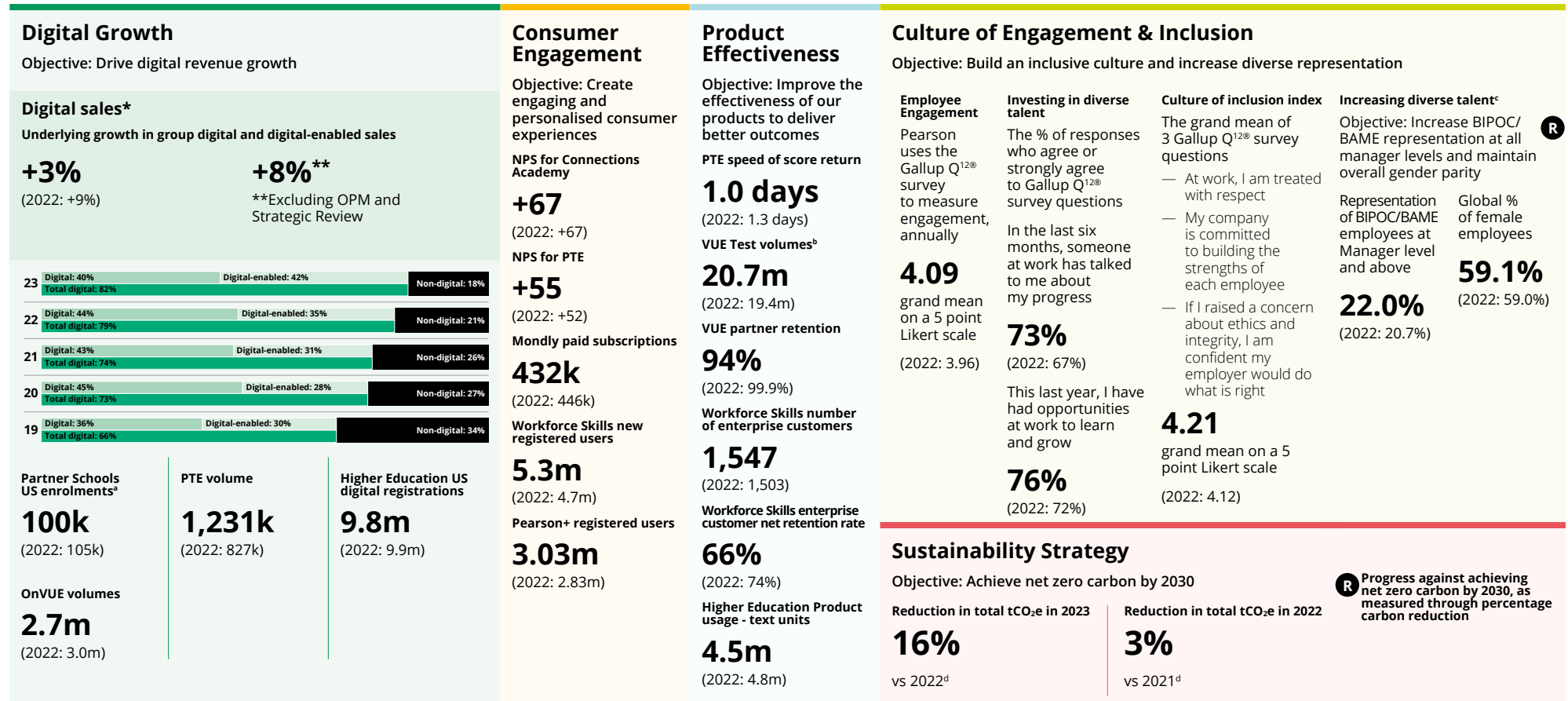
We measure our progress against five non-financial KPIs:



- Digital Growth
- Consumer Engagement
- Product Effectiveness
- Culture of Engagement & Inclusion
- Sustainability Strategy

Monitoring progress

Non-financial measures



a. Measure definition has changed to number of government-funded student enrolments at partner schools within the US as of 30th September. Excludes private-pay students at Pearson Online Academy and district partnerships. This is more closely aligned to business processes.

b. VUE test volumes include PTE and GED tests but sales for each of these tests are reflected in the English Language Learning and Workforce Skills divisions respectively. PDRI test volumes are not currently included in this metric.

c. Previously reported 'Increasing diverse talent' metrics retired and new strategic remuneration measures incorporated.

d. The net emissions reduction figures have been assured by an independent third-party, SLR Consulting Ltd. % reduction in total tCO₂e above is calculated using a location-based methodology. Within the 2023 number, 4% is due to portfolio changes. These will be removed following the normal rebasing exercise in 2024.

* Historical figures restated to exclude US K-12 Courseware (sold in 2019).

Please find further details on our Strategic KPIs here <https://plc.pearson.com/en-GB/company/our-targets-kpis>

R See how this aligns strategy to management reward: page 112

Financial measures

Sales^b R

£3,674m

23	£3,674m
22	£3,841m
21	£3,428m
20	£3,397m
19	£3,869m

This is our revenue as reported in our income statement.

Adjusted operating profit^a R

£573m

23	£573m
22	£456m
21	£385m
20	£313m
19	£581m

A non-GAAP financial measure that enables management to consistently track the underlying operational performance of the Group.

Operating profit^b

£498m

23	£498m
22	£271m
21	£183m
20	£411m
19	£275m

This is our operating profit as reported in our income statement.

Net debt^a

£744m

23	£744m
22	£557m
21	£350m
20	£463m
19	£1,016m

This is a non-GAAP financial measure and is used by management to assess the Group's cash position.

Adjusted earnings per share^a R

58.2p

23	58.2p
22	51.8p
21	34.9p
20	28.7p
19	57.8p

A non-GAAP financial measure used to evaluate performance.

Basic earnings per share^b

53.1p

23	53.1p
22	32.8p
21	23.5p ^d
20	43.7p ^d
19	34.0p

A measure of the amount of profit that can be allocated to one share of our common stock.

Operating cash flow and cash conversion^a R

£587m

23	587m (102%)
22	£401m (88%)
21	£388m (101%)
20	£315m (101%)
19	£418m (72%)

Operating cash flow is an adjusted measure and is presented in order to align the cash flows with corresponding adjusted operating profit measures.

Net cash generated from operations^b

£682m

23	£682m
22	£527m
21	£570m
20	£450m
19	£480m

This is our net cash generated from operations as reported in our cash flow statement.

Dividend per share

22.7p

23	22.7p
22	21.5p
21	20.5p
20	19.5p
19	19.5p

This is the proposed full year dividend. Our dividend policy is to be progressive and sustainable.

Total shareholder returns^c R

+5.39%

1 year	+5.39%
3 year	+53.09%
5 year	+17.64%

This is a measure of financial performance of shares over time.

Return on Capital^a R

10.3%

23	10.3%
22	8.7%
21	7.9%

A non-GAAP measure of how efficiently we are generating returns from our asset base.

- a. See pages 221-226 for an explanation and reconciliation of these alternative performance measures and non-GAAP measures.
- b. Statutory measure.
- c. Source: Bloomberg.
- d. Comparatives were restated in 2022

Note: See pages 221-226 for full reconciliation of the alternative performance measures to the equivalent statutory measure.

R See how this aligns strategy to management reward: page 112