



Pearson is well positioned today, with a stable platform for continued growth.

Omar Abbosh Chief Executive

Sales

£3,674m

(2022: £3,841m) headline decrease of 4%

Underlying sales growth increase

5%*

Statutory operating profit

£498m

increase year on year of 84%

Adjusted operating profit in 2023

£573m

increase year on year of 31% on an underlying basis

Dear Shareholders,

I want to start by sharing how delighted I am to join this very special company alongside this talented and passionate group of Pearson employees.

I'm pleased to report another year of strong financial performance with underlying sales growth of 5% and adjusted operating profit of £573m, up 31% compared to 2022. We have also improved the adjusted operating profit margin by 4% to 16%. This has been driven by our strong execution and the combination of our unique capabilities in assessment, content, and services, all of which stand us in good stead going forward.

Delivering for Growth

These results reflect exciting progress across the business and especially strong financial performance in Assessment & Qualifications and English Language Learning. Further, our commitment to cost efficiencies delivered £120m in savings for the Group. Our careful stewardship of shareholder funds means we launched a share buyback of £300m in 2023 and announced an extension of this by a further £200m in 2024. Our strong balance sheet and excellent cash flows help us invest in opportunities to drive growth and create further value for our stakeholders.

Several strategic achievements in 2023 also laid the foundation for our future:

- In Assessment & Qualifications, we saw strong performance in Pearson VUE, particularly in the IT and healthcare sectors. We completed the acquisition of PDRI, a trusted provider of workforce assessment services. In this business, we are already seeing promising revenue generation and new contracts with the US federal government.
- In English Language Learning, we won recognition for the Pearson Test of English in Canada for student and economic migration visas. With English as the gateway to employment and study in Canada, this opens a significant new business opportunity for us. In partnership with Pearson VUE, we opened our largest test centre, to help serve the growing PTE market in India. We also launched workplace specific content as well as other enhanced features in Mondly.

* Taking portfolio adjustments and FX into account and excluding the OPM and Strategic Review businesses.

- Generative AI was a major focal point in Higher Education as we began the beta of our AI tools in Mastering and Pearson+. With over 60,000 AI conversations in Mastering Chemistry alone, we are helping students learn the most complex concepts. The positive student reaction to the tools led us to expand the beta for 2024. What's more, Pearson+ passed the milestone of one million paid subscriptions this calendar year. All of this taken together with improved platform stability and improvements in our sales teams, meant Pearson's Higher Education division increased platform sales while making significant strides in its overall digital consumer experiences.
- Within our Workforce Skills business, we evolved from a unified product approach to building a powerful technology stack that has enabled us to expose the core capabilities as modular offerings that can be tailored to our customers. This is just one element underpinning the solid sales figures we saw in 2023.
- Virtual Learning launched a new Connections Academy Career Pathways programme in five schools to offer students high school, university, and career credentials through an innovative tri-credit approach. We plan to roll out the initiative to more schools in 2024.
- Finally, in a major step toward the simplification of our portfolio, we completed the sale of our Pearson Online Learning Services business in June.

This progress could not have happened without the leadership of Andy Bird. He paved the way for us, and I'd like to thank him for laying the groundwork for our bright days ahead.

Looking Forward with Confidence

Since I joined Pearson, I've become even more confident about the reasons I came here.

First, it's clear to me that Pearson is a strong, stable company with many growth options. Second, we have a purpose that is unmatched and a genuine ability to help people on their learning journey which, quite literally, changes lives. Finally, our world is also at an inflection point with AI. The next decade will centre on the application of AI in business, in communities, and in our individual lives.

The opportunities to use AI as a tool for better learning, while driving growth in our business are immense. With our vast, high quality data sets and our trusted IP, we are well positioned to lead on creating value from AI in the future.

It's against this backdrop that I'm setting three strategic priorities for 2024. Firstly, we will deliver on our 2024 guidance with an intense focus on organic growth, execution, and the needs of our customers. Secondly, we are sharpening our focus on the enterprise market. This is a large and still forming market, with no dominant player and presents good opportunity for us. Thirdly, we're optimistic about the possibilities that AI brings. We are increasing the energy by which we infuse our products and services with AI solutions that delight and support customers and consumers.

A Future Built on Our Strengths

At Pearson we do three things. We create and curate world class learning and assessment content. We distribute this content digitally and through physical materials to millions of users globally. And we help individuals, employers and institutions build and verify skills.

These activities are made possible by our unique strengths, such as our long term and diverse customer relationships; the global size and scale of our Pearson VUE business; the depth and quality of our content in textbooks, assessments, videos, and exams; our network of trusted authors; the differentiated Global Scale of English; our deep expertise in learning science; and above all, our trusted and well-respected brand.

These strengths are a testament to the wonderful people of Pearson, and I want to thank them for their contribution to our success in 2023. I am excited for their partnership as we evolve our company to meet the diverse needs of learners around the world.

I believe Pearson is that rare type of company with an ability to deliver sustainable growth alongside a purpose that is meaningful to millions of people.

There is much more to come from Pearson.

Omar Abbosh Chief Executive



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Free cash flow in 2023

£387m