

An integrated strategy

Key

- AQ Assessment & Qualifications
- WS Workforce Skills
- VL Virtual Learning
- HE Higher Education
- EL English Language Learning
- DC Direct to consumer offering

Our corporate strategy is grounded in three primary objectives – 1) to deliver sustainable, profitable sales growth, 2) to focus on execution, quality, and trust across the business, and 3) to delight our customers and be obsessed with meeting their expectations. We will achieve these objectives through our continued dedicated commitment to building trusted relationships with consumers throughout their lifelong learning journey via an ecosystem of interconnected solutions.

Realising this vision will require us to remain focused on increasing our scale and reach by investing in and deepening our institutional, enterprise, government, and direct to consumer relationships. We will continue to capitalise on synergies across our businesses and lean into our competitive strengths, most notably as a global leader in trusted learning content and assessments.

We believe that by enabling consumers with best-in-class, integrated tools for learning, along with the assessments and credentials to demonstrate their knowledge and skills, we will create lasting value for our customers, learners, and other stakeholders, whilst delivering outsized growth for our investors.

Strategic Priority #1: Pearson's commitment to sustainable and profitable revenue growth yielded important achievements across its divisions, underlining the company's market-leading capabilities and strategic execution. Looking to 2024, Pearson's strategic focus remains steadfast on continuing to deliver profitable revenue growth, with each division poised to expand its market impact through targeted initiatives.

Strategic priority	Progress in FY23	Objectives for FY24
Deliver sustainable and profitable revenue growth	● AQ Acquired PDRI in March 2023, leading to major federal contract wins with the TSA and US Air Force	● AQ Scale value chain and adjacent market opportunities across sub-divisions, with a continued drive to grow within the federal market by providing secure and scalable testing services tailored to the government workforce
	● HE Invested in product improvements and implemented new sales teams and processes, in addition to achieving a profitability increase of 3% driven by cost savings	● HE Pilot innovative courseware pricing models to drive competitiveness in the growing Open Educational Resources (OER) and Do-It-Yourself (DIY) market segments, whilst continuing to drive international market growth with targeted investments in the Higher Education sector
	● EL Grew PTE volumes c.50% to over 1m tests administered and earned recognition for the Student Direct Stream and Migration in Canada	● EL Further scale the PTE business and continue to gain market share in Canada, as well as expand the corporate offerings for assessment and study by leveraging the flexibility of the Mondly and Versant (mid-stakes assessment) platforms
	● VL Launched and enrolled over 1k students in an innovative career readiness offering	● VL Transform the enrolment funnel to bring down the lead-to-enrolment time to 1-2 weeks, a c.75% reduction, aiming to improve student acquisition and retention
	● WS Expanded workforce reach to 66 of the Fortune 500 companies, achieving a growth rate of 11%	● WS Invest in skills intelligence, credentialing, and assessment solutions, and evolve corporate solutions from single to multi-product sales
	● DC Grew the Pearson+ platform to around 5m registered users by end of calendar year 2023 and passed the milestone of 1m cumulative paid subscriptions for the same calendar year	● DC Drive Pearson+ growth by expanding distribution and further scaling Channels subscriptions

Key

AQ Assessment & Qualifications **WS** Workforce Skills **VL** Virtual Learning **HE** Higher Education **EL** English Language Learning **DC** Direct to consumer offering

Strategic Priority #2: Pearson’s focus on execution, quality, and trust across its business divisions led to significant achievements, reinforcing its position as a leader in educational services and products. Looking forward, Pearson is set to further strengthen this commitment across all business divisions, with a clear focus on innovation and strategic development.

Strategic priority	Progress in FY23	Objectives for FY24
Focus on execution, quality, and trust across the business	AQ Launched the Pearson Assessment for Learning Suite - a complementary set of services for US school districts	AQ Invest in product and platform development to improve and expand go-to-market efforts in 2024
	HE Retained the market-leading position within the Higher Education space driven by reaffirming commitment to sales leadership and enhancing execution capability	HE Continue to develop innovative AI features and product enhancements
	EL Launched an enhanced e-commerce journey and fortified relationships with key PTE regional partners	EL Invest in digital platforms and experiences, and utilise the Mondly platform as a versatile tool for trialling technology capabilities and propositions
	VL Reduced marketing cost per enrolment by approximately 25% over the last year, significantly improving operational efficiency	VL Target development of an additional 15 career programmes, up from five last year, and scale to new schools and states
	WS Improved performance in qualification result delivery within Vocational Qualifications ensuring learners had their results when needed	WS Prioritise technology based strategic projects, such as leveraging AI in quality assurance within the enterprise qualifications businesses
	DC Enhanced Pearson+ from primarily an e-reading platform to a more robust educational resource by introducing Channels, delivering tutorial video content and practice problems	DC Expand course offerings available on the Channels platform, building on the 23 college courses supported in 2023

Strategic Priority #3: Pearson’s dedication to delighting customers and providing exceptional educational experiences was evident across all divisions. Looking ahead, the divisions will continue to drive this strategic initiative, ensuring that customer satisfaction remains at the forefront of the company’s operations.

Delight our customers and be obsessed with meeting their expectations	AQ Improved standards of customer care across the A&Q businesses, with examples including shifting from a regional to global approach model, in addition to VUE opening its largest company-owned test centre in Chandigarh, India, with capacity to deliver 14k high-stakes tests per month	AQ Expand VUE value chain capabilities into learning and test prep for the technology certification segment, and release major flagship revisions for the Clinical Assessment sub-division that maintain brand promise but meet current market needs
	HE Piloted and launched AI-enhanced eText and Mastering titles, incorporating cutting-edge technology	HE Increase the selection of AI-enhanced titles and invest in the channels component of Pearson+ with diverse formats, including integrated videos
	EL Improved the e-commerce journey for PTE, making it easier for customers to access and purchase products, enhancing the overall user experience and improving the NPS score from 52 to 55	EL Implement more advanced Mondly content and expand reach to institutional and enterprise customers by harnessing synergies with the wider ELL portfolio
	VL Created c.370k custom assessments since the start of the 2023/24 school year, exceeding the initial target by more than 20x, enabling teachers to further improve the student learning experience and maintain a strong NPS score of +67	VL Improve overall customer satisfaction by integrating content directly onto the Virtual Learning platform, in addition to driving operational improvements and expanding programme offerings
	WS Streamlined operations and implemented an improved go-to-market strategy for strategic accounts, utilising an integrated, team-selling approach to capitalise on strong traction with government entities and large organisations for Workforce Solutions	WS Develop customised solutions and professional services that align with enterprise requirements, and launch the Official GED App by Summer 2024
	DC Invested in AI and introduced AI-generated content summarisation, explanations, and practice quizzes to enhance the user experience within Pearson+	DC Leverage the interconnectedness of Pearson+ with Higher Education’s courseware to enhance personalisation and trial career-focused propositions

Assessment & Qualifications

Spotlight on Clinical Assessment: Business model innovation enabled by digital capability, driving growth and customer satisfaction in K-12 Special Education

Opportunity

Our Clinical Assessment business represents one of the four sub-divisions within Assessment & Qualifications. We have been a longstanding leader in special education assessment, catering to the requirements of psychologists, educators, speech pathologists, and other professionals that support the special learning needs of students. Throughout our interactions, we always aim to match the evolving needs of the important customers we serve with our gold-standard products and state-of-the-art capabilities. Our portfolio of intellectual property drives much of our competitive advantage as we offer hundreds of products to the market to support a broad array of needs.

Meeting the growing mental health and learning support needs of student populations has become increasingly complex, making resource planning for physical assessment products difficult at best. With our Digital Assessment Library for Schools (DALs) offering, we leverage our expertise and digital innovation to remove the guesswork from resource planning.

Progress so far

In 2017 we launched DALs, a subscription offering that provides unlimited access to an industry-leading set of testing instruments. Our Special Education customers are no longer forced to commit to specific evaluation products and diagnostic needs of an unknown student population and are freed from having to anticipate inventory and its cost implications during the budget season. Our customers are excited by the cost-predictability. But more importantly, the access to a broader set of instruments allows our professionals to tailor evaluations to the unique needs of individual students, improving responsible and efficacious use of Individualised Education Plan (IEP) funding.

Since its inception, DALs has quickly become the preferred model for Special Education, which is outlined by its exceptional growth. In fact, other clinical assessment publishers have recognised the importance of DALs and we have begun offering optional DALs upgrades that can include competitor products.

DALs has achieved year-over-year growth of 23% and a five-year CAGR at nearly 80%, supported by exceptional renewal rates. It is now being used by districts servicing 25% of IEPs currently in place across the country. In 2023, we signed deals with some of the largest and most influential school districts in the US, including Chicago Public Schools, Miami-Dade, and Los Angeles Unified School District. These deals represent a strong endorsement of the value and quality of this offering, and we are honoured to be a trusted partner.

As we look ahead to 2024 and beyond, we are excited to expand the subscription model to new regions and markets, and are currently in the process of exploring expansion into the healthcare and private practice segments. In addition to this, we plan to introduce new features and functionalities that will further differentiate our offering from the competition. Some of the highlights include:

- Expanding DALs in Canada, Australia, and the UK, where we have already introduced the model in 2023 and received positive feedback from customers. We will continue to market and promote DALs in these regions, as well as explore opportunities in other international markets.
- Launching the Digital Assessment Library for University & College Counselling Centres, a new segment that has a high demand for mental health assessments and interventions, especially in the wake of the COVID-19 pandemic. We have partnered with Titanium Schedule, a leading software provider for counselling centres, to integrate our offering into their platform and reach their existing customer base.
- Adding new and revised assessments to the DALs portfolio, as well as complementary assessments from other test publishers, such as the MHS Education Library. This will ensure that our DALs customers have access to the most up-to-date and comprehensive selection of digital assessments available.

The Digital Assessment Library has been an important evolutionary step for Pearson, reinforcing our leadership by facilitating a virtuous cycle of innovation, customer feedback, and continuous improvement, as we leverage our digital platforms and data to enhance our products and services. We are confident that our offering will continue to drive growth and customer satisfaction for our business in 2024 and beyond.

The benefits of targeted investment, reshaping the portfolio, and delivering on strategy are reflected in our strong financial performance.

Sue Kolloru Chief Strategy Officer



English Language Learning

Spotlight on PTE, part of our high-stakes assessments business

Opportunity

Our business is centred on three key components which represent a c.£6bn addressable market:

- High Stakes Assessments: an addressable market upwards of £900m. Our flagship product PTE is a verified, secure certification of English proficiency for international migrants and students.
- Institutional English Language Learning: an addressable market of c.£3bn. We offer digital and blended courseware solutions to academic institutions, private language schools and enterprises across the globe.
- Online Direct to Consumer: an addressable market of c.£2bn, which we have entered through our acquisition of Mondly.

Progress so far

Our high-stakes assessments business saw strong volume growth of c.50% in 2023, driven by market share gains in key countries like India. The past year has also seen our PTE product earn key approval for the Student Direct Stream and Migration in Canada; these notable recognitions underscore the impact and extensive reach that our initiatives have had within the broader language learning sphere.

Our achievements in the broader high-stakes assessments space have been underpinned by a holistic comprehension of the challenges faced by test takers coupled with a commitment to solving their pain points. A key driver of our success lies in creating a better end-to-end experience for the test taker, from booking their test, preparing for it, and taking it in one sitting in our highly secure and convenient VUE test centres, to receiving their score in industry-leading return times, with bias and stress removed from the scoring process. Strategic collaborations with local partners in key markets have proven instrumental in scaling our operations and driving sales. Concurrently, our impactful hyper-local marketing campaigns have effectively heightened awareness of our distinctive offerings, further solidifying our market position.

We enter 2024 in a strong position, continuing the momentum from the prior year. We are poised to continue investing in our high-stakes assessment ecosystem, encompassing advancements in assessment technology, strategic partnerships, and test security and integrity. These initiatives are strategically aligned to elevate the overall customer experience, fostering increased market share gains. In addition, our commitment extends to the expansion and scaling of assessments within our portfolio, including our Versant suite of tests. These endeavours reflect our dedication to sustained growth and excellence in the dynamic landscape of mid- and high-stakes assessments. With our combination of technological capability and deep learning expertise, we will continue to bring real value to the language learning market.

Pearson+

Spotlight on the development of our Channels feature alongside user growth and monetisation

Opportunity

We are a frontrunner in the Higher Education courseware market, with our influence underscored by the millions of students currently enrolled in courses utilising Pearson eTextbooks.

Capitalising on this robust market position, our initiatives are outlined in two phases over the forthcoming year:

1. Shift eTextbook consumption directly to Pearson+ and improve monetisation
2. Engage and retain students with relevant and valuable services beyond eTextbooks, to improve average revenue per user, and ultimately consumer lifetime value

Pearson+ is currently monetised through paid access to eTextbooks by students after the faculty adopts content in their courses. Our existing Higher Education business provides a large, efficient customer acquisition funnel for Pearson+. Study features, such as Pearson+ Channels, will encourage further use of the application beyond the eTextbook. Over time, Pearson+ users can be further monetised through cross-selling other relevant Pearson products and services, such as Mondly.

Progress so far

Over 2023 we made significant progress advancing our Pearson+ strategy. Most notably, we added and enhanced what students want, including beta AI study features in three titles, improved search, simpler e-commerce, and an overall better user experience.

By further developing Channels with video content and practice questions this year, Pearson+ is an increasingly valuable study tool for students in 23 college courses, including courses that do not require Pearson eTextbooks. To provide increased access, we have also bundled together Pearson+ eTextbooks and Channels in an affordable “Study and Exam Prep Pack”.

For the first time, we saw Pearson+ reach 1m paid subscriptions in a calendar year, with the total number of Pearson+ registered users reaching around 5m by the end of the 2023 calendar year, validating the platforms appeal and effectiveness in meeting the diverse needs of our audience.

Looking ahead to 2024, we aim to drive continued growth by expanding our distribution. Additionally, we plan to capitalise on the synergies between Pearson+ and Higher Education's courseware, in particular the combined platform capabilities, and use this as a springboard to optimise personalisation and diversify our course offerings. As we continue to expand our reach and enhance the value proposition of Pearson+, these initiatives serve as a testament to our commitment to innovation and our ability to deliver products and services that resonate with our user base.