

Chief Executive's review



Pearson is a strong, trusted business that is well positioned to capitalise on emerging opportunities.

Omar Abbosh
Chief Executive

Adjusted operating profit in 2024

£600m

**increase year on year of 10%
on an underlying basis**

Dear Shareholders,

After what has been a busy and exciting first year in my role as CEO, I have been able to dig deep into Pearson, its businesses and the opportunity ahead of us. I am pleased to report that my initial observations of Pearson still ring true. We are a strong business with a platform for growth. The strength of our high-quality content, assessments and qualifications, gives us a strong launch pad for our future aspirations. And, importantly, we are a trusted business and a brand seen as the gold standard in learning.

This year we once again delivered a strong financial performance with underlying sales growth of 3% (excluding OPM and the Strategic Review businesses) and adjusted operating profit of £600m, up 10% compared to 2023. Operating cash conversion was also strong at 110% and we achieved a free cash flow conversion of 117%.

Growth through strategic execution

These results reflect continued strategic progress against the priorities we set at the beginning of the year, along with the ongoing momentum we are seeing across the business. Our focus on execution in 2024 has resulted in a number of crucial wins and has laid the foundation for our future growth, specifically:

- In Assessment & Qualifications, Pearson VUE continued to deliver good growth despite a particularly strong prior-year performance. It also won and renewed a number of key contracts, supporting pipeline growth. PDRI also delivered strong growth following the completion of its acquisition last year. In recognition of the need to better equip professionals and students with AI skills we launched a new Generative AI Foundations certification, to be delivered on Pearson VUE's online testing platform (OnVUE) and in physical test centres.
- In English Language Learning (ELL), our Pearson Test of English continues to gain market share, despite challenging market dynamics. Additionally, ELL continues to be a leader in the use of AI across its products. In 2024, we piloted Smart Lesson Generator, to help educators create customised lesson content. And, we launched our first AI-powered Digital Language Tutor in our Mondly product in the fourth quarter.

- Higher Education returned to growth this year. This is an important milestone, as the business continues to drive improved execution in sales, while enhancing and expanding the AI tools integrated into our courseware.
- Within Enterprise Learning and Skills, we have signed strategic partnerships with ServiceNow, Degreed, Microsoft and AWS, all of which are designed to address issues that enterprises are facing in talent planning, sourcing and development. These significant, multi-year partnerships are an important part of our commitment to scale in the enterprise market.
- In Virtual Learning, we opened three new schools and added a further 19 career programmes. This brings our total number of schools to 40, with 24 career programmes across 30 states for the 2024/25 academic year. Students now have access to expanded college and career readiness offerings, including through credentials via Credly.
- Across the business, we have implemented and built AI powered tools supporting our efforts in customer service and content generation. We are now putting those into the hands of our people, with the goal of driving increased productivity and efficiencies supporting improved operational performance.
- Finally, we have implemented the foundations of driving a performance culture, with work to distinguish clear career tracks for our people. We are also optimising organisational spans of control within our management structure which has identified additional operational efficiencies within the business.

Closing the skills gap

As I've gotten to know the business and the environment in which we operate, I've been telling you about two seismic trends shaping learning and work: the breathtaking pace of AI change and massive demographic shifts. These are creating a global skills gap that, without intervention, risks becoming a global skills chasm. Pearson is uniquely placed to help solve this issue and create more opportunities for millions of people at all stages of their lives. This, in turn, creates opportunity for Pearson.

We see evidence of this as we increase our focus on the enterprise market and on our collaboration with partners who can help grow our business and solve important workforce challenges. Our multi-year deal with ServiceNow is aimed at accelerating the identification, development and validation of skills. As part of this, ServiceNow will collaborate with Pearson

on research and insights, while Pearson will use ServiceNow's AI powered Now Platform to boost employee productivity, efficiency and talent retention.

Our renewed partnership with Microsoft extends the commercial relationship with Pearson VUE, drives incremental growth and provides an opportunity for us to enhance our AI and technology capabilities across the business. Importantly, it also addresses one of the key challenges facing organisations today: skilling in the age of AI. Together, we will launch a series of strategic, go-to-market collaborations aimed at helping people build AI proficiency. This way we drive joint innovation and growth for both companies.

Pearson also announced the expansion of the company's long-standing strategic partnership with AWS, which will enhance the learner experience of Pearson products through cloud and AI tools. This partnership allows Pearson to further scale its learning experience products, reaching more learners globally, with more personalised experiences, equipping them with the tools they need to succeed. In addition, this partnership also includes opportunities to co-develop innovative go-to-market products to help propel growth.

You can expect us to continue building the roster of capabilities with some of the world's leading players.

At the start of 2024, we set out to increase the intensity by which we infuse AI into our products and services. There are some wonderful examples across the business of how we're integrating AI into our offerings to enhance and personalise experiences for learners and educators.

In Higher Education we have continued to evolve and expand the AI tools embedded into our courseware since launching them in September 2023. We have received very encouraging feedback from students, and early results show that those using the tools were more likely to engage in active studying methods such as note-taking or self-testing. In addition, new tools for higher education faculty are helping them automate time-consuming tasks such as lesson planning. We've also applied our AI technology in our Connections Academy schools, where we have embedded AI study tools into our content, providing step-by-step guidance to help high school students through tough material.

I'm particularly encouraged to see the growing commercial momentum of these AI enhanced offerings alongside the



strategic enterprise partnerships that we have established. As we look ahead, our priorities for 2025 won't stray from what we already have set out to do. We will deliver on market expectations, continue to lead on the application of innovative technologies such as AI, and grow our business across the enterprise customer segment.

I am excited about what the future holds and I believe that Pearson – fuelled by our purpose of helping people to realise the life they imagine through learning – is well positioned to capitalise on the opportunities presented by the shifting dynamics within the worlds of education and work.

Omar Abbosh
Chief Executive