

# TheStreet

## Pearson Share-Price Tanks

*Pearson Tumbles on U.S. School-Test Woes; AFT to Protest at AGM*

**Lisa Botter, The Street, New York, 29 April 2016**

Pearson (PSO) shares dropped in early morning trading in London after announcing less-than-appealing first-quarter results. Shares were trading 1.1% down, as the company feels the pain of restructuring.

The education company reported a 4% fall in first-quarter underlying revenue due to weakness in testing revenue in the U.S. and U.K. But Pearson maintains that it is trading in line with expectations set out in its full-year results in February.

Full-year earnings are expected to be between £580 million and £620 million.

The dividend of 52 pence (\$0.76) a share will not be cut, even though guidance for earnings per share is between 50 pence and 55 pence.

In North America, first-quarter revenue fell in the assessments business after Pearson lost high-profile contracts with New York State and Texas.

Last year, the company sold the Financial Times and its stake in the Economist to concentrate on education. The impact of these sales will be felt more in the first half of the year, management said. FT Group, the Economist and PowerSchool accounted for £40 million in operating profit in the first half of 2015.

In January, Pearson announced a major restructuring to simplify the business, including a reduction in headcount by 4,000. The quarterly update said about 2,000 employees have been notified of their exit.

The restructuring costs are expected to be around £320 million.

The American Federation of Teachers, along with other teachers' unions, is planning to protest at Pearson's shareholder meeting today in London. The union will call for a review of the business model that pushes high-stakes testing in the U.S.

Analysts have a mixed view on Pearson.

Ian Whittaker, an analyst at Liberum, reiterated his sell rating.

### **High risk**

He told Reuters: "Execution risk is extremely high – the company is essentially asking shareholders to trust them, again, that they can deliver the numbers when many of the factors influencing their numbers are out of their control."

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