

Learning Tree International, Inc.

Fiscal Year 2012 First Quarter Conference Call

**Remarks by Dr. David Collins, Chairman and Chief Executive Officer,
Max Shevitz, President
Bob Waldron, Chief Financial Officer
and David Booker, Chief Operating Officer**

February 7, 2012

As a reminder, except for historical statements, the matters addressed in this conference call are forward-looking statements. Please do not put undue reliance on these forward-looking statements, since they are based on key assumptions about future risks and uncertainties.

Although we believe that our assumptions are reasonable, inevitably some will prove to be incorrect. As a result, our actual future results can be expected to differ from those discussed in this call, and those differences may be material. We are not undertaking any obligation to update forward-looking statements.

To help you assess the major risks in our business, we have identified many, but not all, of them in Item 1A of our Form 10-K. Please read those risk factors carefully. Some of the factors discussed in our Form 10-K that could affect us include risks associated with:

- Changing economic and market conditions;
- The timely development, introduction, and customer acceptance of our courses;
- Competition;

- International operations, including currency fluctuations;
- Technology development and new technology introduction;
- Efficient delivery and scheduling of our courses;
- Adverse weather conditions, strikes, acts of war or terrorism and other external events;
- and
- Attracting and retaining qualified personnel.

For your convenience, we have posted the text of today's prepared remarks in the Investor Relations section of our website. Go to: www.learningtree.com/investor.

I'm pleased to be holding my first quarterly conference call since returning on January 17 to my former role as Learning Tree's Chairman and CEO. With me today are Bob Waldron, our Chief Financial Officer, Max Shevitz our newly appointed President, and David Booker our Chief Operating Officer.

I would like to begin today's presentation with a few words about each of my colleagues with me today. After which, Bob, David and Max will discuss details of our performance in our first quarter and provide some forward-looking information about our second quarter of fiscal 2012. After our remarks, we'll open the floor for questions and discussion.

As we announced on January 23rd, Bob Waldron has accepted a position at Sundrop Fuels and will be departing from Learning Tree on February 29, 2012. Bob has been an extraordinary asset for Learning Tree, raising the standard of our financial reporting to the highest levels, and we

appreciate the many contributions he has made over the five years he has been with us. We thank him for those contributions, and wish him the best of success in his new position.

Max Shevitz, our new President, is not new to Learning Tree. Max worked for Learning Tree for eleven years from 1988 through 1999. During that time he held a series of key positions in our company: first as General Manager of our U.S. Operating Unit, then as Corporate Vice President of Market and Business Development and finally as Corporate Executive Vice President. In addition, Max served on our Board of Directors from 1995 through 1999. Between 1999 and 2011, Max held a variety of executive positions with other companies, including Chief Executive Officer and President of Firstcall Healthcare Inc. and Chairman of the Board of Neumont University, a for-profit higher learning institution. We are very pleased to again have the benefit of his experience, energy and financial focus in a leadership position at Learning Tree.

David Booker, our Chief Operating Officer, has been with Learning Tree since 1993, starting out in our sales group in Canada and rising steadily through the ranks to become President of our Canadian subsidiary. In 2007, David became our Chief Operating Officer, with direct responsibility for all six of our operating units in the U.S., Canada, the UK, France, Sweden and Japan.

Since my appointment as CEO three weeks ago, I've been working with Bob, Max and David and with many of our other managers and staff. As I re-integrate into my position and absorb deeper knowledge about the status of our company, I continue to be impressed with the quality of our team, and with their commitment to the goals and values of Learning Tree.

First Quarter Results

First I'll summarize some key line items from our first quarter of fiscal year 2012:

- Revenues in our first quarter of fiscal 2012 were \$35.0 million, a decrease of 1.8% compared to revenues of \$35.6 million in our first quarter of fiscal 2011;
- Our gross profit percentage in our first quarter was 55.3% of revenues, compared to 55.7% in our same quarter of fiscal 2011;
- Operating expenses decreased in our first quarter of fiscal 2012 to \$16.5 million, compared to \$16.9 million in our first quarter of fiscal 2011;
- Net income of \$1.8 million in our first quarter of fiscal 2012 compared to \$2.0 million in our first quarter of fiscal 2011; and
- Earnings per share for our first quarter of fiscal 2012 were \$0.14 on a diluted basis, the same as in our first quarter of fiscal 2011.

First Quarter Revenue and Participants

In our first quarter of fiscal 2012 our revenues of \$35.0 million were 1.8% lower than our revenues in the same quarter of fiscal 2011. This principally resulted from the following factors:

- The number of participants increased by 2.2%;
- Average revenue per participant declined 4.1%, and
- Changes in foreign exchange rates adversely affected revenues by 0.2%.

Both the increase in the number of course participants and the reduction in average revenue per participant were primarily the result of our training contract with the Department of Veterans Affairs, which had lower revenue per participant in the quarter.

Overall, during our first quarter of fiscal 2012, we trained a total of 19,941 course participants, a 2.2% increase from the 19,503 participants we trained in our same quarter last year. Compared to the first quarter of fiscal 2011, during our first quarter of fiscal 2012:

- Attendee-days of management training increased by 4.5% to 28,740 from 27,498;
- Attendee-days of IT training decreased by 3.6% to 40,720 from 42,240; and
- Total attendee-days of training were 69,460, which was materially unchanged from 69,738 in the first quarter of fiscal 2011.

First Quarter Operations

Next, I'll discuss our operations in our first quarter of fiscal 2012 and how they compare with our same quarter of fiscal 2011.

During our first quarter of fiscal 2012, we presented 1,720 events, a 9.5% increase from the 1,571 events conducted during the same period in fiscal 2011.

Cost of Revenues. Cost of revenues was 44.7% of revenues in our first quarter of fiscal 2012 compared to 44.3% in our first quarter of fiscal 2011, and our gross profit percentage accordingly was 55.3% compared to 55.7% in our prior year. The change in cost of revenues as

a percentage of revenues in our first quarter of fiscal 2012 primarily reflects a reduction of 4.1% in revenue per participant while cost per participant decreased proportionately less at 3.2%.

Changes in foreign exchange rates do not materially affect our gross profit percentage, since exchange rate changes affect our cost of revenues by approximately the same percentage as they affect our revenues.

Course Development Expense. During our first quarter of fiscal 2012, we spent \$2.1 million on course development, \$0.1 million more than in the same quarter of fiscal 2011. Course development expense was 6.1% of revenues in our first quarter of fiscal 2012 compared to 5.6% in the same quarter of fiscal 2011.

In our first quarter of fiscal 2012, we introduced three new IT course titles on security and mobile application development. Also in our first quarter, we introduced two new management course titles on project management and data analysis. We retired eight IT course titles and two management course titles in our first quarter.

Our library of instructor-led courses included a total of 215 titles at the end of our first quarter of fiscal 2012 compared with 212 titles at the same point a year earlier. At the end of our first quarter of fiscal 2012, we had 83 management titles in our course library, compared with 78 management titles at the end of our first quarter of fiscal 2011. Our library included 132 IT titles at the end of our first quarter of fiscal 2012, compared to 134 a year earlier.

Sales and Marketing Expense. In our first quarter of fiscal 2012 our sales and marketing expense decreased to \$7.5 million from \$7.7 million in the same quarter last year. The decrease in expense of \$0.2 million is the net result of a number of small, offsetting changes in various marketing and selling categories.

General and Administrative Expense. G&A expense during our first quarter of fiscal 2012 was \$6.9 million, or 19.6% of revenues, compared to \$7.2 million, or 20.3%, in our first quarter of fiscal 2011. The decrease was due primarily to a charge of \$0.2 million in severance taken in our first quarter of fiscal year 2011, and a \$0.1 million reduction in charges related to the sublease loss reserves for our London education center.

Income from Operations. In our first quarter of fiscal 2012, we achieved income from operations of \$2.8 million, or 8.1% of revenues, compared to income from operations of \$3.0 million, or 8.3% of revenues, in the same quarter of our fiscal 2011.

Other Income and Expense. In our first quarter of fiscal 2012, other income, net was less than \$0.1 million, the same as in our first quarter of fiscal 2011.

Pre-Tax Income. Pre-tax income in our first quarter of fiscal 2012 was \$2.9 million compared to pre-tax income of \$3.0 million in our first quarter of fiscal 2011.

Income Taxes. Our tax expense for the first quarter of fiscal 2012 was \$1.0 million, for an effective tax rate of 36.0%, compared to a tax expense of \$1.0 million at an effective rate of 34.1% in our first quarter of fiscal 2011.

Net Income. Net income for our first quarter was \$1.8 million, or 5.2% of revenues, compared to net income of \$2.0 million, or 5.5% of revenues in our first quarter of fiscal 2011.

Liquidity and Capital Resources

During our first three months of fiscal year 2012, the total of our cash and available for sale securities increased by \$2.4 million to \$45.0 million at December 30, 2011 from \$42.6 million at September 30, 2011. This increase includes cash provided by operations of \$2.9 million offset by capital expenditures of \$0.4 million.

During our first quarter of fiscal 2012, we did not repurchase any shares of our common stock. We may make additional purchases of common stock, but we have no commitment to do so.

Second Quarter Fiscal 2012 Financial Guidance

Effect of Exchange Rates. Because we conduct approximately half of our business in currencies other than U.S. dollars, fluctuations in exchange rates will affect revenues and expenses when translated into dollars. If the exchange rates of February 3, 2012 remain constant for the remainder of our second quarter of fiscal 2012, we would expect changes in foreign exchange rates to reduce revenues by about 1% in our second quarter compared to our same quarter of fiscal 2011.

Second Quarter Revenues. For our second quarter of fiscal 2012, we currently expect revenues of between \$27.0 million and \$28.5 million, compared to revenues of \$30.4 million in our second quarter of fiscal 2011.

Second Quarter Gross Profit. We expect a gross profit percentage in our second quarter of fiscal 2012 of between 46.5% and 48.0% compared to 51.3% in our second quarter of fiscal 2011. As a reminder, our gross profit percentage is generally at its lowest level during our second fiscal quarter because the seasonally lower business volume of our second quarter means that our fixed direct costs are allocated over a relatively smaller number of course events than in other quarters.

Second Quarter Operating Expenses. We expect overall operating expenses for our second quarter of fiscal 2012 to be between \$18.7 million and \$19.3 million, compared to \$17.2 million in the same quarter a year earlier.

Second Quarter Loss from Operations. As a result of the above factors, we expect to incur a second quarter operating loss of between \$5.0 million and \$6.7 million compared with an operating loss of \$1.6 million in our second quarter of fiscal 2011.

Second Quarter Interest Income. We expect second quarter interest income to be less than \$0.1 million.

Second Quarter Pre-Tax Loss. Overall, we expect to report a pre-tax loss for our second quarter of fiscal 2012 of between \$5.0 million and \$6.7 million, compared with a pre-tax loss of \$1.6 million in our second quarter of fiscal 2011.

Effective Tax Rate. We estimate that our effective tax rate in our second quarter of fiscal 2012 will be approximately 36.7%.

As you might expect, we are disappointed with the expected results for our second quarter, much of which is already determined, and we are committed to identify and rectify the underlying causes in order to improve results in future quarters. We have already begun work on a number of direct mail and electronic marketing activities that we believe will yield increased revenues toward the end of this fiscal year or the beginning of our next fiscal year. We will continue to identify and pursue other opportunities in the coming weeks and months. Our objective is to increase the number of course participants whom we serve, and thereby grow our revenues, improve our margins, and increase the value of our company for our shareholders.

Summary

Over the past 37 years, Learning Tree has combined solid fundamental educational principles, innovative and pioneering technology, and data-intensive, process-focused business practices to create a business model that has provided the highest quality of service and extraordinarily consistent results for our clients. Throughout this period, we have demonstrated the durability of our business model and the enduring value we provide our customers by increasing the productivity and knowledge of their employees. We now are hard at work to build on this strong foundation, and increase our future revenues and margins.

We remain committed to the proposition that the long-term success of our customers depends in part on their investment in technology and in the training of their personnel to leverage that investment. We look forward to continuing to help our customers maximize the productivity and the effectiveness of their employees, and the competitive capabilities of their organizations.