

Learning Tree International, Inc.

Fiscal Year 2016 First Quarter Conference Call

**Remarks by
Richard Spires, Chief Executive Officer, Max Shevitz, President,
and David Asai, Chief Financial Officer**

February 9, 2016

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.

Good Afternoon. I am David Asai, Chief Financial Officer of Learning Tree International. First I will read the disclaimer on forward-looking statements and then discuss our performance in our first quarter of fiscal year 2016, which ended January 1, 2016. Max Shevitz, our President, will provide some forward-looking information about our second quarter of fiscal year 2016, and then Richard Spires, our CEO will provide information on our future. After those remarks, we'll open the floor for questions and discussion.

Forward Looking Statement Disclaimer:

As a reminder, the statements contained herein that are not historical facts, are forward-looking statements based on management's current expectations and beliefs concerning future developments and their potential effects on Learning Tree. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of Learning Tree. There can be no assurance that future developments affecting Learning

Tree will be the same as those anticipated. Learning Tree cautions readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. Investors should not put undue reliance on these forward-looking statements, since they are based on key assumptions about future risks and uncertainties. Some of the factors discussed in our quarterly report on Form 10-Q filed today with the SEC that could affect us include risks associated with:

- Changing economic and market conditions;
- The timely development, introduction, and customer acceptance of our products;
- Competition;
- International operations, including currency fluctuations;
- Technology development and new technology introduction;
- Efficient delivery and scheduling of our courses;
- A majority of our outstanding common stock is beneficially owned by our chairman and his spouse;
- Adverse weather conditions, strikes, acts of war or terrorism and other external events;
- Attracting and retaining qualified personnel;
- Reliance on key vendors for technical services and support; and
- The U. S. Government's ability to continue to resolve its budgetary issues and avoid disruptions.

Learning Tree is not undertaking any obligation to update forward-looking statements contained herein to reflect future events, developments or changed circumstances.

In order to help the reader assess the factors and risks in our business that could cause actual results to differ materially from those expressed in the forward looking statements, we discussed in the Form 10-Q, please read the 2015 Form 10-K, including Item 1A, which is filed with the SEC and available at the SEC's Internet site (<http://www.sec.gov>).

First Quarter Results

Before discussing our results, I will remind everyone that we follow a 52- or 53-week fiscal year. This means that our year-end and quarter-end dates are on the Friday nearest the end of the calendar quarter. This method is used to better align our external financial reporting with the way we operate our business. The first quarter of fiscal years 2016 and 2015 were both comprised of thirteen weeks.

Following the sale of our French subsidiary in March 2015, we reclassified the historical operating results, including operating statistics of this subsidiary to discontinued operations. The following discussions reflect comparisons of our continuing operations, excluding Learning Tree France's operations.

Now let me summarize some key line items from our first quarter of fiscal 2016:

- Revenues in our first quarter of fiscal 2016 were \$20.1 million, a decrease of 17.5%, compared to revenues of \$24.4 million in our first quarter of fiscal 2015;
- Our gross profit percentage in our first quarter was 41.1% of revenues, compared to 43.7% in the same quarter of fiscal 2015;
- Operating expenses decreased in our first quarter of fiscal 2016 to \$10.5 million, compared to \$12.1 million in our first quarter of fiscal 2015;

- Net loss for our first quarter of fiscal 2016 was \$2.3 million compared to a net loss from continuing operations of \$1.4 million for the first quarter of fiscal 2015; and
- Loss per share on a diluted basis for our first quarter of fiscal 2016 was \$(0.17), compared to a loss per share from continuing operations of \$(0.10) in our first quarter of fiscal 2015.

First Quarter Revenue and Participants

In our first quarter of fiscal 2016 our revenues of \$20.1 million were 17.5% lower than our revenues of \$24.4 million in the same quarter of fiscal 2015. This principally resulted from a 10.7% decrease in the average revenue per participant and an 8.5% decrease in the number of participants when compared to the same quarter of the prior fiscal year. The decrease in the average revenue per participant was caused primarily by lower average revenue per participant from one-day courses which we introduced in the second quarter of fiscal 2015 and by changes in foreign exchange rates, which negatively impacted revenues by 3.2% quarter over quarter.

Overall, during our first quarter of fiscal 2016, we trained a total of 12,901 course participants, compared to 14,105 course participants in our same quarter last year.

First Quarter Operations

During our first quarter of fiscal 2016, we presented 1,091 events, a 5.7% increase from the 1,032 events conducted during the same period in fiscal 2015.

Cost of Revenues. Cost of revenues was 58.9% of revenues in our first quarter of fiscal 2016 compared to 56.3% in our first quarter of fiscal 2015, and accordingly, our gross profit percentage was 41.1% compared to 43.7% in our prior year. The change in cost of revenues as a percentage of revenues in our first quarter of fiscal 2016 primarily reflects the combined effects of the 10.7% decrease in revenue per participant partially offset by a 5.6% decrease in cost per participant. The decrease in the cost per participant was driven primarily by the introduction in the second quarter of fiscal 2015 of one-day courses. 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 2016, course development expense decreased by \$0.4 million to \$1.3 million compared to \$1.7 million in the same quarter of fiscal 2015. Course development expense was 6.5% of revenues in our first quarter of fiscal 2016 compared to 7.0% in the same quarter of fiscal 2015.

With the addition of one-day course titles, our library of instructor-led courses numbered 346 course titles at the end of our first quarter 2016 compared to 181 course titles at the end of our first quarter 2015.

Sales and Marketing Expense. In our first quarter of fiscal 2016, our sales and marketing expense decreased by \$0.9 million to \$4.6 million from \$5.5 million in the same quarter last

year. The decrease was primarily the result of a reduction in direct marketing costs and personnel expenses.

General and Administrative Expense. G&A expense during our first quarter of fiscal 2016 was \$4.6 million, a \$0.3 million decrease from the \$4.9 million spent in our first quarter of fiscal 2015. The decrease primarily resulted from reduced personnel costs.

Income (Loss) from Operations. In our first quarter of fiscal 2016, we recorded a loss from operations of \$2.3 million, compared to a loss from continuing operations of \$1.4 million, in the same quarter of our fiscal 2015.

Other Income and Expense. During our first quarter of fiscal year 2016, we had other income of \$0.1 million compared to other income of \$0.2 million in the first quarter of fiscal year 2015.

Income Taxes. The tax provision for our first quarter of fiscal 2016 was less than \$0.1 million, compared to a provision of \$0.2 million in our first quarter of fiscal 2015.

Net Income (Loss). Net loss for our first quarter was \$2.3 million, compared to a net loss from continuing operations of \$1.4 million, in our first quarter of fiscal 2015.

Liquidity and Capital Resources

During our first quarter of fiscal year 2016, the total of our cash and cash equivalents decreased by \$3.5 million to \$14.4 million at January 1, 2016 from \$17.9 million at October 2, 2015. This decrease primarily resulted from cash used in operations of \$2.6 million, capital expenditures of

\$0.7 million, and the negative effects of exchange rate changes on cash and cash equivalents of \$0.3 million. The continued decline in operating performance has resulted in an increase in net cash used in operating activities, and we expect the net cash usage to continue until the Company returns to profitability.

I will now turn the call over to Max Shevitz our President, to address our projections for the second quarter of fiscal year 2016.

Second Quarter Fiscal 2016 Financial Guidance

Effect of Exchange Rates. Because we conduct approximately 40% 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 1, 2016 remain constant for the remainder of our second quarter of fiscal 2016, we would expect changes in foreign exchange rates to unfavorably affect revenues by about 3.1% in our second quarter compared to our same quarter of fiscal 2015.

Second Quarter Revenues. For our second quarter of fiscal 2016, we currently expect revenues of between \$18.7 million and \$19.7 million, compared to revenues of \$22.1 million in our second quarter of fiscal 2015.

Second Quarter Gross Profit. We expect a gross profit percentage in our second quarter of fiscal 2016 of between 31.8% and 32.8% compared to 37.0% in our second quarter of fiscal 2015.

Second Quarter Operating Expenses. We expect overall operating expenses for our second quarter of fiscal 2016 to be between \$10.9 million and \$11.5 million, compared to \$13.2 million in the same quarter a year earlier.

Second Quarter Income (Loss) from Operations. As a result of the above factors, we expect to incur a second quarter operating loss of between \$(4.4) million and \$(5.6) million compared with an operating loss from continuing operations of \$(5.0) million in our second quarter of fiscal 2015.

Second Quarter Other Income (Expense), Net. We expect second quarter other expense, net to be less than \$0.1 million.

Second Quarter Pre-Tax Income (Loss). Overall, we expect to report pre-tax results for our second quarter of fiscal 2016 of between a loss of \$(4.4) million and a loss of \$(5.7) million, compared with a pre-tax loss from continuing operations of \$(4.8) million in our second quarter of fiscal 2015.

Now let me turn it over to Richard Spires, our CEO to discuss some current developments for fiscal year 2016.

Outlook

This is Richard Spires, the Chief Executive Officer of the company. I am now in my fourth month of service as CEO, and I, together with the senior management team, am examining all facets of our business. In particular, we are working to determine new approaches to address the erosion of revenue associated with the Learning Tree Public Courses and ways to increase the

number of attendees at our customer on-site training courses, as well as assessing all of the expenditures of the company. I recognize the imperative to improve the financial performance of Learning Tree, with the objective of returning the Company to a growing and profitable business. Yet I also recognize the imperative of the Company continuing to provide quality training and professional development services and the need to have skilled and experienced employees, along with our cadre of expert instructors.

Learning Tree's objective is to grow our position as a leading worldwide provider of training and workforce development to IT professionals and managers and to become the provider of choice for large national and multinational companies, medium-size companies and government organizations. To help meet this objective we have recently introduced IT Workforce Optimization Solutions, a comprehensive suite of services to support IT organizations in: defining organizational structure, processes, and job roles; assessing current staff skills and abilities; and implementing process and performance improvements by enhancing the skills and abilities of staff.

As an example of our Workforce Optimization Solutions, we have recently released a skills assessment solution that ultimately will be aligned with the competencies as defined by the non-profit organization, Skills Assessment for the Information Age (SFIA) Foundation. Our current skills assessment library contains more than 9,000 questions that cover 67 different roles across many IT disciplines. We have developed an automated, online tool for individuals to complete assessments, and we are working with a couple of companies that are using our skills assessment

solution to help them assess current competencies of their staff as input to developing individual learning plans.

We also are having success in providing Project Acceleration Workshops for organizations. These Workshops combine a training component for an organization, but also leveraging that training to support work on a customer project. As an example, a Workshop might be focused on creating a Work Breakdown Structure (WBS) for a project, and as such the instructor would provide training to a customer project team on that subject. By focusing on the creation of a WBS for a specific customer project, at the end of the Workshop, the customer project team has a tangible product that can be used by them to help manage their project. We have received very positive feedback on the value of these Workshops by both attendees and the customer organizations.

IT Workforce Optimization Solutions augments and enhances our core training capabilities by enabling Learning Tree to partner with our customers in helping them develop a high-performing organization through workforce development and process improvement.

And now we'd like to open the floor for questions.

Thank you. Over the past 40 years, Learning Tree's mission has been to provide technical and business professionals with the skills and knowledge that significantly enhance their on-the-job productivity, and thereby improve the performance and increase the competitive advantage of their employers. We continue to strive to fulfill this mission.