

Learning Tree International, Inc.

Fiscal Year 2016 Second Quarter Conference Call

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

May 10, 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 second quarter of fiscal year 2016, which ended April 1, 2016. Max Shevitz, our President, will provide some forward-looking information about our third 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>).

Second 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 second 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 second quarter of fiscal 2016:

- Revenues in our second quarter of fiscal 2016 were \$18.7 million, a decrease of 15.6%, compared to revenues of \$22.2 million in our second quarter of fiscal 2015;
- Our gross profit percentage in our second quarter was 32.3% of revenues, compared to 37.0% in the same quarter of fiscal 2015;
- Operating expenses decreased in our second quarter of fiscal 2016 to \$11.3 million, compared to \$13.2 million in our second quarter of fiscal 2015;

- Net loss for our second quarter of fiscal 2016 was \$5.4 million compared to a net loss from continuing operations of \$4.9 million for the second quarter of fiscal 2015; and
- Loss per share on a diluted basis for our second quarter of fiscal 2016 was \$(0.41), compared to a loss per share from continuing operations of \$(0.37) in our second quarter of fiscal 2015.

Second Quarter Revenue and Participants

In our second quarter of fiscal 2016 our revenues of \$18.7 million were 15.6% lower than our revenues of \$22.2 million in the same quarter of fiscal 2015. This principally resulted from a 10.0% decrease in the average revenue per participant and a 6.3% 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 began introducing in the second quarter of fiscal 2015, lower average revenue from implementation of periodic pricing promotions, and changes in foreign exchange rates, which negatively impacted revenues by 2.1% quarter over quarter. The decrease in the number of course participants compared to the same quarter of our prior year was primarily due to the continued decline in enrollments in the United Kingdom and Sweden.

Overall, during our second quarter of fiscal 2016, we trained a total of 12,567 course participants, compared to 13,411 course participants in our same quarter last year.

Second Quarter Operations

During our second quarter of fiscal 2016, we presented 1,251 events, a 7.4% increase from the 1,165 events conducted during the same period in fiscal 2015.

Cost of Revenues. Cost of revenues was 67.7% of revenues in our second quarter of fiscal 2016 compared to 63.0% in our second quarter of fiscal 2015, and accordingly, our gross profit percentage was 32.3% compared to 37.0% in our prior year. The change in cost of revenues as a percentage of revenues in our second quarter of fiscal 2016 primarily reflects the combined effects of the 10.0% decrease in revenue per participant partially offset by a 3.2% 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 second quarter of fiscal 2016, course development expense decreased by \$0.8 million to \$1.3 million compared to \$2.1 million in the same quarter of fiscal 2015. Course development expense was 7.1% of revenues in our second quarter of fiscal 2016 compared to 9.5% in the same quarter of fiscal 2015.

With the addition of one-day course titles, our library of instructor-led courses numbered 369 course titles at the end of our second quarter 2016 compared to 216 course titles at the end of our second quarter 2015.

Sales and Marketing Expense. In our second quarter of fiscal 2016, our sales and marketing expense decreased by \$1.2 million to \$4.9 million from \$6.1 million in the same quarter last year. The decrease was primarily the result of a reduction in direct marketing costs.

General and Administrative Expense. General and Administrative expense during our second quarter of fiscal 2016 was \$5.0 million, the same as we spent in our second quarter of fiscal 2015.

Income (Loss) from Operations. In our second quarter of fiscal 2016, we recorded a loss from operations of \$5.2 million, compared to a loss from continuing operations of \$5.0 million, in the same quarter of our fiscal 2015.

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

Income Taxes. The tax provisions for our second quarter of fiscal 2016 and fiscal 2015 were each less than \$0.1 million, respectively

Net Income (Loss). Net loss for our second quarter was \$5.4 million, compared to a net loss from continuing operations of \$4.9 million, in our second quarter of fiscal 2015.

Liquidity and Capital Resources

During the first six months of fiscal year 2016, the total of our cash and cash equivalents

decreased by \$7.1 million to \$10.8 million at April 1, 2016 from \$17.9 million at October 2, 2015. This decrease primarily resulted from cash used in operations of \$6.4 million and capital expenditures of \$0.7 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 third quarter of fiscal year 2016.

Third 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 May 1, 2016 remain constant for the remainder of our third quarter of fiscal 2016, we would expect changes in foreign exchange rates to unfavorably affect revenues by about 1.2% in our third quarter compared to our same quarter of fiscal 2015.

Third Quarter Revenues. For our third quarter of fiscal 2016, we currently expect revenues of between \$21.0 million and \$22.0 million, compared to revenues of \$22.7 million in our third quarter of fiscal 2015.

Third Quarter Gross Profit. We expect a gross profit percentage in our third quarter of fiscal 2016 of between 40.0% and 41.0% compared to 36.6% in our third quarter of fiscal 2015.

Third Quarter Operating Expenses. We expect overall operating expenses for our third quarter of fiscal 2016 to be between \$10.3 million and \$11.3 million, compared to \$12.4 million in the same quarter a year earlier.

Third Quarter Income (Loss) from Operations. As a result of the above factors, we expect to incur a third quarter operating loss of between \$(1.3) million and \$(2.9) million compared with an operating loss from continuing operations of \$(4.1) million in our third quarter of fiscal 2015.

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

Third Quarter Pre-Tax Income (Loss). Overall, we expect to report pre-tax results for our third quarter of fiscal 2016 of between a loss of \$(1.3) million and a loss of \$(3.0) million, compared with a pre-tax loss of \$(4.1) million in our third quarter of fiscal 2015.

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

Outlook

This is Richard Spires, the Chief Executive Officer of the company. I am now in my seventh month of service as CEO, and I, together with the senior management team, am continuing to examine all facets of our business. To address the declines in revenues, we are working to implement new sales and marketing approaches to attract new customers, and those previous customers who have not trained with us in the past few years. We also continue 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 while maintaining the quality of our training and professional development services.

To be more specific,

We are implementing strategies to increase the number of attendees at our courses and expand our overall customer base. One of the strategies is Guaranteeing To Run (GTR) a higher percentage of our courses than in the past, making them more attractive to potential attendees that wish to schedule their training a number of months into the future. This has and will continue to increase our costs, resulting in a reduction of our gross profit percentage. In addition, we are offering a number of pricing promotions to attract more attendees, however, when taken together with one-day courses, this has the impact of reducing the overall average revenue per participant. The goal is to overcome these reductions by increasing the overall number of attendees and revenues, resulting in increased profitability. We will continue to monitor our progress to evaluate the effectiveness of these strategies.

An additional core strategy 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. Over the past few years, we have started working with clients to address the life cycle of organizational performance challenges. To that end, we 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 performance improvements by enhancing the skills

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

As part of 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 for helping them assess current competencies of their staff as input to developing individual learning plans.

As another example of Workforce Optimization Solutions, we are having success in providing Project Acceleration Workshops for organizations. These workshops combine a training component for an organization, while leveraging that training to support work on a specific customer project. A Project Acceleration Workshop might be focused on creating a Work Break Down (WBS) structure for a project, and as such our instructor would provide training to a customer project team on that subject. But the Workshop would then focus on the creation of a WBS for a specific customer project, so that at the end of the Workshop, the customer project team has a tangible product that can be used to help manage that project. We have received very positive feedback on the value of these Workshops by both attendees and the customer organizations.

While we do believe Workforce Optimization Solutions is a meaningful discriminator and strategy for the Company, we do not believe it will have significant impact on revenues in the current fiscal year, but will serve as a foundation for future growth.

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.