**Learning Tree International, Inc.**

**Fiscal Year 2016 Third Quarter Conference Call**

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

**August 15, 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 third quarter of fiscal year 2016, which ended July 1, 2016. Richard Spires, our CEO, will provide some forward-looking information about our fourth quarter of fiscal year 2016, and our expectations for Fiscal Year 2017. 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;
- The U. S. Government's ability to continue to resolve its budgetary issues and avoid disruptions;
- Our ability to realize our business strategy of improving operating performance, and growing our business or to identify and develop other strategic options, if any; and
- Our ability to realize the anticipated cost savings in connection with our comprehensive cost reduction program .

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, , please read our 3rd Quarter Form 10-Q and 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).

**Third 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 third quarter of fiscal years 2016 and 2015 were both comprised of thirteen weeks.

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

- Revenues in our third quarter of fiscal 2016 were $21.1 million, a decrease of 7.2%, compared to revenues of $22.7 million in our third quarter of fiscal 2015;
- Our gross profit percentage in our third quarter was 37.2% of revenues, compared to 36.7% in the same quarter of fiscal 2015;
- Operating expenses decreased in our third quarter of fiscal 2016 to $10.8 million, compared to $12.4 million in our third quarter of fiscal 2015;
- Net loss for our third quarter of fiscal 2016 was $2.8 million compared to a net loss of $4.3 million for the third quarter of fiscal 2015; and

- Loss per share on a diluted basis for our third quarter of fiscal 2016 was $(0.21), compared to a loss per share of $(0.33) in our third quarter of fiscal 2015.

**Third Quarter Revenue and Participants**

In our third quarter of fiscal 2016 our revenues of $21.1 million were 7.2% lower than our revenues of $22.7 million in the same quarter of fiscal 2015. This principally resulted from a 13.2% decrease in the average revenue per participant partially offset by a 6.9% increase 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 1.1% quarter over quarter. The increase in the number of course participants compared to the same quarter of our prior year was primarily due to higher attendance as a result of our pricing promotions and our one-day courses.

Overall, during our third quarter of fiscal 2016, we trained a total of 14,823 course participants, compared to 13,862 course participants in our same quarter last year.

**Third Quarter Operations**

During our third quarter of fiscal 2016, we presented 1,319 events, an 11.4% increase from the 1,184 events conducted during the same period in fiscal 2015.

**Cost of Revenues.** Cost of revenues was 62.8% of revenues in our third quarter of fiscal 2016 compared to 63.3% in our third quarter of fiscal 2015, and accordingly, our gross profit percentage was 37.2% compared to 36.7% in our prior year. The change in cost of revenues as a percentage of revenues in our third quarter of fiscal 2016 primarily reflects the combined effects of the 13.2% decrease in revenue per participant that was more than offset by a 13.8% decrease in cost per participant. The decrease in cost per participant is primarily the result of the 7.9% decrease in the cost of revenues and the 6.9% increase in participants. 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 third quarter of fiscal 2016, course development expense decreased by $1.2 million to $1.4 million compared to $2.6 million in the same quarter of fiscal 2015. Course development expense was 6.4% of revenues in our third quarter of fiscal 2016 compared to 11.3% in the same quarter of fiscal 2015.

Our library of instructor-led courses numbered 374 course titles at the end of our third quarter 2016 compared to 274 course titles at the end of our third quarter 2015.

**Sales and Marketing Expense.** In our third quarter of fiscal 2016, our sales and marketing expense decreased by $0.7 million to $4.7 million from $5.4 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 third quarter of fiscal 2016 was $4.7 million, compared to $4.4 million in our third quarter of fiscal 2015 as a result of increased costs for professional services.

**Income (Loss) from Operations.** In our third quarter of fiscal 2016, we recorded a loss from operations of $3.0 million, compared to a loss from operations of $4.0 million, in the same quarter of our fiscal 2015.

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

**Income Taxes.** The tax provisions for our third quarter of fiscal 2016 was less than $0.1 million compared to a tax provision of $0.2 million for the third quarterof fiscal 2015.

**Net Income (Loss).** Net loss for our third quarter was $2.8 million, compared to a net loss of $4.3 million, in our third quarter of fiscal 2015**.**

**Liquidity and Capital Resources**

During the first nine months of fiscal year 2016, the total of our cash and cash equivalents decreased by $8.9 million to $9.1 million at July 1, 2016 from $17.9 million at October 2, 2015. This decrease primarily resulted from cash used in operations of $7.7 million and capital expenditures of $1.1 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. As discussed in more detail in a few moments, we have accelerated our comprehensive cost reduction program while continuing to invest in our sales function to reverse the year-over-year decline in revenue. With these actions, we believe that such funds will be sufficient to satisfy our anticipated cash requirements for the foreseeable future.

I will now turn the call over to Richard Spires our Chief Executive Officer, to address our projections for the fourth quarter of fiscal year 2016 and our expectations for Fiscal Year 2017.

This is Richard Spires, the Chief Executive Officer of the company.   I will spend the bulk of my remarks on Fiscal Year 2017, which will begin in October, 2016, but first let's start with our projections for the fourth quarter of fiscal year 2016:

**Fourth 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 August 1, 2016 remain constant for the remainder of our fourth quarter of fiscal 2016, we would expect changes in foreign exchange rates to unfavorably affect revenues by approximately 2.4% in our fourth quarter compared to our same quarter of fiscal 2015.

**Fourth Quarter Revenues.** For our fourth quarter of fiscal 2016, we currently expect revenues of between $22.1 million and $23.1 million, compared to revenues of $25.6 million in our fourth quarter of fiscal 2015.

**Fourth Quarter Gross Profit.** We expect a gross profit percentage in our fourth quarter of fiscal 2016 of between 42.3% and 43.3% compared to 46.3% in our fourth quarter of fiscal 2015.

**Fourth Quarter Operating Expenses.** We expect overall operating expenses for our fourth quarter of fiscal 2016 to be between $10.3 million and $11.3 million, compared to $11.1 million in the same quarter a year earlier.

**Fourth Quarter Income (Loss) from Operations.** As a result of the above factors, we expect to incur a fourth quarter operating loss of between $(0.3) million and $(2.0) million compared with an operating profit of $0.8 million in our fourth quarter of fiscal 2015.

**Fourth Quarter Other Income (Expense), Net.** We expect fourth quarter other expense, net to be less than $0.1 million.

**Fourth Quarter Pre-Tax Income (Loss).** Overall, we expect to report pre-tax results for our fourth quarter of fiscal 2016 of between a loss of $(0.3) million and a loss of $(2.1) million, compared with pre-tax income of $0.8 million in our fourth quarter of fiscal 2015.

**Outlook**

Now I would like to spend some time describing our plans for fiscal year 2017. When I joined as CEO approximately 10 months ago, I discussed with the board of directors that improving the Company’s business and financial performance would take a couple of years. Not only was it necessary to reverse the continued year-over-year declines in revenues, but to also judiciously reduce our expenses. Our approach to expense reductions must be to accomplish them with the goal of minimizing the impact on sales (and hence revenue) while at the same time preserving the quality of our products and services for our customers.

In regards to achieving our objective of stabilizing and then ultimately growing our revenue, we are continuing to invest in our sales functions as we make the transition to a more direct sales-oriented organization. In North America, we have upgraded our sales force to focus on enterprise sales, giving us much better coverage in our target commercial markets to include financial services, manufacturing, and technology firms. We have also added representatives to give us deeper penetration in the US and Canadian federal governments along with state, provincial, and local governments. In addition to increasing our sales capabilities during Fiscal Year 2016, we have also moved toward a greater use of digital marketing channels, to include significantly upgrading our public-facing website, and better leveraging social media and digital advertising as we reduce emphasis of printed catalogs and other direct mail pieces.

To better differentiate ourselves from competitors, we have added a suite of Workforce Development capabilities that we call Workforce Optimization Solutions. These solutions support organizations in their life-cycle needs for workforce development and with solutions such as automated skills assessment and custom curriculum development, allow Learning Tree to not only consult for these enterprise clients, but lead to more opportunities to position ourselves as a preferred training provider for these clients.

In regards to our Public Course business, we are working to stabilize our revenue base through a series of recently implemented initiatives that include:  1) leveraging our resellers and developing other similar partner models in order to increase the reach of our sales teams; 2) strategically partnering with certification organizations and other appropriate training providers that complement our business in order to broaden and deepen the training products we offer; and 3) targeting new customers along with customers that have not done business with us for a number of years with special sales promotions to incentivize organizations to try our training products.  We believe that our expanded direct sales efforts, including our developing partnering relationships, when coupled with our superior training products will enable us to stabilize and then grow our customer base.

In regards to our cost reduction efforts, we have already achieved approximately $6.2 million in overall cost reductions during the first nine months of fiscal year 2016 when compared to the Company's expenses during that same nine months in fiscal year 2015.  But given our projected losses in fiscal year 2016, we have accelerated our comprehensive cost reduction program with the objective of significantly reducing our fiscal year 2017 overall expenses.  We have very recently taken steps that we believe will reduce expenses in the range of $11.0 to $12.0 million when compared to the Company's expenses for fiscal year 2016. These reductions are achievable by becoming more efficient and modernizing our business practices, and we believe that we can execute on these reductions while maintaining the quality of our products and services to our customers.  In order to implement these cost reductions for the 2017 fiscal year, we have already taken or are taking the following steps, all of which will be completed during the fourth quarter of fiscal year 2016:

1. Eliminating our direct mail course catalog advertising program effective immediately. Besides being a "green initiative", we believe that our overall customer-base has shifted the manner in which it selects and purchases courses away from printed catalogs toward greater use of digital channels, such as use of our website, social media and digital advertising.
2. Making our course notes available electronically and only producing a paper copy if requested by an attendee.
3. Completed a reduction in force of 26 full time equivalent employees in North America.
4. Reduced the compensation paid to our Board of Directors, effective August 1, 2016, which our directors unanimously agreed to do as part of our cost reduction program.
5. Reducing our real estate costs, which will begin with our Education Center lease in the Chicago area that is expiring and will not be replaced. As other facility leases expire, additional cost reductions will be evaluated.

As part of this comprehensive cost reduction program, we will continue to review and take appropriate actions to streamline and modernize our operations in order to reduce or eliminate excess costs.

We believe that the initiatives we have and are implementing will position Learning Tree to achieve the goals of stabilizing the year over year declines in the Company's revenue and having positive operating income for fiscal year 2017. Although we are and will be working diligently to accomplish these goals, there is no assurance that we will achieve them and if so, by the expected timing of fiscal year 2017.

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.