Learning Tree International, Inc.

Third Quarter Fiscal Year 2017 Conference Call

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

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For your convenience, the text of today's prepared remarks will be posted 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. I am joined today by Richard Spires, our Chief Executive Officer and Magnus Nylund, our Chief Operating Officer. First I will read the disclaimer on forward-looking statements and then discuss our performance in our third quarter, which ended June 30, 2017. Richard Spires will provide forward-looking information about our fourth quarter, and our expectations for fiscal year 2018. After those remarks, we'll open the floor for questions and discussion.

Forward Looking Statement Disclaimer:

As a reminder, there are statements in this presentation that are not historical facts and are forward-looking statements within the meaning of the federal securities laws. These forward-looking statements, including the fourth quarter 2017 and fiscal year 2018 financial performance guidance, are based on management's current expectations, assumptions, available information 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 annual report on Form 10-K, as well as in our other reports filed with the SEC that could affect us include risks associated with:

- Our ability to continue as a going concern
- Ability to obtain additional liquidity in amounts and on terms acceptable to the Company;
- Ability to reverse our trend of declining year over year revenues, negative cash flows from operations and maintain liquidity;
- Ability to successfully implement our new strategies to increase revenue and to achieve our cost reduction goals;
- Ability to identify and execute upon strategic options for the Company
- Competition;
- International operations, including currency fluctuations;
- Attracting and retaining qualified personnel;
- Intellectual property, including having to defend potential infringement claims;
- Implementation of partnerships with third party providers of courses and or course material;
- Efficient delivery and scheduling of our courses;

- Technology development and new technology introduction;
- The timely development, introduction, and customer acceptance of our products;
- a majority of our outstanding common stock is beneficially owned by our chairman and his spouse;
- risks associated with cyber security;
- Changing economic and market conditions; and
- Adverse weather conditions, strikes, acts of war or terrorism and other external events.

Learning Tree is not undertaking any obligation to revise or update forward-looking statements contained herein to reflect future events, developments or changed circumstances after the date of this presentation, unless otherwise required by law.

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 third quarter report on Form 10-Q and our 2016 annual report on Form 10-K, as amended on Form 10-K/A, including Item 1A "Risk Factors", which are filed with the SEC and available at the SEC's Internet site (http://www.sec.gov).

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 2017 and 2016 were both comprised of thirteen weeks.

Third Quarter FY 2017 Revenue and Participants

In the third quarter of fiscal 2017, our revenues of $16.4 million were 22.2% lower than our revenues of $21.1 million in the third quarter of fiscal 2016. This principally resulted from an 8.7% decrease in the average revenue per participant and a 14.8% decrease in the number of participants when compared to the third quarter of fiscal 2016. The decrease in the average revenue per participant was caused primarily by lower average revenue from the implementation of periodic pricing promotions and strategies, and changes in foreign exchange rates, which negatively impacted revenues by 2.4%.

Overall, during our third quarter of fiscal 2017, we trained 12,637 course participants, compared to 14,829 course participants in the third quarter of fiscal 2016.

Third Quarter FY 2017 Operations

Cost of Revenues. Cost of revenues was 58.4% of revenues in the third quarter of fiscal 2017 compared to 62.8% in the third quarter of fiscal 2016, and accordingly, our gross profit percentage was 41.6% in the third quarter of fiscal 2017 compared to 37.2% in the third quarter of the prior year. The change in cost of revenues as a percentage of revenues in fiscal 2017 primarily reflects the combined effects of the 8.7% decrease in average revenue per participant that was offset by a 15.1% decrease in cost per participant. The decrease in cost per participant is primarily the result of a 27.7% decrease in the cost of revenues partially offset by the 14.8% decrease in participants. The decrease in costs of revenues reflects the impact of our continuing cost reduction program, lower number of events and the positive impact on expenses from changes in foreign exchange rates. 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 the third quarter of fiscal 2017, course development expense decreased by $0.7 million to $0.7 million compared to $1.4 million in the third quarter of fiscal 2016. Course development expenses were 4.0% of revenues in the third quarter of fiscal 2017 compared to 6.4% in the prior year's third quarter.

Our library of instructor-led courses numbered 310 course titles at the end of our third quarter of fiscal 2017 compared to 374 course titles at the end of the third quarter of fiscal 2016.

Sales and Marketing Expense. In the third quarter of fiscal 2017, our sales and marketing expense decreased by $1.5 million to $3.2 million from $4.7 million in the third quarter of fiscal 2016. The decrease was primarily due to decreases in direct marketing costs and personnel expenses as part of our continuing cost reduction program when compared to the third quarter of the prior year.

General and Administrative Expense. General and Administrative expense during the third quarter of fiscal 2017 was $3.5 million, compared to $4.7 million in the third quarter of fiscal 2016. The decrease was primarily due to the results of our ongoing cost reduction program.

Restructuring Charge. As a result of changes in estimates, we recorded an additional non-cash restructuring charge of $0.4 million related to our Reston, Virginia facility in the second quarter of fiscal 2017. We did not record any additional charge in the third quarter of fiscal 2017. Fiscal year 2017 restructuring charges are in addition to the $1.9 million non-cash charge booked in the fourth quarter of fiscal 2016.

Income (Loss) from Operations. In the third quarter of fiscal 2017, we recorded a loss from operations of $0.5 million, compared to a loss from operations of $3.0 million, in the third quarter of fiscal 2016.

Other Income and Expense. During the third quarter of fiscal years 2017, we had other expense of $0.3 million compared to other income of $0.2 million in the third quarter of fiscal year 2016, primarily from net foreign exchange losses for the third quarter of fiscal year 2017 and net foreign exchange gains for the third quarter of fiscal year 2016.

Income Taxes. The tax provisions for the third quarters of fiscal 2017 and 2016 was less than $0.1 million, respectively.

Net Income (Loss). Net loss for the third quarter of fiscal 2017 was $0.9 million, compared to a net loss of $2.8 million, in the third quarter of fiscal 2016**.**

Liquidity and Capital Resources

During the first nine months of fiscal year 2017, our cash and cash equivalents decreased by $3.4 million to $5.1 million at June 30, 2017 from $8.5 million at September 30, 2016. This decrease primarily resulted from cash used in operations of $3.4 million.

As of and for the third quarter of fiscal year 2017, we reported an accumulated stockholders' deficit of $18.9 million and negative cash flow from operations for the first nine months of fiscal 2017, and for the previous five fiscal years as our revenues have declined each year over year during this period. At June 30, 2017, our capital resources consisted of cash and cash equivalents of $5.1 million. We have established a $3.0 million line of credit with Action Capital Corporation. The line is secured by our U.S. operation's accounts receivable and is subject to limitations based on the amounts of available accounts receivable. There have been no borrowings to date on this line of credit. While we have, and will continue to take steps to stabilize revenues and decrease our operating costs on a year over year basis for fiscal year 2017, unless we are able to improve our liquidity in the future, there continues to be substantial doubt about the Company's ability to continue as a going concern. Our registered independent public accounting firm's report issued on our audited financial statements for the year ended September 30, 2016 included an explanatory paragraph expressing substantial doubt in the Company's ability to continue as a going concern. Our quarterly reports on Form 10-Q for the first, second and third quarters of 2017 also contain an explanatory footnote related to our ability to continue as a going concern.

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 2017 and our expectations for Fiscal Year 2018.

This is Richard Spires, the Chief Executive Officer of the company. Prior to providing an outlook for the remainder of Fiscal Year 2017, I wanted to make a couple of comments on our third quarter performance. While revenue did drop 22.2% in the third quarter of 2017 versus the third quarter of 2016, the effect of foreign exchange rates impacted our revenue negatively by

2.4%. In this quarter we saw growth in our Workforce Optimization Solutions and customized training solutions offered to enterprise clients. We continue, however, to experience a decline in course attendance for our public courses. To address this decline, the Company has been working to leverage resellers and other partner models to increase our sales reach, amplifying the growth of our internal sales teams, and partnering with certification organizations and other appropriate training providers to broaden and deepen the training products we offer as described in our Form 10-Q. Our overall objective is to stabilize the revenue from training offered via our Education Centers, grow our revenue from Workforce Optimization Solutions and training for enterprise clients, and reverse the year-over-year declines in revenue.

In terms of costs, our comprehensive cost reduction program is having a significant impact when looking at the third quarter of fiscal year 2017 as compared to the third quarter of fiscal year 2016. Our initiatives to lower direct costs increased our gross profit percentage to 41.6% of revenues, up from 37.2% in the third quarter of last fiscal year. In terms of operating expenses, we dropped costs by $3.4 million in the third quarter of fiscal year 2017 as compared to the third quarter of fiscal year 2016, which represents a 31.8% reduction. Even though we have taken significant cost reductions in terms of personnel and other support contracts, we have been able to maintain our quality levels and customer satisfaction scores at comparable levels from last year to this year.

Now let’s cover our projections for the fourth quarter:

Fourth Quarter Fiscal 2017 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, 2017 remain constant for the remainder of our fourth quarter of fiscal 2017, we would expect changes in foreign exchange rates to unfavorably affect revenues by approximately 0.5% in our fourth quarter compared to our same quarter of fiscal 2016.

Fourth Quarter Revenues. For our fourth quarter of fiscal 2017, we currently expect revenues of between $18.8 million and $19.8 million, compared to revenues of $21.7 million in our fourth quarter of fiscal 2016.

Fourth Quarter Gross Profit. We expect a gross profit percentage in our fourth quarter of fiscal 2017 of between 43.9% and 44.9% compared to 42.8% in our fourth quarter of fiscal 2016.

Fourth Quarter Operating Expenses. We expect overall operating expenses for our fourth quarter of fiscal 2017 to be between $8.0 million and $8.4 million, compared to $11.3 million in the same quarter a year earlier.

Fourth Quarter Income (Loss) from Operations. As a result of the above factors, we expect to have fourth quarter operating income of between break-even and $1.0 million compared with an operating loss of $(2.0) million in our fourth quarter of fiscal 2016. The fourth quarter of fiscal year 2016 operating loss includes the $1.9 million non-cash restructuring charge.

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 income for our fourth quarter of fiscal 2017 between break-even and $0.9 million, compared with pre-tax loss of

$(2.0) million in our fourth quarter of fiscal 2016 which also includes the $1.9 million non-cash restructuring charge.

We believe that the strategies and initiatives we have and are implementing, is positioning Learning Tree to stabilize and then grow our revenues and improve our operating expenses. As we entered fiscal year 2017, we had an objective for the Company to achieve an operating income break-even position. With our fourth quarter forecast, we are projecting an operating loss for fiscal 2017 of between $(2.1) million and $(3.1) million which includes a $0.4 million non-cash restructuring charge, compared to the actual fiscal year 2016 operating loss of $(12.5) million which included a $1.9 million non-cash restructuring charge.

Outlook for Fiscal Year 2018

We do not provide detailed projections beyond the next quarter, in this case the 4th quarter of fiscal year 2017. However, based on what we see in revenue backlog and projections along with the success in our comprehensive cost reduction program, it is our objective for the Company to continue to improve profitability and achieve a positive income from operations in fiscal year 2018.

As we move into fiscal year 2018, we will continue to seek to reduce costs in ways that will not negatively affect our business. As an example, we are pursuing options to reduce our real estate commitments for education center space in the U.S., Canada and the United Kingdom without negatively impacting the number of classrooms needed to execute our public course schedule.

Although we are and will continue to work diligently to accomplish our goals and objectives, there is no assurance that we will achieve them and if so, by the expected timing of fiscal year 2018. I also note that due to the recent history of year over year declines in revenue and the current liquidity position of the Company, there are significant risks that we will not accomplish enough of our goals to achieve positive cash flows in the near term.

Lastly, two of our long-standing Board of Director members, Mr. Mat Juechter and Mr. Howard Bain, have recently passed away. On behalf of the Board of Directors and the senior management team, I want to acknowledge their friendship, support, and long-term commitment to helping Learning Tree International maintain its status as a premier IT and management training and workforce development company. Both will be missed.

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

Thank you.