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 fourth quarter and full fiscal year 2014, which ended October 3, 2014. Max Shevitz, our President, will then provide some forward-looking information about our first quarter of fiscal 2015 and our future plans. 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 annual report on Form 10-K
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 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;
- 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 such as government shutdowns and sequestration.

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-K, those risks in Item 1A, “Risk Factors”. Please read the Form 10-K, including
Fourth Quarter Results

Before discussing our results, I would like to 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 in order to better align our external financial reporting with the way we operate our business. Since all courses have a duration of five days or less, and all courses begin and end within the same calendar week, under the 52- or 53-week fiscal year method all revenues and related direct costs for each course event are recognized in the week and the fiscal quarter in which the event takes place. Accordingly, our fiscal year 2014 ended on October 3, 2014 and comprised 53 weeks. Fiscal year 2013 ended on September 27, 2013 and, as with most years, it comprised 52 weeks. The additional training week for fiscal year 2014 occurred in our fourth quarter.

Now let me summarize some key line items from our fourth quarter of fiscal year 2014:

- Revenues in our fourth quarter of fiscal 2014 were $32.5 million, an increase of 17.5% compared to revenues of $27.6 million in our fourth quarter of fiscal 2013;
- Our gross profit percentage in our fourth quarter was 46.5% of revenues, compared to 43.6% in our same quarter of fiscal 2013;
- Operating expenses increased in our fourth quarter of fiscal 2014 to $14.9 million, compared to $14.0 million in our fourth quarter of fiscal 2013;
During our fourth quarter of fiscal 2014 we sold our headquarters office building realizing a $6.3 million gain. After combining the result of this transaction with our operating results, net income in our fourth quarter of fiscal 2014 was $6.6 million compared to a net loss of $2.2 million in our fourth quarter of fiscal 2013; and

Income per share on a diluted basis for our fourth quarter of fiscal 2014 was $0.50, compared to a loss per share of $0.17 in our fourth quarter of fiscal 2013.

For all of fiscal 2014:

Reviewing our performance for our full fiscal year 2014, I’d like to point out the following key line items:

- Revenues were $118.2 million, an increase of $1.4 million or 1.2% from revenues of $116.8 million in fiscal 2013;
- Gross profit was 43.7% of revenues, compared to 46.1% for fiscal 2013;
- Operating expenses for fiscal 2014 were $57.6 million, or 48.7% of revenues, compared to $62.0 million for fiscal 2013, or 53.1% of revenues;
- Income from operations was $0.4 million, compared to a loss from operations of $8.2 million for fiscal 2013; and
- Net income for fiscal 2014 was less than $0.1 million, compared to a net loss of $8.7 million for fiscal 2013. Results for fiscal year 2014 include the $6.3 million gain on the sale of our headquarters office building. Income per share on a diluted basis for fiscal 2014 was less than $0.01 compared to a loss per share of $0.66 for fiscal 2013.
Now let’s discuss our fourth quarter revenues in more detail.

In our fourth quarter of fiscal 2014 our revenues of $32.5 million were 17.5% higher than our revenues of $27.6 million in the same quarter of fiscal 2013. This principally resulted from a 16.8% increase in the number of participants and a 0.8% increase in the average revenue per participant when compared to the same quarter of the prior fiscal year. Changes in foreign exchange rates increased revenues 0.5%.

Overall, during our fourth quarter of fiscal 2014, we trained a total of 19,607 course participants, compared to 16,784 course participants in our same quarter last year. The increase in the number of participants was partially the result of having one more training week in our fourth quarter of fiscal 2014 compared to the same quarter of the prior year. Compared to our fourth quarter of fiscal 2013, during our fourth quarter of fiscal 2014:

- Attendee-days of IT training increased by 25.2% to 43,191 from 34,485;
- Attendee-days of management training increased by 1.6% to 25,413 from 25,019; and
- Total attendee-days of training were 68,604, an increase of 15.3% from 59,504 in our fourth quarter of fiscal 2013.

**Fourth Quarter Operations**

Next, I’ll discuss our operations in our fourth quarter of fiscal 2014 and how they compare with our same quarter of fiscal 2013.
During our fourth quarter of fiscal 2014, we presented 1,460 events, a 14.0% increase from the 1,281 events conducted during the same period in fiscal 2013.

**Cost of Revenues.** Cost of revenues was 53.5% of revenues in our fourth quarter of fiscal 2014 compared to 56.4% in our fourth quarter of fiscal 2013, and our gross profit percentage accordingly was 46.5% compared to 43.6% in our prior year. The change in cost of revenues as a percentage of revenues in our fourth quarter of fiscal 2014 primarily reflects the combined effects of a 0.8% increase in revenue per participant and a 4.6% decrease in cost per participant. The decrease in the cost per participant was driven primarily by the apportionment of the fixed costs related to our education centers over a larger participant base, and a 2.5% increase in the number of participants per event, which reduced our instructor expenses per participant. 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 fourth quarter of fiscal 2014, course development expense increased by $0.1 million to $1.9 million compared to $1.8 million in the same quarter of fiscal 2013. Course development expense was 5.8% of revenues in our fourth quarter of fiscal 2014 compared to 6.5% in the same quarter of fiscal 2013.

In our fourth quarter of fiscal 2014, we introduced two new IT course titles and two new management course titles. We retired six IT course titles in our fourth quarter.
Our library of instructor-led courses numbered 179 course titles at the end of our fourth quarter of fiscal 2014 compared with 183 course titles at the same point a year earlier. At the end of our fourth quarter of fiscal 2014, we had 117 IT course titles in our library, compared with 123 IT course titles at the end of our fourth quarter of fiscal 2013. Our library included 62 management course titles at the end of our fourth quarter of fiscal 2014, compared to 60 a year earlier.

Sales and Marketing Expense. In our fourth quarter of fiscal 2014 our sales and marketing expense increased by $0.2 million to $6.9 million from $6.7 million in the same quarter last year. The increase was primarily the result of increased sales staffing expense.

General and Administrative Expense. G&A expense during our fourth quarter of fiscal 2014 was $6.1 million, a $0.6 million increase from the $5.5 million spent in our fourth quarter of fiscal 2013. The increase primarily resulted from increased staffing salary and benefit costs mainly for our Information Technology department, and increased facility costs.

Other Operating Items. During our fourth quarter of fiscal 2014, we recognized a $6.3 million gain on the sale of our corporate headquarters facility located in Reston, Virginia. We have leased the facility back for one year through September 2, 2015 and have the option to extend the lease for two additional six month periods. We are currently evaluating the benefits and costs of moving our corporate headquarters into excess space in our Reston Education Center, or moving both offices and classrooms to a different nearby facility.

Income (Loss) from Operations. In our fourth quarter of fiscal 2014, we recorded income from operations of $6.4 million, or 19.8% of revenues, compared to a loss from operations of $2.0
million, or negative 7.2% of revenues, in the same quarter of our fiscal 2013. Income from operations in our fourth quarter of fiscal 2014 included the $6.3 million gain on the sale of our corporate headquarters facility.

**Other Income and Expense.** In our fourth quarter of fiscal 2014, we had other expense, net of less than $0.1 million, compared to other expense, net of $0.3 million in our fourth quarter of fiscal 2013.

**Pre-Tax Income (Loss).** Pre-tax income in our fourth quarter of fiscal 2014 was $6.4 million compared to a pre-tax loss of $2.3 million in our fourth quarter of fiscal 2013.

**Income Taxes.** The tax benefit for our fourth quarter of fiscal 2014 was $0.2 million, compared to a benefit of $0.1 million in our fourth quarter of fiscal 2013. The tax benefits for our fourth quarter of fiscal 2014 and 2013 relate to reduced estimates for foreign taxes and US state taxes.

**Net Income (Loss).** Net income for our fourth quarter was $6.6 million, or 20.4% of revenues, compared to a net loss of $2.2 million, or negative 8.0% of revenues in our fourth quarter of fiscal 2013.

**Liquidity and Capital Resources**

During our fiscal year 2014, the total of our cash and cash equivalents increased by $4.5 million to $31.1 million at October 3, 2014 from $26.6 million at September 27, 2013. This increase primarily resulted from net proceeds of $9.4 million from the sale and leaseback of our corporate
headquarters office facility less: cash used in operations of $3.1 million, capital expenditures of $1.6 million, and the effects of exchange rate changes on cash and cash equivalents of $0.2 million.

I will now turn the call over to Max Shevitz our President, to discuss some current developments and the outlook for our first quarter of fiscal year 2015.

Outlook
At our last earnings call in August, our backlog had improved to the point that it had drawn even with the prior year. At the same time, our visibility for forecasting sales had shortened because enrollments were occurring closer and closer to the course event date. Since then, the rate of net orders has slowed, and our backlog is now lower than it was at this point last year. To address this downturn, we are increasing our sales and marketing efforts.

We have recently begun to market a series of 35, AnyWare™ based, “1-Day Express Boot Camp” instructor-led courses, on topics from Scrum and Agile to Big Data, Cyber Security and other rapidly advancing technologies. Each of these events will provide participants with an intensive overview of an important technology, together with practical, hands-on experience and skills that will enhance their knowledge & understanding. The first presentations of these Express Boot Camp courses will be in our second quarter of fiscal year 2015.

As we announced in November 2014, we are seeking a strategic transaction involving our French subsidiary, Learning Tree International SA, which transaction may include the sale of the French
company or its business. The lease on our Education Center and office in Paris expires at the end of June 2015.

As David mentioned, with the recent sale of our corporate headquarters facility, we are evaluating our needs for office and classroom space in the Reston Virginia area, with the desire to house everything at one location. This is part of an ongoing evaluation of all of our education centers to ensure we have the appropriate classroom sizes to meet the needs of our business.

Before presenting the outlook for our first quarter of fiscal 2015, I would like to remind you of our 52/53 week accounting policy which ends each quarter on the Friday nearest the actual calendar quarter end date. As a result, our first quarter of fiscal year 2015 will only have eleven training weeks compared to the twelve training weeks available in our first quarter of fiscal year 2014.

**First Quarter Fiscal 2015 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 December 1, 2014 remain constant for the remainder of our first quarter of fiscal 2015, we would expect changes in foreign exchange rates to unfavorably affect revenues by about 3.7% in our first quarter compared to our same quarter of fiscal 2014.
**First Quarter Revenues.** For our first quarter of fiscal 2015, we currently expect revenues of between $26.9 million and $27.4 million, compared to revenues of $32.0 million in our first quarter of fiscal 2014.

**First Quarter Gross Profit.** We expect a gross profit percentage in our first quarter of fiscal 2015 of between 42.5% and 43.5% compared to 45.8% in our first quarter of fiscal 2014.

**First Quarter Operating Expenses.** We expect overall operating expenses for our first quarter of fiscal 2015 to be between $13.3 million and $13.7 million, compared to $13.7 million in the same quarter a year earlier.

**First Quarter Income (Loss) from Operations.** As a result of the above factors, we expect to incur a first quarter operating loss of between $(1.4) million and $(2.3) million compared with operating income of $0.9 million in our first quarter of fiscal 2014.

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

**First Quarter Pre-Tax Income (Loss).** Overall, we expect to report pre-tax results for our first quarter of fiscal 2014 of between a loss of $(1.4) million and a loss of $(2.4) million, compared with pre-tax income of $0.9 million in our first quarter of fiscal 2014.

**Effective Tax Rate.** The valuation allowance against deferred tax assets in the U.S. makes our effective tax rate subject to significant fluctuation depending on small changes in our pre-tax income. As a result, we no longer provide guidance on our next quarter’s effective tax rate.

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.