

Learning Tree International, Inc.

Fiscal Year 2015 Fourth Quarter Conference Call

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

December 15, 2015

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 fourth quarter and full fiscal year 2015, which ended October 2, 2015. Richard Spires, our CEO will provide information on our future plans, and then Max Shevitz, our President, will provide some forward-looking information about our first quarter of fiscal year 2016. 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 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-K, those risks in Item 1A, “Risk Factors”. Please read the Form 10-K, including Item 1A, which is filed with the SEC and available at the SEC's Internet site (<http://www.sec.gov>).

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 2015 ended on October 2, 2015 and, as with most years, it comprised 52 weeks.. Fiscal year 2014 ended on October 3, 2014 and comprised 53 weeks. The additional training week for fiscal year 2014 occurred in the fourth quarter.

As previously reported, we completed the sale of our subsidiary in France, Learning Tree International S.A., to Educinvest SPRL. The sale resulted in a loss of \$2.5 million. This loss plus the results of operations for Learning Tree France included in the 12 month period ended October 2, 2015 and the three and 12 month periods ended October 3, 2014, respectively, have been reclassified to the income (loss) from discontinued operations line on the Condensed Consolidated Statements of Operations. In addition, historical Condensed Consolidated Balance

Sheet and Condensed Consolidated Statement of Cash Flow amounts for Learning Tree France have also been reclassified as discontinued operations.

Unless noted, the following discussions reflect comparisons of our continuing operations which exclude Learning Tree France.

Now let me summarize some key line items from our fourth quarter of fiscal year 2015:

- Revenues in our fourth quarter of fiscal 2015 were \$25.6 million, a decrease of 14.7% compared to revenues of \$30.0 million in our fourth quarter of fiscal 2014;
- Our gross profit percentage in our fourth quarter was 46.3% of revenues, compared to 46.4% in our same quarter of fiscal 2014;
- Operating expenses decreased in our fourth quarter of fiscal 2015 to \$11.1 million, compared to \$13.7 million in our fourth quarter of fiscal 2014;
- Net income for our fourth quarter of fiscal 2015 was \$0.7 million. 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 \$6.8 million; and
- Income per share on a diluted basis for our fourth quarter of fiscal 2015 was \$0.06, compared to \$0.52 in our fourth quarter of fiscal 2014.

For all of fiscal 2015:

Reviewing our performance for our full fiscal year 2015, I'd like to point out the following key line items:

- Revenues were \$94.9 million for fiscal 2015, a decrease of \$12.2 million or 11.4% from revenues of \$107.1 million in fiscal 2014;
- Gross profit was 41.2% of revenues for fiscal 2015, compared to 43.3% for fiscal 2014;
- Operating expenses for fiscal 2015 were \$48.8 million, or 51.4% of revenues, compared to \$52.3 million for fiscal 2014, or 48.9% of revenues;
- Loss from operations before other operating items was \$9.7 million for fiscal 2015 compared to a loss of \$6.0 million for fiscal 2014; and
- Net loss for fiscal 2015 was \$9.8 million, compared to a net loss of less than \$0.1 million for fiscal 2014. Results for fiscal year 2014 include the \$6.3 million gain on the sale of our headquarters office building. Net loss per share on a diluted basis for fiscal 2015 was (\$0.74) compared to net income per share of less than \$0.01 for fiscal 2014.

Fourth Quarter Revenue and Participants

Now let's discuss our fourth quarter revenues in more detail.

In our fourth quarter of fiscal 2015 our revenues of \$25.6 million were 14.7% lower than our revenues of \$30.0 million in the same quarter of fiscal 2014. This principally resulted from a 10.9% decrease in the number of participants and a 4.3% decrease in the average revenue per participant when compared to the same quarter of the prior fiscal year. Changes in foreign exchange rates decreased revenues 3.6%

Overall, during our fourth quarter of fiscal 2015, we trained a total of 16,080 course participants, compared to 18,043 course participants in our same quarter last year. Compared to our fourth quarter of fiscal 2014, during our fourth quarter of fiscal 2015:

- Attendee-days of IT training decreased by 19.0% to 32,291 from 39,890;
- Attendee-days of management training decreased by 18.4% to 19,062 from 23,371; and
- Total attendee-days of training were 51,353, a decrease of 18.8% from 63,261 in our fourth quarter of fiscal 2014.

Fourth Quarter Operations

Next, I'll discuss our operations in our fourth quarter of fiscal 2015 and how they compare with our same quarter of fiscal 2014.

During our fourth quarter of fiscal 2015, we presented 1,441 events, a 16.2% increase from the 1,240 events conducted during the same period in fiscal 2014.

Cost of Revenues. Cost of revenues was 53.7% of revenues in our fourth quarter of fiscal 2015 compared to 53.6% in our fourth quarter of fiscal 2014, and our gross profit percentage accordingly was 46.3% compared to 46.4% in our prior year. The change in cost of revenues as a percentage of revenues in our fourth quarter of fiscal 2015 primarily reflects the combined effects of a 4.3% decrease in revenue per participant and a 4.0% decrease in cost per participant. The decrease in the revenue per participant and cost per participant was driven primarily by the introduction in fiscal 2015 of one-day intensive boot camp 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 fourth quarter of fiscal 2015, course development expense decreased by \$0.1 million to \$1.7 million compared to \$1.8 million in the same quarter of fiscal 2014. Course development expense was 6.8% of revenues in our fourth quarter of fiscal 2015 compared to 6.1% in the same quarter of fiscal 2014.

In our fourth quarter of fiscal 2015, we introduced one new multi-day IT course title, three new multi-day management course titles, and 67 1-Day Boot Camp courses. We did not retire any course titles in our fourth quarter of fiscal 2015. Our library of instructor-led courses numbered 345 course titles at the end of our fourth quarter 2015, which was comprised of the following:

- 122 multi-day IT course titles at the end of our fourth quarter of fiscal 2015, compared with 117 multi-day IT course titles at the end of our fourth quarter of fiscal 2014;
- 70 multi-day management course titles at the end of our fourth quarter of fiscal 2015, compared to 62 at the end of our fourth quarter of fiscal 2014; and
- 153 1-Day Boot Camp course titles at the end of our fourth quarter of fiscal year 2015, compared to no such courses at the end of the same quarter of fiscal year 2014.

Sales and Marketing Expense. In our fourth quarter of fiscal 2015 our sales and marketing expense decreased by \$1.7 million to \$4.6 million from \$6.3 million in the same quarter last year. The decrease was primarily the result of decreased direct marketing costs.

General and Administrative Expense. G&A expense during our fourth quarter of fiscal 2015 was \$4.8 million, a \$0.8 million decrease from the \$5.5 million spent in our fourth quarter of fiscal 2014. The decrease primarily resulted from reduced staffing salary and benefit 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.

Income (Loss) from Operations. In our fourth quarter of fiscal 2015, we recorded income from operations of \$0.8 million, or 3.0% of revenues, compared to income from operations of \$6.6 million, or 22.0% of revenues, in the same quarter of our fiscal 2014. 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 quarters of fiscal 2015 and 2014, we had other expense, net of less than \$0.1 million, respectively.

Pre-Tax Income (Loss). Pre-tax income in our fourth quarter of fiscal 2015 was \$0.8 million compared to pre-tax income of \$6.6 million in our fourth quarter of fiscal 2014.

Income Taxes. The tax provision for our fourth quarter of fiscal 2015 was less than \$0.1 million, compared to a benefit of \$0.2 million in our fourth quarter of fiscal 2014.

Net Income (Loss). Net income for our fourth quarter was \$0.7 million, or 2.9% of revenues, compared to net income of \$6.8 million, or 22.8% of revenues in our fourth quarter of fiscal 2014.

Liquidity and Capital Resources

During our fiscal year 2015, the total of our cash and cash equivalents decreased by \$11.9 million to \$17.9 million at October 2, 2015 from \$29.9 million at October 3, 2014. This decrease primarily resulted from cash used in operations of \$9.5 million, capital expenditures of \$2.3 million, and the negative effects of exchange rate changes on cash and cash equivalents of \$0.2 million.

I will now turn the call over to Richard Spires our CEO, to discuss some current developments for fiscal year 2016.

Outlook

This is Richard Spires, the new Chief Executive Officer of the company. I am very pleased to take on this leadership role of a company that has had such a meaningful impact in helping improve the skills of millions of IT professionals over the past 40 plus years.

As we move into fiscal year 2016, 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 that end, we 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. 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.

While we are expanding our services through Workforce Optimization Solutions, we will continue to work to provide the highest standards of excellence in educating and training IT professionals and managers throughout the world. We believe these standards have driven and will remain the basis for our long-term success. Our course participants have consistently rated Learning Tree instructors and courses at the top end of the scale because of the quality of our courseware, our instructors, and our technology for instructional delivery. We have 605 course instructors located around the world who are practicing professionals with expert subject knowledge. Our average instructor has over 20 years of “hands-on, real world” experience in the fields that they teach. In terms of the quality and innovations in instructional delivery, we offer our patented MagnaLearn™ Instructional Enhancement System, AdaptaLearn™ Hands-On Learning System, After-Course Instructor Coaching, Computing Sandbox for Practice and Experiments, and our AnyWare™ e-Learning platform which extends the full range of Learning Tree features and standards to our online participants, so that they enjoy the same results as our in-class participants.

Now let me turn it over to our President Max Shevitz to address our projections for the first quarter of fiscal year 2016.

First Quarter Fiscal 2016 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, 2015 remain constant for the remainder of our first quarter of fiscal 2016, we would expect changes in foreign exchange rates to unfavorably affect revenues by about 4.1% in our first quarter compared to our same quarter of fiscal 2015.

First Quarter Revenues. For our first quarter of fiscal 2016, we currently expect revenues of between \$19.4 million and \$20.4 million, compared to revenues of \$24.4 million in our first quarter of fiscal 2015.

First Quarter Gross Profit. We expect a gross profit percentage in our first quarter of fiscal 2016 of between 36.7% and 37.7% compared to 43.7% in our first quarter of fiscal 2015.

First Quarter Operating Expenses. We expect overall operating expenses for our first quarter of fiscal 2016 to be between \$10.8 million and \$11.4 million, compared to \$12.1 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 \$(3.1) million and \$(4.3) million compared with an operating loss of \$(1.4) million in our first quarter of fiscal 2015.

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 2016 of between a loss of \$(3.1) million and a loss of \$(4.4) million, compared with a pre-tax loss of \$(1.2) million in our first quarter of fiscal 2015.

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.