

LINDBLAD Expeditions (LIND and LINDW): Update

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June 21 - 23, 2017 / Discussion Materials for VALUEx VAIL

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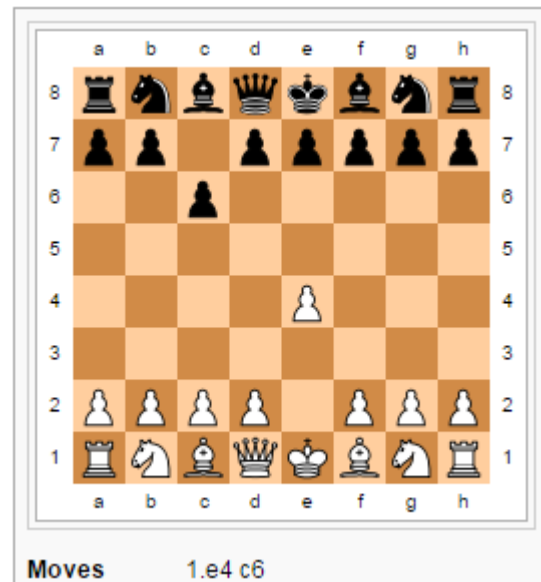
About Caro-Kann Capital LLC

- General Partner of Caro-Kann Capital Fund LP, a private investment partnership
- Launched in March 2015
- Focus on small and mid-cap companies undergoing extraordinary corporate events and / or experiencing rapid changes in their shareholder bases

Caro-Kann Defense

Caro-Kann Defense

- Chess defense against the king's pawn opening
- The opening is named after the English player Horatio Caro and the Austrian player Marcus Kann who analyzed it in 1886*
- Caro-Kann Defense is more solid and robust than many alternatives and, thus, Black enjoys a significantly smaller chance of losing
- However, due to a strong position and pawn structure, Caro-Kann Defense results in a strong likelihood of Black winning later



* Wikipedia. The graphic display (http://en.wikipedia.org/wiki/Caro%E2%80%93Kann_Defence)

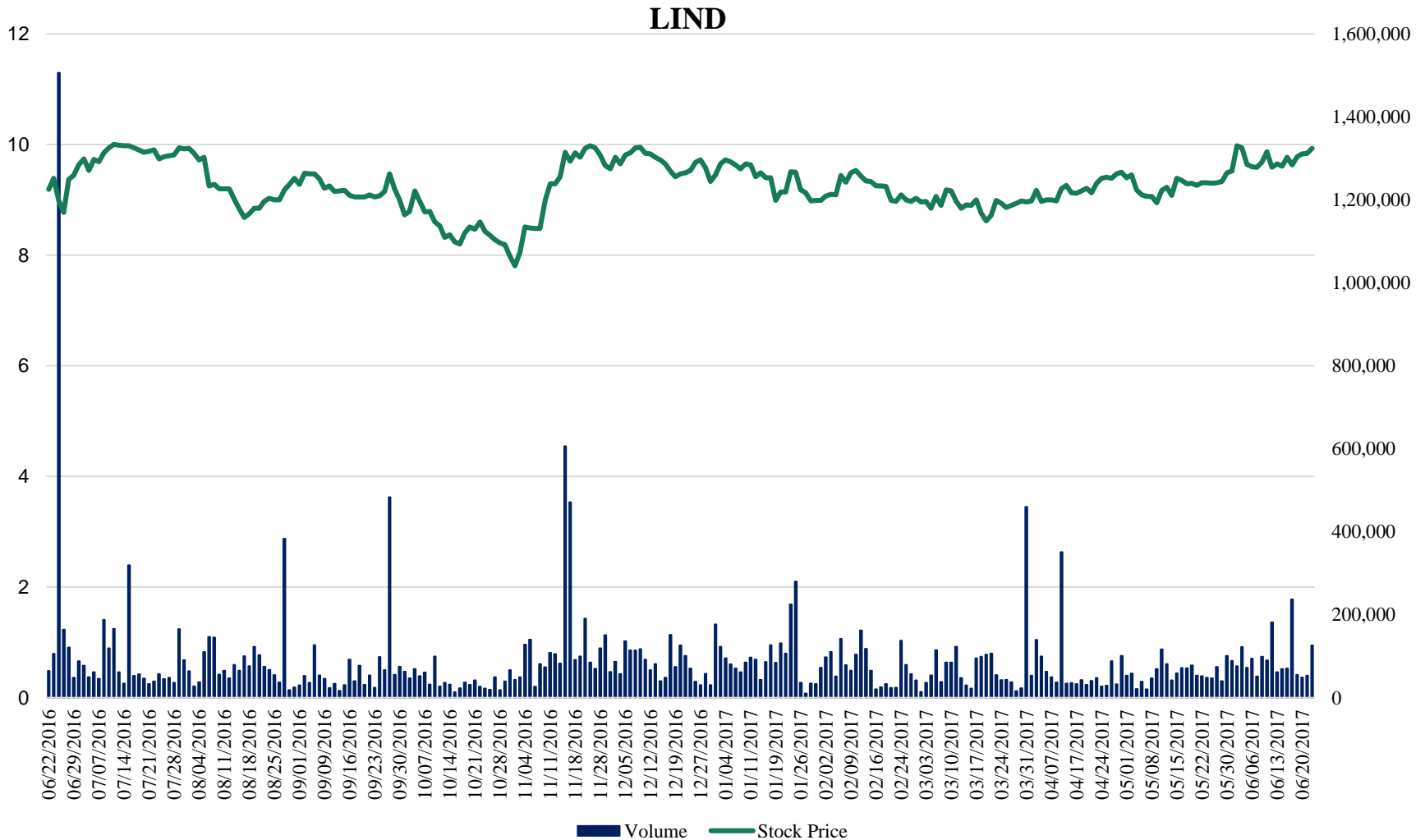
June 2016 Idea: LIND and LINDW

- By request of fellow VALUEx Vail participants, we are providing an update on 2016-06-22 VALUEx Vail presentation on LIND.
- Leader in global expedition cruising
- Typical price = ~\$1,000 per night
- High engagement experience (e.g., zoologists, photographers and other National Geographic personnel on board)
- Exclusive partnership with National Geographic
- Destinations
 - Antarctica
 - Galapagos
 - Arctic
 - Baja California
 - Alaska
 - Patagonia
 - Central America
 - Others



LIND Stock Price: June 22, 2017 – June 22, 2017

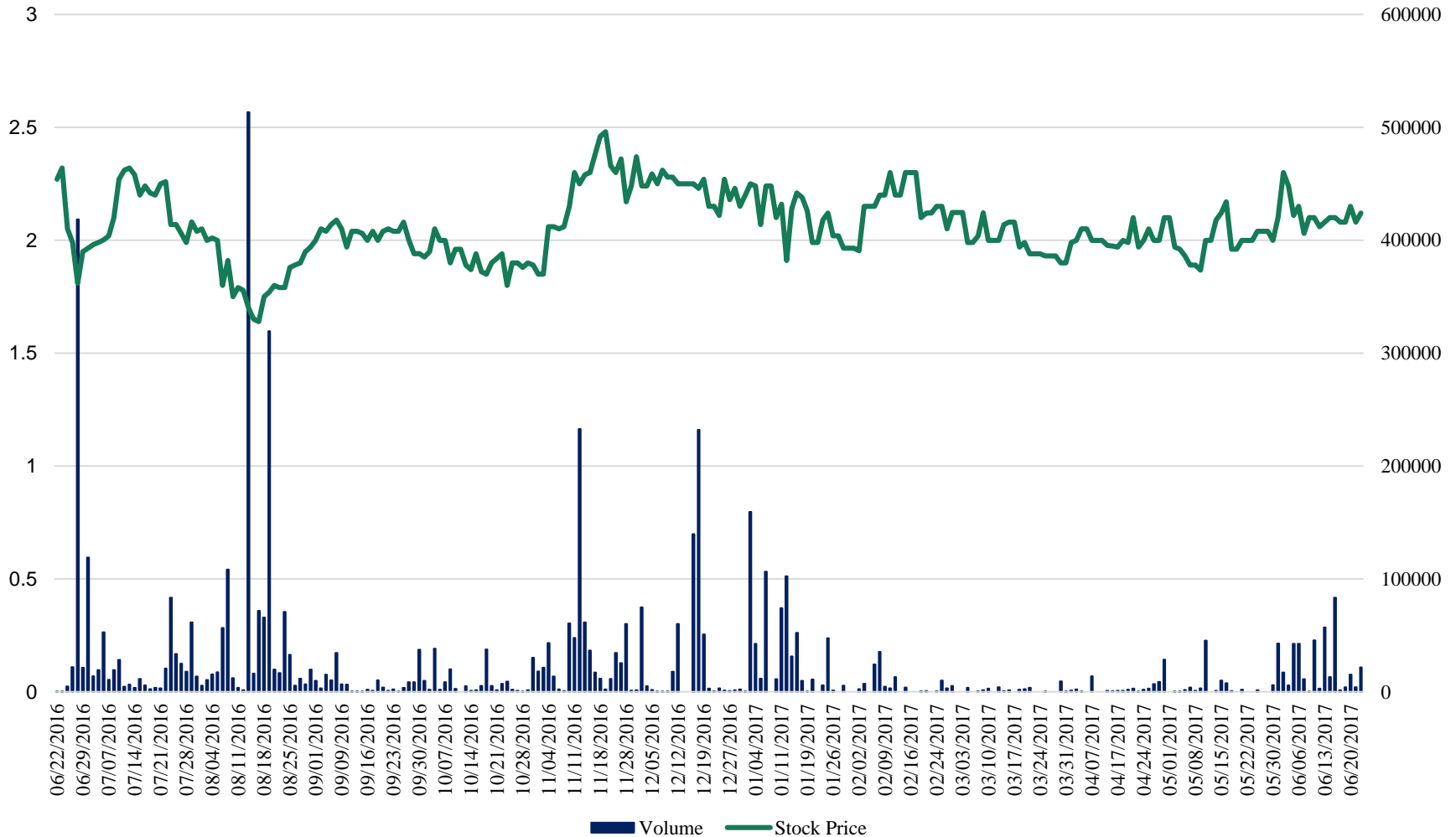
Shares Are Up ~8%



LINDW Stock Prices: June 22, 2017 – June 22, 2017

Warrants Are Down ~6.6%

LINDW



Weak 2016 Revenue, EBITDA, and Cash Flow

Why Did It Happen?

	Factor	Comments
1	Zika Virus	While very few routes actually go through Zika affected territories, the general negative context impacted bookings. The booking window is ~9 months. Zika scare reached its peak => in min-Jan – March 2016 => impact on 4Q revenue.
2	Terror Attacks in Europe	Terror attacks in Europe in late 2015 also impacted travel in general.
3	<i>Endeavor Retirement & Replacement</i>	Endeavor (35 year old ship) was replaced by Endeavour II (acquired as <i>Via Australis</i>) in late 2015. It delayed demand. Why travel now on an older ship while I can wait for the newer ship to come out?!
4	<i>Orion Engine Repairs</i>	In December 2016 Orion “unplanned” engine repairs. “Lost” revenue and profit in 4Q 2016 and 1Q 2017 (mostly) + costs of repair. Repair has been completed. According to management, it happened first time for 25 years or long.

We these factors as *temporary*

LIND Revenue Growth:

Nothing exciting so far.

LIND Growth Analysis	1Q 2016	2Q 2016	3Q 2016	4Q 2016	2016	1Q 2017
LIND segment revenue growth, %	11.10%	(2.71%)	(4.07%)	(9.84%)	(1.02%)	(13.60%)
LIND segment revenue growth ex-impact of voyage cancellations, %						1.25%
Consolidated revenue growth, %	11.10%	8.76%	20.85%	20.78%	15.41%	2.52%

LIND EBITDA & EBITDA Growth:

Nothing exciting so far either.

LIND EBITDA and EBITDA Growth Analysis	3Q 2016	4Q 2016	2016	1Q 2017
LIND segment EBITDA, ths \$	16,741	(1,493)	38,624	9,842
LIND segment EBITDA growth, %	5.73%	(131.47%)	(17.47%)	(43.94%)
LIND segment EBITDA ex-impact of voyage cancellations, ths \$				16,306
LIND segment EBITDA ex-impact of voyage cancellations, %				(7.11%)

\$6.5M Negative Impact on EBTIDA in 1Q 2017 due to Orion repairs.

Current Dynamics

Ship #1: Natural Geographic Quest

“Reservations for future expeditions during 1Q 2017 were record high and they were higher than in same period of 2015 by 31% and higher than during the same period in 2016 by 86%”. *Source: 1Q 2017 LIND Earnings Call*

- i. We need to keep in mind that 1Q 2016 was a very-very bad quarter given terrorist attacks in Europe in 4Q 2016 and zika virus panic. Thus, we should not get overly excited about y-o-y growth in bookings.
- ii. However, 1Q 2015 was a “normal” / “business as usual” quarter. Strong growth compared to 1Q 2015 is very encouraging.
- iii. This data also confirms our view that weak revenue in 2016 was caused by a combination of transient factors (zika, terrorist attacks, etc.).

Expansion Plans Are Firmly On Track

Ship #1: Natural Geographic Quest

“She is essentially sold out for our Alaska season and it's gratifying to see that our other ships operating in the area are doing well despite the added inventory. It verifies our original thesis that adding to this geography was solidly rooted in excess demand.”

Source: Q 2017 LIND Earnings Calls (emphasis added)

- **Ship #1: Quest**
 - Quest will have its first expedition in July.
 - Added inventory has not been a concern so far.
- **Ship #2** is on schedule for delivery mid-2018.
- **Ship #3**: close to selecting a shipyard; planned delivery in 3Q 2019.

Warrant and Share Repurchases

Warrant and Share Buybacks

Quarter	\$ ths
1Q 2016	\$5,420
2Q 2016	\$0
3Q 2016	\$0
4Q 2016	\$4,923
1Q 2017	\$5,572

Comments

Management bought shares and warrants quite aggressively at the right time.

1

- 1Q 2016 – market selloff
- 4Q 2016 and 1Q 2017 – weak financial and operating performance

2

2015 Stock-based compensation (SBC) is elevated due to grants of incentive packages to managers after CLAC II / LIND merger was complete

Who Owns the Warrants?

LIND Warrants	Day #1	31-Mar-17	Change, %	% of total - Day 1	% of total - March 31, 2017
Warrants Owned by Insiders	6,100,000	6,100,000	0.00%	37.89%	57.15%
Warrants Owned by Public Shareholders	10,000,000	4,573,015	(54.27%)	62.11%	42.85%
Total	16,100,000	10,673,015	(33.71%)	100.00%	100.00%

- Company is buying warrants back and insiders are not selling, which is telling. *Actions speaks louder than words. Non-actions speak loud as well.*
- Reduced warrant count also means more upside for shareholders and warrant holders.

Sven-Olof Lindblad – “Intelligent Fanatic”

Biography

(Source: 2015-09-17 LIND Presentation)

Sven-Olof Lindblad, Founder



- Founded Lindblad in 1979
- Formed multi-faceted strategic alliance with NatGeo
- Founding member of Ocean Elders
- Chairman of Lindblad National Geographic fund
- UN Environmental Program Global 500 Roll of honor

Recent Actions

- 1** 1M Share CEO Incentive Plan:
 - Who else does it?
 - Indicator of strong culture and morale.
 - Be careful with accounting: these grants are reported as SBC!
- 2** Tremendous care of customers after *Orion* cancelled voyages
- 3** “Fun” story about LIND customer care:
<http://www.cbc.ca/news/business/air-canada-bumping-overbooked-flight-galapagos-1.4077645>

LIND: What Has Changed In Our Views? (1)

Not much!

Factor	Comments
1 Less Cash Generated in 2Q 2016 through 1Q 2017 (cumulatively)	<ul style="list-style-type: none">• This is the only real negative. Cash build up has been adjusted down in our model.
2 LIND Leadership	<ul style="list-style-type: none">• We think even more highly of the CEO than we did before as more data points have become available.
3 Capital Allocation	<ul style="list-style-type: none">• Great Natural Habitat Acquisition• Smart and timely warrant and share buybacks







LIND: What Has Changed In Our Views? (2)

We stand behind our target price changes at the end of 2019.

Target Prices	Comments
1 Shares	<ul style="list-style-type: none">• \$19 - \$20.70
2 Warrants	<ul style="list-style-type: none">• \$7.60 - \$9.20
3 Timing	<ul style="list-style-type: none">• As we discussed in June 2016, we expect this idea to come to fruition in late 2019 – early 2020.

LIND Summary

LIND Meets Our Investment Checklist Key Requirements

	Factor / Metric	Fulfilled?	Comments
1	Understandable / analyzable business		LIND's business is quite simple to understand.
2	Do I understand why this opportunity exists?		Ex-SPAC, Zika virus, time arbitrage.
3	Strong Moat		Strong brands (NatGen + LIND) + learning curve create a strong moat.
4	High insider ownership, motivated management, and capital allocation skills		All requirements are met.
5	Attractive Valuation		LIND is cheap on all metrics.
6	Little Sellside Coverage		Initiation reports exist but sellside engagement / awareness are low.

Questions and Further Inquiry

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