

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-35898

LINDBLAD EXPEDITIONS HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Delaware

27-4749725

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

96 Morton Street, 9<sup>th</sup> Floor, New York, New York, 10014  
(Address of principal executive offices) (Zip Code)

(212) 261-9000  
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 31, 2018, 45,786,647 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
**Quarterly Report On Form 10-Q**  
**For The Quarter Ended June 30, 2018**

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**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except share and per share data)

	<b>As of June 30, 2018</b>	<b>As of December 31, 2017</b>
	<u>(unaudited)</u>	<u></u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 91,561	\$ 96,443
Restricted cash and marketable securities	22,803	7,057
Marine operating supplies	5,086	5,045
Inventories	1,792	1,794
Prepaid expenses and other current assets	26,791	21,351
Total current assets	<u>148,033</u>	<u>131,690</u>
Property and equipment, net	273,075	250,952
Goodwill	22,105	22,105
Intangibles, net	8,764	9,554
Other long-term assets	9,785	10,047
Total assets	<u>\$ 461,762</u>	<u>\$ 424,348</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Unearned passenger revenues	\$ 122,161	\$ 112,238
Accounts payable and accrued expenses	25,947	30,422
Long-term debt - current	2,000	1,750
Total current liabilities	<u>150,108</u>	<u>144,410</u>
Long-term debt, less current portion	188,229	164,186
Deferred tax liabilities	2,596	2,444
Other long-term liabilities	698	684
Total liabilities	<u>341,631</u>	<u>311,724</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE NONCONTROLLING INTEREST</b>	<u>6,130</u>	<u>6,302</u>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 45,775,648 and 45,427,030 issued, 45,401,323 and 44,787,608 outstanding as of June 30, 2018 and December 31, 2017, respectively	5	5
Additional paid-in capital	39,172	42,498
Retained earnings	74,751	63,819
Accumulated other comprehensive income	73	-
Total stockholders' equity	<u>114,001</u>	<u>106,322</u>
Total liabilities and stockholders' equity	<u>\$ 461,762</u>	<u>\$ 424,348</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except share and per share data)  
(unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Tour revenues	\$ 69,473	\$ 55,571	\$ 151,883	\$ 118,699
Cost of tours	33,810	28,697	69,681	61,300
Gross profit	<u>35,663</u>	<u>26,874</u>	<u>82,202</u>	<u>57,399</u>
Operating expenses:				
General and administrative	15,879	15,082	30,929	30,184
Selling and marketing	10,583	9,550	22,656	19,846
Depreciation and amortization	4,994	3,895	10,038	7,658
Total operating expenses	<u>31,456</u>	<u>28,527</u>	<u>63,623</u>	<u>57,688</u>
Operating income (loss)	<u>4,207</u>	<u>(1,653)</u>	<u>18,579</u>	<u>(289)</u>
Other (expense) income:				
Interest expense, net	(2,870)	(2,076)	(5,604)	(4,390)
(Loss) gain on foreign currency	(1,141)	577	(1,592)	823
Other income (expense)	(128)	107	(120)	(156)
Total other expense	<u>(4,139)</u>	<u>(1,392)</u>	<u>(7,316)</u>	<u>(3,723)</u>
Income (loss) before income taxes	68	(3,045)	11,263	(4,012)
Income tax expense (benefit)	<u>227</u>	<u>(467)</u>	<u>503</u>	<u>(2,060)</u>
Net income (loss)	\$ (159)	\$ (2,578)	\$ 10,760	\$ (1,952)
Net income (loss) attributable to noncontrolling interest	<u>(293)</u>	<u>(45)</u>	<u>(172)</u>	<u>(16)</u>
Net income (loss) available to common stockholders	<u>\$ 134</u>	<u>\$ (2,533)</u>	<u>\$ 10,932</u>	<u>\$ (1,936)</u>
Weighted average shares outstanding				
Basic	<u>45,894,155</u>	<u>44,428,947</u>	<u>45,322,541</u>	<u>44,567,588</u>
Diluted	<u>46,442,611</u>	<u>44,428,947</u>	<u>45,594,980</u>	<u>44,567,588</u>
Net income (loss) per share available to common stockholders				
Basic	<u>\$ -</u>	<u>\$ (0.06)</u>	<u>\$ 0.24</u>	<u>\$ (0.04)</u>
Diluted	<u>-</u>	<u>\$ (0.06)</u>	<u>\$ 0.24</u>	<u>\$ (0.04)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
(In thousands, except share and per share data)  
(unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net (loss) income	\$ (159)	\$ (2,578)	\$ 10,760	\$ (1,952)
Other comprehensive income:	-	-	-	-
Cash flow hedges:				
Net unrealized gain	73	-	73	-
Total other comprehensive income	73	-	73	-
Total comprehensive (loss) income	\$ (86)	\$ (2,578)	\$ 10,833	\$ (1,952)

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(In thousands, except share data)  
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance as of January 1, 2018</b>	<b>45,427,030</b>	<b>\$ 5</b>	<b>\$ 42,498</b>	<b>\$ 63,819</b>	<b>\$ -</b>	<b>\$ 106,322</b>
Stock-based compensation	-	-	1,985	-	-	1,985
Issuance of stock for equity compensation plans, net	357,648	-	(4,457)	-	-	(4,457)
Repurchase of shares and warrants	(9,030)	-	(854)	-	-	(854)
Other comprehensive income, net	-	-	-	-	73	73
Net income	-	-	-	10,932	-	10,932
<b>Balance as of June 30, 2018</b>	<b>45,775,648</b>	<b>\$ 5</b>	<b>\$ 39,172</b>	<b>\$ 74,751</b>	<b>\$ 73</b>	<b>\$ 114,001</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(unaudited)

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 10,760	\$ (1,952)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,038	7,658
Amortization of National Geographic fee	1,454	1,454
Amortization of deferred financing costs and other, net	1,045	1,096
Stock-based compensation	1,985	6,407
Deferred income taxes	152	(2,836)
Loss (gain) on foreign currency	1,592	(106)
Loss on write-off of assets	129	-
Changes in operating assets and liabilities		
Marine operating supplies and inventories	(39)	(153)
Prepaid expenses and other current assets	(7,048)	(4,674)
Unearned passenger revenues	9,915	25,470
Write-off of unamortized issuance costs related to debt refinancing	359	-
Other long-term assets	(1,120)	117
Other long-term liabilities	15	14
Accounts payable and accrued expenses	(4,457)	(9,293)
Net cash provided by operating activities	<u>24,780</u>	<u>23,202</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(31,502)	(38,705)
Transfer to restricted cash and marketable securities	(15,746)	(12,246)
Net cash used in investing activities	<u>(47,248)</u>	<u>(50,951)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from long-term debt	200,000	-
Repayments of long-term debt	(170,625)	(875)
Payment of deferred financing costs	(6,486)	(298)
Repurchase under stock-based compensation plans and related tax impacts	(4,457)	(1,182)
Repurchase of warrants and common stock	(854)	(6,166)
Net cash provided by (used in) financing activities	<u>17,578</u>	<u>(8,521)</u>
Effect of exchange rate changes on cash	8	169
Net decrease in cash and cash equivalents	<u>(4,882)</u>	<u>(36,101)</u>
Cash and cash equivalents at beginning of period	96,443	135,416
Cash and cash equivalents at end of period	<u>\$ 91,561</u>	<u>\$ 99,315</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period:		
Interest	\$ 6,534	\$ 5,195
Income taxes	<u>\$ 776</u>	<u>\$ 748</u>
Non-cash investing and financing activities:		
Additional paid-in capital exercise proceeds of option shares	\$ 1,682	\$ 168
Additional paid-in capital exchange proceeds used for option shares	\$ (1,682)	\$ (168)

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Lindblad Expeditions Holdings, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

**NOTE 1 – BUSINESS**

***Organization***

Lindblad Expeditions Holdings, Inc. and its consolidated subsidiaries (the “Company” or “Lindblad”) currently operate a fleet of seven owned expedition ships and five seasonal charter vessels under the Lindblad brand and operate eco-conscious expeditions and nature-focused, small-group tours under the Natural Habitat brand.

Lindblad’s mission is offering life-changing adventures on all seven continents and pioneering innovative ways to allow its guests to connect with exotic and remote places. The Company’s expedition ships are customized, nimble and intimately-scaled vessels that are able to venture where larger cruise ships cannot, thus allowing Lindblad to offer up-close experiences in the planet’s wild and remote places and capitals of culture. Many of these expeditions involve travel to remote places with limited infrastructure and ports (such as Antarctica and the Arctic) or places that are best accessed by a ship (such as the Galápagos, Alaska, Baja’s Sea of Cortez, Costa Rica and Panama), and foster active engagement by guests. Each expedition ship is designed to be comfortable and inviting, while being fully equipped with state-of-the-art tools for in-depth exploration. The Company has an alliance with National Geographic Partners (“National Geographic”), which often provides lecturers and National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers and film crews, that join the Company’s expeditions.

Through its subsidiary, Natural Habitat, the Company also offers land-based trips around the globe. Natural Habitat’s expeditions include polar bear tours in Churchill, Canada, Alaskan grizzly bear adventures, small-group Galápagos tours and African safaris. In addition to its land offerings, Natural Habitat offers select itineraries on small chartered vessels for parts of the year. Natural Habitat has partnered with World Wildlife Fund (“WWF”) to offer conservation travel, which is sustainable travel that contributes to the protection of nature and wildlife.

The Company’s common stock and warrants are listed on the NASDAQ Capital Market under the symbols “LIND” and “LINDW,” respectively.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements and footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) regarding unaudited interim financial information. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company’s financial statements for the periods presented. Operating results for the periods presented are not necessarily indicative of the results of operations to be expected for the full year due to seasonality and other factors. Certain information and footnote disclosures normally included in the consolidated financial statements in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC for interim reporting. All intercompany balances and transactions have been eliminated in these unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements and footnotes should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the year ended December 31, 2017 contained in the Annual Report on Form 10-K filed with the SEC on March 2, 2018.

***Principles of Consolidation***

The condensed consolidated financial statements include Lindblad Expeditions Holdings, Inc. and its consolidated subsidiaries.

***Reclassifications***

Certain prior period amounts have been reclassified to conform to the current period presentation, with no impact on consolidated net income or cash flows.

### ***Use of Estimates***

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets, liabilities, revenues and expenses. Actual results could differ from such estimates. Management estimates include determining the estimated lives of long-lived assets, determining the fair value of assets acquired and liabilities assumed in business combinations, the fair value of the Company's common stock and related warrants, the valuation of securities underlying stock-based compensation, income tax expense, the valuation of deferred tax assets and liabilities, the fair value of derivative instruments, the value of contingent consideration and assessing its litigation, other legal claims and contingencies. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the condensed consolidated financial statements in the period that they are determined to be necessary.

### ***Revenue Recognition***

Revenues are measured based on consideration specified in the Company's contracts with guests and are recognized as the related performance obligations are satisfied.

The majority of the Company's revenues are derived from guest ticket contracts which are reported as tour revenues in the condensed consolidated statements of operations. The Company's primary performance obligation under these contracts is to provide an expedition and may include pre- and post-expedition excursions, hotel accommodations, land-based expeditions and air transportation to and from the ships. Upon satisfaction of these performance obligations, the Company recognizes revenue over the duration of each expedition.

Tour revenues also include revenues from the sale of goods and services onboard our ships, cancellation fees and trip insurance. Revenues from the sale of goods and services rendered onboard are recognized upon purchase. Guest cancellation fees are recognized as tour revenues at the time of the cancellation. The Company records a liability for estimated trip insurance claims based on the Company's claims history. Proceeds received from trip insurance premiums in excess of this liability are recorded as revenue in the period in which they are received.

### ***Customer Deposits and Contract Liabilities***

The Company's guests remit deposits in advance of tour embarkation. Guest deposits consist of guest ticket revenues as well as revenues from the sale of pre- and post-expedition excursions, hotel accommodations, land-based expeditions and air transportation to and from the ships. Guest deposits represent unearned revenues and are reported as unearned passenger revenues in the condensed consolidated balance sheet when received and are subsequently recognized as tour revenue over the duration of the expedition. Accounting Standards Codification, *Revenue from Contracts with Customers* (Topic 606) defines a "contract liability" as an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. The Company does not consider guest deposits to be a contract liability until the guest no longer has the right, resulting from the passage of time, to cancel their reservation and receive a full refund. Unearned passenger revenues presented in our condensed consolidated balance sheets include contract liabilities of \$66.2 million and \$62.1 million as of June 30, 2018 and December 31, 2017, respectively. During the three and six months ended June 30, 2018, \$0.6 million and \$62.1 million, respectively, was recognized as revenue in relation to contract liabilities as of December 31, 2017.

### ***Earnings per Common Share***

Earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the dilutive incremental common shares associated with restricted stock awards, shares issuable upon the exercise of stock options and warrants, using the treasury stock method.

For the three and six months ended June 30, 2018 and 2017, the Company calculated earnings per share as follows:

<b>(In thousands, except share and per share data)</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net income (loss) available to common stockholders	\$ 134	\$ (2,533)	\$ 10,932	\$ (1,936)
<b>Weighted average shares outstanding:</b>				
Total weighted average shares outstanding, basic	45,894,155	44,428,947	45,322,541	44,567,588
Dilutive potential common shares	548,456	-	272,439	-
Total weighted average shares outstanding, diluted	<u>46,442,611</u>	<u>44,428,947</u>	<u>45,594</u>	<u>44,567,588</u>
<b>Net income (loss) per share available to common stockholders</b>				
Basic	\$ -	\$ (0.06)	\$ 0.24	\$ (0.04)
Diluted	\$ -	\$ (0.06)	\$ 0.24	\$ (0.04)

The Company's Board of Directors and stockholders approved the 2015 Long-Term Incentive Plan, which includes the authority to issue up to 2.5 million shares of Lindblad common stock. As of June 30, 2018, approximately 1.5 million shares were available for future grants under the plan.

As of June 30, 2018 and 2017, options to purchase an aggregate of 220,000 and 2,035,036 shares of the Company's common stock, respectively, with a weighted average exercise price of \$9.63 and \$2.61 per share, respectively, were outstanding. These options were anti-dilutive for the three and six months ended June 30, 2017, as the Company incurred a loss, and were not included in the calculation of diluted weighted average shares outstanding for those periods.

As of June 30, 2018 and 2017, 10,088,074 and 10,673,015 warrants, respectively, expiring July 8, 2020 were outstanding to purchase common stock at a price of \$11.50 per share. These warrants were anti-dilutive for the three months ended June 30, 2017 and the six months ended June 30, 2018 and 2017 and were not included in the calculation of diluted weighted average shares outstanding for those periods.

#### **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with an original maturity of six months or less, as well as deposits in financial institutions, to be cash and cash equivalents.

#### **Concentration of Credit Risk**

The Company maintains cash in several financial institutions in the U.S. and other countries which, at times, may exceed the federally insured limits. Accounts held in the U.S. are guaranteed by the Federal Deposit Insurance Corporation up to certain limits. As of June 30, 2018 and December 31, 2017, the Company's cash held in financial institutions outside of the U.S. amounted to \$6.5 million and \$4.1 million, respectively.

#### **Restricted Cash and Marketable Securities**

Restricted cash and marketable securities consist of the following:

<b>(In thousands)</b>	<b>As of June 30, 2018</b>	<b>As of December 31, 2017</b>
	(unaudited)	
Federal Maritime Commission escrow	\$ 19,818	\$ 4,186
Credit card processor reserves	1,530	1,530
Certificates of deposit and other restricted securities	1,455	1,341
Total restricted cash and marketable securities	<u>\$ 22,803</u>	<u>\$ 7,057</u>

The amounts held in restricted cash and marketable securities represent principally funds required to be held in certificates of deposit by certain vendors and regulatory agencies and are classified as restricted assets since such amounts cannot be used by the Company until the restrictions are removed by those vendors and regulatory agencies. Interest income is recognized when earned.

The Company has classified marketable securities, principally money market funds, as trading securities which are recorded at market value. Unrealized gains and losses are included in current operations. Gains and losses on the disposition of securities are recognized by the specific identification method in the period in which they occur.

In order to operate guest tour expedition vessels from U.S. ports, the Company is required to post a performance bond with the Federal Maritime Commission or escrow all unearned guest deposits plus an additional 10% in restricted accounts. To satisfy this requirement, the Company entered into an agreement with a financial institution to escrow the required amounts.

At June 30, 2018 and December 31, 2017, a cash reserve of approximately \$1.5 million is required for credit card deposits by third-party credit card processors.

Amounts in the escrow accounts include cash, certificates of deposit and marketable securities. Cost of these short-term investments approximates fair value.

### ***Marine Operating Supplies and Inventories***

Marine operating supplies consist primarily of fuel, provisions, spare parts, items required for maintenance and supplies used in the operation of marine expeditions. Marine operating supplies are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Inventories consist primarily of gift shop merchandise and other items for resale and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

### ***Prepaid Expenses and Other Current Assets***

The Company records prepaid expenses and other current assets at cost and expenses them in the period the services are provided, or the goods are delivered. The Company's prepaid expenses and other current assets consist of the following:

<b>(In thousands)</b>	<b>As of June 30, 2018</b>	<b>As of December 31, 2017</b>
	(unaudited)	
Prepaid tour expenses	\$ 14,636	\$ 9,846
Prepaid air expense	3,662	3,621
Prepaid marketing, commissions and other expenses	2,052	2,495
Prepaid client insurance	2,334	2,525
Prepaid corporate insurance	2,047	1,033
Prepaid port agent fees	1,440	1,022
Prepaid income taxes	620	809
Total prepaid expenses	<u>\$ 26,791</u>	<u>\$ 21,351</u>

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization were computed using the straight-line method over the estimated useful lives of the assets, as follows:

	<b>Years</b>
Vessels and vessel improvements	15-25
Furniture and equipment	5
Computer hardware and software	5
Leasehold improvements, including port facilities	Shorter of lease term or related asset life

Vessel improvement costs that add value to the Company's vessels are capitalized and depreciated over the shorter of the improvements or the vessel's estimated remaining useful life, while costs of repairs and maintenance, including minor improvement costs and drydock expenses, are charged to expense as incurred and included in cost of tours. Drydock costs primarily represent planned maintenance activities that are incurred when a vessel is taken out of service. For U.S. flagged ships, the statutory requirement is an annual docking and U.S. Coast Guard inspections, normally conducted in drydock. Internationally flagged ships have scheduled dockings approximately every 12 months, for a period of up to three to six weeks.

### ***Goodwill***

In accordance with Accounting Standards Codification ("ASC") 360, the Company tests for impairment annually as of September 30, or more frequently if warranted. As of June 30, 2018 there was no indication of impairment. The Company completed the annual impairment test as of September 30, 2017 with no indication of goodwill impairment.

### ***Intangibles, net***

Intangibles, net include tradenames, customer lists and operating rights. Tradenames are words, symbols, or other devices used in trade or business to indicate the source of products and to distinguish it from other products and are registered with government agencies and are protected legally by continuous use in commerce. Customer lists are established relationships with existing customers that resulted in repeat purchases and customer loyalty. Based on the Company's analysis, amortization of the tradenames and customer lists were computed using the estimated useful lives of 15 and 5 years, respectively.

The Company operates two vessels year-round in the Galápagos National Park in Ecuador: the *National Geographic Endeavour II* with 95 berths and the *National Geographic Islander* with 47 berths. In order to operate these vessels within the park, the Company is required to have in its possession cupos (licenses) sufficient to cover the total available berths on each vessel.

In June 2015, a new Ecuadorian Special Law for Protected Areas was approved and updated in November 2015. A Presidential Decree issued by President Correa of Ecuador in November 2015 established that cupos, which were in effect since July 2015, will have a validity of nine years. The Company's operating rights are up for renewal in July 2024. The current "owners" of the cupos will have the opportunity to re-apply for them, but any other enterprise or individual will have the opportunity to bid for the cupos. All bidders must present proof that they fulfill the conditions to properly utilize the license (access to a vessel, experience in tourism, proven environmental behavior, marketing, etc.). While the Company believes that, based on the expected criteria to retain cupos and its past operating history in the Galápagos, there is a strong possibility that the Company will retain its cupos, from an accounting perspective, it will assume they retain no value after July 2024. Once the renewal process has begun and if it can be determined that the Company will be successful in its bid, then the Company will adjust its amortization prospectively. Operating rights are amortized over their remaining government mandated lives.

Upon the occurrence of a triggering event, the assessment of possible impairment of the Company's intangibles will be based on the Company's ability to recover the carrying value of its asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of its tradenames, customer lists and operating rights. As of June 30, 2018 and December 31, 2017, there was no triggering event and the Company did not record an impairment for intangible assets.

### ***Long-Lived Assets***

The Company reviews its long-lived assets, principally its vessels, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on the Company's ability to recover the carrying value of its asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of its vessels. As of June 30, 2018 and December 31, 2017, there was no triggering event and the Company did not record an impairment of its long-lived assets.

### *Accounts Payable and Accrued Expenses*

The Company records accounts payable and accrued expenses for the cost of such items when the service is provided or when the related product is delivered. The Company's accounts payable and accrued expenses consist of the following:

<b>(In thousands)</b>	<b>As of June 30, 2018</b>	<b>As of December 31, 2017</b>
	(unaudited)	
Accrued other expense	\$ 7,676	\$ 7,001
New build liability	4,022	2,730
Accounts payable	4,017	7,791
Bonus compensation liability	2,580	3,736
Employee liability	2,356	2,644
Refunds and commissions payable	1,269	1,805
Royalty payable	1,587	1,673
Travel certificate liability	1,150	1,120
Accrued travel insurance expense	427	432
Income tax liabilities	863	1,490
Total accounts payable and accrued expenses	<u>\$ 25,947</u>	<u>\$ 30,422</u>

### *Fair Value Measurements and Disclosure*

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1 Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at measurement date.
- Level 2 Quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies.
- Level 3 Significant unobservable inputs for assets or liabilities that cannot be corroborated by market data. Fair value is determined by the reporting entity's own assumptions utilizing the best information available and includes situations where there is little market activity for the investment.

The carrying amounts of cash and cash equivalents, accounts payable and accrued expenses, approximate fair value due to the short-term nature of these instruments.

The carrying value of long-term debt approximates fair value given that the terms of the agreement were comparable to the market as of June 30, 2018. As of June 30, 2018 and December 31, 2017, the Company had no other significant liabilities that were measured at fair value on a recurring basis.

The asset's or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement.

Level 3 financial liabilities consist of obligations for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

## Derivative Instruments and Hedging Activities

By entering into derivative instrument contracts, the Company exposes itself, from time to time, to counterparty credit risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is in an asset position, the counterparty has a liability to the Company, which creates credit risk for the Company. The Company continues to monitor counterparty credit risk as part of its ongoing hedge assessments.

The Company records derivatives on a gross basis in other long-term assets and other liabilities in the condensed consolidated balance sheets at fair value. The accounting for changes in value of the derivative depends on whether or not the transaction has been designated and qualifies for hedge accounting. Derivatives that are not designated as hedges are reported and measured at fair value through earnings.

The Company applies hedge accounting to its interest rate derivatives entered into for risk management purposes. To qualify for hedge accounting, a derivative must be highly effective at reducing the risk associated with the exposure being hedged. In addition, key aspects of achieving hedge accounting are documentation of hedging strategy and hedge effectiveness at the hedge inception and substantiating hedge effectiveness on an ongoing basis. A derivative must be highly effective in accomplishing the hedge objective of offsetting changes in the cash flows of the hedged item for the risk being hedged. The effective portion of changes in the fair value of derivatives designated in a hedge relationship and that qualify as cash flow hedges is recorded in accumulated other comprehensive income, net of tax, and is subsequently reclassified into earnings in the period that the hedged transaction affects earnings.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The Company is exposed to market risks attributable to changes in interest rates on its term loan facility and seeks to hedge the risk of variability in cash flows associated with the changes in US\$-LIBOR-Intercontinental Exchange associated with interest payments on its variable rate debt ("Amended Credit Agreement").

During the second quarter 2018, the Company entered into interest rate cap agreements to hedge its exposure to interest rate movements and to manage its interest expense related to the Term Facility under its Amended Credit Facility and designated these interest rate caps as a cash flow hedge. The Company receives payments on the cap for any period that the one-month USD LIBOR rate increase beyond the strike rate. The termination date of the cap agreement is May 31, 2023. The detailed terms of the interest rate caps and the portion of the corporate Term Facility that it hedges are as follows:

	<u>Interest Rate Caps</u>	<u>Corporate Debt</u>
Trade date and borrowing date	May 29, 2018	March 27, 2018
Effective date	September 27, 2018	Not applicable
Termination date	May 31, 2023	March 27, 2025
Notional amount	\$ 100,000,000	\$ 100,000,000
Fixed interest rate (plus spread)	2.50% until November 30, 2018 2.75% December 1, 2018 until April 30, 2019 3.00% May 1, 2019 until maturity	Not applicable
Variable interest rate	1 month LIBOR	1 month LIBOR + 3.50%
Settlement	Monthly on last day of each month	Monthly on last day of each month
Interest payment dates	Monthly on last day of each month	Quarterly
Reset dates	Last day of each month	Last day of each month

The notional amount of outstanding debt associated with the interest rate cap agreements was \$100.0 million as of June 30, 2018, with a fair value of \$1.5 million recorded within other long-term assets. Changes in the fair value of this interest rate cap are recorded in accumulated other comprehensive income, pursuant to the guidelines of cash flow hedge accounting as outlined in ASC 815 and ASU 2017-12. During the three and six months ended June 30, 2018, the Company recognized \$0.1 million, respectively, of gains in accumulated other comprehensive income related to the change in fair value. The Company does not expect any gains currently recorded in accumulated other comprehensive income to be recognized in earnings over the next 12 months. The cost of the interest rate cap will be amortized to interest expense over its life, from the effective date through termination date.

The effects of cash flow hedge accounting on accumulated other comprehensive income (loss) were as follows:

<b>(in thousands)</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Beginning balance:	\$ -	\$ -	\$ -	\$ -
Net change in period	73	-	73	-
<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>\$ 73</b>	<b>\$ -</b>	<b>\$ 73</b>	<b>\$ -</b>

The amounts included in accumulated other comprehensive income will be reclassified to interest expense should the hedge no longer be considered effective. No amount of the hedge was considered to be ineffective and included in net income for the quarter ended June 30, 2018. The Company will continue to assess the effectiveness of the hedge on an ongoing basis.

### **Income Taxes**

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The measurement of net deferred tax assets is reduced by the amount of any tax benefit that, based on available evidence, is not expected to be realized, and a corresponding valuation allowance is established. The determination of the required valuation allowance against net deferred tax assets was made without taking into account the deferred tax liabilities created from the book and tax differences on indefinite-lived assets.

The Company accounts for income taxes using the asset and liability method, under which it recognizes deferred income taxes for the tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, as well as for tax loss carryforwards and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable or settled. The Company recognizes the effect on deferred taxes of a change in tax rates in income in the period that includes the enactment date. The Company provides a valuation allowance against deferred tax assets if, based upon the weight of available evidence, the Company does not believe it is “more-likely-than-not” that some or all of the deferred tax assets will be realized. The Company will continue to evaluate the deferred tax asset valuation allowance balances in all of our foreign and U.S. companies to determine the appropriate level of valuation allowances.

The Company is subject to income taxes in both the U.S. and the non-U.S. jurisdictions in which it operates. The Company regularly assesses the potential outcome of current and future examinations in each of the taxing jurisdictions when determining the adequacy of the provision for income taxes. The Company has only recorded financial statement benefits for tax positions which it believes reflect the “more-likely-than-not” criteria of FASB’s authoritative guidance on accounting for uncertainty in income taxes, and it has established income tax reserves in accordance with this guidance where necessary. Once a financial statement benefit for a tax position is recorded or a tax reserve is established, the Company adjusts it only when there is more information available or when an event occurs necessitating a change. While the Company believes that the amount of the recorded financial statement benefits and tax reserves reflect the more-likely-than-not criteria, it is possible that the ultimate outcome of current or future examinations may result in a reduction to the tax benefits previously recorded on its condensed consolidated financial statements or may exceed the current income tax reserves in amounts that could be material. As of June 30, 2018, and December 31, 2017, the Company had a liability for unrecognized tax benefits of \$0.4 million, which was included in other long-term liabilities. The Company’s policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. During the three and six months ended June 30, 2018 and 2017, interest and penalties related to uncertain tax positions included in income tax expense are not significant.

The Company is subject to tax audits in all jurisdictions for which it files tax returns. Tax audits by their very nature are often complex and can require several years to complete. Currently, there are no U.S. federal, state or foreign jurisdiction tax audits pending. The Company’s corporate U.S. federal and state tax returns for the current year and three prior years remain subject to examination by tax authorities and the Company’s foreign tax returns for the current year and four prior years remain subject to examination by tax authorities.

The SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”), codified as Accounting Standards Update (“ASU”) 2018-05, to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 is effective for reporting periods that include December 22, 2017. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in its financial statements as of December 31, 2017, resulting in additional tax expense of \$12.7 million in that period. As the Company collects and prepares the necessary data, and interprets the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, it may make adjustments to the provisional amounts. Those adjustments may materially impact the Company’s provision for income taxes and effective tax rate in the period in which the adjustments are made. To date, management has not made any adjustments to the provisional amounts for the remeasurement of deferred tax assets/liabilities and the deemed repatriation of certain foreign subsidiary earnings. The accounting for the tax effects of the Tax Act will be completed in 2018.

### ***Stock-Based Compensation***

The Company accounts for equity instruments issued to employees, non-employee directors or other service providers in accordance with accounting guidance that requires that awards are recorded at their fair value on the date of grant and are amortized over the service period of the award. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the equity instrument issued.

### ***Segment Reporting***

The Company is primarily a specialty cruise operator with operations in two segments, Lindblad and Natural Habitat. The Company evaluates the performance of our business based largely on the results of our operating segments. The chief operating decision maker, or CODM, and management review operating results monthly, and base operating decisions on the total results at a consolidated level, as well as at a segment level. The reports provided to the Board of Directors are at a consolidated level and also contain information regarding the separate results of both segments. Management performance and related compensation is primarily based on total results. While both segments have similar characteristics, the two operating and reporting segments cannot be aggregated because they fail to meet the requirements for aggregation.

### ***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, *Leases* (Topic 842). The guidance requires the recognition of lease right of use assets and lease liabilities by lessees for those leases previously classified as operating. This guidance was issued to increase transparency and comparability among organizations by disclosing key information about leasing arrangements and requiring the recognition of right of use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. ASU 2016-02 is effective for years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the effect adoption of this guidance will have on its consolidated financial statements. The Company does not believe the adoption of this guidance will have a material impact on our cash flows or results of operations.

### ***Accounting Pronouncements Recently Adopted***

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU is based on the principle that revenue is recognized upon the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There have been multiple clarifying ASU’s issued subsequent to ASU 2014-09. The Company adopted the revenue recognition guidance beginning January 1, 2018, using the modified retrospective transition method applied to those contracts which were not completed as of the adoption date. Prior periods have not been restated. The adoption of this guidance was not material to the Company’s financial position and results of operations.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. The amendment was issued in response from stakeholders’ regarding the cost and complexity of the goodwill impairment test. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Now the entity compares the fair value of the reporting unit with its carrying amount. The Company adopted this guidance beginning January 1, 2018, which did not have a material impact on its financial position or results of operations.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations* (Topic 805): *Clarifying the Definition of a Business*. The guidance was issued to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this guidance provide a screen to determine when a set (inputs and processes that produce an output) is a business. The screen requires that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The Company adopted this guidance beginning January 1, 2018, which did not have a material impact on its financial position or results of operations.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The amendments also ease the application of hedge accounting in certain situations, including eliminating the requirement to separately measure and report hedge ineffectiveness for cash flow hedges. ASU 2017-12 is effective for fiscal years beginning after December 31, 2018, and earlier adoption is permitted. The Company has elected early adoption of ASU 2017-02 and has accounted for its cash flow hedges in accordance with the amended rules.

### NOTE 3 – LONG-TERM DEBT

(In thousands)	As of June 30, 2018			As of December 31, 2017		
	Principal	(unaudited)		Principal	Discount and	
		Discount and Deferred Financing Costs, net	Balance		Discount and Deferred Financing Costs, net	Balance
Note payable	\$ 2,525	\$ -	\$ 2,525	\$ 2,525	\$ -	\$ 2,525
Credit Facility	200,000	(12,296)	187,704	170,625	(7,214)	163,411
Total long-term debt	202,525	(12,296)	190,229	173,150	(7,214)	165,936
Less current portion	(2,000)	-	(2,000)	(1,750)	-	(1,750)
Total long-term debt, non-current	\$ 200,525	\$ (12,296)	\$ 188,229	\$ 171,400	\$ (7,214)	\$ 164,186

#### Credit Facility

On March 27, 2018, the Company entered into a Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”) providing for a refinancing and amendment of the terms of the Company’s prior secured credit facility, dated as of March 7, 2016 (the “Superseded Agreement”).

The Amended Credit Agreement provides for a \$200.0 million senior secured first lien term loan facility (the “Term Facility”), which represents an increase of \$25.0 million from the senior secured first lien term loan facility under the Superseded Agreement. The Term Facility matures March 27, 2025. Consistent with the Superseded Agreement, the Amended Credit Agreement also provides for a \$45.0 million senior secured incremental revolving credit facility (the “Revolving Facility”), which includes a \$5.0 million letter of credit sub-facility. The Company’s obligations under the Amended Credit Agreement remain secured by substantially all of the assets of the Company.

In connection with the Amended Credit Agreement, the Company capitalized \$4.2 million related to lender and third-party fees. In addition, the entry into the Amended Credit Agreement was considered a debt modification with a partial extinguishment, as a result the Company expensed \$1.0 million of related costs during the six months ended June 30, 2018, which is included in general and administrative expenses on the accompanying condensed consolidated statements of operations.

Borrowings under the Term Facility bear interest at an adjusted Intercontinental Exchange (“ICE”) Benchmark administration LIBOR plus a spread of 3.50%, which steps down to 3.25% if the Company’s debt rating from Moody’s and S&P are both B1 (stable) or better and BB (negative) or better, respectively. The interest rate at June 30, 2018 is 6.00%. Borrowings under the Revolving Facility will bear interest at an adjusted ICE Benchmark administration LIBOR plus a spread of 3.00%, or, at the option of the Company, an alternative base rate plus a spread of 2.00%. The Company is also required to pay a 0.5% annual commitment fee on undrawn amounts under the Revolving Facility, which matures on March 27, 2023.

The Amended Credit Agreement (i) requires the Company to satisfy certain financial covenants as set forth in the Amended Credit Agreement; (ii) limits the amount of indebtedness the Company may incur; (iii) limits the amount the Company may spend in connection with certain types of investments; (iv) requires the delivery of certain periodic financial statements and an operating budget and (v) requires the mortgaged vessels and related inventory to be maintained in good working condition. As of June 30, 2018, the Company was in compliance with the covenants.

Borrowings under the Revolving Facility may be used for general corporate and working capital purposes and related fees and expenses. As of June 30, 2018, the Company had no borrowings under the Revolving Facility.

For the three months ended June 30, 2018 and 2017, deferred financing costs charged to interest expense was \$0.4 million and \$0.6 million, respectively. For the six months ended June 30, 2018 and 2017, deferred financing costs charged to interest expense was \$1.0 million and \$1.1 million, respectively.

### ***Senior Secured Credit Agreement***

On January 8, 2018, the Company and its indirect, wholly-owned subsidiary (the “Borrower”) entered into a senior secured credit agreement (the “Export Credit Agreement”) with Citibank, N.A., London Branch (“Citi”) and Eksportkreditt Norge AS (together with Citi, the “Lenders”). Pursuant to the Export Credit Agreement, the Lenders have agreed to make available to the Borrower, at the Borrower’s option and subject to certain conditions, a loan in an aggregate principal amount not to exceed \$107.7 million for the purpose of providing financing for up to 80% of the purchase price of the Company’s new ice class vessel, the *National Geographic Endurance*, targeted to be completed in January 2020. Seventy percent of the loan will be guaranteed by Garantiinstituttet for Eksportkreditt, the official export credit agency of Norway. If drawn upon, the loan will be made at the time of delivery of the vessel.

At the Borrower’s election, the loan will bear interest either at a fixed interest rate effectively equal to 5.78% or a floating interest rate equal to three-month LIBOR plus a margin of 3.00% per annum. The loan will amortize quarterly based on a twelve-year profile, with 70% maturing over twelve years from drawdown, and 30% maturing over five years from drawdown. The Company is also required to pay an annual commitment fee of 1.3% until drawdown of the Export Credit Agreement. The loan will be secured by a first priority mortgage over the new vessel and the assignment of related insurances. The Export Credit Agreement also contains customary events of default and mandatory prepayment events for, among other things, non-payment, breach of covenants, default on certain other indebtedness, certain large judgments and a change of control of the Company or the Borrower. In addition to paying interest on any outstanding loans under the facility, the Borrower is required to pay customary coordination, arrangement, agency, collateral and commitment fees. Amounts drawn under the Export Credit Agreement may be voluntarily prepaid at any time subject to customary breakage costs. All obligations of the Borrower under the Export Credit Agreement are guaranteed by the Company. As of June 30, 2018, the Company was in compliance with the covenants.

### ***Note Payable***

On May 4, 2016, in connection with the Natural Habitat acquisition, Natural Habitat issued an unsecured promissory note to Benjamin L. Bressler, the founder of Natural Habitat, with an outstanding principal amount of \$2.5 million due at maturity on December 31, 2020. The promissory note accrues interest at a rate of 1.44% annually, with interest payable every six months.

### **NOTE 4 – EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) profit sharing plan and trust for its employees. The Company matches 30% of employee contributions up to annual maximum of \$2,100 as of June 30, 2018 and 2017. For the three months ended June 30, 2018 and 2017, the Company’s benefit plan contribution was \$0.1 million and \$0.1 million, respectively. For the six months ended June 30, 2018 and 2017, the Company’s benefit plan contribution was \$0.2 million and \$0.2 million, respectively. The benefit plan contribution is included in general and administrative expenses on the accompanying condensed consolidated statements of operations.

### **NOTE 5 – STOCKHOLDERS’ EQUITY**

#### ***Capital Stock***

The Company has 1,000,000 shares of preferred stock authorized, \$0.0001 par value and 200,000,000 shares of common stock authorized, \$0.0001 par value.

#### ***Stock and Warrant Repurchase Plan***

The Company’s Board of Directors approved a stock and warrant repurchase plan (“Repurchase Plan”) in November 2015 and increased the repurchase plan to \$35.0 million in November 2016. The Repurchase Plan authorizes the Company to purchase from time to time the Company’s outstanding common stock and warrants. Any shares and warrants purchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of the Company’s Board of Directors. These repurchases exclude shares repurchased to settle statutory employee tax withholding related to the exercise of stock options and vesting of stock awards. All repurchases were made using cash resources. During the six months ended June 30, 2018 the Company repurchased 9,030 shares of common stock for \$0.1 million and 568,446 warrants for \$0.8 million. The Company has cumulatively repurchased 864,806 shares of common stock for \$8.1 million and 6,011,926 warrants for \$14.7 million, since plan inception. The balance as of June 30, 2018 for the Repurchase Plan was \$12.1 million.

#### ***2018 Long-Term Incentive Compensation***

In March 2017, the Company’s compensation committee approved awards of restricted stock units (“RSUs”) and performance share units (“PSUs”) to key employees under the Company’s 2015 Long-Term Incentive Plan. During the six months ended June 30, 2018, the Company granted 162,850 RSUs with a weighted average grant price of \$10.46. The RSUs will vest in equal installments on each of the first three anniversaries of the grant date, subject to the recipient’s continued employment or service with the Company or its subsidiaries on the applicable vesting date.

The PSUs are performance-vesting equity incentive awards that will be earned based on our performance against metrics relating to annual Adjusted EBITDA, annual revenue, and guest satisfaction. Awards will vest after a three-year performance period and may be earned at a level ranging from 0%-200% of the number of PSUs granted, depending on performance. During the six months ended June 30, 2018, the Company awarded 88,851 of targeted PSUs with a weighted average grant price of \$10.27. The number of shares were determined based upon the closing price of our common stock on the date of the award.

### ***Stock Options***

During the six months ended June 30, 2018, 955,424 stock options, net were exercised at a weighted average exercise price of \$1.76 per share in cashless transactions, resulting in the issuance of 442,820 shares of common stock.

## **NOTE 6 – COMMITMENTS AND CONTINGENCIES**

### ***Fleet Expansion***

On December 2, 2015, the Company entered into two separate Vessel Construction Agreements, (collectively, the “Agreements”) with Ice Floe, LLC, a Washington limited liability company doing business as Nichols Brothers Boat Builders (the “Builder”). The Agreements provide for the Builder to construct two 236-foot 100-passenger cruise vessels.

The first vessel, the *National Geographic Quest*, was delivered in July 2017. The Company amended the agreement for the second vessel, the *National Geographic Venture*, in October 2017. The current contract price is \$57.4 million and the vessel is scheduled to be completed in the fourth quarter of 2018, subject to extension for certain events, such as change orders. As of June 30, 2018, the Company has paid Ice Floe, LLC \$47.4 million related to the *National Geographic Venture*. The Company may terminate the applicable Agreement in the event the builder fails to deliver the vessel within 180 days of the applicable due date or the builder becomes insolvent or otherwise bankrupt. The Agreement also contains customary representations, warranties, covenants and indemnities.

In November 2017, the Company entered into an agreement with Ulstein Verft to construct a polar ice class vessel, the *National Geographic Endurance*, with a total purchase price of 1,066.0 million Norwegian Kroner (NOK). Subsequently, the Company exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The purchase price is subject to potential adjustments from contract specifications for variations in speed, deadweight, fuel consumption and delivery date, and is due in installments. The first twenty percent of the purchase price was paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The vessel is targeted to be delivered in January 2020, with potential accelerated delivery to November 2019. The contract also includes options to build two additional ice class vessels.

### ***Royalty Agreement – National Geographic***

The Company is engaged in an alliance and license agreement with National Geographic, which allows the Company to use the National Geographic name and logo. In return for these rights, the Company is charged a royalty fee. The royalty fee is included within selling and marketing expense on the accompanying condensed consolidated statements of operations. The amount is calculated based upon a percentage of certain ticket revenues less travel agent commission, including the revenues received from cancellation fees and any revenues received from the sale of voyage extensions. A voyage extension occurs when a guest extends his or her trip with pre- or post-voyage hotel nights and is included within tour revenues on the accompanying condensed consolidated statements of operations. The royalty expense is recognized at the time of revenue recognition. See Note 2 – Summary of Significant Accounting Policies for a description of the Company’s revenue recognition policy. Royalty expense for the three and six months ended June 30, 2018 totaled \$1.5 million and \$3.1 million, respectively, and for the three and six months ended June 30, 2017 totaled \$1.1 million and \$2.3 million, respectively.

The balances outstanding to National Geographic as of June 30, 2018 and December 31, 2017 are \$1.6 million and \$1.7 million, respectively, and are included in accounts payable and accrued expenses on the accompanying condensed consolidated balance sheets.

### ***Royalty Agreement – World Wildlife Fund***

Natural Habitat has a license agreement with World Wildlife Fund, which allows it to use the WWF name and logo. In return for these rights, Natural Habitat is charged a royalty fee and a fee based on annual gross sales. The fees are included within selling and marketing expense on the accompanying condensed consolidated statements of operations. The annual royalty payment and gross sales fees are paid on a quarterly basis. For the three months ended June 30, 2018 and 2017, these fees totaled \$0.1 million and \$0.1 million, respectively. For the six months ended June 30, 2018 and 2017, these fees totaled \$0.3 million and \$0.2 million, respectively.

### Charter Commitments

From time to time, the Company enters into agreements to charter vessels onto which it holds its tours and expeditions. Future minimum payments on its charter agreements as of June 30, 2018 are as follows:

<b>For the years ended December 31,</b>	<b>Amount</b>
(In thousands)	(unaudited)
2018 (six months)	\$ 2,976
2019	7,043
2020	3,251
Total	<u>\$ 13,270</u>

### NOTE 7 – SEGMENT INFORMATION

The Company evaluates the performance of its business segments based largely on tour revenues and operating income, and results of the segments without allocating other income and expenses, net, income taxes and interest expense, net. For the three and six months ended June 30, 2018 and 2017 operating results were as follows:

<b>(In thousands)</b>	<b>For the three months ended June 30,</b>				<b>For the six months ended June 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>%</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>%</b>
<b>Tour revenues:</b>								
Lindblad	\$ 59,556	\$ 47,238	\$ 12,318	26%	\$ 130,009	\$ 100,440	\$ 29,569	29%
Natural Habitat	9,917	8,333	1,584	19%	21,874	18,259	3,615	20%
Total tour revenues	<u>\$ 69,473</u>	<u>\$ 55,571</u>	<u>\$ 13,902</u>	25%	<u>\$ 151,883</u>	<u>\$ 118,699</u>	<u>\$ 33,184</u>	28%
<b>Operating income (loss):</b>								
Lindblad	\$ 5,107	\$ (948)	\$ 6,055	NM	\$ 18,547	\$ 316	\$ 18,231	NM
Natural Habitat	(900)	(705)	(195)	(28)%	32	(605)	637	NM
Total operating income	<u>\$ 4,207</u>	<u>\$ (1,653)</u>	<u>\$ 5,860</u>	NM	<u>\$ 18,579</u>	<u>\$ (289)</u>	<u>\$ 18,868</u>	NM

Depreciation, amortization are included in segment operating income (loss) as shown below:

<b>(In thousands)</b>	<b>For the three months ended June 30,</b>				<b>For the six months ended June 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>%</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>%</b>
<b>Depreciation and amortization:</b>								
Lindblad	\$ 4,626	\$ 3,555	\$ 1,071	30%	\$ 9,309	\$ 6,995	\$ 2,314	33%
Natural Habitat	368	340	28	8%	729	663	66	10%
Total depreciation and amortization	<u>\$ 4,994</u>	<u>\$ 3,895</u>	<u>\$ 1,099</u>	28%	<u>\$ 10,038</u>	<u>\$ 7,658</u>	<u>\$ 2,380</u>	31%

The following table presents our total assets, intangibles, net and goodwill by segment:

<b>(In thousands)</b>	<b>As of June 30, 2018</b>	<b>As of December 31, 2017</b>
	(unaudited)	
<b>Total Assets:</b>		
Lindblad	\$ 393,323	\$ 371,081
Natural Habitat	68,439	53,267
<b>Total assets</b>	<b>\$ 461,762</b>	<b>\$ 424,348</b>
<b>Intangibles, net:</b>		
Lindblad	\$ 4,413	\$ 4,776
Natural Habitat	4,351	4,778
<b>Total intangibles, net</b>	<b>\$ 8,764</b>	<b>\$ 9,554</b>
<b>Goodwill</b>		
Lindblad	\$ -	\$ -
Natural Habitat	22,105	22,105
<b>Total goodwill</b>	<b>\$ 22,105</b>	<b>\$ 22,105</b>

For the three months ended June 30, 2018 and 2017 there were \$0.4 million and \$0.3 million in intercompany tour revenues between the Lindblad and Natural Habitat segments eliminated in consolidation, respectively. For the six months ended June 30, 2018 and 2017 there were \$1.4 million and \$0.5 million in intercompany tour revenues between the Lindblad and Natural Habitat segments eliminated in consolidation, respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

*The following discussion and analysis addresses material changes in the financial condition and results of operations of the Company for the periods presented. This discussion and analysis should be read in conjunction with its unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q ("Form 10-Q"), as well as its audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 2, 2018.*

### Cautionary Note Regarding Forward-Looking Statements

Any statements in this Form 10-Q about our expectations, beliefs, plans, objectives, prospects, financial condition, assumptions or future events or performance are not historical facts and are "forward-looking statements" as that term is defined under the federal securities laws. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "should," "intend," "plan," "will," "expects," "estimates," "projects," "positioned," "strategy," "outlook" and similar words. You should read the statements that contain these types of words carefully. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. There may be events in the future that we are not able to predict accurately or over which we have no control. Potential risks and uncertainties include, but are not limited to:

- general economic conditions;
- unscheduled disruptions in our business due to weather events, mechanical failures, or other events;
- delays and costs overruns with respect to the construction and delivery of newly constructed vessels;
- management of our growth and our ability to execute on our planned growth;
- our business strategy and plans;
- compliance with laws and regulations,
- compliance with the financial and/or operating covenants in our debt agreements;
- adverse publicity regarding the cruise industry in general;
- loss of business due to competition;
- the result of future financing efforts;
- the inability to meet revenue and Adjusted EBITDA projections; and
- those risks discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 2, 2018.

We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-Q. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of unanticipated events.

Unless the context otherwise requires, in this Form 10-Q, "Company," "Lindblad," "we," "us," "our," and "ours" refer to Lindblad Expeditions Holdings, Inc., and its subsidiaries.

### Business Overview

Lindblad provides expedition cruising and adventure travel experiences that include itineraries that feature up-close encounters with wildlife and nature, history and culture and promote guest empowerment and interactivity. Our mission is offering life-changing adventures on all seven continents and pioneering innovative ways to allow our guests to connect with exotic and remote places. We operate a fleet of seven owned expedition ships. The Company has contracted for two additional vessels, the *National Geographic Venture*, a coastal vessel, expected to be completed in the fourth quarter of 2018, and the *National Geographic Endurance*, a polar ice class vessel targeted to be completed in January 2020, with potential accelerated delivery to November 2019. The polar ice class contract includes options to build two additional ice class vessels.

In addition, the Company operates five seasonal charter vessels under the Lindblad brand. We deploy chartered vessels for various seasonal offerings and continually seek to optimize our charter fleet to balance our inventory with demand and maximize yields. We use our charter inventory as a mechanism to both increase travel options for our existing and prospective guests and also to test demand for certain areas and seasons to understand the potential for longer term deployments and additional vessel needs.

We have a longstanding relationship with the National Geographic Society, since 2004, based on a shared interest in exploration, research, technology and conservation. This relationship includes co-selling, co-marketing and branding arrangements with National Geographic Partners, LLC (“National Geographic”) whereby our owned vessels carry the National Geographic name and National Geographic sells our expeditions through their internal travel divisions. We collaborate with National Geographic on expedition planning to enhance the guest experience by having National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers and film crews, join our expeditions. Guests have the ability to interface with these experts through lectures, excursions, dining and other experiences throughout their expedition.

In July 2018, the Company’s Board of Directors authorized the building of an additional polar ice class ship anticipated for delivery in 2021.

On March 27, 2018, the Company entered into a Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”) with Credit Suisse, as Administrative Agent and Collateral Agent, providing for a refinancing and amendment of the terms of the Company’s existing secured credit facility, dated as of March 7, 2016 (the “Superseded Agreement”). The Amended Credit Agreement provides for a \$200.0 million senior secured first lien term loan facility (the “Term Facility”), which represents an increase of \$25.0 million from the senior secured first lien term loan facility under the Superseded Agreement. Consistent with the Superseded Agreement, the Amended Credit Agreement also provides for a \$45.0 million senior secured incremental revolving credit facility (the “Revolving Facility”), which includes a \$5.0 million letter of credit sub-facility. See Note 3 – Long-Term Debt to the condensed consolidated financial statements for additional information regarding the Restated Credit Agreement.

**The discussion and analysis of our results of operations and financial condition are organized as follows :**

- a description of certain line items and operational and financial metrics we utilize to assist us in managing our business;
- results and a comparable discussion of our consolidated and segment results of operations for the three and six months ended June 30, 2018 and 2017;
- a discussion of our liquidity and capital resources, including future capital and contractual commitments and potential funding sources; and
- a review of our critical accounting policies.

**Financial Presentation**

***Description of Certain Line Items***

***Tour revenues***

Tour revenues consist of the following:

- Guest ticket revenues recognized from the sale of guest tickets; and
- Other tour revenues from the sale of pre- or post-expedition excursions, hotel accommodations, and land-based expeditions; air transportation to and from the ships, goods and services rendered onboard that are not included in guest ticket prices, trip insurance, and cancellation fees.

***Cost of tours***

Cost of tours includes the following:

- Direct costs associated with revenues, including cost of pre- or post-expedition excursions, hotel accommodations, and land-based expeditions, air and other transportation expenses, and cost of goods and services rendered onboard;
- Payroll costs and related expenses for shipboard and expedition personnel;
- Food costs for guests and crew, including complimentary food and beverage amenities for guests;
- Fuel costs and related costs of delivery, storage and safe disposal of waste; and
- Other tour expenses, such as land costs, port costs, repairs and maintenance, equipment expense, drydock, ship insurance, and charter hire costs.

### ***Selling and marketing***

Selling and marketing expenses include commissions, royalties and a broad range of advertising and promotional expenses.

### ***General and administrative***

General and administrative expenses include the cost of shoreside vessel support, reservations and other administrative functions, including salaries and related benefits, credit card commissions, professional fees and rent.

### ***Operational and Financial Metrics***

We use a variety of operational and financial metrics, including non-GAAP financial measures, such as Adjusted EBITDA, Net Yields, Occupancy and Net Cruise Costs, to enable us to analyze our performance and financial condition. We utilize these financial measures to manage our business on a day-to-day basis and believe that they are the most relevant measures of performance. Some of these measures are commonly used in the cruise and tourism industry to evaluate performance. We believe these non-GAAP measures provide expanded insight to assess revenue and cost performance, in addition to the standard GAAP-based financial measures. There are no specific rules or regulations for determining non-GAAP measures, and as such, they may not be comparable to measures used by other companies within the industry.

**The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. You should read this discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and the related notes thereto also included within.**

**Adjusted EBITDA** is net income (loss) excluding depreciation and amortization, net interest expense, other income (expense), income tax (expense) benefit, (gain) loss on foreign currency, (gain) loss on transfer of assets, reorganization costs, and other supplemental adjustments. Other supplemental adjustments include certain non-operating items such as stock-based compensation, executive severance costs, the National Geographic fee amortization, merger-related expenses, debt refinancing costs and acquisition-related expenses. The Company believes Adjusted EBITDA, when considered along with other performance measures, is a useful measure as it reflects certain operating drivers of the business, such as sales growth, operating costs, selling and administrative expense, and other operating income and expense. The Company believes Adjusted EBITDA helps provide a more complete understanding of the underlying operating results and trends and an enhanced overall understanding of the Company's financial performance and prospects for the future. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income as it does not take into account certain requirements, such as unearned passenger revenues, capital expenditures and related depreciation, principal and interest payments, and tax payments. The Company's use of Adjusted EBITDA may not be comparable to other companies within the industry.

### ***The following metrics apply to our Lindblad segment:***

**Adjusted Net Cruise Cost** represents Net Cruise Cost adjusted for Non-GAAP other supplemental adjustments which include certain non-operating items such as stock-based compensation, the National Geographic fee amortization, merger-related expenses, and acquisition-related expenses.

**Available Guest Nights** is a measurement of capacity and represents double occupancy per cabin (except single occupancy for a single capacity cabin) multiplied by the number of cruise days for the period. We also record the number of guest nights available on our limited land programs in this definition.

**Gross Cruise Cost** represents the sum of cost of tours plus merger-related expenses, selling and marketing expenses, and general and administrative expenses.

**Gross Yield** represents tour revenues less insurance proceeds divided by Available Guest Nights.

**Guest Nights Sold** represents the number of guests carried for the period multiplied by the number of nights sailed within the period.

**Maximum Guests** is a measure of capacity and represents the maximum number of guests in a period and is based on double occupancy per cabin (except single occupancy for a single capacity cabin).

**Net Cruise Cost** represents Gross Cruise Cost excluding commissions and certain other direct costs of guest ticket revenues and other tour revenues.

*Net Cruise Cost Excluding Fuel* represents Net Cruise Cost excluding fuel costs.

*Net Revenue* represents tour revenues less insurance proceeds, commissions and direct costs of other tour revenues.

*Net Yield* represents Net Revenue divided by Available Guest Nights.

*Number of Guests* represents the number of guests that travel with us in a period.

*Occupancy* is calculated by dividing Guest Nights Sold by Available Guest Nights.

*Voyages* represent the number of ship expeditions completed during the period.

#### Foreign Currency Translation

The U.S. dollar is the functional currency in our foreign operations and re-measurement adjustments and gains or losses resulting from foreign currency transactions are recorded as foreign exchange gains or losses in the condensed consolidated statements of operations.

#### Seasonality

Lindblad tour revenues from the sale of guest tickets are mildly seasonal, historically larger in the first and third quarters. The seasonality of our operating results increases due to our vessels being taken out of service for scheduled maintenance or drydocking, which is typically during non-peak demand periods, in the second and fourth quarters. Our drydock schedules are subject to cost and timing differences from year to year due to the availability of shipyards for certain work, drydock locations based on ship itineraries, operating conditions experienced especially in the polar regions, and the applicable regulations of class societies in the maritime industry, which require more extensive reviews periodically. Drydocking impacts operating results by reducing tour revenues and increasing cost of tours. Natural Habitat is a seasonal business, with higher tour revenue recorded in the fourth quarter than other quarters related to polar bear tour revenues.

#### Results of Operations - Consolidated

(In thousands, except per share data)	For the three months ended June 30,				For the six months ended June 30,			
	2018	2017	Change	%	2018	2017	Change	%
Tour revenues	\$ 69,473	\$ 55,571	\$ 13,902	25%	\$ 151,883	\$ 118,699	\$ 33,184	28%
Cost of tours	33,810	28,697	5,113	18%	69,681	61,300	8,381	14%
Gross profit	35,663	26,874	8,789	33%	82,202	57,399	24,803	43%
General and administrative	15,879	15,082	797	5%	30,929	30,184	745	2%
Selling and marketing	10,583	9,550	1,033	11%	22,656	19,846	2,810	14%
Depreciation and amortization	4,994	3,895	1,099	28%	10,038	7,658	2,380	31%
Operating income (loss)	\$ 4,207	\$ (1,653)	\$ 5,860	NM	\$ 18,579	\$ (289)	\$ 18,868	NM
Net income (loss)	\$ (159)	\$ (2,578)	\$ 2,419	NM	\$ 10,760	\$ (1,952)	\$ 12,712	NM
Earnings (loss) per share avail. to common stockholders								
Basic	\$ -	\$ (0.06)	\$ 0.06		\$ 0.24	\$ (0.04)	\$ 0.28	
Diluted	-	(0.06)	0.06		0.24	(0.04)	0.28	

#### Comparison of the Three and Six months Ended June 30, 2018 to Three and Six months Ended June 30, 2017 - Consolidated

##### Tour Revenues

Tour revenues for the three months ended June 30, 2018 increased \$13.9 million, or 25%, to \$69.5 million compared to \$55.6 million for the three months ended June 30, 2017. The Lindblad segment tour revenues increased by \$12.3 million driven by higher guest ticket revenue, primarily from an increase in available guest nights during 2018 due to the addition of the *National Geographic Quest* to our fleet in the third quarter of 2017 and timing of vessel drydocks in 2018 compared to 2017. At the Natural Habitat segment tour revenues increased \$1.6 million over the prior year period primarily due to additional departures and an increase in pricing.

Tour revenues for the six months ended June 30, 2018 increased \$33.2 million, or 28%, to \$151.9 million compared to \$118.7 million for the six months ended June 30, 2017. The Lindblad segment tour revenues increased by \$29.6 million driven by higher guest ticket revenue, primarily from an increase in available guest nights during 2018 due to the addition of the *National Geographic Quest* to our fleet in the third quarter of 2017 and timing of vessel drydocks in 2018 compared to 2017, as well as from the impact of cancelled voyages in the first quarter of 2017. At the Natural Habitat segment, tour revenues increased \$3.6 million over the prior year period primarily due to additional departures and an increase in pricing. Excluding the estimated \$9.1 million impact from the voyage cancellations in the first quarter of 2017, tour revenues would have increased \$24.0 million, or 19%, for the six months ended June 30, 2018.

### ***Cost of Tours***

Total cost of tours for the three months ended June 30, 2018 increased \$5.1 million, or 18%, to \$33.8 million compared to \$28.7 million for the three months ended June 30, 2017. At the Lindblad segment, cost of tours increased \$4.3 million primarily due to incremental costs related to the *National Geographic Quest*, increased available guests nights across the fleet and higher fuel costs, partially offset by a decrease in drydock expenses related to timing of vessel drydock maintenance. At the Natural Habitat segment, cost of tours increased \$0.8 million due to additional departures.

Total cost of tours for the six months ended June 30, 2018 increased \$8.4 million, or 14%, to \$69.7 million compared to \$61.3 million for the six months ended June 30, 2017. At the Lindblad segment, cost of tours increased \$6.6 million primarily due to costs related to the *National Geographic Quest*, increased available guests nights across the fleet, higher fuel costs and the impact of cancelled voyages in the first quarter of 2017, partially offset by a decrease in drydock expenses related to timing of vessel drydock maintenance. At the Natural Habitat segment, cost of tours increased \$1.7 million due to additional departures.

### ***General and Administrative***

General and administrative expenses for the three months ended June 30, 2018 increased \$0.8 million, or 5%, to \$15.9 million compared to \$15.1 million for the three months ended June 30, 2017. At the Natural Habitat segment, general and administrative expenses increased \$0.7 million primarily due to an increase in personnel costs. At the Lindblad segment, general and administrative expenses increased \$0.1 million over the prior year period as a result of higher personnel costs mostly offset by \$1.1 million in lower stock compensation expense, mainly due to higher costs in prior year related to option grants that were fully expensed as of December 31, 2017.

General and administrative expenses for the six months ended June 30, 2018 increased \$0.7 million, or 2%, to \$30.9 million compared to \$30.2 million for the six months ended June 30, 2017. At the Natural Habitat segment, general and administrative expenses increased \$1.0 million primarily due to an increase in personnel costs. At the Lindblad segment, general and administrative expenses decreased \$0.3 million over the prior year as a result of \$4.4 million in lower stock compensation expense, mainly due to higher costs in prior year related to the 2016 CEO Allocation Grant and option grants that were fully expensed as of December 31, 2017, mostly offset by debt refinancing and higher personnel costs.

### ***Selling and Marketing***

Selling and marketing expenses for the three months ended June 30, 2018 increased \$1.0 million, or 11%, to \$10.6 million compared to \$9.6 million for the three months ended June 30, 2017. At the Lindblad segment, selling and marketing expenses increased \$0.7 million primarily due to increased commission and royalty expense associated with the higher tour revenues. At the Natural Habitat segment, selling and marketing expenses increased \$0.3 million primarily driven by an increase in advertising expenditures.

Selling and marketing expenses for the six months ended June 30, 2018 increased \$2.8 million, or 14%, to \$22.6 million compared to \$19.8 million for the six months ended June 30, 2017. At the Lindblad segment, selling and marketing expenses increased \$2.7 million due to increased commission and royalty expense associated with the higher tour revenues, partially offset by a decrease in marketing spend. At the Natural Habitat segment, selling and marketing expenses increased \$0.1 million primarily driven by an increase in advertising expenditures.

### ***Depreciation and Amortization***

Depreciation and amortization expenses for the three months ended June 30, 2018 increased \$1.1 million, or 28%, to \$5.0 million, compared to \$3.9 million for the three months ended June 30, 2017 primarily due to the addition of the *National Geographic Quest* to the Lindblad segment in July 2017.

Depreciation and amortization expenses for the six months ended June 30, 2018 increased \$2.4 million, or 31%, to \$10.0 million, compared to \$7.7 million for the six months ended June 30, 2017 primarily due to the addition of the *National Geographic Quest* to the Lindblad segment in July 2017.

### ***Other Expense***

Other expenses for the three months ended June 30, 2018 increased \$2.7 million to \$4.1 million from \$1.4 million for the three months ended June 30, 2017, primarily due to the following:

- In 2018, we incurred a \$1.1 million loss in foreign currency translation compared to a gain of \$0.6 million in 2017 due to the weakening of the U.S. dollar in relation to the Canadian dollar and the Euro.
- Interest expense, net, increased \$0.8 million to \$2.9 million in 2018 from \$2.1 million in 2017 due to additional borrowings under our credit facility and commitment fees related to our new senior secured credit agreement.
- In 2018, we incurred a \$0.1 million charge related to the closure of the Australian operations, while 2017 included a \$0.1 million gain on sale of the *National Geographic Endeavour*.

Other expenses for the six months ended June 30, 2018 increased \$3.6 million to \$7.3 million from \$3.7 million for the six months ended June 30, 2017, primarily due to the following:

- In 2018, we incurred a \$1.6 million loss in foreign currency translation compared to a gain of \$0.8 million in 2017, due to the weakening of the U.S. dollar in relation to the Canadian dollar and the Euro.
- Interest expense, net, increased \$1.2 million to \$5.6 million in 2018 from \$4.4 million in 2017 due to additional borrowings and the commitment fees related to our new senior secured credit agreement, and higher interest rates during the first quarter of 2018.

## Results of Operations – Segments

Selected information for our segments is below. **The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.**

(In thousands)	For the three months ended June 30,				For the six months ended June 30,			
	2018	2017	Change	%	2018	2017	Change	%
<b>Tour revenues:</b>								
Lindblad	\$ 59,556	\$ 47,238	\$ 12,318	26%	\$ 130,009	\$ 100,440	\$ 29,569	29%
Natural Habitat	9,917	8,333	1,584	19%	21,874	18,259	3,615	20%
Total tour revenues	69,473	55,571	13,902	25%	151,883	118,699	33,184	28%
Impact of voyage cancellations	-	-	-	NA	-	9,140	(9,140)	NM
Total tour revenues excluding voyage cancellations	\$ 69,473	\$ 55,571	\$ 13,902	25%	\$ 151,883	\$ 127,839	\$ 24,044	19%
<b>Operating income (loss):</b>								
Lindblad	\$ 5,107	\$ (948)	\$ 6,055	NM	\$ 18,547	\$ 316	\$ 18,231	NM
Natural Habitat	(900)	(705)	(195)	(28)%	32	(605)	637	105%
Total operating income	4,207	(1,653)	5,860	NM	18,579	(289)	18,868	NM
Impact of voyage cancellations	-	-	-	NA	-	6,464	(6,464)	NM
Total operating income excluding voyage cancellations	\$ 4,207	\$ (1,653)	\$ 5,860	NM	\$ 18,579	\$ 6,175	\$ 12,404	NM
<b>Adjusted EBITDA:</b>								
Lindblad	\$ 11,982	\$ 5,651	\$ 6,331	112%	\$ 32,871	\$ 15,490	\$ 17,381	112%
Natural Habitat	(532)	(366)	(166)	(45)%	761	58	703	NM
Total adjusted EBITDA	11,450	5,285	6,165	117%	33,632	15,548	18,084	116%
Impact of voyage cancellations	-	-	-	NA	-	6,464	(6,464)	NM
Total adjusted EBITDA excluding voyage cancellations	\$ 11,450	\$ 5,285	\$ 6,165	117%	\$ 33,632	\$ 22,012	\$ 11,620	53%

## Results of Operations – Lindblad Segment

The following table sets forth our Available Guest Nights, Guest Nights Sold, Occupancy, Maximum Guests, Number of Guests and Voyages for the three and six months ended June 30, 2018 and 2017:

### Guest Metrics - Lindblad Segment

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Available Guest Nights	50,917	43,171	104,834	85,893
Guest Nights Sold	45,786	36,765	94,721	73,829
Occupancy	89.9%	85.2%	90.4%	86.0%
Maximum Guests	6,242	4,941	13,047	10,209
Number of Guests	5,684	4,311	11,767	8,912
Voyages	81	66	176	147

The following table shows the calculations of Gross Yield and Net Yield for the three and six months ended June 30, 2018 and 2017. Gross Yield is calculated by dividing Tour Revenues by Available Guest Nights and Net Yield is calculated by dividing Net Revenue by Available Guest Nights:

#### Calculation of Gross Yield and Net Yield Lindblad Segment

(In thousands, except for Available Guest Nights, Gross and Net Yield)	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Guest ticket revenues	\$ 53,832	\$ 40,745	\$ 116,512	\$ 85,790
Other tour revenues	5,724	6,493	13,497	14,650
<b>Tour Revenues</b>	<b>59,556</b>	<b>47,238</b>	<b>130,009</b>	<b>100,440</b>
Less: Orion Insurance Proceeds	-	-	-	(1,900)
<b>Adjusted Tour Revenues</b>	<b>59,556</b>	<b>47,238</b>	<b>130,009</b>	<b>98,540</b>
Less: Commissions	(4,369)	(3,659)	(9,923)	(7,761)
Less: Other tour expenses	(4,161)	(2,972)	(8,279)	(7,090)
<b>Net Revenue</b>	<b>\$ 51,026</b>	<b>\$ 40,607</b>	<b>\$ 111,807</b>	<b>\$ 83,689</b>
Available Guest Nights	50,917	43,171	104,834	85,893
<b>Gross Yield</b>	<b>\$ 1,170</b>	<b>\$ 1,094</b>	<b>\$ 1,240</b>	<b>\$ 1,147</b>
<b>Net Yield</b>	<b>1,002</b>	<b>941</b>	<b>1,067</b>	<b>974</b>

The following table shows the calculations of Gross Cruise Cost per Available Guest Night and Net Cruise Costs per Available Guest Night for the three and six months ended June 30, 2018 and 2017:

(In thousands, except for Available Guest Nights, Gross and Net Cruise Cost per Avail. Guest Night)	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Cost of tours	\$ 27,510	\$ 23,168	\$ 56,190	\$ 49,541
Plus: Selling and marketing	9,683	8,960	20,945	18,272
Plus: General and administrative	12,630	12,503	25,018	25,316
<b>Gross Cruise Cost</b>	<b>49,823</b>	<b>44,631</b>	<b>102,153</b>	<b>93,129</b>
Less: Commission expense	(4,369)	(3,659)	(9,923)	(7,761)
Less: Other tour expenses	(4,161)	(2,972)	(8,279)	(7,090)
<b>Net Cruise Cost</b>	<b>41,293</b>	<b>38,000</b>	<b>83,951</b>	<b>78,278</b>
Less: Fuel expense	(2,599)	(1,296)	(4,709)	(2,964)
<b>Net Cruise Cost Excluding Fuel</b>	<b>38,694</b>	<b>36,704</b>	<b>79,242</b>	<b>75,314</b>
<b>Non-GAAP Adjustments:</b>				
Stock-based compensation	(1,119)	(2,205)	(1,985)	(6,407)
National Geographic fee amortization	(727)	(727)	(1,454)	(1,454)
Executive severance costs	(287)	-	(287)	-
Reorganization costs	(113)	(112)	(293)	(318)
Debt refinancing costs	(3)	-	(997)	-
<b>Adjusted Net Cruise Cost Excluding Fuel</b>	<b>\$ 36,445</b>	<b>\$ 33,660</b>	<b>\$ 74,227</b>	<b>\$ 67,135</b>
<b>Adjusted Net Cruise Cost</b>	<b>\$ 39,044</b>	<b>\$ 34,956</b>	<b>\$ 78,936</b>	<b>\$ 70,099</b>
<b>Available Guest Nights</b>	<b>50,917</b>	<b>43,171</b>	<b>104,834</b>	<b>85,893</b>
Gross Cruise Cost per Available Guest Night	\$ 979	\$ 1,034	\$ 974	\$ 1,084
Net Cruise Cost per Available Guest Night	811	880	801	911
Net Cruise Cost Excl. Fuel per Available Guest Night	760	850	756	877
Adj. Net Cruise Cost Excl. Fuel per Avail. Guest Night	716	780	708	782
<b>Adjusted Net Cruise Cost per Available Guest Night</b>	<b>767</b>	<b>810</b>	<b>753</b>	<b>816</b>

## **Comparison of Three and Six months Ended June 30, 2018 to Three and Six months Ended June 30, 2017**

### ***Tour Revenues***

Tour revenues for the three months ended June 30, 2018 increased \$12.3 million, or 26%, to \$59.6 million compared to \$47.2 million for the three months ended June 30, 2017. The increase was driven by higher guest ticket revenue primarily from an increase in available guest nights due to the addition of the *National Geographic Quest* to our fleet in the third quarter of 2017 and timing of vessel drydocks in 2018 compared to 2017. In addition, Net Yield for the three months ended June 30, 2018 increased to \$1,002 compared to \$941 for the three months ended June 30, 2017, primarily driven by price increases and changes in itineraries. Occupancy rates increased for the three months ended June 30, 2018 to 90% compared to 85% for the three months ended June 30, 2017 reflecting higher demand across the fleet.

Tour revenues for the six months ended June 30, 2018 increased \$29.6 million, or 29%, to \$130.0 million compared to \$100.4 million for the six months ended June 30, 2017. The increase was driven by higher guest ticket revenue primarily from an increase in available guest nights due to the addition of the *National Geographic Quest* to our fleet in the third quarter of 2017 and timing of vessel drydocks in 2018 compared to 2017, as well as from the impact of cancelled voyages in the first quarter of 2017. In addition, Net Yield for the six months ended June 30, 2018 increased to \$1,067 compared to \$974 for the six months ended June 30, 2017, primarily driven by price increases and changes in itineraries. Occupancy rates increased for the six months ended June 30, 2018 to 90% compared to 86% for the six months ended June 30, 2017 reflecting higher demand across the fleet. Excluding the estimated \$9.1 million impact from the voyage cancellations in the first quarter of 2017, tour revenues would have increased \$20.4 million, or 19%, for the six months ended June 30, 2018.

### ***Operating Income***

Operating income increased \$6.0 million to \$5.1 million for the three months ended June 30, 2018 compared to a loss of \$1.0 million for the three months ended June 30, 2017. The increase was driven by increased tour revenue, a decrease in stock compensation expense related to option grants that were fully expensed as of December 31, 2017 and lower drydock expenses due to timing of vessel drydocks. This was partially offset by higher operating costs due to the addition of the *National Geographic Quest* to our fleet in the third quarter of 2017, additional guest nights across the fleet, as well as higher fuel costs and commissions.

Operating income increased \$18.2 million to \$18.5 million for the six months ended June 30, 2018 compared to \$0.3 million for the six months ended June 30, 2017. The increase was driven by increased tour revenue and a decrease in stock compensation expense due to higher costs in the prior year related to the 2016 CEO Allocation Grant and option grants that were fully expensed as of December 31, 2017 and lower drydock expenses due to timing of vessel drydocks in 2018 compared to 2017. This was partially offset by higher operating costs due to the addition of the *National Geographic Quest* to our fleet in the third quarter of 2017, increased available guest nights across the fleet, as well as the impact of cancelled voyages in the first quarter of 2017 and higher fuel costs and commissions. Excluding the impact from the voyage cancellations in the first quarter of 2017, operating income would have increased \$11.8 million for the six months ended June 30, 2018.

## **Results of Operations – Natural Habitat Segment**

### **Comparison of Three and Six months Ended June 30, 2018 to Three and Six months Ended June 30, 2017**

#### ***Tour Revenues***

Tour revenues for the three months ended June 30, 2018 increased \$1.6 million, or 19%, to \$9.9 million compared to \$8.3 million for the three months ended June 30, 2017 due to additional departures, as well as price increases.

Tour revenues for the six months ended June 30, 2018 increased \$3.6 million, or 20%, to \$21.8 million compared to \$18.3 million for the six months ended June 30, 2017 due to additional departures, as well as price increases.

#### ***Operating income (loss)***

Operating loss for the three months ended June 30, 2018 increased \$0.2 million to \$0.9 million compared to \$0.7 million for the three months ended June 30, 2017, as revenue growth was more than offset by increased operating costs related to the additional departures, as well as higher personnel and marketing costs to support future growth initiatives.

Operating income for the six months ended June 30, 2018 increased \$0.6 million to \$0.0 million compared to a loss of \$0.6 million for the six months ended June 30, 2017, due to growth in tour revenue, partially offset by higher operating costs related to the additional departures, as well as higher personnel and marketing costs to support future growth initiatives.

## Adjusted EBITDA – Consolidated

The following table outlines the reconciliation to net income and calculation of consolidated Adjusted EBITDA for the six months ended June 30, 2018 and 2017. The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

### Reconciliation of Net Income to Adjusted EBITDA Consolidated

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Net (loss) income	\$ (159)	\$ (2,578)	\$ 10,760	\$ (1,952)
Interest expense, net	2,870	2,075	5,604	4,390
Income tax expense (benefit)	227	(467)	503	(2,060)
Depreciation and amortization	4,994	3,895	10,038	7,658
Loss (gain) on foreign currency	1,141	(577)	1,592	(823)
Other (income) expense, net	128	(107)	120	156
Stock-based compensation	1,119	2,205	1,985	6,407
National Geographic fee amortization	727	727	1,454	1,454
Executive severance costs	287	-	287	-
Reorganization costs	113	112	293	318
Debt refinancing costs	3	-	997	-
<b>Adjusted EBITDA</b>	<b>11,450</b>	<b>5,285</b>	<b>33,632</b>	<b>15,548</b>
Impact of voyage cancellations	-	-	-	6,464
<b>Adjusted EBITDA excluding impact of voyage cancellations</b>	<b>\$ 11,450</b>	<b>\$ 5,285</b>	<b>\$ 33,632</b>	<b>\$ 22,012</b>

The following tables outline the reconciliation for each segment from operating income to Adjusted EBITDA for the three and six months ended June 30, 2018 and 2017.

### Lindblad Segment

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Operating income (loss)	\$ 5,107	\$ (948)	\$ 18,547	\$ 316
Depreciation and amortization	4,626	3,555	9,309	6,995
Stock-based compensation	1,119	2,205	1,985	6,407
National Geographic fee amortization	727	727	1,454	1,454
Executive severance costs	287	-	287	-
Reorganization costs	113	112	293	318
Debt refinancing costs	3	-	997	-
<b>Adjusted EBITDA</b>	<b>11,982</b>	<b>5,651</b>	<b>32,871</b>	<b>15,490</b>
Impact of voyage cancellations	-	-	-	6,464
<b>Adjusted EBITDA excluding impact of voyage cancellations</b>	<b>\$ 11,982</b>	<b>\$ 5,651</b>	<b>\$ 32,871</b>	<b>\$ 21,954</b>

## Natural Habitat Segment

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Operating income (loss)	\$ (900)	\$ (706)	\$ 32	\$ (605)
Depreciation and amortization	368	340	729	663
<b>Adjusted EBITDA</b>	<b>\$ (532)</b>	<b>\$ (366)</b>	<b>\$ 761</b>	<b>\$ 58</b>

## Liquidity and Capital Resources

### Sources and Uses of Cash for the Six months Ended June 30, 2018 and 2017

Net cash provided by operating activities was \$24.8 million in 2018 compared to \$23.2 million in 2017. The \$1.3 million increase was primarily due to the improved operating results.

Net cash used in investing activities was \$47.2 million in 2018 compared to \$51.0 million in 2017. The \$3.7 million decrease was primarily related to a decrease in purchases of property and equipment offset by higher deposits into our Federal Maritime Commission escrow for travel on the Company's U.S. flagged vessels.

Net cash provided by financing activities was \$17.6 million in 2018 compared to Net cash used in financing activities of \$8.5 million in 2017. The \$26.3 million increase was primarily related to the \$200.0 million in proceeds from refinancing the credit facility, partially offset by the \$170.6 million repayment of the previous senior debt and payment of \$6.3 million in deferred financing costs.

### Funding Needs and Sources

We have historically relied on a combination of cash flows provided by operations and the incurrence of additional debt and/or the refinancing of existing debt to fund obligations. Similar to others in the industry, we have historically operated with a meaningful working capital deficit. This historical deficit is mainly attributable to the fact that, under our business model, a vast majority of guest ticket receipts are collected in advance of the applicable expedition date. These advance passenger receipts remain a current liability until the expedition date and the cash generated from these advance receipts is used interchangeably with cash on hand from other cash from operations. The cash received as advanced receipts can be used to fund operating expenses for the applicable future expeditions or otherwise, pay down credit facilities, invest in long-term investments or any other use of cash. As of June 30, 2018 and December 31, 2017, a working capital deficit of \$2.1 million and \$12.7 million, respectively. As of June 30, 2018 and December 31, 2017, we had \$91.6 million and \$96.4 million, respectively, in cash and cash equivalents, excluding restricted cash.

The Company's Board of Directors approved a stock and warrant repurchase plan ("Repurchase Plan") in November 2015 and increased the repurchase plan to \$35.0 million in November 2016. The Repurchase Plan authorizes the Company to purchase from time to time the Company's outstanding common stock and warrants. Any shares and warrants purchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of the Company's Board of Directors. These repurchases exclude shares repurchased to settle statutory employee tax withholding related to the exercise of stock options and vesting of stock awards. All repurchases were made using cash resources. During the six months ended June 30, 2018 the Company repurchased 9,030 shares of common stock for \$0.1 million and 568,446 warrants for \$0.8 million. The Company has cumulatively repurchased 864,806 shares of common stock for \$8.1 million and 6,011,926 warrants for \$14.7 million, since plan inception. The balance as of June 30, 2018 for the Repurchase Plan was \$12.1 million.

In December 2015, we executed definitive agreements for the construction of two new coastal vessels. The first vessel, the *National Geographic Quest*, was delivered in the third quarter of 2017. The second vessel, the *National Geographic Venture*, has a contract price of \$57.4 million and is scheduled to be completed in the fourth quarter of 2018, subject to extension for certain events, such as change orders. As of June 30, 2018, the Company has paid the builder \$47.4 million related to the *National Geographic Venture*. The Company may terminate the applicable Agreement in the event the builder fails to deliver the vessel within one hundred eighty days of the applicable due date or the builder becomes insolvent or otherwise bankrupt.

In November 2017, the Company executed a contract to build a polar ice class vessel, the *National Geographic Endurance*, targeted to be completed in January 2020, with potential accelerated delivery to November 2019, with a total purchase price of 1,066.0 million Norwegian Kroner (NOK). Subsequently, the Company exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The first twenty percent of the purchase price was paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The contract includes options to build two additional ice class vessels. The remaining purchase price of the ship will be funded through a combination of cash available on our balance sheet, our Export Credit Agreement, our revolving credit facility and excess cash flows generated by our existing operations.

As of June 30, 2018, we had approximately \$200.5 million in long-term debt obligations, including the current portion of long-term debt. We believe that our cash on hand, our new revolving credit facility, our Export Credit Agreement and expected future operating cash inflows will be sufficient to fund operations, debt service requirements, capital expenditures for our newbuilds and other assets, acquisitions, and our Repurchase Plan. However, there can be no assurance that cash flows from operations will be available in the future to fund future obligations.

## **Debt Facilities**

### **Revolving Credit Facility**

On March 27, 2018, the Company entered into a Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”), providing for a refinancing and amendment of the terms of the Company’s existing secured credit facility, dated as of March 7, 2016 (the “Superseded Agreement”).

The Amended Credit Agreement provides for a \$200.0 million senior secured first lien term loan facility (the “Term Facility”), which represents an increase of \$25.0 million from the senior secured first lien term loan facility under the Superseded Agreement. The Term Facility matures March 27, 2025. Consistent with the Superseded Agreement, the Amended Credit Agreement also provides for a \$45.0 million senior secured incremental revolving credit facility (the “Revolving Facility”), which includes a \$5.0 million letter of credit sub-facility. The Company’s obligations under the Amended Credit Agreement remain secured by substantially all of the assets of the Company.

Borrowings under the Term Facility will bear interest at an adjusted Intercontinental Exchange (“ICE”) Benchmark administration LIBOR plus a spread of 3.50%, which steps down to 3.25% if the Company’s debt rating from Moody’s and S&P are both B1 (stable) or better and BB (negative) or better, respectively. Borrowings under the Revolving Facility will bear interest at an adjusted ICE Benchmark administration LIBOR plus a spread of 3.00%, or, at the option of the Company, an alternative base rate plus a spread of 2.00%. The Company is also required to pay a 0.5% annual commitment fee on undrawn amounts under the Revolving Credit Facility, which matures on March 27, 2023.

The Amended Credit Agreement contains financial covenants that, among other things, (i) require us to maintain a total net leverage ratio (defined as on any date of determination, the ratio of total debt on such date, less up to \$50.0 million of the unrestricted cash and cash equivalents to Adjusted EBITDA (as defined in the Amended Credit Agreement) for the trailing 12-month period) of 5.25 to 1.00 initially, with 0.25 equal reductions every two years thereafter until June 30, 2022 when the total net leverage ratio shall be 4.75 to 1.00 thereafter; (ii) limit the amount of indebtedness we may incur generally and specifically for intercompany debt, debt incurred to finance acquisitions and improvements, for capital and synthetic lease obligations, for standby letters of credit, and in connection with refinancing; (iii) limit the amount we may spend in connection with certain types of investments; and (iv) require the delivery of certain periodic financial statements and an operating budget. As of June 30, 2018, we were in compliance with the covenants.

The following table shows the contractual obligation of the Amended Credit agreement for the next five years and thereafter as of June 30, 2018:

<b>(In thousands)</b>	<b>Payments due by period</b>				
	<b>Total</b>	<b>Current</b>	<b>1-2 years</b>	<b>3-5 years</b>	<b>Thereafter</b>
Long-term debt obligations	\$ 200,000	\$ 2,000	\$ 4,000	\$ 6,000	\$ 188,000
Interest on long-term debt	78,739	12,020	23,710	34,642	8,367
	<b>\$ 278,739</b>	<b>\$ 14,020</b>	<b>\$ 27,710</b>	<b>\$ 40,642</b>	<b>\$ 196,367</b>

### **Senior Secured Credit Agreement**

On January 8, 2018, the Company and its indirect, wholly-owned subsidiary (the “Borrower”) entered into a senior secured credit agreement (the “Export Credit Agreement”) with Citibank, N.A., London Branch (“Citi”) and Eksportkreditt Norge AS (together with Citi, the “Lenders”). Pursuant to the Export Credit Agreement, the Lenders have agreed to make available to the Borrower, at the Borrower’s option and subject to certain conditions, a loan in an aggregate principal amount not to exceed \$107.7 million for the purpose of providing financing for up to 80% of the purchase price of the Company’s new polar ice class vessel, the National Geographic Endurance, targeted to be completed in January 2020. Seventy percent of the loan will be guaranteed by Garantiinstituttet for Eksportkreditt, the official export credit agency of Norway. If drawn upon, the loan will be made at the time of delivery of the vessel.

The Export Credit Agreement contains financial covenants that, among other things, require us to maintain a total net leverage ratio (defined as on any date of determination, the ratio of total debt on such date, less up to \$25.0 million of the unrestricted cash and cash equivalents to Adjusted EBITDA (as defined in the Export Credit Agreement) for the trailing 12-month period) of 4.50 to 1.00. As of June 30, 2018, we were in compliance with the covenants.

### ***Off-Balance Sheet Arrangements***

On January 8, 2018, the Company entered into an Export Credit Agreement as described above.

### **Critical Accounting Policies**

For a detailed discussion of the Critical Accounting Policies, please see the Company's Annual Report for the year ended December 31, 2017 on Form 10-K filed on March 2, 2018 with the Securities and Exchange Commission.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our exposure to market risk from the information set forth in the "Quantitative and Qualitative Disclosures About Market Risk" sections contained in the Company's Annual Report for the year ended December 31, 2017 on Form 10-K.

We are exposed to a market risk for interest rates related to our variable rate debt. We assess our market risks based on changes in interest rates utilizing a sensitivity analysis that measures the potential impact on earnings and cash flows based on a hypothetical 1.0% change (increase and decrease) in interest rates. For additional information regarding our long-term borrowings see Notes 2 and 3 to our Consolidated Condensed Financial Statements.

As of June 30, 2018, we had interest rate cap agreements to hedge a portion of our exposure to interest rate movements of our variable rate debt and to manage our interest expense. The notional amount of outstanding debt associated with interest rate cap agreements as of June 30, 2018 was \$100.0 million. Based on our June 30, 2018 outstanding variable rate debt balance, a hypothetical 1.0% change in the six-month LIBOR interest rates would impact our annual interest expense by approximately \$2.0 million.

## **ITEM 4. CONTROLS AND PROCEDURES**

### ***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the quarter ended June 30, 2018, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that during the period covered by this report, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### ***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting that occurred during the quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART 2. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various claims, legal actions and regulatory proceedings arising from time to time in the ordinary course of business. We have protection and indemnity insurance that would be expected to cover any damages.

### ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. The risks and uncertainties that we believe are most important for you to consider are discussed under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 filed on March 2, 2018.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Recent Sales by the Company of Unregistered Securities

There were no unregistered sales of equity securities during the quarter ended June 30, 2018.

#### Repurchases of Securities

The Company’s Board of Directors approved a stock and warrant repurchase plan (“Repurchase Plan”) in November 2015 and increased the repurchase plan to \$35.0 million in November 2016. The Repurchase Plan authorizes the Company to purchase from time to time the Company’s outstanding common stock and warrants. Any shares and warrants purchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of the Company’s Board of Directors.

The following table represents information with respect to the Company’s purchases of equity securities under the Repurchase Plan and of shares withheld from vesting’s of stock-based compensation awards for employee income taxes, for the periods indicated:

Period	Total number of shares purchased	Average price paid per share	Dollar value of shares purchased as part of publicly announced plans or programs	Maximum dollar value of warrants and shares that may be purchased under approved plans or programs
April 1 through April 30, 2018	16,491	\$ 10.27	\$ -	\$ 12,124,786
May 1 through May 31, 2018	8,600	12.50	-	12,124,786
June 1 through June 30, 2018	-	-	-	12,124,786
Total	25,091		-	

Amounts in the table above relate to shares withheld from vesting’s of stock-based compensation awards for employee income taxes.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable

**ITEM 6. EXHIBITS**

<b>Number</b>	<b>Description</b>	<b>Included</b>	<b>Form</b>	<b>Filing Date</b>
31.1	<a href="#">Certification of Chief Executive Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>	Herewith		
31.2	<a href="#">Certification of Chief Financial Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>	Herewith		
32.1	<a href="#">Certification of Chief Executive Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
32.2	<a href="#">Certification of Chief Financial Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
101.INS	XBRL Instance Document	Herewith		
101.SCH	Taxonomy extension schema document	Herewith		
101.CAL	Taxonomy extension calculation link base document	Herewith		
101.LAB	Taxonomy extension label link base document	Herewith		
101.PRE	Taxonomy extension presentation link base document	Herewith		
101.DEF	XBRL Taxonomy Extension Definition Link base	Herewith		

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 2, 2018.

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
(Registrant)

By /s/ Sven-Olof Lindblad  
Sven-Olof Lindblad  
Chief Executive Officer and President

**Certification**

I, Sven-Olof Lindblad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lindblad Expeditions Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as identified in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 2, 2018

/s/ Sven-Olof Lindblad

Sven-Olof Lindblad

Chief Executive Officer and President

**Certification**

I, Craig I. Felenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lindblad Expeditions Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as identified in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 2, 2018

/s/ Craig I. Felenstein  
Craig I. Felenstein  
Chief Financial Officer

**Certification of CEO Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2018 of Lindblad Expeditions Holdings, Inc., a Delaware corporation (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sven-Olof Lindblad, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2018

/s/ Sven-Olof Lindblad

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Sven-Olof Lindblad

Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CFO Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2018 of Lindblad Expeditions Holdings, Inc., a Delaware corporation (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig I. Felenstein, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2018

/s/ Craig I. Felenstein

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Craig I. Felenstein

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.