

Due Diligence Report: Another One Bites the Dust: Down 90% in Last 52 – Weeks

Summary

LinnCo, LLC (LinnCo), incorporated on April 30, 2012, owns units representing limited liability company interests (units) in its affiliate, Linn Energy, LLC (LINN Energy). As of December 31, 2014, LinnCo had no assets or operations other than those related to its interest in LINN Energy. LINN Energy is an independent oil and natural gas company. As of December 31, 2014, the Company owned approximately 39% of LINN Energy's units. LINN Energy is engaged in acquiring developing and maximizing cash flow from a growing portfolio of long-life oil and natural gas assets. The Company's properties are located in the United States, in the Rockies, the Hugoton Basin, California, east Texas and north Louisiana (TexLa), the Mid-Continent, the Permian Basin, Michigan/Illinois and south Texas. The Company's properties are located in eight operating regions in the United States: Rockies, Hugoton Basin, California, TexLa, Mid-Continent, Permian Basin, Michigan/Illinois and South Texas. As of December 31, 2014, the Company's proved reserves were approximately 7,304 Bcfe (one billion cubic feet equivalent), of which approximately 28% were oil, 58% were natural gas and 14% were natural gas liquids (NGL). Approximately 80% were classified as proved developed, with a total standardized measure of discounted future net cash flows of approximately \$12.5 billion. As of December 31, 2014, the Company operated 19,591 or approximately 71% of its 27,738 gross productive wells and had an average proved reserve-life index of approximately 17 years

LinnCo LLC has a current market capitalization of \$119.65 M with 128.54 M outstanding shares. Its daily average volume traded is 1.78 M shares.

Key Indicators (Q3 2015)

Shares Outstanding	128.54 M
Revenue	Nil
Gross Profit	Nil
Net Loss (basic/diluted)	-667.95 M
Cash and Short-term Inv	6.45 M
Total Debt	Nil

Performance (6 months)



Recent News and Analysis:

Most recently, LinnCo LLC announced the estimated federal income tax characteristics of its 2015 cash distributions to holders of its common shares. Unitholders of LINE are required to pay taxes on their share of LINE's taxable income, including their share of ordinary income and capital gain upon dispositions of properties by LINE or cancellation of debt, even if they do not receive any cash

distributions from LINE. For example, LINE's 2015 senior notes exchanges and repurchases of outstanding senior notes at prices lower than face amount resulted, and any similar transactions in the future will result, in the cancellation of debt income that will be allocated to LINE unitholders. Besides this technical announcement, LINN's news board is littered with analyst opinions on where oil is headed and how LNCO and LINE will be affected. The consensus seems to point to another difficult year for the company, with oil prices not expected to recover about \$40 bbl and more likely expected to fall to as low as \$20 or even \$10 per barrel. Turmoil in the oil market has sent all energy related companies crashing, and LNCO has caught the ride down, falling 90% in the last 52 weeks.

Conclusions:

The outlook for LNCO and the entire energy sector is rather grim in terms of organic growth; and is quite similar to the situation currently faced by the mining sector. Similar to the mining industry, the "cheap" prices for some smaller companies may attract larger players to begin growth via acquisition in a market where organic growth is unlikely. For companies to continue growing via production of their reserves, it will not be until demand catches up to, and exceeds supply of oil, that we see recovery in the sector. The outlook for LNCO is grim (though there is potential for M&A activity), and will not change until the oil price recovers. When this will happen is anyone's guess.

Sources:

1. <http://www.reuters.com/finance/stocks/companyProfile?rpc=66&symbol=LNCO.O>
2. <http://www.google.ca/finance?q=NASDAQ%3ALNCO&fstype=ii&hl=en&gl=ca&ei=6USIVvmQF4Ok2AaQrKnYCO>
3. <https://ca.finance.yahoo.com/q?s=LNCO&ql=0>
4. <http://stockcharts.com/h-sc/ui?s=LNCO&p=D&b=5&g=0&id=p18304260435>
5. http://www.linnco.com/wp-content/uploads/2015/10/LinnCo-Fact-Sheet_09_30_15.pdf

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