Norwegian Cruise Line Holdings (NYSE: NCLH)
Sector: Travel/Leisure

<table>
<thead>
<tr>
<th>Target Price</th>
<th>Current Price</th>
<th>52w High</th>
<th>52w Low</th>
<th>P/E</th>
<th>Market Cap</th>
<th>Dividend Yield</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>$71.54</td>
<td>$51.33</td>
<td>$59.71</td>
<td>$39.36</td>
<td>9.5</td>
<td>$10.38B</td>
<td>NA</td>
<td>1.66</td>
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**Business Description:**
Since 1968, Norwegian Cruise Line Holdings has focused on providing a diverse offering of cruise vacations. NCLH is the smallest of the three leading international cruise lines with 26 ships, 54,400 berths, and 450+ destinations. They have an additional 11 ships on order through 2027. NCLH is composed of three separate brands, Norwegian, Oceania, and Regent Seven Seas, each of which serve a different demographic of the cruise market. Norwegian is focused on served low- and middle-class travels, but has premium offerings as well, giving it the largest breadth of offerings of any of the three lines. Oceania is a premium cruise line uniquely positioned to both “pull-down” luxury cruisers looking for a more affordable option and “pull-up” casual cruises looking for a more premium experience. Finally, Regent Seven Seas is an ultra-luxury brand that leads the industry. Regent has an establish base of repeat customers and best-in-industry premium offerings.

**Industry Trends:**
Total passengers carried has been growing steadily over the past twenty years and still has significant room to grow. Since 1990, the market has been growing at a 7% CAGR. Despite this growth, cruising remains only 8% of total global leisure travel spend. The market is heavily concentrated in North America, but has seen growth in Europe and Asia as well. Asia in particular is poised for rapid growth as the pre-packaged vacation model of cruising catches on. Currently less than 2% of total trips abroad in China are cruises, compared to north of 15% in the US.

**Investment Thesis:**
NCLH diversified product offerings drive best in class on-board and ticket yield. The underpenetrated international cruise market provides excellent growth opportunities for the brand. NCLH’s premium offerings through their Regent and Oceania lines as well as the Haven on Norwegian will represent opportunities for top line growth as millennials net worth grows and more and more baby boomers retire. The Chinese and Asian-Pacific market is rapidly growing and Norwegian is positioned well to benefit from this growth due to strategic initiatives like their partnership with Alibaba.

**Valuation Assumptions:**
WACC: 9.5%
Perpetuity Growth Rate: 3.0%
Margin of Safety: 39.76%

**5-Year Share Price Performance:**

![Graph showing 5-year share price performance]

**Competitive Advantage and Analysis**
NCLH’s enhanced product offerings drive best in class on-board and ticket yield. In addition, the three brands cover the gamut of the cruise line market from basic to ultra-luxury, allowing them to reach every category of cruiser. Finally, NCLH utilizes its ships very effectively and can easily deploy them where demand arises.

**Risks:**
The greatest risks facing NCLH which may negatively impact its share price include, but are not limited to:
- IMO Fuel Regulations: Beginning Jan 1 2020, a new global limit on sulfur content of fuel of 0.5% is being put in place (reduced from current 3.5% limit)
- The rise of nationalism and protectionism may negatively impact international travel

**Corporate Social Responsibility Highlights:**
- NCLH is the only major cruise line that is a member of the Trash Free Seas Alliance. They have a goal of reducing plastic waste reaching the oceans by 50% by 2025.
- NCLH is partnered with a number of other charitable organizations including the Ocean Conservancy and the Alaska Raptor Center.
- NCLH repeatedly provides disaster relief services to areas in the Caribbean affected by hurricanes and other natural events.
- Continually working towards improving fuel efficiency and reducing emissions. Since 2016, NCLH ships have reduced boiler fuel consumption by 11.3%.

**Report Prepared By:**
William Mudlaff and Morgan Van Liew on 11/3/2019