

**Norwegian Cruise Line Holdings (NYSE: NCLH)**  
**GICS: Consumer Discretionary – Hotel, Resorts & Cruise Lines**

Target Price	Current Price	52wk High	52wk Low	P/E	Market Cap	Div. Yield	Beta
\$69.87	\$51.47	\$59.71	\$39.36	11.50x	\$11.097B	N/A	1.64

**Business Description:**

NCLH is an operator of destination-based cruise lines with operations in primary global markets. Currently, NCLH operates 26 ships which account for 54,400 berths under three primary brand names; Norwegian, Oceania and Regent. Each of these brands caters to a different consumer base; contemporary, premium, and luxury. This allows NCLH to market and sell their vacations to essentially all income brackets. Lastly, NCLH leverages their network of ~23,000 travel agencies in order to effectively acquire customers and utilize their market-to-fill strategy.

**Industry Outlook:**

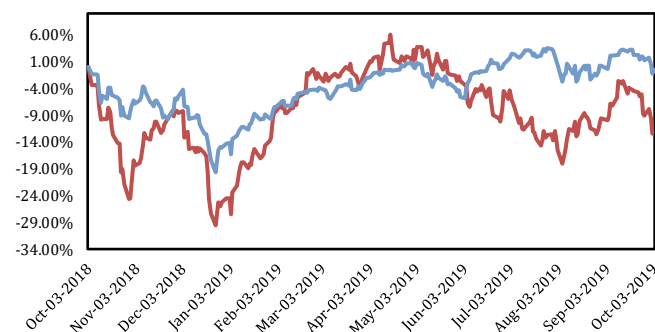
Global expenditure on cruise lines is expected to reach \$57B by 2027, compared to industry revenue of \$38B in 2017, representing a 4.1% CAGR. There are 3 primary operators in this industry; Carnival (24.9%), Royal Caribbean (12.5%) and Norwegian (9%) represent 46.4% of the market.

**Management:**

- Frank Del Rio – CEO NCLH
- Mark Kempa – EVP & CFO NCLH
- Harry Sommer – President Intl. NCLH
- Robert Binder – CEO Oceania
- Jason Montague – CEO Regent

The primary strategic goal moving forward is deploying eleven new ships over the next 8 years in order to grow the fleet from 26 ships to 37 ships and further increase available berths from 54,400 to 82,100 by 2027. This will allow for significant top-line growth of the next 8 years; however, management is relentlessly focused on further improving bottom-line performance in order for shareholder to realize significant returns as they embark on this strategic initiative.

**1-Year: NCLH vs. S&P 500 Index**



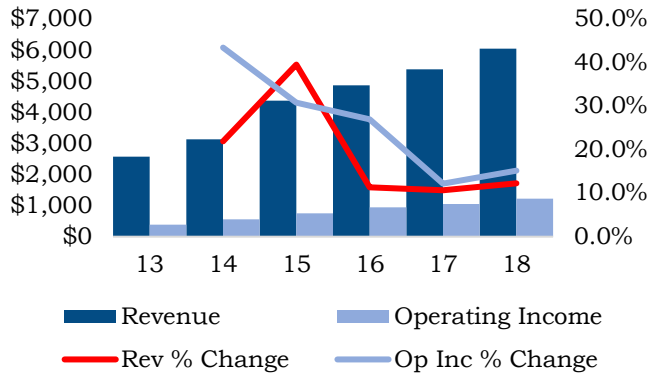
**Risks:**

A global economic slowdown could affect discretionary income available to spend on vacations, however 33% of consumers book trips 6-12 months in advance and 32% book trips 18-24 months in advance. Further, we believe that this industry is relatively exposed to fluctuations in the price of crude oil. Management is focused on hedging this exposure using derivatives and expects to be 72% hedged by year end 2019. Further, NCLH has the lowest Fuel to Revenue ratio in the industry of 6.49%, which shows that their hedging strategy is effective. The last risk is regulatory changes by the IMO related to fuel sulfur content which will be implemented in Jan 2020.

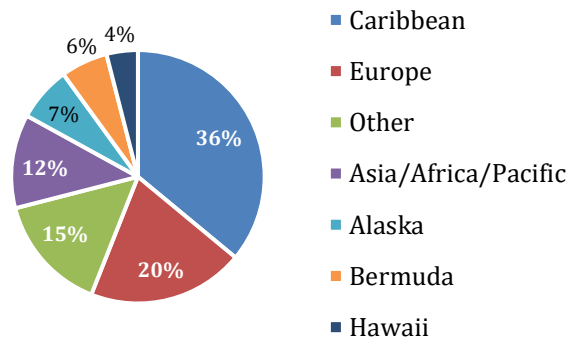
**Competitive Analysis:**

NCLH's key differentiator is their net yield on a per customer basis of ~\$250, compared to ~\$195 (RCL) and ~\$183 (CCL). This is primarily driven by their focus on increasing onboard expenditure through premium itinerary offerings and allowing consumers to have more freedom related to when they eat and how long they stay at each destination, compared to others in the industry. Lastly, 50% of onboard revenue is booked prior to the customer's vacation which allows for relative stickiness as it relates to consumer expenditure onboard.

### Norwegian Revenue Growth



### Geographic Revenue Breakdown



### ESG / CSR Comparables

Metric	NCLH	Peer Median
% of Board Members that are Women (Higher is Better)	30%	25%
Director Avg Age (Lower is Better)	59	66
Board Size (Smaller is Better)	10	12
ESG Disclosure Score (They're median b/c they disclose ESG and their peers don't)	24.79	24.79

### Worldwide Industry Revenue (\$ in billions)

