

# Research Report on NYSE: NCLH (Norwegian Cruise Line Holdings Ltd)

March 11, 2025

Norwegian Cruise Line Holdings Ltd. (NCLH) is a leading global cruise company operating three brands: Norwegian Cruise Line, Oceania Cruises, and Regent Seven Seas Cruises. As of March 11, 2025, NCLH's stock is trading at \$18.74 USD.

## Company Overview

Norwegian Cruise Line Holdings Ltd. (NCLH) is a leading global cruise company that owns three popular cruise brands: Norwegian Cruise Line, Oceania Cruises, and Regent Seven Seas Cruises. NCLH provides a wide range of cruise experiences, from mass-market to luxury cruises, with a fleet of ships serving various destinations worldwide.

## 1. Recent Financial Performance

### 1.1 Q4 2024 Financial Performance

- Revenue: For Q4 2024, NCLH reported \$2.1 billion in revenue, a 6% year-over-year increase, meeting analysts' expectations.
- Adjusted EBITDA: The company achieved \$468.2 million in Adjusted EBITDA for the fourth quarter, representing a 30% year-over-year increase. This was 9% above analysts' estimates, reflecting strong operating performance.
- Adjusted Earnings Per Share (EPS): NCLH reported \$0.52 per share for Q4 2024, significantly higher than the consensus estimate of \$0.06 per share.
- Passenger Ticket Revenue: Revenue from passenger tickets increased by 4%, driven by strong booking trends and continued demand for travel, especially to premium markets like Alaska and Canada/New England.
- Onboard Revenue: The company also saw a 9% increase in onboard revenue, driven by higher per-passenger spending.

### 1.2 Full-Year 2024 Financial Highlights

- Total Revenue: NCLH posted \$9.5 billion in total revenue for 2024, a 10% increase compared to 2023.
- Adjusted EBITDA: The company generated \$2.45 billion in Adjusted EBITDA, up 32% from the previous year, showcasing its recovery from the COVID-19 pandemic.
- Net Income: NCLH recorded a net income of \$800 million, a significant recovery from the pandemic-induced losses of previous years.

- Adjusted EPS: Full-year Adjusted EPS for 2024 came in at \$1.82, reflecting a growth of 30% from the prior year.
- Debt and Liquidity: NCLH's total debt stood at \$13.1 billion, with a net leverage ratio of 5.3x, reflecting a decrease of two turns from the previous year. Despite the high debt load, the company has shown solid liquidity management, with over \$2.2 billion in available liquidity.

### **1.3 Cash Flow and Capital Expenditures**

- Operating Cash Flow: NCLH generated \$1.2 billion in operating cash flow during 2024, reflecting strong demand and improved cost control measures.
- CapEx: The company spent \$600 million on capital expenditures in 2024, primarily for fleet expansion and refurbishments.

## **2. Financial Ratios and Key Metrics**

### **2.1 Profitability Ratios**

- Gross Margin: NCLH's gross margin for 2024 improved to 38.2%, driven by higher revenue and better operational efficiencies.
- Operating Margin: The operating margin stood at 15.7%, up from 12.5% in 2023, indicating better cost control and profitability.
- Net Profit Margin: NCLH achieved a net profit margin of 8.4%, a marked improvement compared to the previous year's loss.

### **2.2 Leverage and Debt**

- Debt-to-Equity Ratio: The company maintained a debt-to-equity ratio of 3.5x, slightly improved from 4.0x in 2023.
- Net Leverage Ratio: As mentioned earlier, NCLH's net leverage ratio stood at 5.3x, showing a significant reduction from previous levels.
- Interest Coverage Ratio: NCLH's interest coverage ratio improved to 4.2x, indicating the company's ability to service its debt obligations.

### **2.3 Efficiency Ratios**

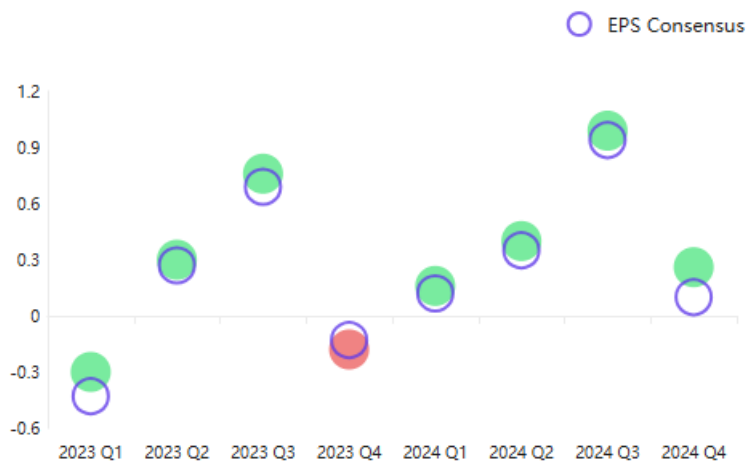
- Return on Invested Capital (ROIC): The company reported a ROIC of 10.9% for 2024, up from 7.7% in 2023.
- Asset Turnover Ratio: NCLH's asset turnover ratio remained steady at 0.4, reflecting an efficient use of assets in generating revenue.

## **3. Market Performance and Stock Analysis**

### 3.1 Stock Price and Performance

- **Stock Price:** As of March 14, 2025, NCLH's stock is trading at \$19.215 per share, reflecting a 3.7% increase from the previous close.
- **Market Capitalization:** NCLH's market cap stands at approximately \$10.7 billion, positioning it as a mid-sized player within the broader cruise industry.
- **Volatility:** The stock has exhibited high volatility, with notable price fluctuations due to factors like oil price movements, geopolitical tensions, and general consumer sentiment toward travel and tourism.

#### Earnings



### 3.2 Analyst Recommendations

- **Consensus Rating:** NCLH has a "Hold" consensus rating from analysts, with some projecting moderate growth based on the recovery trajectory of the cruise industry.
- **Target Price:** The average 12-month target price for NCLH stock is approximately \$23.50, implying an upside potential of around 22% from current levels.

## 4. Strategic Developments and Outlook

### 4.1 Post-COVID Recovery

- **Strong Demand:** NCLH has seen significant demand recovery post-pandemic, especially in premium cruise offerings and global markets. The company highlighted strong bookings for 2025, especially to Alaska, Canada, and New England.

- **Fleet Expansion:** NCLH has continued to invest in fleet expansion, including new ships for its Norwegian Cruise Line and Oceania Cruises brands, which is expected to further enhance its market position.

#### **4.2 Challenges**

- **Fuel Prices:** One key challenge for NCLH is the rising fuel costs, which can adversely affect profitability, as fuel is a major operating expense for cruise lines.
- **High Debt Levels:** While NCLH has reduced its leverage, the company's total debt remains high, which could limit financial flexibility in the event of economic downturns or unforeseen disruptions.
- **Capacity Expansion:** As NCLH expands its fleet and capacity, it faces potential risks related to underutilized ships or market fluctuations affecting passenger demand.

#### **4.3 Future Outlook**

- **2025 Forecast:** NCLH has projected an adjusted EPS of \$2.05 for FY 2025, slightly below analysts' expectations of \$2.08 per share. The company is also forecasting net yield growth of 2.4%, lower than previous expectations.
- **Long-Term Growth:** The company's strategy remains focused on enhancing the guest experience, fleet modernization, and global market expansion. However, macroeconomic factors such as inflation, fuel prices, and geopolitical tensions could impact its performance.

### **5. Conclusion**

Norwegian Cruise Line Holdings Ltd. has demonstrated strong financial performance, with notable growth in revenue, EBITDA, and adjusted EPS for 2024. The company has successfully navigated the post-pandemic recovery phase, showing resilience in an evolving market. However, challenges such as high debt levels, fuel price volatility, and capacity expansion risks remain.

Investors should monitor NCLH's ability to sustain its growth momentum in 2025 and beyond, especially considering the competitive landscape of the cruise industry. The company's strong liquidity position and future fleet investments are positives, but debt levels and external factors like fuel prices will need to be managed carefully.

**Recommendation:** Hold. While NCLH shows strong growth potential, there are risks that could influence stock performance, and the company's outlook for 2025 is slightly below expectations.

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