

## Cruise Lines

### Raising Estimates and Price Targets on Strong Ticket Pricing Momentum

As positive bookings momentum and pricing continues for the broader cruise industry, we are raising our out-year estimates for all operators, and are now well ahead of Consensus estimates. This outlook is underpinned by strength in ticket pricing data via our monthly pricing survey ([here](#)), a flurry of restart announcements ([here](#)), and the tone and confidence from management on our recent calls. Fuel prices are on the rise, and have been a recent side-concern for investors; to that end, our forecasted fuel expenses come up markedly, but are dwarfed by the incremental revenue from ticket/onboard yield.

- **Net yield estimate revisions - higher across the board, driven by ticket and onboard.** We take our 2022/23E net yield estimates higher by low to mid-single digits across all three operators. To summarize these revisions in terms of the three drivers of net yield, we take ticket prices higher based on accelerating demand and core headline prices (to +6% vs. 2019), include an assumption on FCC dilution (-2%), and bump higher onboard revenue for strong consumer spending trends more broadly (to +4-5% vs. 2019). On these changes, our net yields in 2022E move to 94%, 95%, and 96% of 2019 levels for CCL, RCL, and NCLH, respectively (including still depressed occupancies), and 107%, 107%, and 107% in 2023E, respectively. See Figures 1-2 for a full rundown of estimate revisions.
- **Price targets move higher.** Our CCL, RCL, and NCLH 2021 year-end price targets move up to \$36, \$123, and \$38, based on 10.0x-11.0x 2023E EV/EBITDA, discounted back one year at 10%. **Of the three, we continue to prefer RCL, based on comparatively impressive restart momentum, recent share underperformance, and longer term operational/pricing momentum that we expect to continue post-COVID-19.**
- **Celebrity Millennium COVID-19 situation had the best possible outcome.** The news late last week that there were two positive COVID-19 cases on the Celebrity Millennium, the first cruise ship to sail with passengers in North America post-COVID-19, ended in the best way it could have. That RCL's protocols were executed flawlessly, with no spread or disruption to the sailing, was not only a "important proof-point for the CDC," but also an important signal to consumers that sailings won't necessarily be cut short or paused due to positive cases onboard (what customers apparently care about the most). During and after this event, bookings appeared to remain intact as well. We expect there to be more headlines throughout the summer related to positive cases onboard, but expect each one to pick up less media and investor attention than the last (recall, in Singapore, RCL has sailed ~200k guests during COVID-19 with no vaccination requirement, and has had less than two dozen cases onboard total).

#### Leisure

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#### Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price (\$)	Rating		Price Target			
				Cur	Prev	Cur	End Date	Prev	End Date
Carnival Corporation	CCL US	19,993.32	29.23	N	n/c	36.00	Dec-21	33.00	n/c
Royal Caribbean Cruises	RCL US	18,551.70	88.32	OW	n/c	123.00	Dec-21	112.00	n/c
Norwegian Cruise Line	NCLH US	7,054.55	31.45	OW	n/c	38.00	Dec-21	35.00	n/c

Source: Company data, Bloomberg, J.P. Morgan estimates. n/c = no change. All prices as of 16 Jun 21.

#### See page 32 for analyst certification and important disclosures.

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- **CCL 2Q21 preview.** We expect CCL to report its 2Q21 business update in the next couple weeks. Without meaningful operations to report on, we expect the same broad investor topics to be in focus: bookings/demand trends, capacity/ramp outlook, cash burn/liquidity, and of course, the CDC. Given positive pricing trends in cruise and elsewhere in travel, we believe the bogey is for management to signal bookings and pricing have further improved since its last update in April. On the CDC, investors will look for more visibility/clarity around the political situation in FL and TX, where pro-cruise state governments currently ban the use of "vaccination passports," thereby hindering cruise operators from meeting the vaccination hurdles/guidelines set forth by the CDC. On this latter overhang, our sense from speaking with the companies is that the interests of the state governments are too aligned with the cruise industry to not find a work-around, and current restart plans aren't expected to change.
- **Ticket yield estimates.** Our net ticket yield forecasts in 2022E (vs. 2019) and 2023E (y/y) move to +4-6% and +3-4% including FCCs (reported), respectively, and +6% and +1-2%, excluding FCCs. Explanations below.
- **Ticket yield assumptions in 2022 - a lot of moving pieces, but by all accounts shaping up be strong on a gross and net/reported basis.** Our checks show ticket prices on a forward 12 month basis +5-15% higher than 2019 levels. This measure is free of cabin-booking mix impacts, and so by any historical measure is very strong. See Figures 3-5. However, it's still early in the booking curve for 2022 (well below 50% booked, in our view), and so we settle at what we believe is a conservative ~6% gross ticket yield lift compared to 2019. We then apply 200bps of FCC-related ticket yield dilution, which assumes ~10% of ticket revenue are non-cash bookings (non-cash bookings make up a greater % of 2022 bookings-to-date, likely ~20-30%, but this should migrate lower as we get closer to time of sailing – see Figure 6 for a table on FCC/dilution scenarios). For CCL, we give a one-time net ticket yield mix benefit of 2% from the shedding of old tonnage.
- **Ticket yield assumptions in 2023 include FCC-related tailwind.** It's too early in the booking period to extrapolate recent pricing strength into our 2023E ticket estimates. However, all else equal, there will be an "optical" lift to ticket yield growth y/y in 2023, as the vast majority of FCCs expire in 2022. We move to 4% reported yield growth in 2023E, which includes a ~200bps lift from this dynamic on top of 1-2% imbedded/core yield growth.
- **Onboard assumptions move higher.** We bump our 2022E and 2023E onboard revenue assumptions to reflect a strong consumer, pent-up cruise demand, and the positive "fresh wallet" dynamic from FCC guests who purchased their tickets as early as 2019.
- **Occupancy/load factors the largest modeling blind-spot.** We expect CCL and RCL are looking to ramp load factors throughout 2H21, though we have low conviction how operators will exit 2021, given these operating decisions will be relatively fluid in the coming months. There are no CDC caps, and aside from COVID-19 prevalence, upward progress will depend on vax vs. non-vax ship-status, the ability to space guests, demand, and other business decisions. We think NCLH will ramp the 2H21 faster than peers, given the 100% vaccination commitment, which is contemplated in our model.
- **Capacity assumptions unchanged for RCL, move lower in 2021E for CCL and NCLH.** We update our 2021/2022 capacity assumptions based on 1) a ship-by-ship build of previously announced restarts through the summer, and 2) the layering in of our own working assumptions for additional ship launches throughout the fall based on company stated targets for full fleets sailing (CCL: Spring '22, RCL: YE '21 to 1Q22, NCLH: 1Q22-end). See Figures 13-15.

- **Modeling higher fuel and other expense line items for inflation, but expect some relief on interest expense.** Bunker and MGO fuel prices have moved 9% and 8% from the lows earlier in 2021, and are 0% and -10% compared to levels exiting 2019. We flow through recent prices, and after hedges, our fuel expense rises 17%, 7% and 3% for CCL, RCL, and NCLH (we note CCL doesn't hedge). We also bump up labor and food expenses for broader inflation. These changes are easily absorbed by the impact of higher ticket prices and onboard revenue assumptions. We also expect some interest expense relief into the 2H21 as operators look to refi and/or utilize equity clawback provisions on portions of certain expensive debt issues (each operator has at least one significant tranche of debt with an equity clawback provision, that can be funded with common equity already issued earlier this year - this opportunity alone is worth up to \$150m, \$100m, and \$55m in per annum interest expense savings for CCL, RCL, and NCLH, respectively, on our math).
- **Thoughts on valuation.** On our new estimates, cruise shares trade at 8-9.0x 2023E EV/EBITDA, and 11-11.5x 2023E P/E. We note that enterprise values implied in our price targets are higher than 2019, which makes sense to us, given 1) fleets/capacity will be ~7-20% larger in berths in 2023 compared to 2019, 2) higher pricing, with significant operating leverage in the model, and 3) 2019 below average EV/EBITDA trading multiples that were closer to 8.0-9.5x, with reasonably poor sentiment on peak cycle/capacity growth concerns. CCL/RCL's long term forward average EV/EBITDA multiple is ~10.5-12.0x and long term forward P/E multiple is 14.5-16.0x.
- **Read on.**

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Figure 1: JPME Cruise Line Company Comparison Table

Rating	Ticker	Price as of 6/16/2021	Market Cap	YE21 PT	Upside / Downside to PT	EV/EBITDA @ PT ('23)	EV/EBITDA		P/E		Net Leverage	
							2022E	2023E	2022E	2023E	2022E	2023E
N	CCL	\$29.23	\$22.6	\$36	23%	10.0x	12.6x	8.2x	35.9x	11.1x	5.4x	3.4x
OW	RCL	\$88.32	\$19.8	\$123	39%	11.0x	12.5x	8.5x	33.3x	11.5x	5.1x	3.4x
OW	NCLH	\$31.45	\$9.2	\$38	21%	10.5x	11.8x	8.8x	25.2x	11.5x	5.2x	3.9x
Mean							12.3x	8.5x				

JPME EBITDA						Capacity (% '19)			Ticket \$/PCD (% '19)		Onboard \$/PCD (% '19)	
	2019	2020	2021E	2022E	2023E	2021E	2022E	2023E	2022E	2023E	2022E	2023E
CCL	5,437	-6,625	-2,839	4,762	7,128	21%	102%	107%	106.0%	109%	104.0%	107%
RCL	3,329	-1,756	-1,095	3,014	4,433	37%	108%	118%	104.0%	108%	105.0%	108%
NCLH	1,948	-1,045	-1,022	1,964	2,678	20%	112%	120%	104.0%	108%	105.0%	108%

JPME EPS						Occupancy %			Net Yield		NY as % of 2019	
	2019	2020	2021E	2022E	2023E	2021E	2022E	2023E	2022E	2023E	2022E	2023E
CCL	4.40	-7.29	-5.95	0.81	2.63	72%	95%	105%	\$167	\$190	94%	107%
RCL	9.54	-18.25	-13.88	2.65	7.68	70%	98%	107%	\$197	\$224	95%	107%
NCLH	5.10	-8.90	-6.78	1.25	2.72	81%	100%	107%	\$246	\$274	96%	107%

JPME OCF					
	2019	2020	2021E	2022E	2023E
CCL	5,475	-6,301	-3,239	4,355	6,592
RCL	3,716	-3,732	-1,090	2,858	3,951
NCLH	1,823	-2,556	-1,412	1,682	2,377

Source: J.P. Morgan. NCLH EPS is adjusted to add back SBC

Figure 2: Estimate Revisions Summary

JPME

KPI/Estimate	JPME			Consensus	
	Prior	New	% chg.	Cons.	JPME vs. Cons.
'22E Net Yield (Net Revenue per APCD)					
CCL	\$159	\$167	5%	\$164	2%
RCL	\$187	\$197	5%	\$194	2%
NCLH	\$225	\$246	9%	\$233	6%
'23E Net Yield (Net Revenue per APCD)					
CCL	\$175	\$190	9%	\$182	5%
RCL	\$210	\$224	7%	\$211	6%
NCLH	\$255	\$274	7%	\$261	5%
'22E Fuel Expense					
CCL	1,501	1,744	16%	1,329	31%
RCL	807	866	7%	704	23%
NCLH	524	541	3%	464	17%
'23E Fuel Expense					
CCL	1,530	1,797	17%	1,495	20%
RCL	879	941	7%	784	20%
NCLH	547	565	3%	489	15%

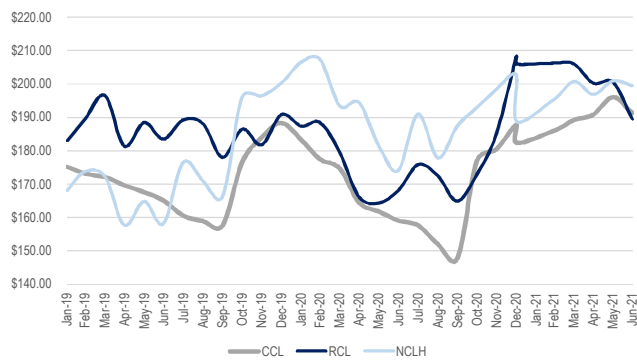
KPI/Estimate	JPME			Consensus	
	Prior	New	% chg.	Cons.	JPME vs. Cons.
'21E EBITDA					
CCL	-2,276	-2,839		-2,405	
RCL	-855	-1,095		-987	
NCLH	-853	-1,022		-1,000	
'22E EBITDA					
CCL	4,302	4,762	11%	4,407	8%
RCL	2,749	3,014	10%	2,824	7%
NCLH	1,547	1,964	27%	1,511	30%
'23E EBITDA					
CCL	6,058	7,128	18%	6,362	12%
RCL	4,000	4,433	11%	3,961	12%
NCLH	2,312	2,678	16%	2,274	18%
'23E EPS					
CCL	\$1.61	\$2.63	64%	\$2.03	30%
RCL	\$6.11	\$7.68	26%	\$6.25	23%
NCLH	\$2.18	\$2.98	42%	\$2.34	16%

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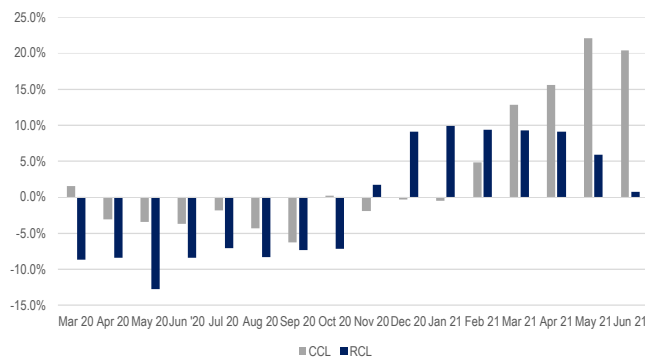
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Figure 3: Next 12 Months Average Ticket Price (\$ per Diem)



Source: Cruisewatch.ai, JPM; Includes select brands

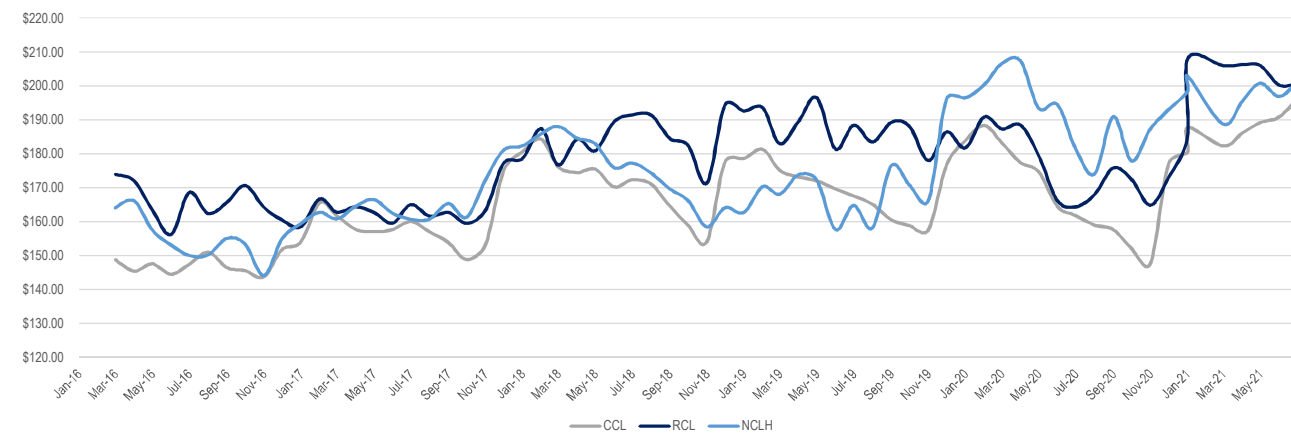
Figure 4: NTM Average Ticket Price % chg. vs. the same month '19



Source: Cruisewatch.ai, JPM; Includes select brands

Figure 5: Industry Ticket Prices Bottomed in the fall of 2020, Now Tracking above 2019 Levels

Next 12 Months Rolling Average Ticket Price (\$ per Diem)



Source: Cruisewatch.ai, JPM; Includes select brands

Figure 6: Ticket Yield Impact from FCCs for a Range of Gross Ticket Pricing Growth Scenarios

Gross Ticket Pricing (above 2019)		5%	7.5%	10%	15%
		Net ticket yield (with FCC dilution)			
FCCs as % of Bookings	5%	4%	6%	9%	14%
	10%	3%	5%	8%	13%
	15%	2%	4%	7%	12%
	20%	1%	3%	6%	10%
	30%	-1%	1%	3%	8%
		FCC Dilutive Impact to Ticket Yield			
FCCs as % of Bookings	5%	-1.0%	-1.1%	-1.1%	-1.2%
	10%	-2.1%	-2.2%	-2.2%	-2.3%
	15%	-3.2%	-3.2%	-3.3%	-3.5%
	20%	-4.2%	-4.3%	-4.4%	-4.6%
	30%	-6.3%	-6.5%	-6.6%	-6.9%

Note: Illustrative example, assumes uniform 125% FCC rate. Source: JPM.

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Figure 7: Latest Company Booking Commentary (All Metrics Reflect Cumulative Bookings) – Booked Prices Moving Higher Sequentially

Company	as of 1Q21-end	as of 4Q-end
CCL	FY22 Bookings Ahead of 2019 at <b>higher prices</b> (excluding bundled packages and FCCs)	1H22 Bookings ahead of 2019, 2H20+1H22 <b>prices down 1%</b> excluding FCCs
RCL	1H22 Bookings are within historical ranges (~25% of capacity), at <b>higher prices</b> including and excluding FCCs (even adjusting for cabin mix benefits)	1H22 Bookings are within historical ranges, at <b>higher prices</b> including and excluding FCCs
NCLH	1H22 Bookings meaningfully ahead of 2019 at <b>higher prices</b> excluding FCCs	1H22 Bookings meaningfully ahead of 2019 at <b>in line prices</b> excluding FCCs

Source: Company reports.

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Figure 8: Long Term Capacity Growth by Operator: Supply is Visible, Begins Decelerating in 2024

Based on Company Outlooks, the Industry Order Book and our own Working Assumptions

CCL	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	CCL Orderbook Metrics
<b>North America</b>										<b>Total Berths on Order</b> 54,412
Carnival Cruise Line	27	23	24	25	25	25	25	25	25	
	74,660	66,456	71,706	76,956	76,956	76,956	76,956	76,956	76,956	
Princess Cruises ("Princess")	18	16	14	15	16	16	17	17	17	<b>% of 2020 YE Capacity</b> 23.7%
	48,900	47,852	42,656	46,316	50,616	50,616	54,916	54,916	54,916	
Holland America Line	14	10	11	11	11	11	11	11	11	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	25,640	20,376	23,036	23,036	23,036	23,036	23,036	23,036	23,036	
Seabourn	5	5	5	7	7	7	7	7	7	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	2,570	2,570	2,570	3,098	3,098	3,098	3,098	3,098	3,098	
P&O Cruises (Australia)	3	1	3	3	3	3	3	3	3	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	4,850	1,994	7,190	7,190	7,190	7,190	7,190	7,190	7,190	
<b>EAA</b>										
Costa Cruises ("Costa")	14	11	12	13	13	13	13	13	13	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	37,580	34,844	39,084	44,308	44,308	44,308	44,308	44,308	44,308	
AIDA Cruises ("AIDA")	14	14	14	15	16	16	16	16	16	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	31,940	31,940	31,940	37,340	42,740	42,740	42,740	42,740	42,740	
P&O Cruises (UK)	6	6	6	6	7	7	7	7	7	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	15,820	19,004	19,004	19,004	24,204	24,204	24,204	24,204	24,204	
Cunard	3	3	3	3	3	4	4	4	4	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 4.3%
	6,830	6,830	6,830	6,830	6,830	9,830	9,830	9,830	9,830	
Total Ship Count	104	88	91	97	100	101	102	102	102	
Total Berth Count (November/Fiscal year-end)	248,790	229,849	241,999	262,061	276,961	279,961	284,261	284,261	284,261	
Net deliveries (less announced sales)	7,210	-18,941	12,150	20,062	14,900	3,000	4,300	0	0	
YoY Growth	3.0%	-7.6%	5.3%	8.3%	5.7%	1.1%	1.5%	0.0%	0.0%	
<b>RCL</b>										<b>RCL Orderbook Metrics</b>
Royal Caribbean	26	24	25	26	27	28	29	30	30	
	86,100	82,200	86,400	91,948	97,662	103,376	108,376	113,376	113,376	<b>Total Berths on Order</b> 50,422
Celebrity	14	15	14	15	16	17	17	17	17	
	26,170	29,070	29,020	31,920	34,820	37,720	37,720	37,720	37,720	<b>% of 2020 YE Capacity</b> 37.6%
Silversea	8	10	11	11	12	13	13	13	13	
	2,450	3,100	3,696	3,696	4,296	4,896	4,896	4,896	4,896	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 5.3%
Azamara	3	3								
	2,100	2,100								<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 5.3%
Consolidated Subtotal	51	52	50	52	55	58	59	60	60	
	116,820	116,470	119,116	127,564	136,778	145,992	150,992	155,992	155,992	
YoY Growth	3.8%	-0.3%	2.3%	7.1%	7.2%	6.7%	3.4%	3.3%	0.0%	
<b>JV</b>										
TUI	7	7	7	7	8	9	9	10	10	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 5.3%
	17,600	17,600	17,600	17,600	20,500	24,500	24,500	28,500	28,500	
Pullmantur	3									<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 5.3%
	6,050									
Total Ship Count	61	59	57	59	63	67	68	70	70	
Total Berth Count	140,470	134,070	136,716	145,164	157,278	170,492	175,492	184,492	184,492	
Net deliveries	-500	-6,400	2,646	8,448	12,114	13,214	5,000	9,000	0	
YoY Growth	-0.4%	-4.6%	2.0%	6.2%	8.3%	8.4%	2.9%	5.1%	0.0%	
<b>NCLH</b>										<b>NCLH Orderbook Metrics</b>
Norwegian	17	17	17	18	19	20	21	22	23	
	51,010	51,010	51,010	54,310	57,610	60,910	64,210	67,510	70,810	<b>Total Berths on Order</b> 22,950
Oceania	6	6	6	6	7	7	8	8	8	
	5,236	5,236	5,236	5,236	6,436	6,436	7,636	7,636	7,636	<b>% of 2020 Capacity</b> 38.5%
Regent/Seven Seas	4	5	5	5	6	6	6	6	6	
	2,640	3,378	3,378	3,378	4,128	4,128	4,128	4,128	4,128	<b>Net Capacity</b> <b>5-year CAGR (20E-25E)</b> 5.0%
Total Ship Count	27	28	28	29	32	33	35	36	37	
Total Berth Count	58,886	59,624	59,624	62,924	68,174	71,474	75,974	79,274	82,574	
Net deliveries	4,200	738	0	3,300	5,250	3,300	4,500	3,300	3,300	
YoY Growth	7.7%	1.3%	0.0%	5.5%	8.3%	4.8%	6.3%	4.3%	4.2%	
<b>Market Share</b>										<b>Total Industry</b> <b>Net Capacity 5yr CAGR</b> 6.2%
CCL	44%	40%	40%	40%	38%	37%	36%	36%	36%	
RCL	20.74%	20%	20%	19%	19%	19%	19%	20%	20%	
NCL	10.5%	10.3%	9.8%	9.5%	9.5%	9.5%	9.7%	10.0%	10.4%	
MSC	9.6%	10.2%	10.4%	10.4%	11.0%	11.3%	11.7%	11.6%	12.2%	
Other	15%	19%	21%	21%	22%	23%	23%	23%	22%	
Total Global Births	563,138	577,156	610,590	663,294	720,798	756,014	781,240	796,322	796,322	
New Deliveries	42,488	27,768	33,434	52,704	57,504	35,216	25,226	15,082	0	
Retired tonnage incl. Alternative Use Conversions		-13,750								
Y/Y %	8.2%	2.5%	5.8%	8.6%	8.7%	4.9%	3.3%	1.9%	0.0%	

Source: Company releases, JPME





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Figure 10: RCL Capacity Assumptions

JPME (APCDs)

				Restart Date and/or	2021 (ABCDs)												2022 (APCDs)		
Brand	Current Fleet	Berths	% of Total Berths	Region	1Q Jan-21	1Q Feb-21	1Q Mar-21	2Q Apr-21	2Q May-21	2Q Jun-21	3Q Jul-21	3Q Aug-21	3Q Sep-21	4Q Oct-21	4Q Nov-21	4Q Dec-21	1Q Jan-22	1Q Feb-22	1Q Mar-22
Royal Caribbean	Wonder of the Seas	5,448	4.6%	March '22 Asia															0.16
Royal Caribbean	Odyssey of the Seas	4,200	3.5%	July 31 Caribbean							0.00	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Royal Caribbean	Spectrum of the seas	4,200	3.5%	July 30 HK							0.00	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Royal Caribbean	Symphony of the Seas	5,450	4.6%	Aug 14 Caribbean								0.08	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Royal Caribbean	Harmony of the Seas	5,450	4.6%	Aug 15 Europe								0.08	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Royal Caribbean	Ovation of the Seas	4,100	3.5%	Aug 13th Alaska								0.06	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Royal Caribbean	Anthem of the Seas	4,150	3.5%	July 7th UK							0.08	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Royal Caribbean	Quantum of the Seas	4,150	3.5%	Singapore	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
Royal Caribbean	Allure of the Seas	5,450	4.6%	Aug 8th Caribbean								0.05	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Royal Caribbean	Oasis of the Seas	5,450	4.6%	Carib									0.16	0.16	0.16	0.16	0.16	0.16	0.16
Royal Caribbean	Independence of the Sea	3,600	3.0%	Aug 15th Caribbean								0.05	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Royal Caribbean	Liberty of the Seas	3,750	3.2%	Carib									0.11	0.11	0.11	0.11	0.11	0.11	0.11
Royal Caribbean	Freedom of the Seas	3,750	3.2%	July 2 Caribbean							0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Royal Caribbean	Jewel of the Seas	2,150	1.8%	July 10th Greece							0.04	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Royal Caribbean	Mariner of the Seas	3,100	2.6%	Aug 23rd Caribbean								0.02	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Royal Caribbean	Serenade of the Seas	2,100	1.8%	July 19th Alaska							0.02	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Royal Caribbean	Navigator of the Seas	3,250	2.7%	Carib									0.10	0.10	0.10	0.10	0.10	0.10	0.10
Royal Caribbean	Brilliance of the Seas	2,100	1.8%	Carib										0.06	0.06	0.06	0.06	0.06	0.06
Royal Caribbean	Adventure of the Seas	3,200	2.7%	June 12th Bahamas						0.05	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Royal Caribbean	Radiance of the Seas	2,100	1.8%	Alaska / Aus											0.06	0.06	0.06	0.06	0.06
Royal Caribbean	Explorer of the Seas	3,250	2.7%	Carib											0.10	0.10	0.10	0.10	0.10
Royal Caribbean	Voyager of the Seas	3,250	2.7%	China / Aus											0.10	0.10	0.10	0.10	0.10
Royal Caribbean	Vision of the Seas	2,000	1.7%	June Bermuda Canceled												0.06	0.06	0.06	0.06
Royal Caribbean	Enchantment of the Seas	2,250	1.9%	Carib													0.07	0.07	0.07
Royal Caribbean	Rhapsody of the Seas	2,000	1.7%	Europe													0.06	0.06	0.06
Royal Caribbean	Grandeur of the Seas	1,950	1.6%	Europe													0.06	0.06	0.06
Celebrity	Beyond	2,900	2.4%	4Q22															
Celebrity	Apex	2,900	2.4%	June 19th Greece						0.04	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Flora	100	0.1%	July 4 Galapagos							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Celebrity	Edge	2,900	2.4%	June 26 Caribbean						0.01	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Reflection	3,000	2.5%	Europe									0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Silhouette	2,850	2.4%	July 3rd UK							0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Eclipse	2,850	2.4%	Alaska									0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Equinox	2,850	2.4%	July 25 Caribbean							0.01	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Solstice	2,850	2.4%	Alaska									0.09	0.09	0.09	0.09	0.09	0.09	0.09
Celebrity	Xploration	20	0.0%	Sep 18th Galapagos									0.00	0.00	0.00	0.00	0.00	0.00	0.00
Celebrity	Constellation	2,150	1.8%	Caribbean											0.06	0.06	0.06	0.06	0.06
Celebrity	Summit	2,150	1.8%	July 23rd Alaska							0.02	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Celebrity	Infinity	2,150	1.8%	Europe													0.06	0.06	0.06
Celebrity	Millennium	2,150	1.8%	June 5th Caribbean						0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Celebrity	Celebrity Xpedition	100	0.1%	July 24 Galapagos							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Silversea	Unnamed	550	0.5%	TBD															
Silversea	Silver Dawn	550	0.5%	Europe												0.02	0.02	0.02	0.02
Silversea	Silver Origin	100	0.1%	July 19 Galapagos							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Silversea	Silver Moon	550	0.5%	June 18th Greece						0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Silversea	Silver Muse	550	0.5%	July 29th Alaska							0.00	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Silversea	Silver Spirit	500	0.4%	Europe									0.02	0.02	0.02	0.02	0.02	0.02	0.02
Silversea	Silver Whisper	350	0.3%	Europe									0.01	0.01	0.01	0.01	0.01	0.01	0.01
Silversea	Silver Shadow	350	0.3%	July 30th Iceland							0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Silversea	Silver Wind	250	0.2%	Antarctica											0.01	0.01	0.01	0.01	0.01
Silversea	Silver Cloud	250	0.2%	Europe												0.01	0.01	0.01	0.01
Silversea	Silver Galapagos	100	0.1%														0.00	0.00	0.00
Silversea	Silver Explorer	100	0.1%	0.00													0.00	0.00	0.00
Fleet-Wide Capacity (APCDs)										3.56	3.56	3.56	3.56	3.57	3.57	3.57	3.57	3.57	3.74
Sailing Capacity (Ship Count)										6	20	26	32	34	40	44	50	50	50
Sailing Capacity (APCDs)					0.12	0.12	0.12	0.12	0.12	0.30	0.87	1.72	2.54	2.75	3.05	3.32	3.57	3.57	3.74
Sailing Capacity (APCDs) % of Fleet										8%	24%	48%	72%	77%	85%	93%	100%	100%	100%
JPME Capacity (APCDs)					0.37		0.55		5.13		9.12		10.88						

Source: JPM

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Figure 11: NCLH Capacity Assumptions

JPME (APCDs)

Brand	Ship Name	Year Built	Berths	APCD/month	%	Start & Update	3Q Jul-21	3Q Aug-21	3Q Sep-21	4Q Oct-21	4Q Nov-21	4Q Dec-21	1Q Jan-22	1Q Feb-22	1Q Mar-22
Norwegian	Norwegian (Leonardo)	2022	3,350	0.10	6%	3Q22 deliv									
Norwegian	Norwegian Encore	2019	4,200	0.13	7%	Aug 7th Alaska		0.09	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Norwegian	Norwegian Bliss	2018	4,200	0.13	7%	Oct 24th West Coast				0.03	0.13	0.13	0.13	0.13	0.13
Norwegian	Norwegian Joy	2017	4,200	0.13	7%	Oct 19 Caribbean				0.04	0.13	0.13	0.13	0.13	0.13
Norwegian	Norwegian Escape	2015	4,200	0.13	7%	Nov 13 Caribbean					0.07	0.13	0.13	0.13	0.13
Norwegian	Norwegian Getaway	2014	4,000	0.12	7%	Sep 13th Greece			0.06	0.12	0.12	0.12	0.12	0.12	0.12
Norwegian	Norwegian Breakaway	2013	4,000	0.12	7%	Sep 26 NY/Bermuda			0.02	0.12	0.12	0.12	0.12	0.12	0.12
Norwegian	Norwegian Epic	2010	4,100	0.12	7%	Sep 5th Med			0.10	0.12	0.12	0.12	0.12	0.12	0.12
Norwegian	Norwegian Gem	2007	2,400	0.07	4%	Aug 15th Caribbean		0.04	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Norwegian	Norwegian Pearl	2006	2,400	0.07	4%	Dec 23 Caribbean						0.02	0.07	0.07	0.07
Norwegian	Norwegian Jade	2006	2,400	0.07	4%	July 25th Greece	0.01	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Norwegian	Norwegian Jewel	2005	2,380	0.07	4%	Jan 20 Panama							0.02	0.07	0.07
Norwegian	Pride of America	2005	2,140	0.06	4%	Nov 6 Hawaii					0.05	0.06	0.06	0.06	0.06
Norwegian	Norwegian Dawn	2002	2,220	0.07	4%								0.07	0.07	0.07
Norwegian	Norwegian Star	2001	2,240	0.07	4%									0.07	0.07
Norwegian	Norwegian Sun	2001	1,940	0.06	3%	Jan 28 Hong Kong							0.01	0.06	0.06
Norwegian	Norwegian Sky	1999	1,990	0.06	3%									0.06	0.06
Norwegian	Norwegian Spirit	1998	2,000	0.06	3%	Feb 9 Australia								0.04	0.06
Oceania	Sirena	1999	684	0.02	1%	Jan 22 Caribbean							0.01	0.02	0.02
Oceania	Riviera	2012	1,250	0.04	2%	Oct 18 Med				0.01	0.04	0.04	0.04	0.04	0.04
Oceania	Marina	2011	1,250	0.04	2%	Aug 29th Europe			0.04	0.04	0.04	0.04	0.04	0.04	0.04
Oceania	Nautica	2000	684	0.02	1%									0.02	0.02
Oceania	Regatta	1998	684	0.02	1%									0.02	0.02
Oceania	Insignia	1998	684	0.02	1%	Dec 21 Panama						0.01	0.02	0.02	0.02
Regent	Seven Seas Splendor	2020	738	0.02	1%	Sep 11th UK			0.01	0.02	0.02	0.02	0.02	0.02	0.02
Regent	Seven Seas Explorer	2016	750	0.02	1%	Oct 16 Italy				0.01	0.02	0.02	0.02	0.02	0.02
Regent	Seven Seas Voyager	2003	700	0.02	1%	Feb 15 Spain								0.01	0.02
Regent	Seven Seas Mariner	2001	700	0.02	1%	Dec 18 World						0.01	0.02	0.02	0.02
Regent	Seven Seas Navigator	1999	490	0.01	1%	Jan 6 Caribbean							0.01	0.01	0.01
Fleet-wide capacity (APCDs)				1.79			1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79
Sailing Capacity (APCDs)							0.01	0.20	0.50	0.79	1.13	1.23	1.42	1.76	1.79
Sailing Capacity % of Fleet (APCDs)									28%	44%	63%	69%	80%	98%	100%
Sailing Capacity (Ship Count)							1	3	8	12	14	17	22	28	28
JPME Quarterly Capacity Roll-up (APCDs)							0.72			3.15			4.97		

Source: JPM

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## Carnival Corporation

### Neutral

Company Data	
Shares O/S (mn)	684
52-week range (\$)	31.52-12.11
Market cap (\$ mn)	19,993.32
Exchange rate	1.00
Free float(%)	87.0%
3M - Avg daily vol (mn)	30.30
3M - Avg daily val (\$ mn)	845.7
Volatility (90 Day)	52
Index	MSCI Europe
BBG BUY HOLD SELL	7 8 5

#### Carnival Corporation (CCL;CCL US)

Year-end Nov (\$)	FY18A	FY19A	FY20A	FY21E (Prev)	FY21E (Curr)	FY22E (Prev)	FY22E (Curr)
Revenue (\$ mn)	15,381	15,643	5,594	4,248	2,905	14,244	14,855
Gross margin	-	-	-	-	-	-	-
Adj. EBIT (\$ mn)	3,325	3,277	(8,866)	(4,469)	(5,032)	2,025	2,485
Adj. EBITDA (\$ mn)	5,342	5,437	(6,625)	(2,276)	(2,839)	4,302	4,762
Adj. EPS (\$)	4.26	4.40	(7.29)	(5.51)	(5.95)	0.30	0.81
BBG EPS (\$)	4.25	4.27	(7.15)	-	(5.40)	-	0.27
Reported EPS (\$)	4.41	4.32	(13.20)	(5.50)	(5.94)	0.30	0.81
Dividend yield	6.7%	6.7%	1.7%	0.0%	0.0%	0.0%	0.0%
Adj. P/E	6.9	6.6	NM	NM	NM	96.3	35.9
EV/EBITDA	6.1	6.3	NM	NM	NM	8.2	9.7

Source: Company data, Bloomberg, J.P. Morgan estimates.

### Investment Thesis, Valuation and Risks

#### Carnival Corporation (Neutral; Price Target: \$36.00)

##### Investment Thesis

We are constructive on the eventual return of cruising, recovery of cruise demand, and the ability of the industry to limit pricing erosion and even grow pricing relative to other travel industries. Representing almost half of the industry's capacity, CCL shares should move with the evolution of the industry's fundamental outlook; however, we would rather own RCL, for its relatively attractive longer-term growth drivers at only a modest valuation premium.

##### Valuation

Our CCL Dec 2021 \$36 price target is based on 10.0x 2023E EV/EBITDA, discounted back at 10%. CCL's historical forward EV/EBITDA range is 6.3x to 26.3x, with a 23-year average of 11.9x, though it traded just over 6.0x in 1Q09, and traded at 7.0x in late 2019. On normalized out-year earnings, we believe a cycle-average EBITDA multiple is fair. CCL currently trades at 8.2x 2023E EV/EBITDA.

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## CCL Price Target Methodology and Valuation

\$ in millions

Valuation Multiple Sensitivity Analysis			
	2023E		
EBITDA	7,128	7,128	7,128
x Assigned Multiple	9.0x	10.0x	11.0x
<b>Equals Enterprise Value</b>	<b>\$64,149</b>	<b>\$71,277</b>	<b>\$78,405</b>
Less: 2022 Net Debt	24,093	24,093	24,093
Add: Convertible Debt	537	537	537
Equals: Equity Value	39,520	46,648	53,776
Share count	1,185.7	1,185.7	1,185.7
<b>Equals: Fair Value</b>	<b>\$30</b>	<b>\$36</b>	<b>\$41</b>
Discounted back 1 year @ 10%			
Current Price	\$29.23	\$29.23	\$29.23
<b>Total Potential Return</b>	<b>4%</b>	<b>23%</b>	<b>41%</b>
Implied 2023E P/E	11.5x	13.7x	15.7x

Year	EPS	EPS Growth	P/E Multiples	CAGR (3 yr)	PEG	LT Avg. P/E
2023E	2.63	NA	11.1x	NA	NA	16.3x
2022E	0.81	NA	35.9x	NA	NA	
2021E	(5.95)	NA	-4.9x	NA	NA	

### EV/EBITDA

Year	Shares (EOP)	Mkt Cap	Net Debt	Adj Net Debt	EV	EBITDA	EV/EBITDA
2023E	1,186	34,657	24,093	23,556	58,213	7,128	8.2x
2022E	1,186	34,657	25,884	25,348	60,005	4,762	12.6x
2021E	1,123	32,818	24,039	23,503	56,321	(2,839)	-19.8x

Source: J.P. Morgan estimates.

## Risks to Rating and Price Target

Potential upside risks to our rating and price target include 1) stronger than expected improvement in the demand for CCL's brands; 2) greater than expected growth in cruise ticket pricing; 3) faster vaccine availability than expected; and 4) less than expected structural damage to cruise demand in the wake of COVID-19.

Potential downside risks to our rating and price target include 1) continued bookings slowdown and/or tail risk associated with COVID-19; 2) investor sentiment toward consumer discretionary stocks could erode and valuation multiples could contract; 3) fuel and foreign exchange costs could escalate meaningfully; 4) risks associated with one or more large shareholder groups controlling a large portion of outstanding stock; and 5) legal risk from actions taken during COVID-19 crisis.

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CCL Model

Figure 12: Carnival Corp. & Plc. - EPS Model

\$ in millions (except per share values)

	2018	2019	1Q20	2Q20	3Q20	4Q20	2020E	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Quarter Ended	11/30/18	11/30/19	02/28/20	05/31/20	08/31/20	11/30/20	11/29/20	02/28/21	05/31/21	08/31/21	11/30/21	11/29/21	11/29/22	11/29/23
<b>Revenues</b>														
Passenger Ticket	13,930	14,104	3,234	446	0	4	3,684	3	39	458	1,448	1,948	13,487	16,223
Onboard & Other	4,679	6,331	1,504	270	31	29	1,834	23	18	190	694	925	5,940	7,110
<b>Gross Cruise Revenues</b>	<b>18,609</b>	<b>20,435</b>	<b>4,738</b>	<b>716</b>	<b>31</b>	<b>33</b>	<b>5,518</b>	<b>26</b>	<b>57</b>	<b>648</b>	<b>2,143</b>	<b>2,873</b>	<b>19,427</b>	<b>23,334</b>
yoy % change	7.7%	9.8%	2.0%	-85.0%	-99.5%	-99.3%	-73.0%					-47.9%	576.1%	20.1%
Other (Tour)	272	391	52	24	0	0	76	0	0	10	21	31	299	391
<b>Total Revenues</b>	<b>18,881</b>	<b>20,826</b>	<b>4,790</b>	<b>740</b>	<b>31</b>	<b>33</b>	<b>5,594</b>	<b>26</b>	<b>57</b>	<b>658</b>	<b>2,164</b>	<b>2,905</b>	<b>19,726</b>	<b>23,725</b>
yoy % change	1.0%	10.3%	2.5%	-84.7%	-99.5%	-99.3%	-73.1%					-48.1%	579.1%	20.3%
Less: Commissions, Transportation & Other	2,590	2,720	766	297	34	42	1,139	15	7	82	272	376	2,601	3,129
Less: Onboard & Other	638	2,101	471	114	9	11	605	7	6	68	220	301	1,971	2,360
<b>Net Cruise Revenues</b>	<b>15,381</b>	<b>15,643</b>	<b>3,501</b>	<b>305</b>	<b>(12)</b>	<b>(20)</b>	<b>3,774</b>	<b>4</b>	<b>44</b>	<b>497</b>	<b>1,651</b>	<b>2,196</b>	<b>14,855</b>	<b>17,845</b>
yoy % change	7.3%	1.7%	0.1%	-91.7%	-100.2%	-100.6%	-75.9%					-41.8%	576.3%	20.1%
<b>Expenses</b>														
Payroll & Related	2,190	2,249	610	705	248	217	1,780	218	218	268	439	1,143	2,191	2,361
Food	1,065	1,083	277	108	19	9	413	11	26	65	174	276	1,055	1,137
Fuel	1,619	1,563	396	201	121	105	823	103	105	78	280	566	1,744	1,797
Other Ship Operating	2,819	2,925	1,001	471	208	(162)	1,518	181	175	250	504	1,110	2,768	2,953
Selling & Administrative	2,439	2,480	678	492	265	443	1,878	462	466	470	554	1,951	2,416	2,578
Ship Impairments & Other				589	910	468	1,967							
Goodwill & trademark impairment				1,364		732	2,096							
<b>Net Cruise Costs</b>	<b>10,132</b>	<b>10,300</b>	<b>2,962</b>	<b>3,930</b>	<b>1,771</b>	<b>1,812</b>	<b>10,475</b>	<b>975</b>	<b>990</b>	<b>1,131</b>	<b>1,950</b>	<b>5,046</b>	<b>10,174</b>	<b>10,827</b>
yoy % change	4.0%	1.7%	15.4%	49.9%	-29.6%	-30.3%	1.7%					-51.8%	101.6%	6.4%
<b>EBITDA</b>	<b>5,342</b>	<b>5,437</b>	<b>591</b>	<b>(3,601)</b>	<b>(1,783)</b>	<b>(1,832)</b>	<b>(6,625)</b>	<b>(971)</b>	<b>(946)</b>	<b>(629)</b>	<b>(293)</b>	<b>(2,839)</b>	<b>4,762</b>	<b>7,128</b>
yoy % change	14.8%	1.8%	-34.6%	NM	NM	NM	-221.9%	NM	NM	NM	NM	-57.1%	-267.7%	49.7%
Margin	28.3%	26.1%	12.3%	NM	NM	NM	-118.4%	NM	NM	NM	NM	-97.7%	24.1%	30.0%
Depreciation & Amortization	2,017	2,160	570	577	551	543	2,241	552	539	545	557	2,193	2,277	2,522
<b>Operating Income (EBIT)</b>	<b>3,325</b>	<b>3,277</b>	<b>21</b>	<b>(4,178)</b>	<b>(2,334)</b>	<b>(2,375)</b>	<b>(8,866)</b>	<b>(1,523)</b>	<b>(1,485)</b>	<b>(1,174)</b>	<b>(851)</b>	<b>(5,032)</b>	<b>2,485</b>	<b>4,605</b>
yoy % change	18.5%	-1.4%	-94.6%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	85.3%
Margin	17.6%	15.7%	0.4%	NM	NM	NM	NM	NM	NM	NM	NM	NM	12.6%	19.4%
yoy bps change	1.6%	-1.9%	-7.8%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	6.8%
Interest Expense, Net	(178)	(182)	(50)	(176)	(307)	(344)	(877)	(395)	(418)	(388)	(389)	(1,589)	(1,519)	(1,477)
Other Income (Expense), Net	14	(33)	(741)	(31)	(221)	482	(511)	(61)	0	0	0	(61)	0	0
Fuel derivatives, net	27	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Income Before Income Taxes (EBT)</b>	<b>3,188</b>	<b>3,061</b>	<b>(770)</b>	<b>(4,385)</b>	<b>(2,862)</b>	<b>(2,237)</b>	<b>(10,254)</b>	<b>(1,979)</b>	<b>(1,903)</b>	<b>(1,561)</b>	<b>(1,239)</b>	<b>(6,683)</b>	<b>966</b>	<b>3,128</b>
Income Tax Benefit (Expense), Net	(54)	(71)	(11)	11	2	15	17	6	3	3	2	14	(2)	(6)
Tax Rate	1.7%	2.3%	-1.4%	0.3%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
<b>Net Income</b>	<b>3,134</b>	<b>2,990</b>	<b>(781)</b>	<b>(4,374)</b>	<b>(2,860)</b>	<b>(2,222)</b>	<b>(10,237)</b>	<b>(1,973)</b>	<b>(1,900)</b>	<b>(1,559)</b>	<b>(1,237)</b>	<b>(6,669)</b>	<b>964</b>	<b>3,122</b>
GAAP EPS	4.42	4.33	-1.14	-6.07	-3.69	-2.41	-13.31	-1.80	-1.68	-1.38	-1.09	-5.95	0.81	2.63
Nonrecurring Items (per Share)		0.07	1.37	2.77	1.50	0.39	6.02							
<b>Adjusted EPS</b>	<b>4.26</b>	<b>4.40</b>	<b>0.23</b>	<b>(3.30)</b>	<b>(2.19)</b>	<b>(2.02)</b>	<b>(7.29)</b>	<b>(1.80)</b>	<b>(1.68)</b>	<b>(1.38)</b>	<b>(1.09)</b>	<b>(5.95)</b>	<b>0.81</b>	<b>2.63</b>
yoy % change	11.6%	3.2%	-53.1%	NA	-183.5%	-423.3%	-265.6%	-889.6%	-49.1%	-37.2%	-45.9%	-18.3%	NA	NA
Average Diluted Shares Count	710	692	684	721	775	922	776	1,095	1,132	1,132	1,132	1,123	1,186	1,186
Dividend/Share	1.95	1.95	0.50	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout Ratio	45.7%	44.3%					-6.9%					0.0%	0.0%	0.0%

Source: Company Reports and J.P. Morgan estimates.

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Figure 13: Carnival Corp. & Plc. – Balance Sheet and Free Cash Flow

\$ in millions

Balance Sheet	2018	2019	1Q20	2Q20	3Q20	4Q20	2020E	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Cash	982	518	1,354	6,881	8,176	9,513	9,513	11,514	9,191	7,779	6,797	6,797	6,506	8,601
Trade & Other receivables, net	358	444	405	604	376	273	273	250	300	300	300	300	610	733
Inventories	450	427	440	362	349	335	335	312	226	254	282	282	446	475
Prepaid expenses and other current assets / deris	436	671	687	374	367	443	443	382	361	361	361	361	458	487
Current Assets	2,226	2,060	2,886	8,221	9,268	10,564	10,564	12,458	10,077	8,693	7,739	7,739	8,020	10,297
PP&E, net	35,336	38,131	38,023	37,139	36,926	38,073	38,073	39,583	39,912	40,658	40,676	40,676	44,324	44,800
Operating Lease right-of-use assets			1,469	1,413	1,379	1,370	1,370	1,354	1,354	1,354	1,354	1,354	1,354	1,354
Other long-term assets	1,914	1,955	1,216	1,086	1,252	1,594	1,594	1,821	1,821	1,821	1,821	1,821	1,821	1,821
Goodwill and tradenames	2,925	2,912	3,349	1,958	1,993	1,993	1,993	2,009	2,009	2,009	2,009	2,009	2,009	2,009
<b>Total Assets</b>	<b>42,401</b>	<b>45,058</b>	<b>46,943</b>	<b>49,817</b>	<b>50,818</b>	<b>53,594</b>	<b>53,594</b>	<b>57,225</b>	<b>55,173</b>	<b>54,536</b>	<b>53,599</b>	<b>53,599</b>	<b>57,528</b>	<b>60,280</b>
Accounts Payable & Accrued Expenses	2,384	2,565	2,658	3,152	1,890	1,768	1,768	1,841	1,693	1,693	1,693	1,693	2,090	2,225
Other Liabilities			168	153	150	151	151	142	142	142	142	142	142	142
Customer Deposits	4,395	4,735	4,690	2,618	2,150	1,940	1,940	1,826	1,976	2,674	3,268	3,268	4,461	5,314
Current Liabilities ex LTD	6,779	7,300	7,516	5,923	4,190	3,859	3,859	3,809	3,811	4,509	5,103	5,103	6,694	7,681
Long term debt (incl short term borrowing)	10,323	11,502	12,938	20,805	24,911	26,956	26,956	31,320	30,920	31,136	30,836	30,836	32,390	32,694
Other long-term liabilities	856	890	2,199	2,248	2,214	2,222	2,222	2,273	2,529	2,536	2,543	2,543	2,363	702
Other Liabilities	11,179	12,392	15,137	23,053	27,125	29,178	29,178	33,593	33,449	33,672	33,379	33,379	34,753	33,396
Other														
Total Shareholders' Equity (Deficit)	24,443	25,366	24,290	20,841	19,503	20,557	20,557	19,813	17,913	16,355	15,117	15,117	16,081	19,203
<b>Total Liabilities and Shareholders' Equity</b>	<b>42,401</b>	<b>45,058</b>	<b>46,943</b>	<b>49,817</b>	<b>50,818</b>	<b>53,594</b>	<b>53,594</b>	<b>57,215</b>	<b>55,173</b>	<b>54,536</b>	<b>53,599</b>	<b>53,599</b>	<b>57,528</b>	<b>60,280</b>
<b>Capex Model</b>														
New Ship Spend, net of Process Payments	1,809	3,389	823	0	0	1,368	2,191	1,384		716		2,100	3,400	1,900
New Ship Equity payments			200	200	81	223	704	275	275	275		1,100	1,292	1,373
Maintenance and Other CAPEX			303	150	150	130	733	715	300	300		1,015	1,508	1,527
<b>Total Capex</b>	<b>3,749</b>	<b>5,429</b>	<b>1,326</b>	<b>342</b>	<b>231</b>	<b>1,721</b>	<b>3,620</b>	<b>1,774</b>	<b>575</b>	<b>1,291</b>	<b>575</b>	<b>4,215</b>	<b>6,200</b>	<b>4,800</b>
<b>Balance Sheet Summary</b>														
Cash & Cash Equivalents	982	518	1,354	6,881	8,176	9,513	9,513	11,514	9,191	7,779	6,797	6,797	6,506	8,601
Total Long-Term Debt	10,323	11,502	12,938	20,805	24,911	26,956	26,956	31,320	30,920	31,136	30,836	30,836	32,390	32,694
<b>Net Debt</b>	<b>9,341</b>	<b>10,984</b>	<b>11,584</b>	<b>13,924</b>	<b>16,735</b>	<b>17,443</b>	<b>17,443</b>	<b>19,806</b>	<b>21,729</b>	<b>23,357</b>	<b>24,039</b>	<b>24,039</b>	<b>25,884</b>	<b>24,093</b>
change in net debt	541	1,643	600	2,340	2,811	708	6,459	2,363	1,923	1,628	682	6,596	1,845	(1,792)
Equity	24,443	25,366	24,290	20,841	19,503	20,557	20,557	19,813	17,913	16,355	15,117	15,117	16,081	19,203

Free Cash Flow Model	2018	2019	1Q20	2Q20	3Q20	4Q20	2020E	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Quarter Ended	11/30/18	11/30/19	02/28/20	05/31/20	08/31/20	11/30/20	11/29/20	02/28/21	05/31/21	08/31/21	11/30/21	11/29/21	11/29/22	11/29/23
Net Income	3,134	2,990	(781)	(4,374)	(2,860)	(2,222)	(10,237)	(1,973)	(1,900)	(1,559)	(1,237)	(6,669)	964	3,122
Add: Depreciation & Amortization	2,017	2,160	570	577	551	543	2,241	552	539	545	557	2,193	2,277	2,522
Add: SBC	65	46	20	18	14	53	105	40	9	7	7	63	95	142
Working Capital changes, ex. Customer Deposits	(175)	(335)	154	928	(1,243)	(322)	(483)	(219)	(90)	(28)	(28)	(366)	(174)	(47)
Increase/(Decrease) in Customer Deposits	539	387	(36)	(1,951)	(552)	(164)	(2,703)	(49)	150	698	594	1,393	1,193	853
Other Operating (non-cash adjustments, Equity Income)	(31)	227	989	2,082	1,245	460	4,776	146	0	0	0	146	0	0
<b>Equals Operating Cash Flow</b>	<b>5,549</b>	<b>5,475</b>	<b>916</b>	<b>(2,720)</b>	<b>(2,845)</b>	<b>(1,652)</b>	<b>(6,301)</b>	<b>(1,503)</b>	<b>(1,292)</b>	<b>(337)</b>	<b>(107)</b>	<b>(3,239)</b>	<b>4,355</b>	<b>6,592</b>
Less: Maintenance Capex + Process Payments	(1,900)	(2,000)	(503)	(350)	(231)	(353)	(1,437)	(390)	(575)	(575)	(575)	(2,115)	(2,800)	(2,900)
<b>Equals Discretionary FCF</b>	<b>3,649</b>	<b>3,475</b>	<b>413</b>	<b>(3,070)</b>	<b>(3,076)</b>	<b>(2,005)</b>	<b>(7,738)</b>	<b>(1,893)</b>	<b>(1,867)</b>	<b>(912)</b>	<b>(682)</b>	<b>(5,354)</b>	<b>1,555</b>	<b>3,692</b>
Less: New Ship Capex, net of process payments	(1,849)	(3,429)	(823)	0	0	(1,368)	(2,191)	(1,384)	0	(716)	0	(2,100)	(3,400)	(1,900)
Less: Dividends	(1,380)	(1,384)	(341)	(348)	0	0	(689)	0	0	0	0	0	0	0
Less: Share Repurchases / issuance	(1,468)	(603)	0	558		2,463	3,021	1,015	0	0	0	1,015	0	0
Less: Acquisitions/Ship Sales	389		226	10		98	334							
Debt Issuance/Amortization/Pay Down, net			1,436	7,867	4,106	2,635	16,044	4,364	(400)	216	(300)	3,880	1,554	304
Other Investing/Finance cash flows	118	298	(73)	511	265	(323)	380	(101)	(56)					
<b>Net Change to Cash</b>	<b>(541)</b>	<b>(1,643)</b>	<b>838</b>	<b>5,528</b>	<b>1,295</b>	<b>1,500</b>	<b>9,161</b>	<b>2,001</b>	<b>(2,323)</b>	<b>(1,412)</b>	<b>(982)</b>	<b>(2,716)</b>	<b>(291)</b>	<b>2,096</b>
<b>Credit Ratios:</b>														
EBITDA/Interest	30.0x	29.8x	27.6x	1.5x	-6.5x	-7.6x	-7.6x	-5.8x	-5.1x	-4.4x	-1.8x	-1.8x	3.1x	4.8x
Gross Debt/EBITDA (TTM)	1.9x	2.1x	2.5x	44.6x	-6.6x	-4.1x	-4.1x	-2.8x	-3.0x	-3.4x	-10.9x	-10.9x	6.8x	4.6x
Net Debt/EBITDA (TTM)	1.7x	2.0x	2.3x	29.9x	-4.5x	-2.6x	-2.6x	-1.8x	-2.1x	-2.5x	-8.5x	-8.5x	5.4x	3.4x

Source: Company Reports and J.P. Morgan estimates.

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Figure 14: Carnival Corp. & Plc. - Revenue Drivers

\$ in millions

REVENUE DRIVERS	2018	2019	1Q20	2Q20	3Q20	4Q20	2020E	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Quarter Ended	11/30/18	11/30/19	02/28/20	05/31/20	08/31/20	11/30/20	11/29/20	02/28/21	05/31/21	08/31/21	11/30/21	11/29/21	11/29/22	11/29/23
<b>Cruise Operating Statistics</b>														
Available Lower Berth Days (ALBD)	83.9	87.4	21.98	3.62					0.45	4.04	13.78	18.27	88.7	93.7
yoy % change	1.9%	4.2%	3.2%	-83.3%										5.7%
memo: pre-COVID forecasts			22.58	22.94				23.69	23.69	23.69	23.69	94.76	102.84	
memo: % of pre-COVID								2.1%	18.4%	62.7%				
Occupancy	106.9%	106.8%	104.3%	96.1%					60.0%	65.0%	75.0%	72.4%	95.0%	105%
yoy change (bps)	1.0%	-0.1%	-0.5%	-9.2%					-36.1%	65.0%	75.0%		22.6%	10.0%
Passenger Cruise Days (PCD)	89.7	93.4	22.9	3.5					0.3	2.6	10.3	13.2	84.3	98.4
yoy % change	2.8%	4.2%	2.7%	-84.7%									536.9%	16.8%
<b>Cruise Revenues</b>														
Passenger Ticket	13,930	14,104	3,234	446	0	4	3,684	3	39	458	1,448	1,948	13,487	16,223
yoy % change	7.6%	1.2%	1.1%	-86.3%	-100.0%	-99.9%	-73.9%					-47.1%	592.2%	20.3%
Passenger Ticket per PCD (in \$)	155.3	151.0	141.1	128.2					142.9	174.3	140.2	147.2	160.0	164.8
yoy % change	4.6%	-2.8%	-1.6%	-10.3%					0.0%	0.0%	0.0%		8.7%	3.0%
memo: % of 2019												97.5%	106.0%	109.2%
Onboard & Other (adjusted to exclude accounting change)	4,679	6,331	1,504	270	31	29	1,834	23	18	190	694	925	5,940	7,110
yoy % change	8.1%	35.3%	4.0%	-82.1%	-98.3%	-98.1%	-71.0%					-49.6%	542.1%	19.7%
Onboard & Other per PCD (in \$)	52.2	67.8	65.6	77.6					66.3	72.2	67.2	69.9	70.5	72.2
yoy % change	5.1%		1.3%	17.1%					0.0%	0.0%	0.0%		0.8%	2.5%
memo: % of 2019													104.0%	106.6%
<b>Gross Cruise Revenues</b>	<b>18,609</b>	<b>20,435</b>	<b>4,738</b>	<b>716</b>	<b>31</b>	<b>33</b>	<b>5,518</b>	<b>26</b>	<b>57</b>	<b>648</b>	<b>2,143</b>	<b>2,873</b>	<b>19,427</b>	<b>23,334</b>
yoy % change	7.7%	9.8%	2.0%	-85.0%	-99.5%	-99.3%	-73.0%							20.1%
Other (Tour)	272	391	52	24	0	0	76	0	0	10	21	31	299	391
yoy % change	15.7%	43.8%	79.3%	-66.2%			-80.6%					-58.6%	851.5%	30.7%
<b>Total Revenues</b>	<b>18,881</b>	<b>20,826</b>	<b>4,790</b>	<b>740</b>	<b>31</b>	<b>33</b>	<b>5,594</b>	<b>26</b>	<b>57</b>	<b>658</b>	<b>2,164</b>	<b>2,905</b>	<b>19,726</b>	<b>23,725</b>
yoy % change	7.8%	10.3%	2.5%	-84.7%	-99.5%	-99.3%	-73.1%							20.3%
Less: Commissions, Transportation & Other	2,590	2,720	766	297	34	42	1,139	15	7	82	272	376	2,601	3,129
yoy % change	9.8%	5.0%	8.0%	-51.5%	-95.8%	-92.9%	-58.1%	-98.0%	NM	NM	NM	-67.0%	591.3%	20.3%
% of Passenger Ticket Revenues	18.6%	19.3%	23.7%	66.6%			30.9%		18.8%	17.9%	18.8%	19.3%	19.3%	19.3%
Less: Onboard & Other (adjusted to exclude accounting chg)	638	2,101	471	114	9	11	605	7	6	68	220	301	1,971	2,360
yoy % change	8.7%	229.3%	0.9%	-76.5%	-98.7%	-97.7%	-71.2%	-98.5%	NM	NM	NM	-50.3%	555.2%	19.7%
% of Onboard & Other Revenues	13.6%	33.2%	31.3%	42.2%	29.0%	37.9%	33.0%	30.4%	32.1%	36.0%	31.6%	32.5%	33.2%	33.2%
<b>Net Cruise Revenues</b>	<b>15,381</b>	<b>15,614</b>	<b>3,501</b>	<b>305</b>	<b>(12)</b>	<b>(20.0)</b>	<b>3,774</b>	<b>4</b>	<b>44</b>	<b>497</b>	<b>1,651</b>	<b>2,196</b>	<b>14,855</b>	<b>17,845</b>
yoy % change	7.3%	1.5%	-0.9%	-91.7%	-100.2%	-100.6%	-75.8%					-41.8%		20.1%
Net Yield = Net Cruise Rev. per ALBD (in \$)	183.38	178.60	159.30					NM	96.59	123.03	119.84	NM	167.45	190.38
yoy % change	5.3%	-2.6%	-2.2%											13.7%
<b>Net Cruise Revenues (Constant CCY)</b>	<b>15,154</b>	<b>15,996</b>	<b>3,537</b>					<b>4</b>	<b>44</b>	<b>497</b>	<b>1,651</b>	<b>2,196</b>	<b>14,855</b>	<b>17,845</b>
yoy % change	5.8%	4.0%	2.0%											20.1%
<b>Net Yield = Net Cruise Rev. per ALBD (Constant CCY)</b>	<b>180.68</b>	<b>182.97</b>	<b>160.94</b>					<b>NA</b>	<b>96.59</b>	<b>123.03</b>	<b>119.84</b>	<b>NA</b>	<b>167.45</b>	<b>190.38</b>
yoy % change	3.8%	-0.2%	-1.2%											13.7%
2-year % change	8.3%	3.6%	-0.6%											
% of 2019 (Pre-COVID peak)									57.0%	57.5%	72.1%		93.8%	106.6%

Source: Company Reports and J.P. Morgan estimates.

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Figure 15: Carnival Corp. & Plc. - Expense Drivers

\$ in millions

EXPENSE DRIVERS	2018	2019	1Q20	2Q20	3Q20	4Q20	2020E	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Quarter Ended	11/30/18	11/30/19	02/28/20	05/31/20	08/31/20	11/30/20	11/29/20	02/28/21	05/31/21	08/31/21	11/30/21	11/29/21	11/29/22	11/29/23
<b>Cruise Expenses</b>														
Payroll & Related	2,190	2,249	610	705	248	217	1,780	218	218	268	439	1,143	2,191	2,361
yoy % change	3.9%	2.7%	9.5%	24.6%	-54.7%	-62.5%	-20.9%	-64.3%				-35.8%	91.7%	7.8%
Payroll & Related per ALBD (in \$)	26.1	25.7	27.8						23.5	22.9	26.6		24.7	25.2
yoy % change	2.0%	-1.5%	6.1%						-10.0%	-5.0%	0.0%		-4.0%	2.0%
Food	1,065	1,083	277	108	19	9	413	11	26	65	174	276	1,055	1,137
yoy % change	3.3%	1.7%	3.4%	-59.9%	-93.3%	-96.6%	-61.9%	-96.0%				-33.3%	282.9%	7.8%
Food per ALBD (in \$)	12.7	12.4	12.6						11.2	11.9	12.0		11.9	12.1
yoy % change	1.4%	-2.4%	0.2%						-10.0%	-5.0%	0.0%		-4.0%	2.0%
Fuel	1,619	1,563	396	201	121	105	823	103	105	78	280	566	1,744	1,797
Fuel Consumption (Metric Tons)	3.30	3.31	0.83	0.48			1.3130			0.15	0.52		3.26	3.36
yoy % change	0.3%	0.5%	0.1%	-42.3%			-60.4%							3.0%
Fuel Consumption (Metric Tons) / ALBD		0.038	0.04	0.13						0.04	0.04		0.037	0.036
yoy % change			-3.0%	245.1%						0.0%	0.0%		-3.0%	-2.5%
Fuel Price (\$ per Metric Ton)	491	472	477	418						535	535		535	535
yoy % change	29.7%	-4.0%	3.9%	-17.6%										0.0%
Other Ship Operating	2,819	2,841	780	464	201	165	1,610	174	175	250	504	1,103	2,768	2,953
yoy % change	4.0%	0.8%	7.7%	-36.9%	-70.6%	-76.4%	-43.3%	-77.7%				-31.5%	150.8%	6.7%
Other Ship Operating per ALBD (in \$)	33.6	32.5	35.5						30.6	28.6	32.1		31.2	31.5
yoy % change	2.1%	-3.3%	4.4%						-10.0%	-5.0%	0.0%		-4.0%	1.0%
Selling & Administrative	2,439	2,480	652	492	265	443	1,852	462	466	470	554	1,951	2,416	2,578
yoy % change	8.4%	1.7%	3.7%	-20.8%	-52.9%	-33.6%	-25.3%	-29.1%				5.4%	23.8%	6.7%
<b>Net Cruise Costs</b>	<b>10,132</b>	<b>10,216</b>	<b>2,715</b>	<b>1,970</b>	<b>854</b>	<b>939.0</b>	<b>6,478</b>	<b>968</b>	<b>990</b>	<b>1,131</b>	<b>1,949.6</b>	<b>5,039</b>	<b>10,174</b>	<b>10,827</b>
yoy % change	8.5%	0.8%	6.1%	-24.6%	-65.6%	-63.4%	-36.6%	NM	NM	NM	NM		101.9%	6.4%
<b>Net Cruise Costs per ALBD (in \$)</b>	<b>120.80</b>	<b>116.86</b>	<b>123.54</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>141.50</b>		<b>114.68</b>	<b>115.50</b>
yoy % change	6.4%	-3.3%	2.8%	NA	NA	NA		NM	NM	NM	NM			0.7%
<b>Net Cruise Costs Ex Fuel per ALBD (in \$)</b>	<b>101.50</b>	<b>98.98</b>	<b>105.52</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>121.21</b>		<b>95.02</b>	<b>96.33</b>
yoy % change	3.2%	-2.5%	3.2%	NA	NA	NA		NM	NM	NM	NM			1.4%
<b>Net Cruise Costs Ex Fuel (Constant CCY)</b>	<b>8,387</b>	<b>8,858</b>	<b>2,340</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1,670</b>		<b>8,429</b>	<b>9,030</b>
yoy % change	3.6%	4.1%	7.4%	NA	NA	NA		NM	NM	NM	NM		88.5%	7.1%
<b>Net Cruise Costs Ex Fuel per ALBD (Constant CCY)</b>	<b>100.00</b>	<b>101.32</b>	<b>106.47</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>		<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>121.21</b>		<b>95.02</b>	<b>96.33</b>
yoy % change	1.6%	-0.2%	4.1%	NA	NA	NA		NM	NM	NM	NM			1.4%

Source: Company reports and J.P. Morgan estimates.



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## Royal Caribbean Cruises

### Overweight

Company Data	
Shares O/S (mn)	210
52-week range (\$)	99.24-45.06
Market cap (\$ mn)	18,551.70
Exchange rate	1.00
Free float(%)	84.8%
3M - Avg daily vol (mn)	3.86
3M - Avg daily val (\$ mn)	338.1
Volatility (90 Day)	49
Index	S&P 500
BBG BUY HOLD SELL	7 6 4

#### Royal Caribbean Cruises (RCL;RCL US)

Year-end Dec (\$)	FY18A	FY19A	FY20A	FY21E (Prev)	FY21E (Curr)	FY22E (Prev)	FY22E (Curr)
Revenue (\$ mn)	9,494	10,951	2,209	2,883	2,570	10,614	11,193
Gross margin	-	-	-	-	-	-	-
Adj. EBIT (\$ mn)	1,895	2,083	(3,035)	(2,131)	(2,371)	1,331	1,596
Adj. EBITDA (\$ mn)	2,928	3,329	(1,756)	(855)	(1,095)	2,749	3,014
Adj. EPS (\$)	8.86	9.54	(18.31)	(13.00)	(13.88)	1.50	2.65
BBG EPS (\$)	8.85	9.54	(18.70)	-	(13.26)	-	1.88
Reported EPS (\$)	8.56	8.95	(27.05)	(13.21)	(14.10)	1.50	2.65
Dividend yield	2.9%	3.3%	0.9%	0.0%	0.0%	0.0%	0.0%
Adj. P/E	10.0	9.3	NM	NM	NM	59.0	33.3
EV/EBITDA	10.0	8.9	NM	NM	NM	13.0	11.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

### Investment Thesis, Valuation and Risks

#### Royal Caribbean Cruises (Overweight; Price Target: \$123.00)

##### Investment Thesis

We remain positive on the industry overall as we believe the recent restart is just the beginning of a number of positive restart related catalysts over the near term, and longer term, we believe the pricing power of this industry (during periods of strong/pent-up) demand is underappreciated.

Of the big three, our top pick remains RCL for its best-in-class management, brands, hardware, and operational excellence. It will benefit from past differentiating investments like its Perfect Day private island in the Caribbean, as well as its earlier-than-peer capacity ramp, and industry-leading consumer data capabilities. Based on all the above, we expect RCL pricing to rebound faster coming out of COVID-19, and are willing to pay the modest relative premium versus peers.

With RCL shares recently underperforming, (down 6% MTD and -17% YTD vs. CCL) along with broader recovery-trade fatigue, we believe RCL shares set up well here.

##### Valuation

At current levels and our latest '23 estimates, shares trade at a relatively undemanding 8.5x EV/EBITDA, compared to its 30-year average of 10.5x. Our 2021 year-end PT moves up to \$123 (from \$112) on higher estimates and 11.0x 2023E EV/EBITDA multiple, discounted back one year at 10%. Our PT implies shares can trade at 16.0x 2023 P/E, compared to its long term average of 14.5x.

Figure 16: RCL Price Target Methodology and Valuation Table

\$ in millions

		2023E		
RCL Consolidated EBITDA	4,433	4,433	4,433	4,433
x Assigned Multiple	10.0x	11.00x	12.0x	
<b>Equals Enterprise Value</b>	<b>\$44,330</b>	<b>\$48,763</b>	<b>\$53,196</b>	
Less: 2022 Net Debt	16,233	16,233	16,233	
Add: Convertible debt	1,725	1,725	1,725	
Equals: Equity Value, Pre-JV	29,821	34,254	38,687	
Add: Net value for Tui JV	2,483	2,739	2,996	
Equals: Equity Value	32,304	36,994	41,683	
Fully diluted share count	274.4	274.4	274.4	
Discounted back 1 year at 10%				
<b>Equals: Fair Value</b>	<b>\$107</b>	<b>\$123</b>	<b>\$138</b>	
Current price	\$88.32	\$88.32	\$88.32	
<b>Appreciation Potential</b>	21%	39%	56%	
Implied 2023E P/E	40.4x	16.0x	52.1x	

Year	EPS	EPS Growth	P/E Multiple	CAGR (3 yr)	LT Avg. P/E
2023E	7.68	NA	11.5x	NA	14.0x
2022E	2.65	NA	33.3x	NA	
2021E	(13.88)	NA	-6.4x	NA	

Year	Shares	Mkt Cap	Net Debt	Adj	Adj EV	EBITDA	Adj EBITDA	EV/EBITDA
2023E	274.39	24,234	16,233	(350)	40,117	4,433	4,716	8.5x
2022E	274.39	24,234	17,172	(350)	41,056	3,014	3,271	12.6x
2021E	249.36	22,023	17,220	(350)	38,893	-1,095	-1,281	-30.4x

Source: J.P. Morgan estimates

### Risks to Rating and Price Target

Potential downside risks to our rating and price target include 1) operations could stay suspended for longer than we assumed, and RCL could run low on cash in the interim; 2) greater than expected long-term damage to cruise demand from COVID-19; 3) overcapacity in the cruise industry stemming from shortage of demand; and 4) regulatory and generic investment risks such as a weakening economy or unfavorable legislative changes both domestically and internationally.

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17 June 2021

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RCL Model

Figure 17: Royal Caribbean Cruises, Ltd. - EPS Model

\$ in millions (except per share values)

	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
<b>Revenues</b>															
Passenger Ticket	6,313	6,793	7,857	1,377	107	3	17	1,505	21	54	659	1,104	1,838	8,009	9,900
Onboard & Other	2,465	2,701	3,094	666	69	(37)	17	704	21	21	237	453	732	3,184	3,898
<b>Gross Revenues</b>	<b>8,778</b>	<b>9,494</b>	<b>10,951</b>	<b>2,033</b>	<b>176</b>	<b>(34)</b>	<b>34</b>	<b>2,209</b>	<b>42</b>	<b>75</b>	<b>895</b>	<b>1,558</b>	<b>2,570</b>	<b>11,193</b>	<b>13,797</b>
yoy % change	3.3%	8.2%	15.3%	-16.7%	-93.7%	-101.1%	-98.6%	-79.8%					16.3%	335.5%	23.3%
Less: Commissions, Transportation & Other	1,363	1,434	1,656	317	29	(3)	2	345	3	11	137	233	385	1,688	2,087
Less: Onboard & Other	496	537	640	124	22	6	6	157	4	5	56	80	146	658	806
<b>Net Revenues</b>	<b>6,919</b>	<b>7,523</b>	<b>8,655</b>	<b>1,592</b>	<b>125</b>	<b>(36)</b>	<b>26</b>	<b>1,707</b>	<b>35</b>	<b>59</b>	<b>702</b>	<b>1,244</b>	<b>2,039</b>	<b>8,846</b>	<b>10,904</b>
yoy % change	4.0%	8.7%	15.0%	-18.0%	-94.3%	-101.5%	-98.7%	-80.3%					19.5%	333.6%	23.3%
<b>Expenses</b>															
Payroll & Related	853	925	1,079	330	244	119	95	788	97	104	172	243	615	1,190	1,322
Food	493	521	584	121	27	6	7	162	8	37	82	127	254	650	722
Fuel	681	711	698	194	79	54	44	371	42	60	88	162	352	866	941
Other Operating	1,011	1,135	1,406	424	279	127	112	942	129	122	206	321	778	1,523	1,691
Marketing, Selling & Administrative	1,186	1,303	1,559	396	301	247	256	1,200	258	270	269	339	1,135	1,602	1,796
<b>Net Cruise Costs</b>	<b>4,224</b>	<b>4,594</b>	<b>5,326</b>	<b>1,466</b>	<b>931</b>	<b>553</b>	<b>513</b>	<b>3,463</b>	<b>534</b>	<b>592</b>	<b>817</b>	<b>1,191</b>	<b>3,134</b>	<b>5,832</b>	<b>6,471</b>
yoy % change	-1.1%	8.8%	15.9%	10.2%	-29.4%	-57.0%	-63.1%	-35.0%					-9.5%	86.1%	11.0%
<b>EBITDA</b>	<b>2,695</b>	<b>2,928</b>	<b>3,329</b>	<b>126</b>	<b>(806)</b>	<b>(589)</b>	<b>(487)</b>	<b>(1,756)</b>	<b>(500)</b>	<b>(533)</b>	<b>(115)</b>	<b>53</b>	<b>(1,095)</b>	<b>3,014</b>	<b>4,433</b>
yoy % change	13.2%	8.7%	13.7%	-79.4%				-152.8%					-37.7%	NM	47.1%
Margin	30.7%	30.8%	30.4%	6.2%				-79.5%					-42.6%	26.9%	32.1%
Depreciation & Amortization	951	1,034	1,246	324	320	317	318	1,279	310	320	322	325	1,277	1,419	1,524
yoy % change	6.3%	8.7%	20.5%	11.0%	2.6%	-1.0%	-1.2%	2.7%	-4.4%	0.1%	1.4%	2.1%	-0.2%	11.1%	7.4%
Restructuring Charges/Impairment				1,108	156	90	212	1,566					0		
<b>Operating Income (EBIT)</b>	<b>1,744</b>	<b>1,895</b>	<b>2,083</b>	<b>(1,306)</b>	<b>(1,282)</b>	<b>(996)</b>	<b>(1,017)</b>	<b>(4,602)</b>	<b>(810)</b>	<b>(853)</b>	<b>(437)</b>	<b>(272)</b>	<b>(2,371)</b>	<b>1,596</b>	<b>2,909</b>
yoy % change	18%	9%	10%	-510%				-321%					-48%	NM	82%
Margin	20%	20%	19%	-64%											21%
Interest Expense, Net	(270)	(301)	(382)	(87)	(214)	(254)	(268)	(823)	(268)	(268)	(259)	(261)	(1,055)	(1,019)	(1,007)
Other Income (Expense)	151	222	206	(43)	(136)	(89)	(83)	(350)	(55)	(25)	0	0	(80)	150	206
<b>GAAP Net Income</b>	<b>1,625</b>	<b>1,816</b>	<b>1,908</b>	<b>(1,437)</b>	<b>(1,632)</b>	<b>(1,339)</b>	<b>(1,367)</b>	<b>(5,775)</b>	<b>(1,132)</b>	<b>(1,146)</b>	<b>(696)</b>	<b>(532)</b>	<b>(3,507)</b>	<b>727</b>	<b>2,109</b>
<b>Adjusted Net Income to stockholders</b>	<b>1,625</b>	<b>1,873</b>	<b>2,003</b>	<b>(310)</b>	<b>(1,283)</b>	<b>(1,204)</b>	<b>(1,127)</b>	<b>(3,925)</b>	<b>(1,079)</b>	<b>(1,146)</b>	<b>(696)</b>	<b>(532)</b>	<b>(3,453)</b>	<b>727</b>	<b>2,109</b>
GAAP EPS	7.53	8.58	8.95	(6.91)	(7.83)	(6.29)	(6.09)	(27.11)	(4.66)	(4.56)	(2.77)	(2.12)	(14.10)	2.65	7.68
Nonrecurring Items (per Share)															
<b>Adjusted EPS</b>	<b>7.53</b>	<b>8.88</b>	<b>9.54</b>	<b>(1.48)</b>	<b>(6.13)</b>	<b>(5.62)</b>	<b>(5.02)</b>	<b>(18.25)</b>	<b>(4.44)</b>	<b>(4.56)</b>	<b>(2.77)</b>	<b>(2.12)</b>	<b>(13.88)</b>	<b>2.65</b>	<b>7.68</b>
yoy % change	23.9%	17.8%	7.4%	-212.9%	-341.5%	-231.8%	-454.0%	-291.4%	199.0%	-25.6%	-50.8%	-57.8%	-23.9%	-119.1%	190.1%
Average Basic Share Count	214.6	210.6	209.4	209.1	209.4	214.2	224.6	214.3	243.0	251.5	251.5	251.5	249.4	251.5	251.5
Average Diluted Share Count	215.7	211.5	210.0	209.1	209.4	214.2	224.6	214.3	243.0	251.5	251.5	251.5	249.4	274.4	274.4

Source: Company Reports and JP Morgan

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Figure 18: Royal Caribbean Cruises, Ltd. - Free Cash Flow and Balance Sheet Model

\$ in millions (except per share values)

Balance Sheet	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Cash	120	288	244	3,891	4,147	3,017	3,684	3,684	5,091	4,324	4,383	4,046	4,046	4,953	6,954
Trade & Other receivables, net	319	325	306	221	206	165	284	284	227	223	223	223	223	291	358
Inventories	111	154	162	178	153	142	119	119	119	120	135	172	172	176	195
Prepaid expenses and other current assets / derivs	293	476	451	305	179	207	224	224	212	153	147	157	157	350	388
Current Assets	843	1,242	1,163	4,594	4,684	3,532	4,312	4,312	5,650	4,821	4,888	4,597	4,597	5,769	7,896
PP&E, net	19,735	23,466	25,467	25,817	25,648	25,363	25,247	25,247	25,795	25,943	25,886	26,127	26,127	27,518	29,006
Other long-term assets	1,430	1,612	2,305	2,224	2,165	2,125	2,097	2,097	2,093	2,093	2,093	2,093	2,093	2,093	2,093
Goodwill and tradenames	289	1,378	1,386	809	809	809	809	809	809	809	809	809	809	809	809
Total Assets	22,296	27,698	30,320	33,445	33,307	31,829	32,465	32,465	34,347	33,666	33,677	33,626	33,626	36,189	39,805
Accounts Payable & Accrued Expenses	1,263	1,388	1,642	2,437	1,472	1,333	1,222	1,222	1,113	1,161	1,306	1,306	1,306	1,486	1,667
Other Liabilities	95	153	262	417	384	216	159	159	151	151	151	151	151	151	151
Customer Deposits	2,244	3,149	3,428	2,373	1,806	1,820	1,785	1,785	1,830	2,039	2,565	2,742	2,742	3,489	3,701
Current Liabilities ex LTD	3,602	4,690	5,332	5,227	3,662	3,369	3,166	3,166	3,094	3,351	4,022	4,199	4,199	5,126	5,518
Long term debt	7,539	10,778	11,035	16,029	18,829	18,890	19,329	19,329	20,936	20,936	20,966	21,266	21,266	22,125	23,188
Other long-term liabilities	453	583	1,219	1,380	1,267	1,241	1,209	1,209	1,145	1,354	1,359	1,364	1,364	1,414	1,465
Other Liabilities	7,992	11,361	12,254	17,409	20,096	20,131	20,538	20,538	22,081	22,289	22,325	22,630	22,630	23,539	24,653
Other		542	570	577	585	0	0	0	0	0	0	0	0	0	0
Total Shareholders' Equity (Deficit)	10,702	11,105	12,164	10,232	8,964	8,329	8,761	8,761	9,172	8,026	7,330	6,798	6,798	7,525	9,633
Total Liabilities and Shareholders' Equity	22,296	27,698	30,320	33,445	33,307	31,829	32,465	32,465	34,347	33,666	33,677	33,626	33,626	36,189	39,805
Capex Model															
New Ship Spend, net of Process Payments						0	300	1,020	1,000	0	0	300	1,300	1,760	1,760
Process Payments								0	0	100	100	100	300	300	352
Maintenance CAPEX							92	914	62	165	165	165	557	750	900
Total Capex			3,025	1,253	139	181	392	1,965	1,062	265	265	565	2,157	2,810	3,012
Balance Sheet Summary															
Cash & Cash Equivalents	120	288	244	3,891	4,147	3,017	3,684	3,684	5,091	4,324	4,383	4,046	4,046	4,953	6,954
Total Long-Term Debt	7,539	10,778	11,035	16,029	18,829	18,890	19,329	19,329	20,936	20,936	20,966	21,266	21,266	22,125	23,188
Net Debt	7,419	10,490	10,791	12,138	14,682	15,874	15,645	15,645	15,844	16,612	16,583	17,220	17,220	17,172	16,233
change in net debt	(1,835)	3,071	301	1,347	2,544	1,192	(229)	4,853	200	767	(28)	637	1,576	(48)	(939)
Equity	10,702	11,105	12,164	10,232	8,964	8,329	8,761	8,761	9,172	8,026	7,330	6,798	6,798	7,525	9,633
Free Cash Flow Model	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
GAAP Net Income	1,625	1,816	1,908	(1,437)	(1,632)	(1,339)	(1,367)	(5,775)	(1,132)	(1,146)	(696)	(532)	(3,507)	727	2,109
Add: Depreciation & Amortization	951	1,034	1,246	324	320	317	318	1,279	310	320	322	325	1,277	1,419	1,524
Add: SBC	69	46	76	(7)	16	21	10	40	5	5	5	5	20	50	52
Working Capital changes, ex. Customer Deposits	64	48	165	1,100	(593)	(96)	(98)	313	(260)	110	137	(46)	(60)	(84)	55
Increase/(Decrease) in Customer Deposits	275	386	280	(960)	(663)	14	(35)	(1,644)	96	209	526	177	1,008	747	212
Other Operating (non-cash adjustments, Equity Income)	(109)	149	42	1,179	304	226	347	2,055	171	0	0	0	171	0	0
Equals Operating Cash Flow	2,875	3,479	3,716	199	(2,248)	(857)	(825)	(3,732)	(809)	(502)	293	(72)	(1,090)	2,858	3,951
Less: Maintenance Capex + Process Payments				(533)	(139)	(181)	(92)	(945)	(62)	(265)	(265)	(265)	(857)	(1,050)	(1,252)
Equals Discretionary FCF	2,675	3,079	2,716	(334)	(2,387)	(1,039)	(917)	(4,677)	(871)	(767)	28	(337)	(1,947)	1,808	2,699
Less: ECA-funded (new ship) capex				(720)	0	0	(300)	(1,020)	(1,000)	0	0	(300)	(1,300)	(1,760)	(1,760)
Less: Common Dividends	(440)	(550)	(588)	(163)	(163)	0	0	(326)	0	0	0	0	0	0	0
Less: Acquisitions/Asset Sales	230	(1,619)													
Less: Share Repurchases	(225)	(575)	(100)												
Debt Issuance/Amortization/Pay Down, net				4,971	2,800	62	439	8,271	1,607	0	30	300	1,937	859	1,063
Other Investing/Finance cash flows	(40)	(146)	(305)		(101)	(153)	1,446		1,671				0		
Net Change to Cash	1,835	(3,071)	(301)	3,754	149	(1,130)	668	3,441	1,407	(767)	59	(337)	361	907	2,002
Credit Ratios:															
EBITDA (TTM)	2,695	2,928	3,329	2,844	1,152	(648)	(1,756)	(1,756)	(3,331)	(3,275)	(2,904)	(1,095)	(1,095)	3,014	4,433
Interest (TTM)	270	301	382	378	487	645	823	823	1,613	1,627	1,618	1,055	1,055	1,019	1,007
EBITDA/Interest	10.0x	9.7x	8.7x	7.5x	2.4x	-1.0x	-2.1x	-2.1x	-2.1x	-2.0x	-1.8x	-1.0x	-1.0x	3.0x	4.4x
Net Debt/EBITDA (TTM)	2.8x	3.6x	3.2x	4.3x	12.7x									5.7x	3.7x
Total Debt/EBITDA (TTM)	2.8x	3.7x	3.3x	5.6x	16.3x									7.3x	5.2x

Source: Company Reports and JP Morgan

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Figure 19: Royal Caribbean Cruises, Ltd. - Revenue Drivers

\$ in millions (except per share values)

REVENUE DRIVERS	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Passenger Cruise Days (PCD)	40.0	41.9	44.8	8.5	0.2	0.0	0.0	8.7	0.1	0.3	3.3	6.8	10.6	43.9	52.2
yoy % change	-0.5%	4.5%	7.1%	-19.8%	-98.4%	-100.0%	-99.7%	-80.6%	NM	NM	NM	NM	NM	313.4%	18.9%
Available Passenger Cruise Days (APCD)	36.9	38.4	41.4	8.2	0.2	0.0	0.0	8.5	0.4	0.5	5.1	9.1	15.2	44.8	48.8
yoy % change	-2.4%	4.0%	7.8%	-16.7%	-97.9%	-99.9%	-99.6%	-79.5%	NM	NM	NM	NM	NM	195.1%	8.9%
memo: pre-COVID forecasts				10.16	10.58	11.25	11.29	43.27	11.29	11.29	11.29	11.29	45.14	51.02	108.2%
memo: % of 2019											47.6%	87.7%			
Occupancy	108.4%	108.9%	108.1%	103.0%	84.5%	100.0%	42.9%	82.6%	37.7%	55.0%	65.0%	75.0%	70.0%	98%	107%
bp change	2.0%	0.5%	-0.7%												
Revenues															
Passenger Ticket	6,313.2	6,792.7	7,857.1	1,376.9	107.0	3.2	17.5	1,504.6	20.8	53.9	658.9	1,104.1	1,837.6	8,009.0	9,899.8
yoy % change	2.7%	7.6%	15.7%	-19.5%	-94.7%	-99.9%	-99.0%	-80.9%	-98.5%	NM	NM	NM	NM	335.6%	23.6%
Passenger Ticket per PCD	157.7	162.3	175.4	162.6			513.4	173.3	143.8	178.2	197.7	161.4	173.0	182.4	189.7
yoy % change	3.2%	2.9%	8.1%	0.4%				-1.2%		0.0%	0.0%	0.0%	-1.3%	5.4%	4.0%
memo: % of 2019														104.0%	108.2%
Onboard & Other	2,464.7	2,701.1	3,093.6	655.9	68.6	(36.9)	16.6	704.2	21.2	21.1	236.6	453.5	732.3	3,183.8	3,897.5
yoy % change	5.0%	9.6%	14.5%	-10.1%	-91.3%	-104.4%	-97.7%	-77.2%	-96.8%	NM	NM	NM	NM	334.7%	22.4%
Onboard & Other per PCD	61.6	64.5	69.0	77.5			488.6	81.1	146.1	69.7	71.0	66.3	68.9	72.5	74.7
yoy % change	5.6%	4.8%	7.0%	12.1%				17.5%		0.0%	0.0%	0.0%	-0.1%	5.2%	3.0%
memo: % of 2019														105.0%	108.2%
Total Revenues	8,777.8	9,493.8	10,950.7	2,032.8	175.6	(33.7)	34.1	2,208.8	42.0	74.9	895.5	1,557.6	2,569.9	11,192.8	13,797.3
yoy % change	3.3%	8.2%	15.3%	-16.7%	-93.7%	-101.1%	-98.6%	-79.8%	NM	NM	NM	NM	16.3%	335.5%	23.3%
Less: Commissions, Transportation & Other	1,363.2	1,433.7	1,656.3	317.1	28.8	(3.3)	2.0	344.6	2.9	11.4	137.4	233.4	385.2	1,688.3	2,086.9
yoy % change	1.0%	5.2%	15.5%	-12.7%	-93.2%	-100.7%	-99.5%	-79.2%	-99.1%	NM	NM	NM	NM	338.3%	23.6%
% of Passenger Ticket Revenues	21.6%	21.1%	21.1%	23.0%	26.9%			22.9%	14.1%	21.2%	20.9%	21.1%	21.0%	21.1%	21.1%
Less: Onboard & Other	495.6	537.4	639.8	123.7	21.6	6.0	5.9	157.2	4.5	4.7	56.4	80.1	145.7	658.4	806.0
yoy % change	0.4%	8.4%	19.1%	-8.5%	-87.6%	-97.0%	-95.5%	-75.4%	-96.4%	NM	NM	NM	NM	352.0%	22.4%
% of Onboard & Other Revenues	20.1%	19.9%	20.7%	18.9%	31.5%			22.3%	21.2%	22.1%	23.8%	17.7%	19.9%	20.7%	20.7%
Less: Non-core Pullmantour Revs/Other															
Net Revenues (\$)	6,919.1	7,522.8	8,654.6	1,591.9	125.2	(36.4)	26.3	1,707.0	34.6	58.9	701.7	1,244.0	2,039.1	8,846.0	10,904.3
yoy % change	4.0%	8.7%	15.0%	-18.0%	-94.3%	-101.5%	-98.7%	-80.3%	NM	NM	NM	NM	NM	333.8%	23.3%
Net Yield = Net Rev. per APCD (\$)	187.35	195.78	208.88	193.73	NA	NA	NA	NA	90.01	107.13	136.83	136.37	134.30	197.41	223.55
yoy % change	6.5%	4.5%	6.7%	-1.6%	NA	NA	NA		NM	NM	NM	NM	NM	47.0%	13.2%
Net Revenues (Constant Currency)	6,910.3	7,513.5	8,758.8	1,610.1	127.7	(37.1)	26.8	1,727.5	34.6	58.9	701.7	1,244.0	2,039.1	8,846.0	10,904.3
yoy % change	3.8%	8.6%	16.4%	-17.1%	-94.2%	-101.5%	-98.7%	-80.0%	NM	NM	NM	NM	19.5%	333.8%	23.3%
Net Yield = Net Rev. per APCD (Constant Currency)	187.12	195.54	211.40	195.95	NA	NA	NA	NA	90.01	107.13	136.83	136.37	134.30	197.41	223.55
yoy % change	6.4%	4.4%	8.0%	-0.5%	NA	NA	NA		NM	NM	NM	NM		47.0%	13.2%
% of 2019 (Pre-COVID peak)										50.7%	58.8%	70.5%	64.3%	94.5%	107.0%

Source: Company Reports and JP Morgan

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Figure 20: Royal Caribbean Cruises, Ltd. - Expense Drivers

\$ in millions (except per share values)

EXPENSE DRIVERS	2017	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
Payroll & Related	853.0	925.0	1,079.1	330.4	243.9	119.2	94.8	788.3	96.6	103.7	172.0	242.5	614.8	1,190.4	1,321.8
yoy % change	-3.4%	8.4%	16.7%	22.6%	-8.2%	-54.8%	-66.1%	-27.0%	-70.8%	NM	NM	NM	-22.0%	93.6%	11.0%
Payroll & Related per APCD (in \$)	23.1	24.1	26.0	40.2				92.9		22.9	22.8	25.6	40.5	26.6	27.1
yoy % change	-1.0%	4.2%	8.2%	47.1%						-10.0%	-7.5%	-5.0%		2.0%	2.0%
Food	492.9	520.9	583.9	121.3	27.5	5.6	7.3	161.8	8.5	37.0	81.8	126.9	254.1	650.5	722.2
yoy % change	1.5%	5.7%	12.1%	-13.1%	-81.3%	-96.2%	-95.1%	-72.3%	-93.0%	NM	NM	NM	57.1%	155.9%	11.0%
Food per APCD (in \$)	13.3	13.6	14.1	14.8				19.1		12.7	12.9	13.5	16.7	14.5	14.8
yoy % change	4.0%	1.6%	4.0%	4.3%						-10.0%	-7.5%	-5.0%		3.0%	2.0%
Other Operating	1,010.9	1,134.6	1,407.8	424.0	280.2	127.9	112.2	944.3	129.8	121.6	206.4	320.6	778.3	1,522.6	1,690.6
yoy % change	-7.3%	12.2%	24.1%	22.5%	-19.8%	-62.7%	-69.6%	-32.9%	-69.4%	NM	NM	NM	-17.6%	95.6%	11.0%
Other Operating per APCD (in \$)	27.4	29.5	34.0	51.6				111.3		30.1	29.5	33.7	51.3	34.0	34.7
yoy % change	-5.0%	7.9%	15.1%	47.0%						-10.0%	-7.5%	-5.0%		0.0%	2.0%
Marketing, Selling & Administrative	1,186.0	1,303.1	1,559.3	395.9	301.4	246.8	255.5	1,199.6	258.0	269.9	268.6	338.7	1,135.2	1,602.0	1,796.3
yoy % change	7.8%	9.9%	19.7%	-4.6%	-20.0%	-30.0%	-38.4%	-23.1%	-34.8%	NM	NM	NM	-5.4%	41.1%	12.1%
Marketing, Selling & Admin. per APCD	32.1	33.0	37.6	48.2				141.4		27.1	27.9	33.9	74.8	35.8	36.8
yoy % change	10.5%	2.9%	13.9%	14.5%						-25.0%	-15.0%	-15.0%		-5.0%	3.0%
Adjustments		(33.8)	(32.5)	-9.7				(9.7)							
Adj Net Cruise Costs Ex Fuel (\$)	3,542.8	3,849.9	4,597.6	1,261.9	852.9	499.6	469.9	3,084.3	493.0	532.1	728.7	1,028.7	2,782.5	4,965.5	5,530.8
yoy % change	-0.5%	8.7%	19.4%	8.0%	-24.3%	-54.9%	-60.7%	-32.9%	-60.9%	-37.6%	45.9%	118.9%	-8.8%	78.5%	11.4%
Adj Net Cruise Costs Ex Fuel Per CD (\$)	95.93	100.19	110.97	153.57	NA	NA	NA	NA	NA	968.59	142.09	112.77	183.25	110.81	113.39
yoy % change	2.0%	4.4%	10.8%	29.5%	NA	NA	NA		NA	NA	NA	NA		-39.5%	2.3%
Adj Net Cruise Costs Ex Fuel (Constant CCY)	3,545.1	3,838.8	4,623.6	1,268.7	861.5	504.6	474.6	3,109.3	493.0	532.1	728.7	1,028.7	2,782.5	4,965.5	5,530.8
yoy % change	-0.4%	8.4%	20.1%	8.5%	-23.5%	-54.4%	-60.3%	-32.4%	-60.9%	-37.6%	45.9%	118.9%	-8.8%	78.5%	11.4%
Adj Net Cruise Costs Ex Fuel Per CD (Constant CCY)	95.99	99.90	111.59	154.40	NA	NA	NA	NA	NA	968.59	142.09	112.77	183.25	110.81	113.39
yoy % change	2.0%	4.1%	11.4%	30.2%	NA	NA	NA		NA	NA	NA	NA		-39.5%	2.3%
Fuel	681.1	710.6	698.0	194.3	79.2	53.8	43.7	371.0	41.8	60.0	88.2	162.1	352.1	866.1	940.6
yoy % change	-4.6%	4.3%	-1.8%	21.3%	-56.5%	-69.7%	-75.5%	-46.8%	-78.5%	NM	NM	NM	-5.1%	146.0%	8.6%
As % of Net Cruise Costs	16.1%	15.6%	13.2%	13.3%	8.5%	9.7%	8.5%	10.7%	7.8%	10.1%	10.8%	13.6%	11.2%	14.9%	14.5%
As % of Net Cruise Revenue	9.8%	9.4%	8.1%	12.2%	63.3%			21.7%		101.9%	12.6%	13.0%	17.3%	9.8%	8.6%
Fuel per APCD (in \$)	18.4	18.5	16.8	23.6							17.2	17.8		19.3	19.3
yoy % change	-2.3%	0.2%	-8.8%	45.5%							NM	NM		NM	-0.2%
Fuel Consumption (Metric Tons)	1,347	1,353	1,495.3	0.344							0.172	0.32		1.577	1.674
yoy % change	-1.5%	0.4%	10.6%	-4.6%							NM	NM		NM	6.1%
Fuel Consumption per APCD	0.04	0.04	0.04	0.04							0.03	0.03		0.04	0.03
yoy % change	1.0%	-3.5%	2.5%	14.4%							-5.0%	-5.0%		-2.5%	-2.5%
Fuel Price (\$ per Metric Ton)	506	525	467	562							512	512		549	562
yoy % change	-3.2%	3.8%	-11.1%	26.6%							NM	NM		16.9%	20.0%
Adj Net Cruise Costs (Constant CCY)	4,226.2	4,549.4	5,321.5	1,463.0	940.7	558.4	518.3	3,480.3	534.8	592.1	816.9	1,190.8	3,134.6	5,831.6	6,471.4
yoy % change	-1.1%	7.7%	16.7%	10.1%	-28.1%	-56.5%	-62.2%	NA	NA	NA	NA	NA	NA	86.0%	11.0%
Adj Net Cruise Costs per APCD (Constant CCY)	114.44	118.40	128.44	178.04	NA	NA	NA	NA	NM	1,077.81	159.28	130.55	206.44	130.14	132.67
yoy % change	1.3%	3.5%	8.2%	32.1%	NA	NA	NA	NA	NA	NA	NA	NA	NA	-37.0%	1.9%

Source: Company Reports and JP Morgan

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## Norwegian Cruise Line

### Overweight

Company Data	
Shares O/S (mn)	224
52-week range (\$)	34.49-12.56
Market cap (\$ mn)	7,054.55
Exchange rate	1.00
Free float(%)	99.0%
3M - Avg daily vol (mn)	19.29
3M - Avg daily val (\$ mn)	571.2
Volatility (90 Day)	61
Index	S&P 500
BBG BUY HOLD SELL	6 8 1

#### Norwegian Cruise Line Holdings (NCLH;NCLH US)

Year-end Dec (\$)	FY18A	FY19A	FY20A	FY21E (Prev)	FY21E (Curr)	FY22E (Prev)	FY22E (Curr)
Revenue (\$ mn)	4,708	4,947	1,280	1,326	907	6,481	7,045
Gross margin	-	-	-	-	-	-	-
Adj. EBIT (\$ mn)	1,219	1,178	(1,876)	(1,675)	(1,843)	673	1,091
Adj. EBITDA (\$ mn)	1,898	1,948	(1,045)	(853)	(1,022)	1,547	1,964
Adj. EPS (\$)	4.93	5.09	(8.45)	(5.64)	(8.31)	0.60	1.51
BBG EPS (\$)	4.87	5.06	(8.46)	-	(6.44)	-	0.27
Reported EPS (\$)	4.25	4.30	(15.76)	(5.93)	(8.60)	0.33	1.25
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj. P/E	6.4	6.2	NM	NM	NM	52.7	20.8
EV/EBITDA	7.0	6.9	NM	NM	NM	11.2	8.7

Source: Company data, Bloomberg, J.P. Morgan estimates.

### Investment Thesis, Valuation and Risks

#### Norwegian Cruise Line Holdings (Overweight; Price Target: \$38.00)

##### Investment Thesis

We remain OW NCLH for its smaller portfolio of high quality cruise brands and hardware, and relatively higher gearing to a broader recovery in leisure travel and cruising at a time when all indications point to a very strong U.S. consumer and significant pent-up demand.

##### Valuation

Our 2021 year-end PT moves to \$38 from \$35, and is based on 10.5x 2023E EV/EBITDA, discounted back one year at 10%, or in line with RCL's historical (~25-year) forward EV/EBITDA average trading multiple of 10.5x. At current levels, NCLH trades at 8.8x our new 2023E EV/EBITDA.

#### NCLH Price Target Methodology

\$ in millions

	2023E		
	2,678	2,678	2,678
EBITDA	2,678	2,678	2,678
x Assigned Multiple	9.50x	10.50x	11.50x
<b>Equals Enterprise Value</b>	<b>\$25,436</b>	<b>\$28,114</b>	<b>\$30,791</b>
Less: 2022 Net Debt	10,557	10,557	10,557
Add: Convertible debt	-1,313	-1,313	-1,313
Equals: Equity Value	16,192	18,870	21,547
Fully Diluted Share count	456.7	456.7	456.7
<b>Equals: Fair Value</b>	<b>\$32</b>	<b>\$38</b>	<b>\$43</b>
Current Price	\$31.45	\$31.45	\$31.45
<b>Appreciation Potential</b>	<b>2%</b>	<b>21%</b>	<b>36%</b>
Implied 2023E P/E	10.8x	12.7x	14.4x

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	Headline	Adj EPS	EPS	P/E	CAGR
Year	Adj EPS	(Ex. SBC add-back)	Growth	Multiple	(3 yr)
2023E	2.98	2.72	NA	10.5x	NA
2022E	1.51	1.25	NA	20.8x	NA
2021E	(6.44)	(6.78)	NA	-4.6x	NA

Year	Shares	Mkt Cap	Net Debt	EV	EBITDA	EV/EBITDA
2023E	457	14,362	9,244	23,606	2,678	8.8x
2022E	457	14,362	8,821	23,183	1,964	11.8x
2021E	360	11,315	8,503	19,819	-1,022	-19.4x

Source: Bloomberg Finance L.P., J.P. Morgan estimates

### Risks to Rating and Price Target

Potential downside risks to our rating and price target include: 1) operations could stay suspended for longer than we assume, and NCLH could run low on cash in the interim; 2) greater than expected long-term damage to cruise demand from COVID-19; 3) overcapacity in the cruise industry stemming from shortage of demand; and 4) regulatory and generic investment risks such as a weakening economy or unfavorable legislative changes both domestically and internationally.



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NCLH Model

Figure 21: Norwegian Cruise Line Holding – EPS Model

\$ in millions

	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
<b>Revenues</b>														
Passenger Ticket	4,259.8	4,517.4	840.8	13.8	4.7	7.8	867.1	0.2	0.0	119.2	503.9	623.3	4,910.5	5,872.7
Onboard & Other	1,795.3	1,945.0	406.1	3.1	1.9	1.8	412.8	2.9	0.0	44.5	236.6	284.0	2,134.6	2,528.3
<b>Gross Revenues</b>	<b>6,055.1</b>	<b>6,462.4</b>	<b>1,246.9</b>	<b>16.9</b>	<b>6.5</b>	<b>9.6</b>	<b>1,279.9</b>	<b>3.1</b>	<b>0.0</b>	<b>163.7</b>	<b>740.5</b>	<b>907.3</b>	<b>7,045.1</b>	<b>8,401.0</b>
yoy % change	12.2%	6.7%	-11.2%	-99.0%	-99.7%	-99.4%	-80.2%					-29.1%	676.4%	19.2%
Less: Commissions, Trans. & Other	998.9	1,120.9	332.4	34.6	4.0	9.7	380.7	9.0	0.0	28.3	131.6	168.9	1,311.4	1,563.8
Less: Onboard & Other	348.7	394.7	75.0	3.2	4.7	2.8	85.7	1.3	0.0	10.5	42.6	54.4	422.4	503.7
<b>Net Revenues</b>	<b>4,707.5</b>	<b>4,946.8</b>	<b>839.5</b>	<b>-20.9</b>	<b>-2.2</b>	<b>-2.9</b>	<b>813.5</b>	<b>-7.2</b>	<b>0.0</b>	<b>124.9</b>	<b>566.3</b>	<b>684.0</b>	<b>5,311.3</b>	<b>6,333.5</b>
yoy % change	12.6%	5.1%	-23.3%	-101.7%	-100.2%	-100.3%	-83.6%					-15.9%	676.4%	19.2%
<b>Cruise Costs and other Opex</b>														
Payroll & Related	881.6	924.2	247.1	128.7	65.6	79.8	521.3	82.1	86.5	92.4	163.7	424.8	1,036.5	1,132.5
Fuel	392.7	409.6	125.0	49.0	48.2	42.5	264.7	42.6	42.0	41.2	76.9	202.7	540.6	564.6
Food	216.0	222.6	49.2	7.0	3.4	5.7	65.4	6.3	10.0	8.0	33.4	57.7	249.7	272.8
Other Operating	539.2	591.3	165.5	79.1	64.2	66.5	375.3	59.5	60.0	72.1	104.0	295.6	663.2	724.7
Marketing, Selling & Administrative	897.9	974.9	270.7	131.4	156.7	186.6	745.3	203.2	211.0	209.5	219.7	843.4	1,005.9	1,109.8
<b>Net Cruise Costs</b>	<b>2,927.4</b>	<b>3,122.6</b>	<b>857.6</b>	<b>395.3</b>	<b>338.0</b>	<b>381.1</b>	<b>1,972.0</b>	<b>393.8</b>	<b>409.5</b>	<b>423.3</b>	<b>597.7</b>	<b>1,824.2</b>	<b>3,495.8</b>	<b>3,804.4</b>
yoy % change	11.6%	6.7%	11.8%	-50.3%	-57.3%	-50.4%	-36.8%	-54.1%	3.6%	25.2%	56.8%	-7.5%	91.6%	8.8%
<b>Reported EBITDA</b>	<b>1,780.1</b>	<b>1,824.3</b>	<b>(18.1)</b>	<b>(416.2)</b>	<b>(340.3)</b>	<b>(384.0)</b>	<b>(1,158.5)</b>	<b>(401.0)</b>	<b>(409.5)</b>	<b>(298.4)</b>	<b>(31.4)</b>	<b>(1,140.2)</b>	<b>1,815.5</b>	<b>2,529.1</b>
yoy % change	14.2%	2.5%	-105.5%	NA	-150.9%	-205.7%	-163.5%	2119.2%	-1.6%	-12.3%	-91.8%	-1.6%	-259.2%	39.3%
Margin	29.4%	28.2%	-1.4%				-90.5%						25.8%	30.1%
Depreciation & Amortization	561.1	646.2	198.2	179.3	177.5	162.9	717.8	170.3	175.6	177.4	179.7	703.0	724.6	776.9
<b>Operating Income (EBIT)</b>	<b>1,219.1</b>	<b>1,178.1</b>	<b>(216.3)</b>	<b>(595.4)</b>	<b>(517.8)</b>	<b>(546.9)</b>	<b>(1,876.3)</b>	<b>(571.3)</b>	<b>(585.1)</b>	<b>(475.8)</b>	<b>(211.1)</b>	<b>(1,843.2)</b>	<b>1,090.8</b>	<b>1,752.2</b>
yoy % change	16.2%	-3.4%	-236.6%	-292.9%	-201.2%	-374.3%	-259.3%	164.2%	-1.7%	-8.1%	-61.4%	-1.8%	-159.2%	60.6%
Margin	25.9%	23.8%	-25.8%				-230.6%						20.5%	27.7%
Interest Expense, Net	(270)	(273)	(69)	(115)	(140)	(159)	(482)	(824)	(150)	(150)	(150)	(1,274)	(550)	(539)
Other Income (Expense)	21	6	6	(14)	(24)	(1)	(34)	27	0	0	0	27	27	27
Impairment Loss			(1,608)				(1,608)					0		
<b>Pretax Income</b>	<b>969</b>	<b>911</b>	<b>(1,887)</b>	<b>(724)</b>	<b>(681)</b>	<b>(707)</b>	<b>(4,000)</b>	<b>(1,368)</b>	<b>(735)</b>	<b>(626)</b>	<b>(361)</b>	<b>(3,090)</b>	<b>568</b>	<b>1,240</b>
Income Taxes	(14.5)	18.9	6.1	9.1	3.8	(31.5)	(12.5)	(1.7)	(0.9)	(0.8)	(0.5)	(3.9)	0.7	1.6
Tax Rate	1.5%	1.6%	0.3%	1.3%	0.6%	0.3%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
<b>GAAP Net Income</b>	<b>955</b>	<b>930</b>	<b>(1,881)</b>	<b>(715)</b>	<b>(677)</b>	<b>(739)</b>	<b>(4,013)</b>	<b>(1,370)</b>	<b>(736)</b>	<b>(627)</b>	<b>(362)</b>	<b>(3,094)</b>	<b>569</b>	<b>1,242</b>
Non-GAAP Adjustments	150	172	1,670	49	39	55	1,813	30	30	30	30	121	121	121
Memo: Stock Comp Expense	116.7	102.0	32.8	22.4	25.9	30.3	111.3	30.3	30.3	30.3	30.3	121.2	121.2	121.2
Memo: Other		30.6					671.3					671.3		
<b>Adjusted Net Income</b>	<b>1,105.0</b>	<b>1,102.0</b>	<b>(211.3)</b>	<b>(666)</b>	<b>(638.7)</b>	<b>(683.8)</b>	<b>(2,199.9)</b>	<b>(668.569)</b>	<b>(706)</b>	<b>(596.3)</b>	<b>(331.3)</b>	<b>(2,301.9)</b>	<b>690.3</b>	<b>1,362.7</b>
<b>GAAP EPS</b>	<b>4.27</b>	<b>4.30</b>	<b>(8.80)</b>	<b>(2.99)</b>	<b>(2.50)</b>	<b>(2.51)</b>	<b>(16.80)</b>	<b>(4.16)</b>	<b>(1.99)</b>	<b>(1.69)</b>	<b>(0.98)</b>	<b>(8.82)</b>	<b>1.25</b>	<b>2.72</b>
yoy % change		0.8%					-490.5%					-47.5%	-114.1%	118.2%
<b>Adjusted EPS</b>	<b>4.94</b>	<b>5.10</b>	<b>(0.99)</b>	<b>(2.78)</b>	<b>(2.35)</b>	<b>(2.33)</b>	<b>(8.45)</b>	<b>(2.03)</b>	<b>(1.91)</b>	<b>(1.61)</b>	<b>(0.90)</b>	<b>(6.44)</b>	<b>1.51</b>	<b>2.98</b>
yoy % change	24.9%	3.2%	-219.1%	-313.9%	-205.3%	-418.9%	-265.9%	105.2%	-31.5%	-31.5%	-61.5%	-23.7%	-154.3%	97.4%
<b>EPS excluding Stock Comp Add Back</b>	<b>4.42</b>	<b>4.66</b>	<b>(1.14)</b>	<b>(2.88)</b>	<b>(2.45)</b>	<b>(2.43)</b>	<b>(8.90)</b>	<b>(2.12)</b>	<b>(1.99)</b>	<b>(1.69)</b>	<b>(0.98)</b>	<b>(6.78)</b>	<b>1.25</b>	<b>2.72</b>
yoy % change	23.6%	5.4%					-291.1%					-23.8%	-118.4%	118.2%
Average Basic Share Count	223	215	214	239	271	294	255	329	370	370	370	360	370	370
Average Diluted Shares Count	224	216	214	239	271	294	255	329	370	370	370	360	457	457
<b>Adjusted EBITDA Math:</b>	<b>2018</b>	<b>2019</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>	<b>2020</b>	<b>1Q21</b>	<b>2Q21E</b>	<b>3Q21E</b>	<b>4Q21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
GAAP Net Income	955	930	-1,881	-715	-677	-739	-4,013	-1,370	-736	-627	-362	-3,094	569	1,242
Plus: Interest Expense, net	270	273	69	115	140	159	482	824	150	150	150	1,274	550	539
Plus: Income Tax Expense	14	-19	(6)	(9)	(4)	32	13	2	1	1	0	4	(1)	(2)
Plus: Depreciation & Amortization	561	646	198	179	177	163	718	170	176	177	180	703	725	777
Plus/Less Other (income) expense and adjustments	97	118	1,635	37	50	32	1,755	0	30	30	30	91	121	121
<b>Adjusted EBITDA</b>	<b>1,898</b>	<b>1,948</b>	<b>15</b>	<b>-393</b>	<b>-314</b>	<b>-353</b>	<b>-1,045</b>	<b>-373</b>	<b>-379</b>	<b>-268</b>	<b>-1</b>	<b>-1,022</b>	<b>1,964</b>	<b>2,678</b>
yoy % change	14.1%	2.7%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-292.2%	36.3%
Margin	31.3%	30.1%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	27.9%	31.9%

Source: Company reports and J.P. Morgan estimates.

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Figure 22: Norwegian Cruise Line Holding – Balance Sheet Model, Free Cash Flow

\$ in millions

	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
<b>Balance Sheet</b>														
Cash	164	253	1,360	2,260	2,356	3,300	3,300	3,508	3,034	2,711	2,598	2,598	2,507	2,786
A/R - Net	55	75	96	74	78	21	21	19	20	23	17	17	73	87
Inventories	90	95	86	82	81	82	82	85	95	105	60	60	115	125
Prepaid expenses and other current assets	241	307	154	334	137	154	154	168	158	160	91	91	192	266
Current Assets	550	730	1,696	2,751	2,652	3,558	3,558	3,779	3,307	2,999	2,766	2,766	2,887	3,264
PP&E, net	12,119	13,135	13,568	13,489	13,453	13,411	13,411	13,401	13,331	13,338	13,343	13,343	14,595	16,595
Other long-term assets	330	613	600	690	697	832	832	1,194	1,194	1,194	1,194	1,194	1,194	1,194
Goodwill and tradenames	2,206	2,206	599	599	599	599	599	599	599	599	599	599	599	599
Total Other Assets	14,656	15,954	14,766	14,777	14,750	14,842	14,842	15,194	15,124	15,131	15,137	15,137	16,388	18,388
<b>Total Assets</b>	<b>15,206</b>	<b>16,685</b>	<b>16,463</b>	<b>17,528</b>	<b>17,402</b>	<b>18,399</b>	<b>18,399</b>	<b>18,974</b>	<b>18,430</b>	<b>18,130</b>	<b>17,902</b>	<b>17,902</b>	<b>19,276</b>	<b>21,652</b>
Accounts Payable	160	101	364	485	116	83	83	93	130	131	75	75	96	104
Accrued Expenses and Other NT Liabilities	716	782	762	648	630	596	596	560	560	560	560	560	560	560
Advance ticket sales	1,593	1,955	1,660	1,113	1,116	1,110	1,110	1,120	1,300	1,593	1,753	1,753	2,090	2,296
Current Liabilities ex LTD	2,469	2,838	2,786	2,247	1,862	1,789	1,789	1,773	1,990	2,285	2,388	2,388	2,746	2,960
Total debt	6,492	6,802	8,606	10,349	10,937	11,806	11,806	12,219	12,284	12,349	12,414	12,414	12,641	13,343
Other long-term liabilities	282	529	696	595	515	450	450	605	485	421	357	357	455	552
Other Liabilities	6,774	7,331	9,302	10,945	11,452	12,256	12,256	12,824	12,769	12,770	12,771	12,771	13,095	13,895
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Shareholders' Equity (Deficit)	5,963	6,516	4,375	4,337	4,088	4,354	4,354	4,377	3,672	3,075	2,744	2,744	3,434	4,797
Total Liabilities and Shareholders' Equity	15,206	16,685	16,463	17,528	17,402	18,399	18,399	18,974	18,430	18,130	17,902	17,902	19,276	21,652
<b>Capex Model</b>														
New Ship Spend, net of Process Payments			500	0	0	0	500	0	65	65	65	195	800	1,800
Process Payments			60	50	0	0	110	25	25	25	25	100	800	600
Maintenance and Other CAPEX			50	65	148	73	336	111	75	100	100	386	400	400
Total Capex (Ex-M&A)	1,567	1,637	610	115	148	73	947	136	165	190	190	681	2,000	2,800
<i>Memo: Pre-COVID Capex Outlook</i>							1,400					1,400	2,600	2,600
<b>Balance Sheet Summary</b>														
Cash & Cash Equivalents	164	253	1,360	2,260	2,356	3,300	3,300	3,508	3,034	2,711	2,598	2,598	2,507	2,786
Total Long-Term Debt	6,492	6,802	8,606	10,349	10,937	11,806	11,806	12,219	12,284	12,349	12,414	12,414	12,641	13,343
<b>Net Debt</b>	<b>6,328</b>	<b>6,549</b>	<b>7,246</b>	<b>8,089</b>	<b>8,581</b>	<b>8,506</b>	<b>8,506</b>	<b>8,711</b>	<b>9,250</b>	<b>9,638</b>	<b>9,816</b>	<b>9,816</b>	<b>10,134</b>	<b>10,557</b>
<i>Change</i>	<i>197</i>	<i>221</i>	<i>697</i>	<i>843</i>	<i>492</i>	<i>(76)</i>	<i>1,957</i>	<i>205</i>	<i>539</i>	<i>388</i>	<i>178</i>	<i>1,310</i>	<i>318</i>	<i>423</i>
Equity	5,963	6,639	6,427	6,121	5,770	5,910	5,910	5,642	4,936	4,340	4,008	4,008	4,699	6,061
<b>Leverage, and Coverage ratios:</b>														
EBITDA/Interest	7.0x	7.1x	6.0x	2.2x	-0.8x	-2.2x	-2.2x	-1.3x	-1.3x	-1.3x	-0.8x	-0.8x	3.6x	5.0x
Net Debt/EBITDA (TTM)	3.3x	3.4x	4.5x	11.6x	-27.8x	-8.1x	-8.1x	-4.2x	-4.3x	-4.7x	-9.6x	-9.6x	5.2x	3.9x
Long-Term Debt/EBITDA (TTM)	3.4x	3.5x	5.4x	14.8x	-35.5x	-11.3x	-11.3x	-5.9x	-5.7x	-6.0x	-12.1x	-12.1x	6.4x	5.0x
<b>JPM Free Cash Flow model</b>	<b>2018</b>	<b>2019</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>	<b>2020</b>	<b>1Q21</b>	<b>2Q21E</b>	<b>3Q21E</b>	<b>4Q21E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Adjusted Net Income	1,105	1,102	(211)	(666)	(639)	(684)	(2,200)	(669)	(706)	(596)	(331)	(2,302)	690	1,363
Add: Depreciation & Amortization	536	596	195	176	175	161	708	170	176	177	180	703	725	777
Add: SBC	116	95	33	22	26	30	111	30	30	30	30	121	121	121
Working Capital changes, ex. Customer Deposits	167	(182)	267	(205)	(150)	(176)	(264)	(370)	36	(14)	64	(284)	(191)	(90)
Increase/(Decrease) in Customer Deposits	263	347	(289)	(556)	10	23	(812)	76	180	294	159	708	337	206
Other Operating (non-cash adjustments, other)	(111)	(135)	(48)	(48)	(12)	7	(100)	(90)	(90)	(90)	(90)	(358)	0	0
<b>Equals Operating Cash Flow</b>	<b>2,075</b>	<b>1,823</b>	<b>(53)</b>	<b>(1,276)</b>	<b>(590)</b>	<b>(638)</b>	<b>(2,556)</b>	<b>(852)</b>	<b>(374)</b>	<b>(198)</b>	<b>12</b>	<b>(1,412)</b>	<b>1,682</b>	<b>2,377</b>
Less: Maintenance Capex + Process Payments	(300)	(300)	(110)	(115)	(148)	(73)	(447)	(136)	(100)	(125)	(125)	(486)	(1,200)	(1,000)
<b>Equals Discretionary FCF</b>	<b>1,775</b>	<b>1,523</b>	<b>(163)</b>	<b>(1,391)</b>	<b>(738)</b>	<b>(711)</b>	<b>(3,003)</b>	<b>(988)</b>	<b>(474)</b>	<b>(323)</b>	<b>(113)</b>	<b>(1,899)</b>	<b>482</b>	<b>1,377</b>
Less: ECA-funded (new ship) capex	(1,267)	(1,337)	(500)	0	0	0	(500)	0	(65)	(65)	(65)	(195)	(800)	(1,800)
Less: Acquisitions/Asset Sales														
Less: Share Repurchases	(665)	(350)		360	288	824		400						
Debt Issuance/Amortization/Pay Down, net			1,805	1,941	390	869	5,004	650	65	65	65	845	227	702
Other Investing/Finance cash flows	(40)	(56)	(34)	(10)	156	(37)		146						
<b>Net Cash Flow</b>	<b>(197)</b>	<b>(221)</b>	<b>1,107</b>	<b>900</b>	<b>96</b>	<b>944</b>	<b>3,048</b>	<b>208</b>	<b>(474)</b>	<b>(323)</b>	<b>(113)</b>	<b>(703)</b>	<b>(91)</b>	<b>279</b>

Source: Company reports and J.P. Morgan estimates.

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Figure 23: Norwegian Cruise Line Holding – Revenue Drivers

\$ in millions

Revenue Drivers	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E
<b>Operating Statistics</b>														
Capacity Days in millions (CD)	18.84	19.23	4.12	0.00	0.00	0.00	4.12	0.00	0.00	0.72	3.15	3.87	21.57	23.11
yoy % change	8.5%	2.1%	-12.6%	-100.0%	-100.0%	-100.0%	-78.6%					-6.2%	457.9%	7.1%
memo: pre-COVID			5.20	5.15	5.36	5.23		5.23	5.23	5.23	5.23		21.86	
memo: % of pre-COVID			79.3%	0.0%	0.0%	0.0%		0.0%	0.0%	13.8%	60.5%		112.2%	
Occupancy	107.6%	107.4%	103.8%	0.0%	0.0%	0.0%	26.0%					81.3%	100.0%	107.4%
bp change	0.9%	-0.2%												
Passenger Cruise Days in millions (PCD)	20.3	20.6	4.3	0.0	0.0	0.0	4.3	0.0	0.0	0.5	2.7	3.1	21.6	24.8
yoy % change	9.5%	1.8%	-14.0%	-100.0%	-100.0%	-100.0%	-79.3%					-26.5%	586.4%	15.0%
<b>Revenues</b>														
Passenger Ticket	4,259.8	4,517.4	840.8	13.8	4.7	7.8	867.1	0.2	0.0	119.2	503.9	623.3	4,910.5	5,872.7
yoy % change	13.6%	6.0%	-13.6%	-98.8%	-99.7%	-99.2%	-80.8%					NM	NM	19.6%
Passenger Ticket per PCD	210.1	218.9	196.5						235.2	255.0	188.4	198.3	227.6	236.7
yoy % change	3.8%	4.2%	0.5%						0.0%	0.0%	0.0%		104.0%	4.0%
memo: % of 2019													104.0%	108.2%
Onboard & Other	1,795.3	1,945.0	406.1	3.1	1.9	1.8	412.8	2.9	0.0	44.5	236.6	284.0	2,134.6	2,528.3
yoy % change	9.1%	8.3%	-5.6%	-99.4%	-99.7%	-99.6%	-78.8%					-31.2%	651.5%	18.4%
Onboard & Other per PCD	88.6	94.2	94.9						91.9	95.2	88.4	90.4	99.0	101.9
yoy % change	-0.4%	6.4%	9.7%						-5.0%	-5.0%	-5.0%		105.0%	3.0%
memo: % of 2019													105.0%	108.2%
Gross Revenues	6,055.1	6,462.4	1,246.9	16.9	6.5	9.6	1,279.9	3.1	0.0	163.7	740.5	907.3	7,045.1	8,401.0
yoy % change	12.2%	6.7%	-11.2%	-99.0%	-99.7%	-99.4%	-80.2%					-29.1%	676.4%	19.2%
Less: Commissions, Transportation & Other	998.9	1,120.9	332.4	34.6	4.0	9.7	380.7	9.0	0.0	28.3	131.6	168.9	1,311.4	1,563.8
yoy % change	11.7%	12.2%	45.0%	-88.4%	-98.8%	-96.3%	-66.0%					-55.6%	676.4%	19.2%
% of Gross Revenues	16.5%	17.3%	26.7%	204.4%			29.7%		17.9%	17.3%	17.8%	18.6%	18.6%	18.6%
Less: Onboard & Other	348.7	394.7	75.0	3.2	4.7	2.8	85.7	1.3	0.0	10.5	42.6	54.4	422.4	503.7
yoy % change	9.2%	13.2%	-5.6%	-97.0%	-96.2%	-96.7%	-78.3%					-36.5%	676.4%	19.2%
% of Gross Revenues	5.8%	6.1%	6.0%	18.8%			6.7%		6.4%	6.4%	5.8%	6.0%	6.0%	6.0%
Adjusted Net Revenue (\$)	4,707.5	4,946.8	839.5	(20.9)	(2.2)	NA	NA	NA	NA	124.9	566.3	691.2	5,311.3	6,333.5
yoy % change	12.6%	5.1%	-23.3%	-101.7%	-100.2%	NA	NA	NA	NA				668.4%	19.2%
Adj. Net Yield = Net Rev. per CD (\$)	249.8	257.2	203.6	NA	NA	NA	NA	NA	NA	173.7	179.9	178.8	246.2	274.1
yoy % change	3.7%	2.9%	-12.3%	NA	NA	NA	NA	NA	NA	NA	NA		37.7%	11.3%
Adjusted Net Revenue (Constant CCY)	4,696.1	4,979.8	839.9	(20.9)	(2.2)	NA	NA	NA	NA	124.9	566.3	691.2	5,311.3	6,333.5
yoy % change	12.3%	5.8%	-23.3%	-101.7%	-100.2%	NA	NA	NA	NA				668.4%	19.2%
Adj. Net Yield = Net Rev. per CD (Constant CCY)	249.24	258.92	203.68	NA	NA	NA	NA	NA	NA	173.66	179.93	178.8	246.22	274.09
yoy % change	3.47%	3.6%	-12.3%	NA	NA	NA	NA	NA	NA	NA	NA		37.7%	11.3%
% of 2019 (Pre-COVID peak)													95.7%	106.6%

Source: Company reports and J.P. Morgan estimates.

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Figure 24: Norwegian Cruise Line Holding – Expense Drivers

\$ in millions

Expense Drivers	2018	2019	1Q20	2Q20	3Q20	4Q20	2019	1Q21	2Q21E	3Q21E	4Q21E	2019	2022E	2023E
Payroll & Related (\$)	881.6	924.2	247.1	128.7	65.6	79.8	521.3	82.1	86.5	92.4	163.7	424.8	1,036.5	1,132.5
yoy % change	9.7%	4.8%	10.8%	-43.9%	-72.2%	-66.1%	-43.6%	-66.8%	NM	NM	NM	-18.5%	144.0%	9.3%
Payroll & Related per CD (in \$)	46.8	48.0	59.9				126.4		47.1	46.2	44.5	109.9	48.0	49.0
yoy % change	1.1%	2.7%	26.7%						-5.0%	-5.0%	-5.0%		0.0%	2.0%
Food (\$)	216.0	222.6	49.2	7.0	3.4	5.7	65.4	6.3	10.0	8.0	33.4	57.7	249.7	272.8
yoy % change	8.9%	3.0%	-10.6%	-87.1%	-94.0%	-89.8%	-70.6%	-87.2%	NM	NM	NM	-11.7%	332.3%	9.3%
Food per CD (in \$)	11.5	11.6	11.9				15.9		11.2	11.1	10.6	14.9	11.6	11.8
yoy % change	0.4%	0.9%	2.3%						-5.0%	-5.0%	-5.0%		0.0%	2.0%
Other Operating (\$)	539.2	591.3	165.5	79.1	64.2	66.5	375.3	59.5	60.0	72.1	104.0	295.6	663.2	724.7
yoy % change	10.7%	9.7%	16.9%	-53.3%	-55.8%	-50.8%	-36.5%	-64.0%	NM	NM	NM	-21.2%	124.3%	9.3%
Other Operating per CD (in \$)	28.6	30.7	40.1				91.0		34.8	28.4	25.5	76.5	30.7	31.4
yoy % change	2.0%	7.4%	33.7%						-5.0%	-5.0%	-5.0%		0.0%	2.0%
Marketing, Selling & Administrative (\$)	897.9	974.9	270.7	131.4	156.7	186.6	745.3	203.2	211.0	209.5	219.7	843.4	1,005.9	1,109.8
yoy % change	16.0%	8.6%	8.7%	-45.4%	-38.6%	-18.8%	-23.5%	-24.9%	NM	NM	NM	13.2%	19.3%	10.3%
Marketing, Selling & Admin. per CD	47.7	50.7	65.6				180.7		39.0	44.7	38.8	218.1	46.6	48.0
yoy % change	6.9%	6.4%	24.4%						-25.0%	-15.0%	-15.0%		-8.0%	3.0%
Reported NCCs Ex Fuel (\$)	2,534.7	2,713.0	732.6	346.3	289.8	338.6	1,707.3	351.2	367.5	382.1	520.8	1,621.5	2,955.2	3,239.8
yoy % change	12.0%	7.0%	9.6%	-50.1%	-58.2%	-48.5%	-37.1%	-52.1%	6.1%	31.8%	53.8%	-5.0%	82.2%	9.6%
Adjustments	(117.6)	(110.8)	(33.4)	(23.1)	(26.5)	(31.8)	(114.8)	NA	(30.3)	(30.3)	(30.3)	(90.9)	(121.2)	(121.2)
Adjusted NCC Ex Fuel (\$)	2,417.1	2,602.2	699.2	323.3	263.3	306.8	1,592.5	NA	337.2	351.8	490.5	1,179.5	2,834.1	3,118.6
yoy % change	11.7%	7.7%	9.9%	-51.2%	-60.5%	-51.8%	-38.8%	NA	4.3%	33.6%	59.9%	-25.9%	140.3%	10.0%
Adjusted NCC Ex Fuel Per CD (\$)	\$128.3	\$135.3	\$169.5	NA	NA	NA	\$386.2	NA	NA	NA	NA	NA	\$131.4	\$135.0
yoy % change	2.9%	5.5%	25.7%	NA	NA	NA		NA	NA	NA	NA	NA	NA	2.7%
Adjusted NCC Ex Fuel (Constant CCY)	2,408.4	2,619.8	701.4	324.2	263.4	306.9	1,596.0	NA	337.2	351.8	490.5	1,179.5	2,834.1	3,118.6
yoy % change	11.3%	8.4%	10.3%	-51.0%	-60.5%	-51.8%	-38.7%	NA	4.3%	33.6%	59.9%	-25.9%	140.3%	10.0%
Adjusted NCC Ex Fuel Per CD (Constant CCY)	\$127.8	\$136.2	\$170.1	NA	NA	NA	\$387.0	NA	NA	NA	NA	NA	\$131.4	\$135.0
yoy % change	2.6%	6.2%	26.1%	NA	NA	NA		NA	NA	NA	NA	NA	NA	2.7%
Fuel Expense	392.7	409.6	125.0	49.0	48.2	42.5	264.7	42.6	42.0	41.2	76.9	202.7	540.6	564.6
yoy % change	8.8%	4.3%	27.2%	-51.3%	-51.3%	-62.0%	-35.4%	NM	NM	NM	NM	-23.4%	166.7%	4.4%
As % of Net Cruise Costs	13.9%	13.7%	15.2%	13.2%	15.5%	12.2%	14.3%		11.1%	10.5%	13.5%	15.1%	16.0%	15.3%
As % of Net Cruise Revenue	8.4%	8.2%	14.9%							13.6%	13.6%	29.3%	10.2%	8.9%
Fuel Consumption (Metric Tons)	0.812	0.834	0.204				0.204			0.028	0.134	0.163	0.912	0.952
yoy % change	4.8%	2.6%	-4.5%				-75.6%					-20.2%	460.7%	4.4%
Fuel Consumption per CD	0.0431	0.0433	0.0494				0.0494		0.0394	0.0426	0.0420	0.0420	0.0423	0.0412
yoy % change	-3.4%	0.5%	9.3%				13.9%		-2.5%	-2.5%	-14.8%	-2.5%	-2.5%	-2.5%
Fuel Price (\$ per Metric Ton)	483	491	614				1300			573	573	1247	593	593
yoy % change	3.8%	1.7%	33.2%				164.6%					-4.1%	-52.4%	0.0%
Adjusted NCC (Constant CCY)	2,818.5	2,994.1	821.9	372.1	311.4	349.1	1,854.5	NA	379.2	393.0	567.4	1,339.6	3,374.7	3,683.2
yoy % change	11.6%	6.6%	11.9%	-51.2%	-59.4%	-53.4%	-38.4%	NA	1.9%	26.2%	62.5%	-27.9%	94.7%	9.1%
Adjusted NCC per CD (Constant CCY)	\$149.6	\$155.7	\$199.3	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$156.4	\$159.4
yoy % change	2.9%	4.4%	28.0%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.9%

Source: Company reports and J.P. Morgan estimates

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## Carnival Corporation: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21A	2Q21E	3Q21E	4Q21E	
Revenue	15,643	5,594	2,905	14,855	17,845	Revenue	26A	57	658	2,164	
Adj. EBITDA	5,437	(6,625)	(2,839)	4,762	7,128	Adj. EBITDA	(971)A	(946)	(629)	(293)	
D&A	(2,160)	(2,241)	(2,193)	(2,277)	(2,522)	D&A	(552)A	(539)	(545)	(557)	
Adj. EBIT	3,277	(8,866)	(5,032)	2,485	4,605	Adj. EBIT	(1,523)A	(1,485)	(1,174)	(851)	
Net Interest	(182)	(877)	(1,589)	(1,519)	(1,477)	Net Interest	(395)A	(418)	(388)	(389)	
Adj. PBT	3,061	(10,254)	(6,683)	966	3,128	Adj. PBT	(1,979)A	(1,903)	(1,561)	(1,239)	
Tax	(71)	17	14	(2)	(6)	Tax	6A	3	3	2	
Adj. Net Income	3,042	(5,650)	(6,680)	964	3,122	Adj. Net Income	(1,973)A	(1,900)	(1,559)	(1,237)	
Reported EPS	4.32	(13.20)	(5.94)	0.81	2.63	Reported EPS	(1.80)A	(1.68)	(1.38)	(1.09)	
Adj. EPS	4.40	(7.29)	(5.95)	0.81	2.63	Adj. EPS	(1.80)A	(1.68)	(1.38)	(1.09)	
DPS	1.95	0.50	0.00	0.00	0.00	DPS	0.00A	0.00	0.00	0.00	
Payout ratio	45.1%	NM	0.0%	0.0%	0.0%	Payout ratio	0.0%A	0.0%	0.0%	0.0%	
Shares outstanding	692	776	1,123	1,186	1,186	Shares outstanding	1,095A	1,132	1,132	1,132	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Cash and cash equivalents	518	9,513	6,797	6,506	8,601	EBITDA margin	34.8%	(118.4%)	(97.7%)	32.1%	39.9%
Total debt	11,502	26,956	30,836	32,390	32,694	EBIT margin	20.9%	(158.5%)	(173.2%)	16.7%	25.8%
Net debt	10,984	17,443	24,039	25,884	24,093	Net profit margin	19.4%	(101.0%)	(230.0%)	6.5%	17.5%
Shareholders' equity	25,366	20,557	15,117	16,081	19,203	ROE	12.2%	(24.6%)	(37.5%)	6.2%	17.7%
						ROA	7.0%	(11.5%)	(12.5%)	1.7%	5.3%
Net income (including charges)	2,990	(10,237)	(6,669)	964	3,122	ROCE	8.9%	(21.0%)	(10.8%)	5.3%	9.2%
D&A	2,160	2,241	2,193	2,277	2,522	Net debt/equity	0.4	0.8	1.6	1.6	1.3
Other	-	-	-	-	-	Net debt/EBITDA (x)	2.0	-2.6	-8.5	5.4	3.4
Maintenance Capex	(5,429)	(3,628)	(4,215)	(6,200)	(4,800)						
						P/E (x)	6.6	NM	NM	35.9	11.1
Adj. Free cash flow to firm	(1,643)	9,161	(2,716)	(291)	2,096	P/BV (x)	0.8	1.1	2.2	2.2	1.8
y/y Growth	203.7%	(657.6%)	(129.7%)	(89.3%)	(819.8%)	EV/EBITDA (x)	6.3	NM	NM	9.7	6.2
						Dividend Yield	6.7%	1.7%	0.0%	0.0%	0.0%
FCFF/share	(2.38)	11.81	(2.42)	(0.25)	1.77						
						Revenue y/y Growth	1.7%	(64.2%)	(48.1%)	411.4%	20.1%
						EBITDA y/y Growth	1.8%	(221.9%)	(57.1%)	(267.7%)	49.7%
						Tax rate	2.3%	(0.2%)	(0.2%)	0.2%	0.2%
						Adj. Net Income y/y Growth	0.5%	(285.7%)	18.2%	(114.4%)	223.8%
						EPS y/y Growth	3.2%	(265.6%)	(18.3%)	(113.7%)	223.8%
						DPS v/y Growth	0.0%	(74.4%)	(100.0%)	-	-

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Nov. o/w - out of which

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## Royal Caribbean Cruises: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21A	2Q21E	3Q21E	4Q21E	
Revenue	10,951	2,209	2,570	11,193	13,797	Revenue	42A	75	895	1,558	
Adj. EBITDA	3,329	(1,756)	(1,095)	3,014	4,433	Adj. EBITDA	(500)A	(533)	(115)	53	
D&A	(1,246)	(1,279)	(1,277)	(1,419)	(1,524)	D&A	(310)A	(320)	(322)	(325)	
Adj. EBIT	2,083	(3,035)	(2,371)	1,596	2,909	Adj. EBIT	(810)A	(853)	(437)	(272)	
Net Interest	(382)	(823)	(1,055)	(1,019)	(1,007)	Net Interest	(268)A	(268)	(259)	(261)	
Adj. PBT	1,908	(5,775)	(3,507)	727	2,109	Adj. PBT	(1,132)A	(1,146)	(696)	(532)	
Tax	-	-	-	-	-	Tax	-	-	-	-	
Adj. Net Income	2,003	(3,924)	(3,453)	727	2,109	Adj. Net Income	(1,079)A	(1,146)	(696)	(532)	
Reported EPS	8.95	(27.05)	(14.10)	2.65	7.68	Reported EPS	(4.66)A	(4.56)	(2.77)	(2.12)	
Adj. EPS	9.54	(18.31)	(13.88)	2.65	7.68	Adj. EPS	(4.44)A	(4.56)	(2.77)	(2.12)	
DPS	2.88	0.78	0.00	0.00	0.00	DPS	0.00A	0.00	0.00	0.00	
Payout ratio	32.2%	NM	0.0%	0.0%	0.0%	Payout ratio	0.0%A	0.0%	0.0%	0.0%	
Shares outstanding	210	214	249	274	274	Shares outstanding	243A	251	251	251	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Cash and cash equivalents	244	3,684	4,046	4,953	6,954	EBITDA margin	30.4%	(79.5%)	(42.6%)	26.9%	32.1%
Total debt	11,035	19,329	21,266	22,125	23,188	EBIT margin	19.0%	(137.4%)	(92.3%)	14.3%	21.1%
Net debt	10,791	15,645	17,220	17,172	16,233	Net profit margin	18.3%	(177.7%)	(134.4%)	6.5%	15.3%
Shareholders' equity	12,164	8,761	6,798	7,525	9,633	ROE	17.2%	(37.5%)	(44.4%)	10.1%	24.6%
						ROA	6.9%	(12.5%)	(10.5%)	2.1%	5.5%
Net income (including charges)	1,908	(5,775)	(3,507)	727	2,109	ROCE	9.2%	(11.8%)	(8.4%)	5.5%	9.3%
D&A	1,246	1,279	1,277	1,419	1,524	Net debt/equity	0.8	1.8	2.5	2.3	1.7
Other	76	40	20	50	52	Net debt/EBITDA (x)	3.2	-8.9	-15.7	5.7	3.7
Maintenance Capex	(683)	(1,965)	(2,157)	(2,810)	(3,012)						
						P/E (x)	9.3	NM	NM	33.3	11.5
Adj. Free cash flow to firm	3,415	(4,874)	(2,192)	1,067	1,946	P/BV (x)	1.5	2.2	3.2	3.2	2.5
y/y Growth	29.9%	(242.7%)	(55.0%)	(148.7%)	82.4%	EV/EBITDA (x)	8.9	NM	NM	11.8	7.8
						Dividend Yield	3.3%	0.9%	0.0%	0.0%	0.0%
FCFF/share	16.27	(22.74)	(8.81)	3.89	7.09						
						Revenue y/y Growth	15.3%	(79.8%)	16.3%	335.5%	23.3%
						EBITDA y/y Growth	13.7%	(152.8%)	(37.7%)	(375.3%)	47.1%
						Tax rate	-	-	-	-	-
						Adj. Net Income y/y Growth	6.9%	(295.9%)	(12.0%)	(121.0%)	190.1%
						EPS y/y Growth	7.8%	(291.9%)	(24.2%)	(119.1%)	190.1%
						DPS y/y Growth	10.8%	(72.9%)	(100.0%)	-	-

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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North America Equity Research  
17 June 2021

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## Norwegian Cruise Line: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21A	2Q21E	3Q21E	4Q21E	
Revenue	4,947	1,280	907	7,045	8,401	Revenue	3A	0	164	741	
Adj. EBITDA	1,948	(1,045)	(1,022)	1,964	2,678	Adj. EBITDA	(373)A	(379)	(268)	(1)	
D&A	(646)	(718)	(703)	(725)	(777)	D&A	(170)A	(176)	(177)	(180)	
Adj. EBIT	1,178	(1,876)	(1,843)	1,091	1,752	Adj. EBIT	(571)A	(585)	(476)	(211)	
Net Interest	(273)	(482)	(1,274)	(550)	(539)	Net Interest	(824)A	(150)	(150)	(150)	
Adj. PBT	911	(4,000)	(3,090)	568	1,240	Adj. PBT	(1,368)A	(735)	(626)	(361)	
Tax	19	(13)	(4)	1	2	Tax	(2)A	(1)	(1)	(0)	
Adj. Net Income	1,102	(2,152)	(2,990)	690	1,363	Adj. Net Income	(1,340)A	(706)	(596)	(331)	
Reported EPS	4.30	(15.76)	(8.60)	1.25	2.72	Reported EPS	(4.16)A	(1.99)	(1.69)	(0.98)	
Adj. EPS	5.09	(8.45)	(8.31)	1.51	2.98	Adj. EPS	(4.07)A	(1.91)	(1.61)	(0.90)	
DPS	0.00	0.00	0.00	0.00	0.00	DPS	0.00A	0.00	0.00	0.00	
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	Payout ratio	0.0%A	0.0%	0.0%	0.0%	
Shares outstanding	216	255	360	457	457	Shares outstanding	329A	370	370	370	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Cash and cash equivalents	253	3,300	2,598	2,507	2,786	EBITDA margin	39.4%	(81.6%)	(112.6%)	27.9%	31.9%
Total debt	6,802	11,806	12,414	12,641	13,343	EBIT margin	23.8%	(146.6%)	(203.1%)	15.5%	20.9%
Net debt	6,549	8,506	9,816	10,134	10,557	Net profit margin	22.3%	(168.1%)	(329.6%)	9.8%	16.2%
Shareholders' equity	6,516	4,354	2,744	3,434	4,797	ROE	17.7%	(39.6%)	(84.3%)	22.3%	33.1%
						ROA	6.9%	(12.3%)	(16.5%)	3.7%	6.7%
Net income (including charges)	1,102	(2,200)	(2,302)	690	1,363	ROCE	9.0%	(12.8%)	(11.8%)	7.0%	10.2%
D&A	596	708	703	725	777	Net debt/equity	1.0	2.0	3.6	3.0	2.2
Other	95	111	121	121	121	Net debt/EBITDA (x)	3.4	-8.1	-9.6	5.2	3.9
Maintenance Capex	(1,637)	(947)	(681)	(2,000)	(2,800)	P/E (x)	6.2	NM	NM	20.8	10.5
						P/BV (x)	-	-	-	-	-
Adj. Free cash flow to firm	453	(3,019)	(817)	231	116	EV/EBITDA (x)	6.9	NM	NM	8.7	6.5
y/y Growth	(41.6%)	(766.9%)	(72.9%)	(128.3%)	(49.9%)	Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
FCFF/share	2.09	(11.86)	(2.27)	0.51	0.25	Revenue y/y Growth	5.1%	(74.1%)	(29.1%)	676.4%	19.2%
						EBITDA y/y Growth	2.7%	(153.6%)	(2.2%)	(292.2%)	36.3%
						Tax rate	2.1%	(0.3%)	(0.1%)	0.1%	0.1%
						Adj. Net Income y/y Growth	(0.4%)	(295.3%)	39.0%	(123.1%)	97.4%
						EPS y/y Growth	3.2%	(266.1%)	(1.7%)	(118.2%)	97.4%
						DPS y/y Growth	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.

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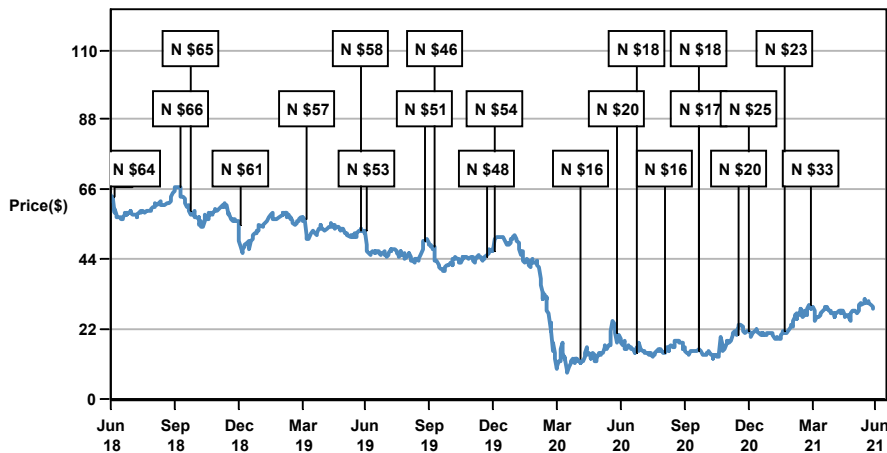


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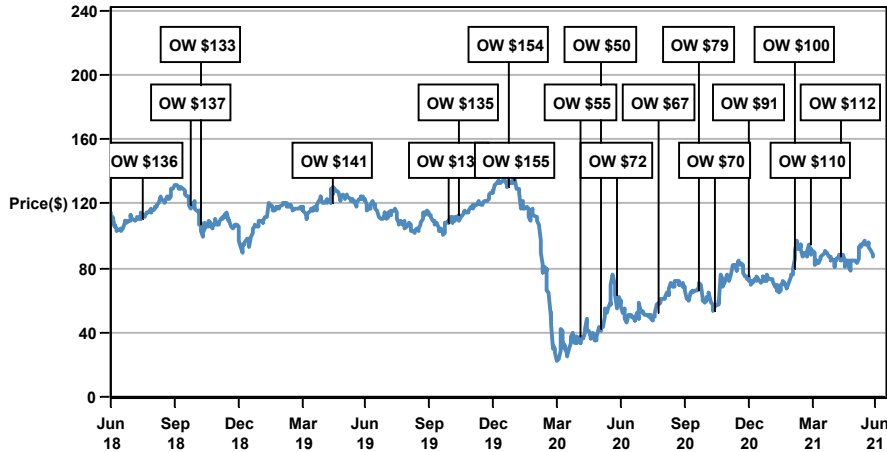
Carnival Corporation (CCL, CCL US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage May 05, 1999. All share prices are as of market close on the previous business day.

Date	Rating	Price (\$)	Price Target (\$)
25-Jun-18	N	63.53	64
27-Sep-18	N	66.98	66
11-Oct-18	N	59.06	65
20-Dec-18	N	55.01	61
26-Mar-19	N	56.65	57
11-Jun-19	N	53.18	58
20-Jun-19	N	52.84	53
11-Sep-19	N	49.66	51
26-Sep-19	N	48.06	46
09-Dec-19	N	44.77	48
20-Dec-19	N	46.65	54
20-Apr-20	N	12.56	16
11-Jun-20	N	20.59	20
10-Jul-20	N	14.58	18
18-Aug-20	N	14.68	16
07-Oct-20	N	15.19	17
08-Oct-20	N	15.99	18
02-Dec-20	N	20.15	20
18-Dec-20	N	21.63	25
08-Feb-21	N	21.31	23
16-Mar-21	N	29.79	33

Royal Caribbean Cruises (RCL, RCL US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage May 05, 1999. All share prices are as of market close on the previous business day.

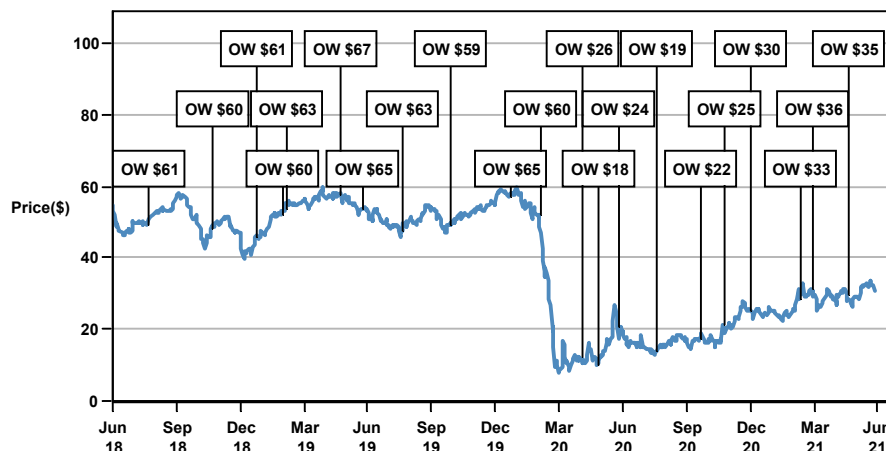
Date	Rating	Price (\$)	Price Target (\$)
02-Aug-18	OW	109.99	136
11-Oct-18	OW	118.74	137
25-Oct-18	OW	106.97	133
01-May-19	OW	120.94	141
14-Oct-19	OW	107.57	138
30-Oct-19	OW	113.27	135
08-Jan-20	OW	130.44	154
17-Jan-20	OW	134.05	155
20-Apr-20	OW	37.39	55
20-May-20	OW	42.15	50
11-Jun-20	OW	63.59	72
10-Aug-20	OW	52.10	67
07-Oct-20	OW	66.18	79
29-Oct-20	OW	53.12	70
18-Dec-20	OW	73.94	91
22-Feb-21	OW	78.87	100
16-Mar-21	OW	94.55	110
29-Apr-21	OW	87.47	112

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Norwegian Cruise Line (NCLH, NCLH US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Feb 27, 2013. All share prices are as of market close on the previous business day.

Date	Rating	Price (\$)	Price Target (\$)
09-Aug-18	OW	48.93	61
08-Nov-18	OW	48.00	60
10-Jan-19	OW	45.74	61
15-Feb-19	OW	52.19	60
21-Feb-19	OW	53.70	63
09-May-19	OW	57.34	67
11-Jun-19	OW	53.83	65
08-Aug-19	OW	47.64	63
14-Oct-19	OW	49.16	59
08-Jan-20	OW	56.97	65
20-Feb-20	OW	52.02	60
20-Apr-20	OW	12.38	26
14-May-20	OW	10.31	18
11-Jun-20	OW	20.65	24
06-Aug-20	OW	13.72	19
07-Oct-20	OW	17.23	22
10-Nov-20	OW	21.51	25
18-Dec-20	OW	25.41	30
26-Feb-21	OW	28.76	33
16-Mar-21	OW	31.56	36
06-May-21	OW	29.85	35

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