

Royal Caribbean Cruises (RCL)

April 17, 2024

Consumer Discretionary – Travel Services

Stock Rating

BUY

Investment Thesis

We recommend a **BUY** rating for Royal Caribbean Cruises with a target price of \$149 (an upside of 16.4%). RCL has kept its momentum in 2024, thanks to a continued demand for travel among consumers, keeping up the strong demand and price trends we saw in the previous year. Additionally, the value gap between cruise and land-based vacations following the pandemic, combined with the rising number of retirees, presents significant opportunities for revenue growth.

Drivers of Thesis

- **Strong Consumer Demand:** Royal Caribbean's success in exceeding pre-pandemic pricing levels on a per passenger revenue basis in 2023 highlights its brand strength and appeal.
- **Dealing with Debt and Operational Efficiency:** The company's focus on balance sheet optimization, through reducing expensive corporate debt, will lessen the large interest rate payments hurting net profits, saving 80 million in payments.
- **Strategic Growth Initiatives:** Royal Caribbean's expansion into emerging markets and the Trifecta plan targets significant EBITDA growth, we project EPS growth to \$10.09 in 2024 from \$6.63 in 2023, and improved ROIC. The push into Asia-Pacific will unlock substantial growth opportunities, aiming to double capacity-adjusted EBITDA and achieve double-digit EPS by 2025.

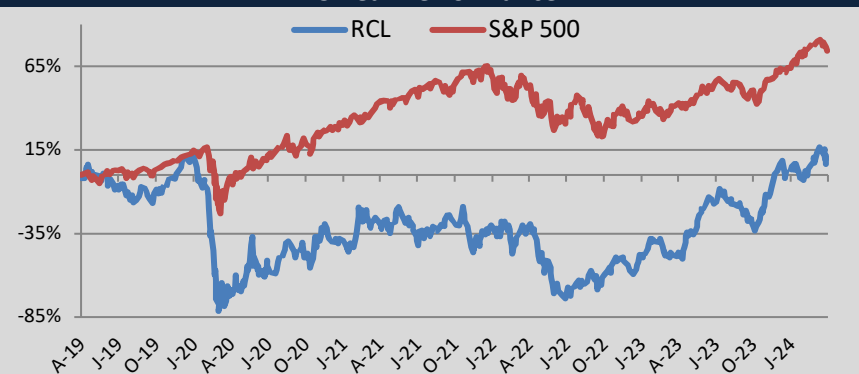
Risks to Thesis

- **Economic and Geopolitical Volatility:** The luxury nature of cruise vacations leaves them susceptible to economic and geopolitical shifts. These uncertainties could negatively impact consumer spending which will affect the company's bookings and revenue.
- **Operational and Cost Challenges:** The industry's high capital and operational costs, coupled with fluctuations in fuel prices and labor costs, pose profitability risks.
- **Regulatory and Health Risks:** The cruise sector faces strict regulatory and health standards. Adverse regulatory developments could lead to increased operational costs and potentially hurt the company's reputation.

Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	\$ (20.89)	\$ (8.45)	\$ 6.63	\$ 9.99	\$ 11.60	\$ 13.38
HF est.				\$ 10.09	\$ 11.61	\$ 13.59
Growth	22.77%	59.55%	178.45%	52.22%	15.02%	17.13%

5 Year Performance



Target Price

\$142 - 155

Henry Fund DCF	\$149
Henry Fund DDM	\$107
Relative Multiple	\$142

Price Data

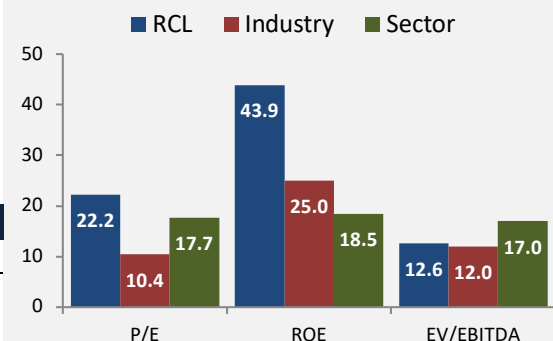
Current Price	\$128
52wk Range	\$59 - 142
Consensus 1yr Target	\$147

Key Statistics

Market Cap (B)	\$35.9
Shares Outstanding (M)	256.7
Institutional Ownership	80.5%
Beta	2.52
Dividend Yield	0.00%
Est. 5yr Growth	27.5%
Debt/Equity	4.51
Price/Earnings (TTM)	22.2
Price/Earnings (FY1)	14.0
Price/Sales (TTM)	2.8
Price/Book (mrq)	7.6

Profitability

Operating Margin	17.4%
Profit Margin	12.2%
Return on Assets (TTM)	5.3%
Return on Equity (TTM)	43.9%

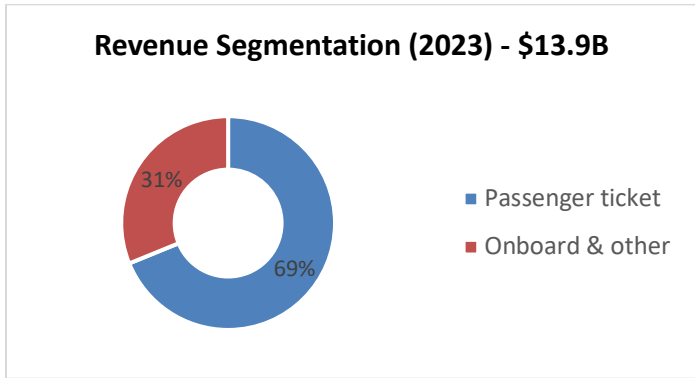


Company Description

Royal Caribbean Cruises is a global cruise vacation company founded in 1968 and headquartered in Miami, Florida. The company operating several notable brands including Royal Caribbean International, Celebrity Cruises, and Silversea Cruises, catering to a wide range of travel preferences and demographics. With a fleet of ships, the company offers diverse itineraries spanning the Caribbean, Alaska, Europe, and Asia, alongside unique onshore excursions and onboard experiences.

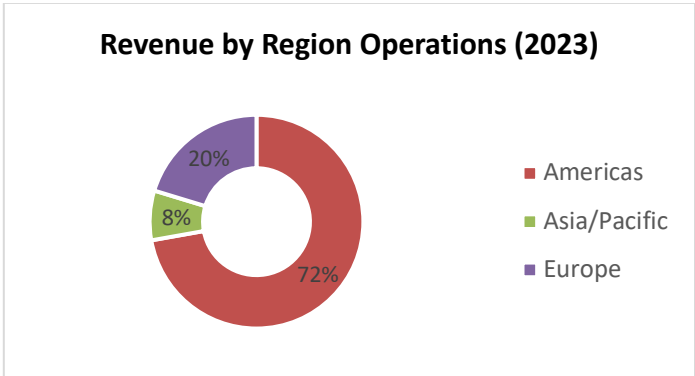
COMPANY DESCRIPTION

The company operates and fully owns 65 ships and an aggregate capacity of about 157,575 berths across its various brands, including the Royal Caribbean International, the upscale Celebrity Cruises, and the ultra-luxury Silversea. Each brand caters to a distinct market segment, delivering customized experiences from family fun to extravagance. The company's revenue streams are passenger ticket sales—which make up the lion's share of the income—and onboard revenues, such as dining, entertainment, and other amenities that passengers can utilize once aboard. Royal Caribbean Group also capitalizes on a large array of shore excursions, offering travelers local experiences in various global destinations.



Source: RCL – 10k³

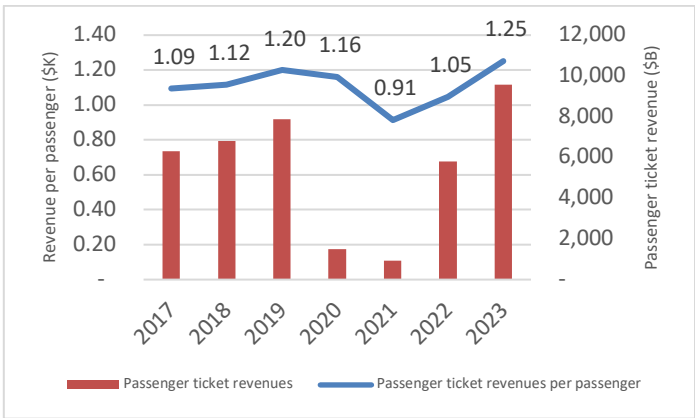
New initiatives, such as the “Perfect Day” private island experiences and the deployment of the world’s largest cruise ships “Icon of the Seas”, provide additional revenue growth for Royal Caribbean. The firm’s revenue mix are well spread across its geographical regions, including North America, the Caribbean, Europe, and Asia-Pacific. RCL’s ships have itineraries that include about 1,000 destinations on all seven continents. The company’s corporate strategy is to deliver memorable vacation experiences by enhancing guest engagement through identifying consumer needs and creating product features and innovations that its guests value.



Source: RCL – 10k³

Passenger Ticket Revenue

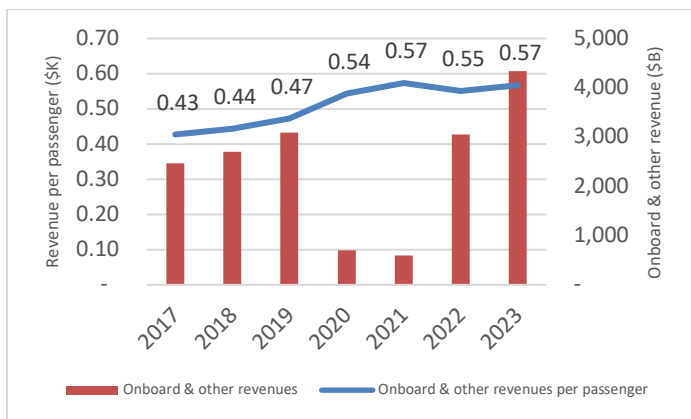
The Passenger Ticket Revenue segment constitutes the core income stream for Royal Caribbean Group, deriving from sales of cruise tickets across its three-brand portfolio (Royal Caribbean International, Celebrity Cruises, and Silversea Cruises). The ongoing investment in fleet modernization and the expansion into emerging markets, notably Asia, signal growth potential. However, the segment's future trajectory hinges on the global economic landscape and the preferences of the post-pandemic traveler. We anticipate a gradual uptick in passenger ticket revenue as consumer confidence rebuilds and discretionary spending on travel experiences recovers. In the previous year, Royal Caribbean carried 7.65 million passengers, with the average revenue from each passenger ticket reaching \$1.25k (a record high). The key will be Royal Caribbean's ability in adapting to safety standards and travel trends, which could significantly influence booking volumes and pricing strategies moving forward.



Source: RCL – 10k³

Onboard and Other Revenue

The Onboard and Other Revenue segment, encompassing earnings from onboard activities and ancillary services, works as a profit margin enhancer for Royal Caribbean. This segment benefits from high-margin offerings such as specialty dining, entertainment, and exclusive experiences like private island visits. The introduction of digital platforms to pre-book and personalize guest experiences onboard has unlocked new revenue streams, suggesting a promising growth trajectory. Looking ahead, the segment's success will depend on the company's ability to continue innovating its onboard offerings and leverage technology to enhance guest engagement and spending. However, this segment could face volatility from shifts in consumer spending behavior, especially in economic downturns. We remain optimistic about its growth prospects, buoyed by the trend towards experiential spending and the company's focus on creating unique, memorable experiences that encourage higher onboard spending.



Source: RCL – 10k³

Pricing Strategy

Royal Caribbean utilizes a complex pricing strategy that leverages revenue management systems and dynamic pricing in attempts to optimize revenue. This approach allows prices to be adjusted based on real-time market demand and specific customer profiles, with the goal of maximum profitability for each voyage. A significant aspect of Royal Caribbean's pricing power stems from its unique offerings which enables the company to command premium pricing by offering experiences that lack close substitutes. Royal Caribbean adopts a "market to fill" strategy, promoting the value of its unique services over

discounting. This approach encourages early bookings with prices increasing closer to the sailing date, optimizing occupancy and maintaining higher yields. To mitigate potential downturns in demand without discounting, the company incorporates added-value benefits like spa credits and beverage discounts into cruise packages. This strategy stabilizes pricing by maintaining perceived value, even during economic fluctuations.

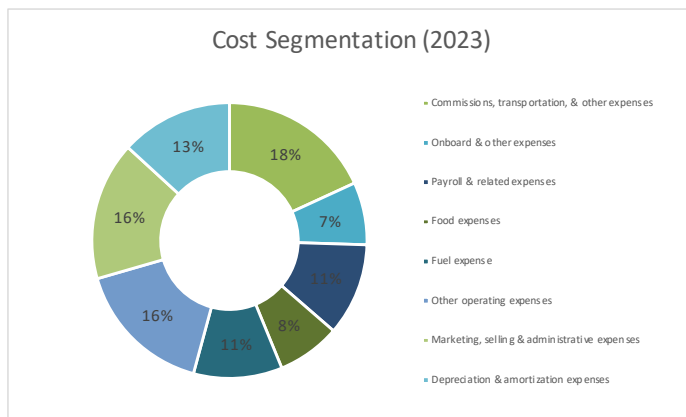
Additionally, we anticipate that Royal Caribbean will continue to achieve higher pricing through its capital investment aimed at enhancing its fleet. These investments are designed to upgrade ships during dry dock periods, thereby raising the product's appeal and increasing consumer readiness to pay for upgraded facilities. Such enhancements also contribute to greater onboard spending linked to new activities. Historically, ships that have undergone refurbishments and returned to service have seen an uptick in yields, typically showing a mid-single-digit percentage increase in pricing compared to their performance before the dry dock. Royal Caribbean has secured a competitive edge through advantageous geographic positioning, significant buying power, and access to low-cost financing.

Cost Structure Analysis

In 2023, the operating margin improved significantly to 20.71%, indicating a substantial recovery compared to the negative margin of -8.64% in 2022. This turnaround can be mainly attributed to the cruise line resuming normal operations post-pandemic. Also aiding the operating margin are targeted cost control measures, particularly in the realms of commissions, transportation, payroll, and related expenses, which together constitute a significant portion of the overall operating costs. In 2023, RCL's most substantial operating cost was in commissions, transportation, and other expenses at roughly \$2,001 million, followed by payroll expenses at \$1,197 million. Fuel expenses, a notable portion of the operating expenses at 11.2%, are hedge by RCL to help mitigate the volatility of oil prices.

Looking ahead to the forecast for 2024, our model anticipates an operating margin increase to 22.88%. This optimistic outlook is based on continued efficiencies, particularly in marketing, selling, and administrative expenses, as well as other operating costs. RCL is expected to leverage these efficiencies to further reduce the cost per unit of service provided, especially in categories such

as food and fuel expenses. Incremental passengers offer scale benefits to Royal Caribbean, enabling it to deliver its services at a lower cost compared to smaller competitors. Before the pandemic, Royal Caribbean's spending on SG&A was just under 30% of net cruise costs, significantly less than Lindblad, a smaller competitor with 17 expedition vessels, which spent over 50%. Additionally, we are forecasting that depreciation and amortization expenses will be a diminishing proportion of RCL's total costs, as we assume a downward adjustment in capital expenditures and asset acquisitions. With fewer new assets being added, the charges related to depreciation and amortization are expected to decrease, contributing positively to the operating margin. The outlook for RCL's financial trajectory suggests a strong turnaround, with the company having taken meaningful measures to rectify its financial standing and achieve pre-pandemic levels of margins.



Source: RCL – 10k³

Trifecta Initiative

Royal Caribbean Group's is continuing its progress within its 'Trifecta' initiative (launched in November 2022) as the goals are becoming closer to completion. The Trifecta Program was initiated to drastically increase financial performance, aiming for recovery and growth trajectory post-pandemic. The initiative targets are a series of financial goals by 2025, including achieving triple-digit adjusted EBITDA per capacity day, double-digit earnings per share, and a returns on invested capital (ROIC) over 10.5%. Our current projections would place RCL on track to deliver capacity-adjusted EBITDA over \$100 per day, EPS of around \$10, and returns on invested capital of more than 14% in 2024, touching all points of its Trifecta financial plan, a full year ahead of plan. The anticipated levels of return would notably exceed the moderate single-

digit ROIC that Royal Caribbean Group reported prior to the global health crisis, highlighting the company's enhanced pricing strategy and cost management effectiveness since it resumed its cruising operations.

Joint Venture - TUI Group

Royal Caribbean's joint venture with TUI AG, known as TUIC, operates the German cruise brands TUI Cruises and Hapag-Lloyd Cruises, catering to the premium segments of the European/German market. This partnership (valued at €1.2 billion), where both companies hold a 50% stake, offers products specifically designed for German guests, with tailored onboard activities, services, and dining options. TUI Cruises currently manages six ships, totaling approximately 15,800 berths, and has three more ships ordered, set to increase capacity by about 11,100 berths. The revenue from this venture is recorded under equity investment income in Royal Caribbean's financial statements. This collaboration aims to boost growth in the luxury, expedition, and premium cruise segments, appealing to new luxury cruise audiences. TUI Group has shown strong performance in the financial year 2023, with revenue growing by 25% to €20.7 billion and underlying EBIT increasing significantly to €977 million. TUI witnessed a demand surge, serving 19.1 million guests. For winter 2023/24, bookings are up by 11% with a 5% increase in average prices. TUI's guidance for 2024 anticipates at least a 25% increase in underlying EBIT.

Consumer Breakdown

Royal Caribbean's customer demographic is characterized by a blend of families, couples, and singles primarily in the 30s to 50s age group, with the median age positioned in the low-40s. This demographic varies slightly with cruise duration, attracting a younger audience for shorter trips and an older clientele for extended voyages. A significant proportion, approximately three-quarters, are repeat cruisers, highlighting the brand's strong loyalty and value proposition. The guest profile is balanced in terms of gender, with about 60% originating from North America and the remainder from international markets.³

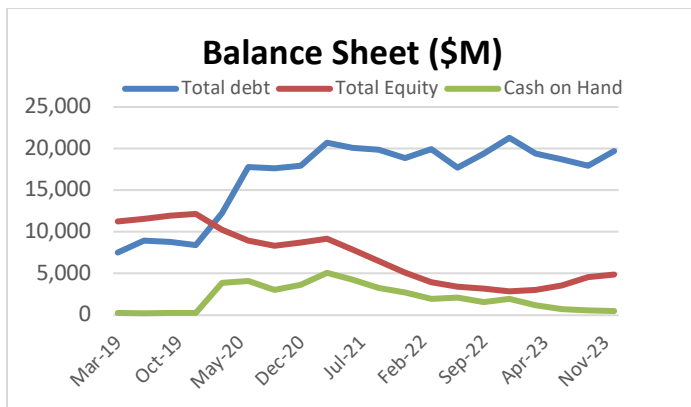
Federal Tax Free

Royal Caribbean, like many in the cruise industry, benefits from favorable tax regulations by registering ships in countries with reciprocal tax agreements with the U.S., allowing them to conduct business without facing federal

taxes. They do however, pay port taxes and fees in the U.S. (usually reported under other operational fees in the industry). This strategic registration allows Royal Caribbean, headquartered in Liberia for tax purposes, to significantly reduce its tax liabilities. The tax benefits enjoyed by cruise lines are likely to continue unless a coordinated plan by various countries seeks to overhaul the current tax structure (reciprocal agreements) regulating international shipping and cruising activities.³

Debt Maturity Analysis

Royal Caribbean manages a sizable debt portfolio, which is normal in the capital-intensive world of the cruise industry. The company's debt structure includes a mix of senior unsecured notes, credit facilities, and other financial instruments. Approximately \$2 billion from Royal Caribbean's total debt of around \$22 billion as of December 31 is expected to mature in 2024. At the beginning of February 2024, Royal Caribbean received a debt rating upgrade from Standard & Poor's, elevating its credit status to 'BB+' from 'BB-'. They sighted increased revenue, EBITDA growth, and net debt reduction from cash flow generation as reasons behind their upgrade. We expect RCL's leverage to improve to low 3x by the end of 2024 compared with the current 4.5x



Source: RCL – 10k³

In late 2023, Royal Caribbean refinanced its \$3 billion revolving credit and \$500 million term loan into a new, multi-year \$3.5 billion facility, while also addressing \$500 million in senior secured notes due mid-2025 and settling \$225 million in convertible notes. Additionally, in early 2024, they announced plans to refinance a \$1.25 billion note, carrying an 11.625% interest rate, with a lower-cost note at 6.25%, yielding an annual interest expense saving of approximately \$80 million. During the pandemic, Royal

Caribbean Cruises Ltd., like many in the travel and hospitality sectors, faced unprecedented challenges due to travel restrictions and halted operations. The company took on significant debt as a means to fortify its liquidity position and ensure business continuity through a period of near-zero revenue.

Five-Year Debt Maturity Schedule	
Fiscal Year	Payment (\$mil)
2024	1,722
2025	2,650
2026	3,406
2027	3,763
2028	3,489
Thereafter	6,965
Total	21,995

Source: RCL – 10k³

Royal Caribbean's debt burden, as assessed by net debt to EBITDA, stands at a high ratio of 5.57x. However, the company's financial recovery is marked by an EBIT of \$2.8 billion and operating cash flows of \$4.5 billion over the last year, signifying a turnaround from previous losses and sufficient cash flows to cover debt payments in the near term. Although RCL does not need to immediately refinance debt, it would be beneficial if they can secure debt at lower coupons to reduce interest expense. Based on the recent increase in free cash flow and optimism surrounding revenue forecasts, we have projected debt to EBITDA ratio to drop below four times in 2024, laying the groundwork for a potential upgrade to investment-grade status in the next couple of years.

ESG Analysis

ESG Peer Comparison		
Company	Risk Score	Risk Rating
CCL	24	Medium
RCL	21	Medium
NCLH	26	Medium
LIND	37	High

Source: Sustainalytics¹⁸

RCL's medium ESG risk score of 21 highlights the cruise line industry's substantial challenges, such as significant emissions, waste management concerns, labor standards, and passenger safety. RCL is attempting to improve its ESG standing through key environmental initiatives like aiming for net-zero carbon emissions, sustainable cruise terminals, transitioning to cleaner fuels like LNG, and reducing single-use plastics. Additionally, it's strengthening social and governance efforts with

commitments to ocean conservation, economic support in the Bahamas, and enhancing diversity within leadership.

RECENT DEVELOPMENTS

Recent Earnings Announcement

The Royal Caribbean Group showed improved financial performance in their recent earnings announcement (reported Jan 2024 – Q4), exceeding their own projections with an Earnings per Share (EPS) of \$6.63 and an adjusted EPS of \$6.77 for the year 2023. This positive news was attributed to a surge in demand, which appears to be a continuing trend into 2024. The company's president and CEO, Jason Liberty, underscored 2023 as an exceptional year, driven by an unprecedented demand for their brands and a record-breaking start to the WAVE season (end of winter cruise line promotions – think Black Friday), positioning 2024 as a strong growth year with management issuing EPS projections ranging between \$9.90 and \$10.10 per share. Our EPS estimate for Royal Caribbean stands at \$10.90, which is on the higher end of the projection range. We agree with management that the Trifecta goals are likely to be reached this year, driven by increased consumer spending for onboard purchases, an uptick in booking numbers, and improved margins.

The company's financial year 2023 closed with significant improvements across various financial metrics. gross margin and net yields saw a double-digit increase compared to 2019, reflecting a strong recovery and operational efficiency post-pandemic. Despite facing increased costs, RCL reported a net income of \$1.7 billion. This is a stark contrast to the previous year's loss, showcasing a substantial financial turnaround. Bookings for 2024 are also looking promising, with the highest rates and volumes on record, driven by consumer spending onboard and pre-cruise purchases. The enthusiasm for RCL's offerings, including the debut of new ships like the Icon of the Seas and the expansion of Perfect Day at CocoCay, has been overwhelming, indicating potential earnings growth for 2024. For the first quarter of 2024, the company expects a continued increase in Net Yields and Adjusted EPS to be in the range of \$1.10 to \$1.20. Fuel expenses, a significant operational cost, are projected to be well-managed with a majority of consumption hedged, providing stability against market fluctuations.

COVID-19 Impact

The crisis led to many challenges, including steep sales declines as travel restrictions and health concerns drastically reduced consumer demand for cruise vacations. RCL's revenue streams were severely disrupted, with the suspension of cruise operations leading to near-zero sales during the peak of the pandemic. Supply chain disruptions were another critical impact, with port closures and global shipping delays causing difficulties in maintaining the necessary provisioning for ongoing operations. The volatility in fuel prices, combined with fluctuations in availability due to the pandemic, also had cost implications for the company. Over the last year RCL has demonstrated a swift recovery from the pandemic, with operating margins bouncing back to pre-pandemic levels, signaling operational efficiency and market demand. However, the net margins remain subdued at 12.3%, still trailing the pre-pandemic figures around 19%, largely due to elevated interest expenses, which are a consequence of the substantial debt incurred by RCL during the pandemic's peak to maintain liquidity.³

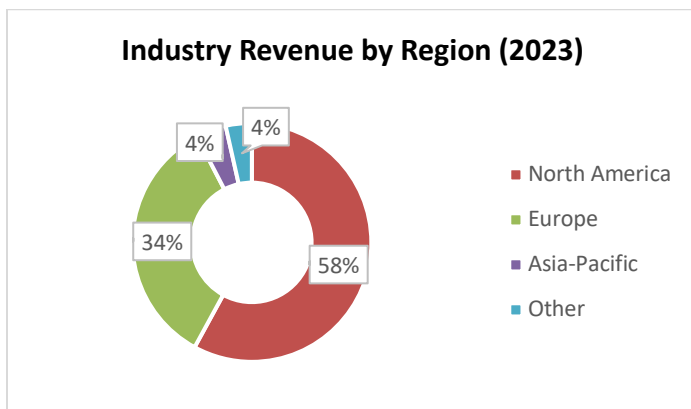
INDUSTRY TRENDS

The ocean cruise industry is estimated to reach a market size of \$66.2 billion in 2024, up 13.8% from 2023, with an expected 30.1 million passengers, a 4.2% increase year-over-year. From 1990 to 2024, the sector saw a compound annual growth rate of 5.9% in passenger numbers, demonstrating consistent growth over the long term.¹¹ Post-pandemic, the industry accelerated the retirement of outdated ships, favoring newer, eco-friendlier models. In 2024, the industry's capacity expansion includes 10 new ships, which will increase passenger capacity by 25,450. This expansion will bring the total capacity to 673,000 across 360 ships, expected to serve 30.1 million passengers by the end of 2024. This marks a 4.2% increase from 2023 and surpasses pre-COVID levels by 9.2%.⁹ Looking ahead, the future of the cruise industry is trending towards sustainability and personalized experiences. Investments in eco-friendly technology and cleaner fuels are becoming a priority, as seen in the newer ships entering the market.¹¹ Additionally, the demand for customized and exclusive travel experiences is rising, with passengers seeking more than just a standard vacation. The major players continue to expand their offerings, differentiating themselves with unique on-board experiences, technology-driven personalization, and

expanded destination options. Companies that can successfully balance these enhancements with sustainable practices are poised for growth and increased market share.

Growth in Asia-Pacific Market

The Asia-Pacific region has emerged as a significant growth area for the cruise industry, with an increasing number of travelers opting for cruises as a preferred vacation format. China, in particular, has become a key market, with many cruise lines deploying ships specifically designed for Chinese travelers and offering tailored itineraries. By 2024, the Asia-Pacific market is expected to surge to \$3.74 billion, with a consistent growth rate propelling it to nearly double by 2028. This marks significant expansion, growing from a 4% global market share in 2024 to an impressive 21% by 2028. This growth trajectory is supported by an increasing user base, predicted to reach 8.41 million by 2028.¹⁰

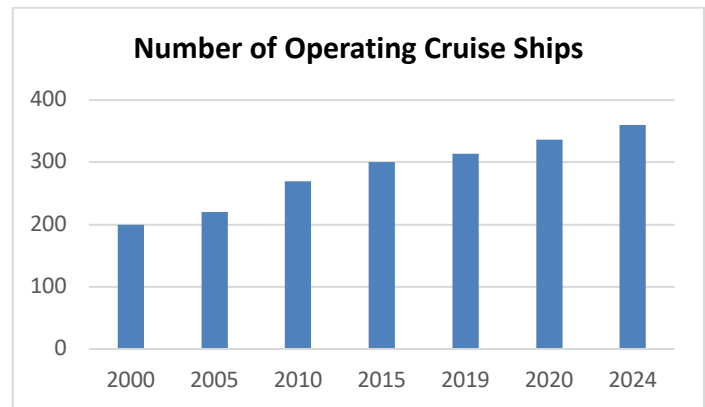


Source: CLIA¹¹

Modernization of Fleets

The cruise industry is experiencing a shift toward modern, state-of-the-art ships as part of a broader strategy to improve environmental sustainability, passenger experiences, and operational efficiencies. The operational pause during the pandemic allowed cruise companies to reinvest in the onboard experience, leading to the development of technologically advanced, multi-faceted vessels. Cruise lines are set to introduce 14 vessels in 2024, no change from the 14 deployed in 2023, but drastically up from the industry average of 9 (2001-2019).¹⁰ With recent pushes from environmental regulations, new ships utilize fuel technologies like LNG (liquid natural gas), which burn cleaner to minimize ecological impact. They also offer new

amenities and digital integrations to elevate the onboard experience for passengers. New tech offerings include high-tech entertainment options, faster internet connection, and personalized services. These modern ships are designed with health and safety as a priority, incorporating air purification systems and materials that support higher health standards. Cruise lines leverage these vessels to gain a competitive edge, attract a larger customer base, and expand into new markets with more tailored experiences.



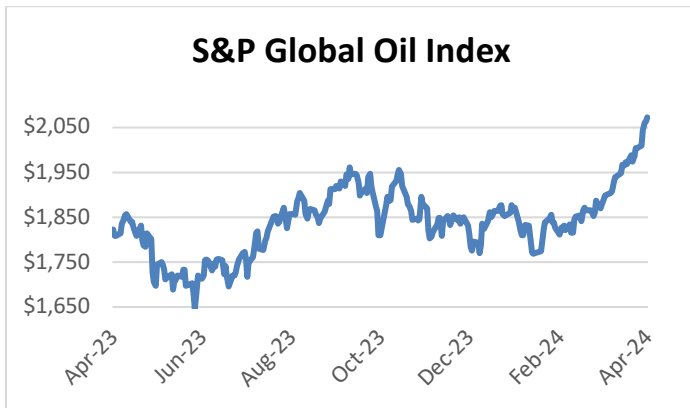
Source: Cruise Market Watch⁸

Rising Fuel Costs

Cruise lines face significant operational costs due to fuel expenses (with the industry average of fuel costs at roughly 8% of operating expenses in 2023), with price volatility being a primary concern. In the industry, fuel hedging is a common strategy to mitigate the risk associated with volatile fuel costs, which are closely tied to the fluctuating prices of oil. Cruise lines typically use a mix of financial instruments such as fixed price swaps, call options, and costless collars to manage their fuel price exposure. Additionally, technological advancements in propulsion and onboard energy management are helping to manage these costs. Cruise lines are now investing in these technologies, as well as in cleaner fuels like LNG, to enhance fuel efficiency. Route optimization, considering weather and ocean currents, is also employed to reduce consumption.

The cruise industry is currently navigating a trend of rising fuel costs, marked by an 11.85% year-to-date return in the S&P Global Oil Index.¹⁵ This increase, largely attributed to the post-pandemic economic recovery, heightened travel activities, and geopolitical tensions, suggests rising operational costs for cruise operators. Fuel, a significant

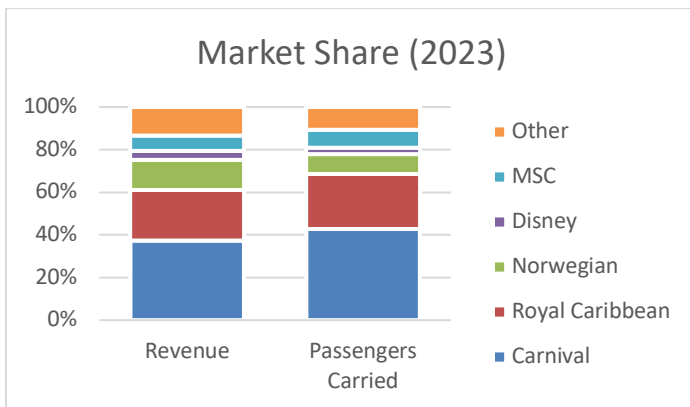
line item in their operational budgets, is becoming more expensive, potentially compressing profit margins.



Source: FactSet

MARKETS AND COMPETITION

In the competitive landscape of the cruise industry, the key players are well-established brands with significant market share: Carnival Corporation, Royal Caribbean Cruises, Norwegian Cruise Line, Disney Cruise Line, and MSC Cruises.



Source: Cruise Market Watch⁸

Competition Forces and Industry Structure

- Rivalries:** In the cruise industry, the competitive landscape has stabilized, where each major firm occupies a defined niche: Carnival Corporation appeals broadly as a value-oriented provider, offering varying experiences to different market segments. Royal Caribbean Group positions itself in the middle ground between upscale and value market segments, emphasizing innovative ships and experiences. Norwegian Cruise Line differentiates itself by emphasizing flexibility and customization for

passengers. Disney Cruise Line captures the family segment with its themed voyages. MSC Cruises carves out a market with its focus on Euro-centric experiences.

- Entry Barriers:** The landscape has high entry barriers, with the colossal costs of building and maintaining a fleet and strict compliance with industry health and safety regulations. This makes it challenging for new entrants and keeps the existing firms down to a few companies.
- Supplier/Customer Powers:** The major cruise lines, due to their vast scale, have the leverage to obtain favorable terms from suppliers, everything from provisions to port fees. Although individual bargaining power is limited, customer preferences drive the offerings of the industry (Currently there is a trend toward personalized experiences).⁹

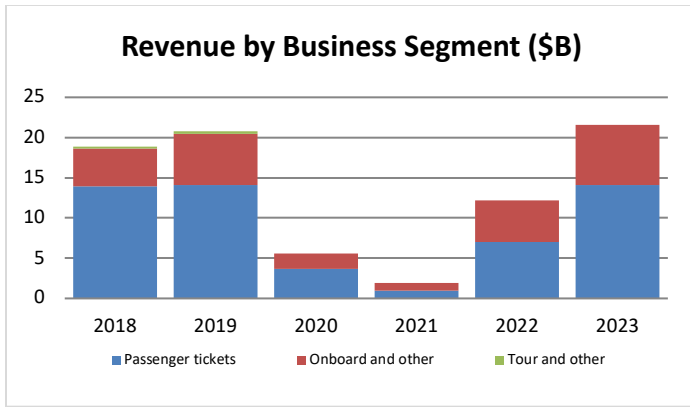
Peer Comparisons

Company	Ships	Passenger Capacity	Passengers Carried	Occupancy Rate	Average Ticket (per day)
RCL	65	160,494	8,257,900	106%	\$175
CCL	97	261,273	12,921,000	109%	\$149
NCLH	32	66,925	2,819,300	103%	\$245
LIND	12	1,140	33,300	77%	\$260
DIS	5	11,008	848,000	98%	\$200
MSC	22	79,289	2,553,400	N/A	\$185
Market	360	673,056	30,147,100	102%	N/A

Source: Company 10k's

Carnival Corp. (CCL): -18.33% YTD

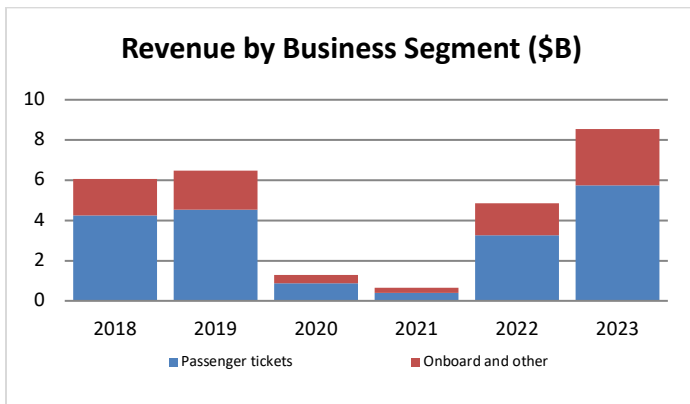
Carnival Corporation is recognized as the world's largest cruise operator, with a fleet of 97 ships. Headquartered in Miami, Florida, Carnival has a large global presence, offering voyages to a large array of destinations including the Caribbean, Alaska, Europe, and Asia. Its operations are centered on providing value-focused cruise options, making it accessible to a wide demographic. Carnival's business model is designed to cater to mass-market leisure travelers, with its brand portfolio encompassing various subsidiaries that appeal to different tastes and budgets. The company's strategy emphasizes high passenger volumes and occupancy rates, which, along with competitive pricing, positions it as a leading player in the cruise industry for affordable vacation experiences.



Source: CCL-10k⁴

Norwegian Cruise Holdings (NCLH): -1.64% YTD

Norwegian Cruise Line Holdings Ltd. stands out as a cruise company with a distinctive freestyle cruising concept that caters to travelers seeking a flexible vacation experience. With a fleet of 32 ships, it includes voyages to the Caribbean, Europe, and Asia. Headquartered in Miami, Florida, Norwegian positions itself in the upper segment of the market with a higher average ticket price, fitting of its premium service offerings. The company's strategy is centered on providing a more relaxed and individualized cruising experience.

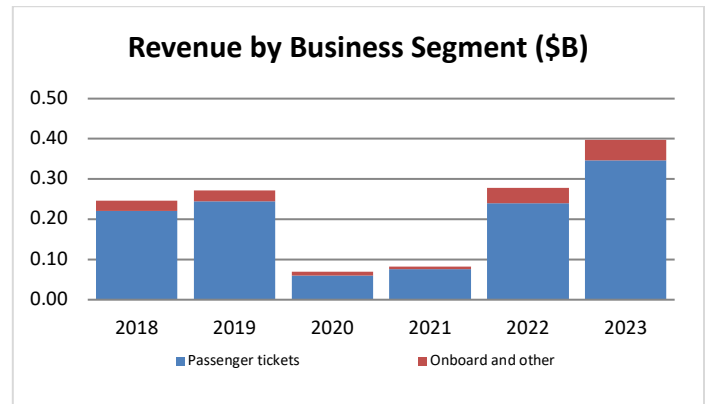


Source: NCLH-10k⁵

Lindblad Expeditions Holdings (LIND): -35.83% YTD

Lindblad Expeditions Holdings operates as a niche cruise line, specializing in adventure travel with a focus on exploration. With a relatively smaller fleet of 12 ships, Lindblad offers expedition-style voyages that bring travelers closer to nature in regions like the Galápagos Islands, Antarctica, and the Arctic. The company is known

for partnering with National Geographic to enhance the exploratory aspects of its cruises.



Source: LIND-10k⁶

Walt Disney Company (DIS): 24.51% YTD

Disney Cruise Line, part of The Walt Disney Company, offers a family-oriented cruise experience, utilizing the entertainment giant's large catalog of well-known stories and characters. Its fleet, though modest in size with 5 ships, provides a range of themed voyages primarily in the Caribbean and the Bahamas, featuring characters and settings from Disney's film and television franchises.

Source: DIS-10k⁷

Capital Structure Analysis

Company	Debt / Equity	Debt Rating	Beta	Assets / Debt
CCL	4.60x	BB-	2.55	60.6%
RCL	4.50x	BB+	2.53	61.4%
NCLH	46.74x	B+	2.61	67.5%
LIND	-2.76x	B-	2.85	75.3%

Source: FactSet

In the cruise industry, companies typically operate with high leverage as reflected in the capital structures of the major players. Norwegian Cruise Line Holdings shows the highest leverage with a debt-to-equity ratio of 46.74x, indicating significant financial risk, while Royal Caribbean and Carnival Corporation display similar leverage at around 4.5x. Lindblad Expeditions Holdings has a concerning negative equity position at -2.76x. All companies exhibit high beta values over 2.5, reflecting the cruise industry's high market sensitivity and volatility. Additionally, Norwegian Cruise Line Holdings leads in asset coverage at 67.5%, followed closely by Royal Caribbean at 61.4%, indicating their ability to cover debts with assets.

Despite high leverage, Royal Caribbean maintains the best credit profile with a BB+ rating, suggesting lower risk compared to its peers.

Profitability Analysis

TTM (%)				
Company	Gross Margin	Operating Margin	Pretax Margin	Net Margin
CCL	50.5%	10.0%	1.8%	1.8%
RCL	45.5%	20.0%	12.3%	12.3%
NCLH	36.0%	10.7%	1.9%	1.9%
LIND	43.4%	1.9%	-6.6%	-7.18%
5 Year Avg. (%)				
Company	Gross Margin	Operating Margin	Pretax Margin	Net Margin
CCL	36.2%	-25.6%	-36.8%	-36.9%
RCL	32.5%	-12.5%	-25.6%	-25.6%
NCLH	23.3%	-32.8%	-44.5%	-44.5%
LIND	38.0%	-14.0%	-22.4%	-22.4%

Source: FactSet

Carnival Corporation holds the largest gross margin but a slim net margin, indicating substantial non-operational costs, mainly interest expenses from its large debt holdings. Royal Caribbean Cruises demonstrates efficiency with both high operating and net margins. Norwegian Cruise Line Holdings has more modest gross and net margins, highlight the company's tighter profitability margins. Lindblad Expeditions Holdings faces challenges, as seen in its negative net margin, and longstanding unprofitability. Looking at the five-year averages, the industry shows signs of recovery from past challenges, suggesting an overall positive post-pandemic rebound.

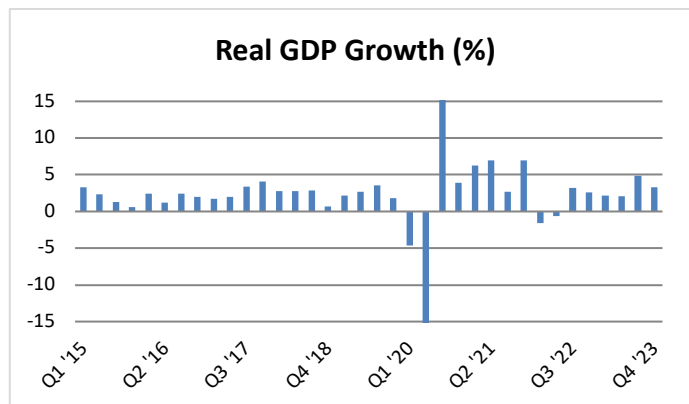
ECONOMIC OUTLOOK

As we approach the middle of 2024, the economic landscape remains complex. We believe market performance will likely continue to be driven by macroeconomic crosswinds of the Fed's battle with inflation. Reaching new all-time highs in March, the S&P 500 has finished its best first quarter since 2019 (total return of 3.2% in March). Investors' concerns about a recession have been mostly alleviated, as evidenced by the significant gains in the stock market (up by roughly 7% YTD) as strong company earnings continue to drive growth. Even though investors may be shifting their focus away from early recession fears, New York Fed's recession model still predicts a 58.3% chance of a U.S. recession sometime in the next 12 months. Nevertheless, markets and forecasters are anticipating a soft landing (where

inflation slows and growth cools without sliding into recession) for the economy and Federal Funds rate cuts.

Economic Growth Projections

The US economy stands at a crossroads, with real GDP growth expected to decelerate to a slower pace after a better-than-anticipated 2.8% in 2023. This anticipated soft landing suggests a delicate balance between growth and contraction, reflecting caution in consumer spending and a potential decrease in government fiscal contributions.



Source: FRED¹⁴

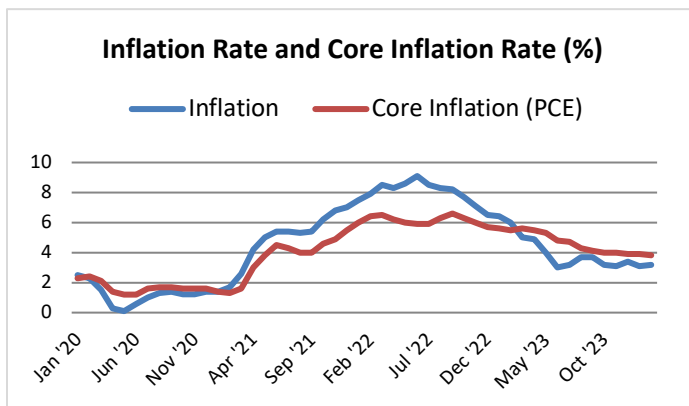
The anticipated deceleration of U.S. GDP growth could signal a mixed impact for RCL. On one hand, a "soft landing" with continued economic activity without a recession could sustain consumer confidence, potentially benefiting the cruise industry as discretionary spending on travel maintains momentum. On the other hand, should economic growth contract and caution in consumer spending increase, RCL may face headwinds with declines in bookings and spend per passenger.

Monetary Policy

The Federal Reserve's interest rate cycle is presumed to have peaked, with rates anticipated to hold at 5.25% - 5.50% until mid to late 2024. Assuming inflation continues to drop, rate normalization could occur with reductions starting in June, potentially easing the Fed Funds target range to 4.75% - 5.00% by year-end. If interest rates remain at a peak, it could keep financing costs high for Royal Caribbean's capital-intensive operations. However, should rate cuts occur, RCL will benefit from reduced interest expenses on new and existing debt.

Inflation Trends

With inflation having reached a peak in 2022, the subsequent cooling pattern is expected to continue into 2024. Core goods inflation has seen a significant reduction, and while core services inflation remains elevated, it is also on a downward trajectory. Inflation trends are expected to continue cooling but are likely to remain above the Federal Reserve's 2% target through 2024. A cooling inflation environment is likely to increase consumers' real purchasing power, giving them more financial leeway to spend on non-essential services like travel and hospitality. For RCL, this could translate into increased consumer spending on cruise vacations, provided that the company maintains a strong value proposition to capture this available discretionary spending.



Source: Statista

Higher inflation has also impacted Royal Caribbean bottom line, as seen in increased operating costs, particularly for fuel, labor, and food. Despite these pressures, the company has successfully implemented price increases, which has helped offset the higher costs. For example, Royal Caribbean forecasts a net yield increase of 5.25% to 7.25% for 2024. Additionally, Royal Caribbean's capacity is expected to increase by 8.5% in 2024, suggesting that the company is scaling its operations to meet growing demand.

Role of Consumer Spending

The travel service industry's performance is closely tied to consumer spending patterns, which are influenced by a variety of economic factors. During periods of economic growth, consumers are more likely to have discretionary income available for entertainment and leisure activities. However, economic downturns or uncertainty can lead to

a decrease in consumer spending on non-essential activities. Factors such as labor market conditions, taxation levels, and interest rates significantly impact consumers' willingness and ability to spend. The industry is sensitive to these macroeconomic indicators, as fluctuations in consumer confidence and spending can directly affect RCL's revenue. The initial decline in disposable income in 2020, followed by a recovery buoyed by stimulus payments and tax breaks, created a volatile spending pattern among consumers. The Federal Reserve's interest rate hikes in 2022 further tightened consumer budgets, reducing disposable income and discretionary spending. Although 2023 saw a modest increase in disposable income, ongoing inflation and a high cost of living continue to constrain consumer spending power. Looking ahead to 2024, expectations are cautiously optimistic, with income levels projected to rise further, albeit at a slower pace, outpacing inflation. A potential rise in disposable income in 2024 is promising for RCL, potentially leading to more consumers considering cruise vacations.



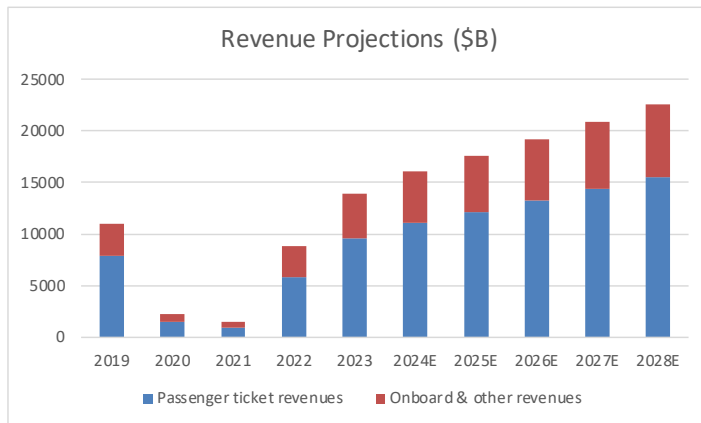
Source: FRED¹⁶

VALUATION

Revenue Decomposition

The revenue streams of Royal Caribbean Cruises are predominantly from passenger ticket sales and onboard & other services. Historical data shows a significant impact in 2020 due to the pandemic, but there has been a notable recovery since then. In 2024, the forecasted revenue from passenger tickets is expected to increase by 15.49% year-over-year, while onboard and other revenues also show a similar upward trend. This growth aligns with the anticipated rise in passengers carried, projected to grow from 7.65 million in 2023 to over 13.31 million by 2033.

We forecast an initial surge in growth due to pent-up demand from COVID-19, leading to a higher-than-average increase in passengers carried. However, after this initial rebound period, which covers the next three years, we project that growth will realign with the historical CAGR of 4.95%. We anticipate a return to pre-pandemic growth patterns as the market stabilizes and demand levels out. As Royal Caribbean expands its capacity with the addition of new ships and berths, the revenue per passenger is also expected to increase. This reflected in the rising projections for revenue per passenger, which climbs from \$1.82K in 2023 to \$2.48K by 2033, leading to a higher revenue generation per individual customer. The overall revenue is set to grow from \$13.9 billion in 2023 to \$33.06 billion by 2033, with the revenue increase driven by both an expansion in passenger numbers and a hike in per capita spending.

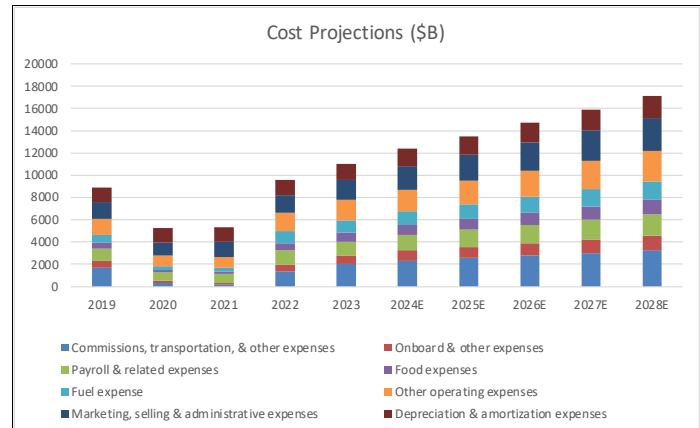


Source: Henry Fund Model

Cost Structure

Royal Caribbean Cruise’s operating expenses are categorized into commissions, transportation, onboard services, payroll, food, fuel, marketing, administrative costs, and depreciation and amortization. Projections for these expenses are based on a percentage of sales, with the exception being depreciation and amortization category which is determined by applying the historical average depreciation rate to the property, plant, and equipment assets. The commissions, transportation, and other expenses segment is projected to remain the largest expense followed by market, selling, and admin expense. The trend in depreciation and amortization expenses, is forecasted to decline to 8.28% in 2033 from 10.47% in 2023. The decrease in depreciation and amortization expenses is due to an anticipated tapering off of new asset

acquisitions in the coming years. We believe that Royal Caribbean is transitioning from its pandemic-era strategy of aggressive fleet expansion to a pre-pandemic approach that emphasizes maximizing the lifespan of its assets.



Source: Henry Fund Model

Capital Expenditure Projections

Royal Caribbean's capital expenditures (CapEx) represent investments in its fleet and infrastructure, important for maintaining its position in the cruise industry. Royal Caribbean's scheduled pipeline of new vessels includes three ships joining the fleet in 2024, followed by two in 2025, and two more expected in 2026. In 2018, Royal Caribbean announced a plan to invest \$900 million over four years to modernize 10 ships across the Oasis, Voyager, and Freedom classes to ensure a consistent guest experience. Despite delays due to COVID-19, these modernization efforts are set to resume in 2024. In 2023, Royal Caribbean directed a notable \$3.897 billion toward CapEx. For the year 2024, management forecasts CapEx to decrease slightly to \$3.3 billion. Looking ahead from 2025, the CapEx trajectory is anticipated to follow a consistent upward trend, with an estimated growth rate of 7.5% annually. This growth is projected to increase the CapEx from \$3.548 billion in 2025 to a \$6.327 billion by the year 2033. The projected 7.5% annual increase in capital expenditures for Royal Caribbean from 2025 onwards aligns with historical trends from the company's financials.

WACC

Royal Caribbean's Weighted Average Cost of Capital (WACC) is estimated at 10.22%. The capital structure comprises approximately 61.7% equity and 38.3% debt. The cost of equity, calculated using the Capital Asset

Pricing Model (CAPM), stands at 12.52%. This is calculated with a risk-free rate of 4.4% (10-year treasury bond yield), a beta of 1.62 (weekly beta averaged over 5yr period), and an equity risk premium of 5%. Given that the marginal tax rate is 0%, which influences the cost of debt, the after-tax cost of debt remains the same as the pre-tax cost at 6.52%, based on the yield to maturity (YTM) of the highest maturity corporate bond.

DCF/EP Models

The Discounted Cash Flow (DCF) and Economic Profit (EP) valuation models provide an optimistic forecast for Royal Caribbean Cruises. The DCF model, focusing on projected free cash flows—which are the Net Operating Profit Less Adjusted Taxes (NOPLAT) minus changes in invested capital—projects growth from \$2.913B in 2023 to \$8.141B in 2033, reflecting a CAGR of 9.12%. The present value of these cash flows and the continuing value are then adjusted to today's terms to assess the operating assets' worth.

The EP model uses the economic value added for shareholders over the required return on invested capital. It assesses wealth creation by determining the excess of ROIC over the WACC. This excess return, when applied to the initial invested capital, yields the EP for a given period. The sum of these present values, when discounted back to today and combined with the ending invested capital, reflects the operating assets' total value.

Utilizing these methodologies, Royal Caribbean Cruises' operating assets are valued at \$58.63B. After accounting for total debt and the present value of operating leases, other liabilities, and excess cash, the value of Royal Caribbean's equity stands at \$36.92B. Given the 256,650 outstanding shares, the intrinsic value per share is computed to be \$149.01, indicating a protentional upside of 16.4%.

DDM Model

The Dividend Discount Model (DDM) was not the primary method used to determine the target price for Royal Caribbean Cruises due to the company's irregular dividend history and focus on growth rather than dividend distribution. The capital-intensive nature of the cruise industry and the need for reinvestment in recovery make

the DDM less suitable. With an implied price of \$105.55, the model gives an implied return of -19.4%.

Relative Valuation

We also used relative valuation method to compare Royal Caribbean Cruises with industry counterparts such as Carnival Corp, Norwegian Cruise, and Lindblad Expeditions. Royal Caribbean's forward Price to Earnings (P/E) ratios for 2024 and 2025 suggest a conservative valuation relative to industry averages. With the industry P/E average hovering around 15.39 for 2024 and 11.18 for 2025, Royal Caribbean's P/E of 14.2 for 2024 and 12.0 for 2025 shows a more modest valuation compared to its peers, valuing the company at \$144 and \$123 respectively. In the Price to Sales (P/S) context, Royal Caribbean's P/S ratio of 2.55 is significantly above the peer average of 0.87. This implies that the market is pricing Royal Caribbean's sales revenue at a premium, leading to the relative value of RCL at \$46. Another metric we used is the Enterprise Value to EBITDA (EV/EBITDA) ratio, which assesses the company's total value, inclusive of debt, in relation to its core earnings. Royal Caribbean's EV/EBITDA ratio stands at 13.84, close to the peer average of 13.97, valuing the company with an implied price of \$155. Royal Caribbean's positioning within the industry, reflects investor sentiment towards its recovery, operational efficiency, and ability to capitalize on post-pandemic growth. While its P/E and EV/EBITDA ratios are in line with the industry, the premium on sales could be attributed to anticipated margin gains and large revenue growth.

KEYS TO MONITOR

Catalysts for Growth

- Consumer Demand and Brand Loyalty:** Royal Caribbean's ability to obtain higher pricing, even surpassing pre-pandemic levels in 2023, highlights its strong brand, customer loyalty, and consumer demand.
- Fiscal Responsibility:** The company has demonstrated a proactive approach to its financial picture by focusing on reducing costly debt.
- Expansion and Strategic Plans:** Through targeted growth strategies, such as the aggressive push into the growing Asia-Pacific market and forecasted early completion of the Trifecta goals, Royal Caribbean aims

to substantially increase EBITDA and EPS, setting sights on a double-digit EPS and record high ROIC.

Risk to Thesis

1. **Economic Sensitivity and Geopolitical Factors:** Given the discretionary nature of cruise vacations, Royal Caribbean's performance is sensitive to broader economic and geopolitical events that could slow consumer discretionary spending.
2. **High Operational Costs:** The high costs of operations in the cruise industry, along with the volatility of fuel prices and potential wage inflation, pose a risk to the company's profit margins. Additionally, supply chain disruptions can further impact operational costs.
3. **Debt Burden and Interest Expenses:** Royal Caribbean's considerable debt load, with significant interest obligations, constrain its net margins. The cost of servicing this debt is substantial and could impede the company's financial flexibility, especially if there are shifts in credit markets or interest rates.

Conclusion

As the year unfolds, Royal Caribbean Cruises rides the strong momentum of sustained consumer interest in travel. The successful redeployment of its fleet, starting in mid-2022, has facilitated a return to pre-pandemic occupancy levels and the normalization of profits and cash flows. The company's record pricing in 2023, which increased 13% above levels in 2019, lays a strong foundation for continued growth into 2024. This positive outlook is supported by healthy advance booking patterns and strong consumer demand for travel experiences. Cost management is anticipated to become more effective with higher occupancy rates and continuing productivity initiatives. These developments are anticipated to propel returns on invested capital to reach 14% in 2024.

Amid the pandemic, Royal Caribbean took on large amounts of debt to secured liquidity, which is now damping the bottom line as interest expenses eat away at margins. Notable strides have been made, including the repayment of \$1.25 billion in corporate debt and its refinancing at considerably lower rates, which is projected to save approximately \$80 million in annual interest expenses. With \$5 billion in customer deposits on record as of December 31st, and approximately \$2 billion in debt

maturing through the end of 2024, Royal Caribbean is strategically positioned to further reduce its corporate debt. This approach is expected to guide the company towards recovering its investment-grade status in the future, with net debt/EBITDA projected to drop below 4 within the year. In conclusion, we have **BUY** rating on Royal Caribbean Cruises, with a target price of \$149 (an upside of 16.4%).

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ROYAL CARIBBEAN CRUISES
Sensitivity Tables

DCF		Beta						
Equity Risk Premium	149.01	1.50	1.62	1.75	1.90	2.00	2.25	2.50
4.50%	183.64	168.76	154.22	139.18	130.04	109.83	92.70	
4.60%	179.35	164.58	150.15	135.24	126.19	106.18	89.24	
4.85%	169.16	154.65	140.50	125.90	117.06	97.55	81.08	
5.00%	163.37	149.01	135.03	120.63	111.91	92.70	76.50	
5.15%	157.81	143.61	129.80	115.58	106.98	88.06	72.13	
5.30%	152.46	138.42	124.77	110.74	102.26	83.62	67.95	
5.50%	145.65	131.81	118.38	104.59	96.27	78.00	62.67	

DCF		CV NOPLAT Growth						
WACC	149.01	2.25%	2.50%	2.70%	2.85%	3.00%	3.15%	3.30%
9.50%	168.13	171.63	174.62	176.97	179.44	182.02	184.73	
9.75%	157.90	161.02	163.67	165.75	167.93	170.21	172.60	
10.00%	148.37	151.14	153.50	155.35	157.28	159.30	161.40	
10.21%	140.93	143.45	145.59	147.26	149.01	150.84	152.74	
10.25%	139.46	141.93	144.03	145.68	147.39	149.18	151.04	
10.50%	131.12	133.33	135.20	136.66	138.19	139.77	141.43	
10.75%	123.30	125.28	126.94	128.25	129.60	131.01	132.48	

DDM		CV EPS Growth						
Cost of Equity	107.20	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%
10.50%	150.71	152.86	155.14	157.57	160.16	162.94	165.90	
11.00%	137.57	139.31	141.14	143.09	145.16	147.36	149.72	
11.50%	126.00	127.40	128.89	130.45	132.11	133.87	135.75	
12.00%	115.75	116.89	118.09	119.36	120.69	122.10	123.59	
12.25%	111.06	112.09	113.17	114.30	115.50	116.77	118.10	
12.69%	103.51	104.37	105.26	106.21	107.20	108.24	109.35	
12.75%	102.44	103.28	104.15	105.07	106.03	107.05	108.12	

DCF		# Passenger's Carried Growth (2024E)						
Passenger to Revenue Ratio Growth CAGR	149.01	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
2.00%	113.41	115.32	117.23	119.14	121.05	122.96	124.87	
2.50%	127.64	129.61	131.59	133.56	135.54	137.51	139.49	
3.00%	142.37	144.41	146.46	148.50	150.54	152.59	154.63	
3.02%	142.88	144.92	146.97	149.01	151.06	153.10	155.15	
3.15%	146.89	148.95	151.02	153.08	155.15	157.21	159.27	
3.50%	157.63	159.74	161.85	163.97	166.08	168.19	170.30	
4.00%	173.42	175.61	177.79	179.98	182.17	184.35	186.54	

DCF		Capital Expenditure Growth (2028E - 2033E)						
Depreciation Rate	149.01	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
4.25%	161.99	159.02	155.97	152.85	149.67	146.41	143.08	
4.75%	158.49	155.43	152.31	149.12	145.85	142.52	139.10	
5.00%	156.83	153.74	150.58	147.35	144.04	140.67	137.21	
5.23%	155.33	152.21	149.01	145.75	142.41	138.99	135.50	
5.25%	155.23	152.10	148.91	145.64	142.30	138.88	135.39	
5.50%	153.69	150.53	147.30	143.99	140.61	137.16	133.62	
6.00%	150.78	147.55	144.25	140.87	137.42	133.89	130.27	

DCF		Cost of Debt						
Cost of Equity	10.21%	5.50%	5.75%	6.00%	6.25%	6.52%	6.75%	7.00%
10.50%	8.49%	8.59%	8.69%	8.79%	8.90%	8.99%	9.09%	
11.00%	8.79%	8.89%	8.99%	9.09%	9.20%	9.29%	9.39%	
11.50%	9.09%	9.19%	9.29%	9.39%	9.50%	9.59%	9.69%	
12.00%	9.39%	9.49%	9.59%	9.69%	9.80%	9.89%	9.99%	
12.25%	9.54%	9.64%	9.74%	9.84%	9.95%	10.04%	10.14%	
12.69%	9.80%	9.90%	10.00%	10.10%	10.21%	10.30%	10.40%	
12.75%	9.84%	9.94%	10.04%	10.14%	10.25%	10.34%	10.44%	

ROYAL CARIBBEAN CRUISES

Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Passenger ticket revenues	941,175	5,793,492	9,568,000	11,050,147	12,123,451	13,223,917	14,348,172	15,512,898	16,764,181	18,107,759	19,549,692	21,096,377	22,754,562
Onboard & other revenues	590,958	3,047,048	4,332,000	5,003,056	5,489,004	5,987,250	6,496,267	7,023,607	7,590,137	8,198,454	8,851,303	9,551,579	10,302,337
Total revenues	1,532,133	8,840,540	13,900,000	16,053,203	17,612,456	19,211,167	20,844,439	22,536,505	24,354,319	26,306,213	28,400,994	30,647,955	33,056,899
Commissions, transportation, & other expenses	207,562	1,357,008	2,001,000	2,324,245	2,550,000	2,781,468	3,017,939	3,262,923	3,526,113	3,808,716	4,112,007	4,437,330	4,786,107
Onboard & other expenses	116,946	596,554	809,000	934,320	1,025,070	1,118,118	1,213,176	1,311,657	1,417,456	1,531,059	1,652,979	1,783,755	1,923,959
Payroll & related expenses	838,088	1,287,801	1,197,000	1,382,423	1,516,699	1,654,372	1,795,021	1,940,734	2,097,275	2,265,362	2,445,755	2,639,252	2,846,698
Food expenses	164,389	653,139	819,000	896,002	983,031	1,072,263	1,163,423	1,257,865	1,359,325	1,468,269	1,585,189	1,710,602	1,845,056
Fuel expense	385,322	1,072,567	1,150,000	1,199,640	1,316,162	1,435,632	1,557,685	1,684,131	1,819,975	1,965,838	2,122,379	2,290,292	2,470,310
Other operating expenses	945,205	1,647,267	1,799,000	1,948,311	2,137,551	2,331,580	2,529,804	2,735,163	2,955,783	3,192,677	3,446,912	3,719,616	4,011,980
Total cruise operating expenses	2,657,512	6,614,336	7,775,000	8,684,942	9,528,513	10,393,432	11,277,048	12,192,473	13,175,928	14,231,922	15,365,220	16,580,848	17,884,110
Marketing, selling & administrative expenses	1,370,076	1,582,929	1,792,000	2,119,308	2,325,157	2,536,216	2,751,837	2,975,220	3,215,203	3,472,888	3,749,436	4,046,075	4,364,099
Depreciation & amortization expenses	1,292,878	1,406,689	1,455,000	1,576,124	1,666,349	1,764,806	1,872,035	1,988,621	2,115,198	2,252,450	2,401,114	2,561,990	2,735,937
Impairment & credit losses	82,001	562	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	5,402,467	9,604,516	11,022,000	12,380,374	13,520,019	14,694,453	15,900,920	17,156,314	18,506,329	19,957,260	21,515,771	23,188,913	24,984,146
Operating income	(3,870,334)	(763,976)	2,878,000	3,672,829	4,092,436	4,516,714	4,943,520	5,380,192	5,847,989	6,348,953	6,885,224	7,459,042	8,072,754
Interest income	16,773	35,857	36,000	22,787	124,992	300,146	475,056	643,873	803,754	906,030	1,121,474	1,358,568	1,616,915
Interest expense, net of interest capitalized	1,291,753	1,364,162	1,402,000	1,473,880	1,617,070	1,756,071	1,876,526	1,963,893	1,941,292	2,064,790	2,198,386	2,342,792	2,498,775
Equity investment income (loss)	(135,469)	56,695	200,000	365,771	375,800	425,130	476,935	532,040	592,758	659,624	733,224	814,189	903,208
Other income (expense)	20,284	(120,376)	(8,000)	-	-	-	-	-	-	-	-	-	-
Total other income (expense)	(1,390,165)	(1,391,986)	(1,174,000)	(1,085,321)	(1,116,278)	(1,030,795)	(924,535)	(787,980)	(544,781)	(499,135)	(343,688)	(170,035)	21,348
Net income (loss)	(5,260,499)	(2,155,962)	1,704,000	2,587,508	2,976,158	3,485,919	4,018,984	4,592,212	5,303,208	5,849,818	6,541,535	7,289,007	8,094,102
Less: net income (loss) attributable to noncontrolling interest	-	-	(7,000)	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to Royal Caribbean Cruises Ltd.	(5,260,499)	(2,155,962)	1,697,000	2,587,508	2,976,158	3,485,919	4,018,984	4,592,212	5,303,208	5,849,818	6,541,535	7,289,007	8,094,102
Weighted average shares outstanding - basic	251,812	255,011	256,000	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424
Year end shares outstanding	254,820	255,239	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424	256,424
Net earnings (loss) per share - basic	(20.89)	(8.45)	6.63	10.09	11.61	13.59	15.67	17.91	20.68	22.81	25.51	28.43	31.57
Dividends per common share	-	-	-	-	-	1.16	2.00	2.35	2.82	3.40	4.14	5.13	6.51

ROYAL CARIBBEAN CRUISES
Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash & cash equivalents	2,701,770	1,935,005	497,000	1,244,465	3,438,458	6,021,956	8,350,118	10,337,949	10,905,676	13,758,007	16,876,258	20,225,161	23,726,058
Trade & other receivables, net	408,067	531,066	405,000	511,877	561,596	612,573	664,652	718,606	776,569	838,808	905,603	977,250	1,054,062
Inventories	150,224	224,016	248,000	246,864	270,842	295,427	320,543	346,563	374,517	404,533	436,746	471,300	508,344
Prepaid expenses & other assets	286,026	455,836	617,000	616,938	676,862	738,301	801,069	866,097	935,957	1,010,970	1,091,474	1,177,827	1,270,405
Derivative financial instruments	54,184	59,083	25,000	28,406	32,276	36,673	41,669	47,346	53,797	61,126	69,454	78,916	89,668
Total current assets	3,600,271	3,205,006	1,792,000	2,648,551	4,980,033	7,704,930	10,178,052	12,316,562	13,046,517	16,073,444	19,379,535	22,930,454	26,648,537
Ships	31,357,703	34,343,826	36,255,000	38,330,418	40,595,183	43,061,733	45,743,531	48,655,136	51,812,283	55,231,967	58,932,529	62,933,758	67,256,994
Ship improvements	2,152,457	2,367,289	2,259,000	2,388,316	2,529,431	2,683,118	2,850,218	3,031,636	3,228,353	3,441,429	3,672,006	3,921,317	4,190,692
Ships under construction	1,180,486	1,060,736	3,052,000	3,226,712	3,417,363	3,625,001	3,850,759	4,095,862	4,361,635	4,649,509	4,961,028	5,297,858	5,661,794
Land, buildings & improvements	746,785	771,739	763,000	806,678	854,341	906,250	962,690	1,023,965	1,090,409	1,162,377	1,240,257	1,324,464	1,415,449
Other property & equipment	1,650,249	1,531,837	1,595,000	1,686,306	1,785,942	1,894,455	2,012,438	2,140,531	2,279,426	2,429,871	2,592,674	2,768,703	2,958,900
Total property & equipment, gross	37,087,680	40,075,427	43,924,000	46,438,430	49,182,260	52,170,558	55,419,634	58,947,130	62,772,107	66,915,154	71,398,494	76,246,101	81,483,829
Less: accumulated depreciation & amortization	11,179,731	12,528,982	13,810,000	14,600,554	15,463,232	16,402,773	17,424,304	18,533,373	19,735,971	21,038,573	22,448,165	23,972,285	25,619,062
Property & equipment, net	25,907,949	27,546,445	30,114,000	31,837,876	33,719,028	35,767,785	37,995,330	40,413,757	43,036,136	45,876,581	48,950,329	52,273,816	55,864,767
Operating lease right-of-use assets	542,128	537,559	611,000	645,977	684,144	725,713	770,909	819,978	873,185	930,816	993,181	1,060,613	1,133,472
Goodwill	809,383	809,277	809,000	809,000	809,000	809,000	809,000	809,000	809,000	809,000	809,000	809,000	809,000
Other assets	1,398,624	1,678,074	1,805,000	2,448,938	2,686,804	2,930,690	3,179,848	3,437,975	3,715,285	4,013,049	4,332,611	4,675,388	5,042,876
Total assets	32,258,355	33,776,361	35,131,000	38,390,342	42,879,010	47,938,118	52,933,138	57,797,272	61,480,122	67,702,890	74,464,656	81,749,271	89,498,651
Current portion of long-term debt	2,243,131	2,087,711	1,720,000	1,722,000	2,650,000	3,406,000	3,763,000	3,489,000	1,393,000	1,393,000	1,393,000	1,393,000	1,393,000
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of operating lease liabilities	68,922	79,760	65,000	68,721	72,781	77,203	82,012	87,232	92,892	99,023	105,658	112,831	120,582
Accounts payable	545,978	646,727	792,000	806,290	884,606	964,903	1,046,936	1,131,922	1,223,223	1,321,260	1,426,472	1,539,328	1,660,320
Accrued interest	251,974	388,828	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses & other liabilities	887,575	1,071,129	1,478,000	1,615,162	1,772,043	1,932,894	2,097,222	2,267,466	2,450,362	2,646,748	2,857,510	3,083,584	3,325,955
Derivative financial instruments	127,236	131,312	35,000	40,851	47,680	55,650	64,953	75,812	88,485	103,277	120,541	140,692	164,211
Customer deposits	3,160,867	4,167,997	5,311,000	6,133,710	6,729,479	7,340,324	7,964,375	8,610,891	9,305,452	10,051,245	10,851,632	11,710,165	12,630,589
Capitalized Leases - Current Portion	-	-	26,000	-	-	-	-	-	-	-	-	-	-
Total current liabilities	7,285,683	8,573,464	9,401,000	10,386,733	12,156,588	13,776,975	15,018,498	15,662,322	14,553,414	15,614,552	16,754,813	17,979,600	19,294,658
Long-term debt	18,847,209	21,303,480	19,732,000	19,298,541	18,789,234	18,765,864	18,688,833	18,546,988	18,329,251	18,020,654	17,604,737	17,063,378	16,376,626
Long-term operating lease liabilities	534,726	523,006	613,000	648,091	686,384	728,088	773,432	822,662	876,043	933,863	996,432	1,064,085	1,137,182
Other long-term liabilities	505,181	507,599	486,000	642,128	704,498	768,447	833,778	901,460	974,173	1,052,249	1,136,040	1,225,918	1,322,276
Total long-term liabilities	19,887,116	22,334,085	20,831,000	20,588,761	20,180,117	20,262,399	20,296,042	20,271,110	20,179,466	20,006,766	19,737,208	19,353,381	18,836,084
Total liabilities	27,172,799	30,907,549	30,232,000	30,975,494	32,336,705	34,039,374	35,314,541	35,933,432	34,732,881	35,621,317	36,492,022	37,332,981	38,130,743
Redeemable noncontrolling interest	-	-	175,000	-	-	-	-	-	-	-	-	-	-
Paid-in capital & common stock	7,560,124	7,287,684	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000	7,477,000
Retained earnings (accumulated deficit)	302,276	(1,707,429)	(10,000)	2,680,848	5,808,305	9,164,744	12,884,598	17,129,840	22,013,241	27,347,573	33,238,634	39,682,290	46,633,909
Treasury stock, at cost	2,065,959	2,068,229	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000	2,069,000
Accumulated other comprehensive income (loss)	(710,885)	(643,214)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)	(674,000)
Total shareholders' equity attributable to RCL	5,085,556	2,868,812	4,724,000	7,414,848	10,542,305	13,898,744	17,618,598	21,863,840	26,747,241	32,081,573	37,972,634	44,416,290	51,367,909
Equity Minority Interests	-	-	175,000	-	-	-	-	-	-	-	-	-	-
Total shareholders equity	5,085,556	2,868,812	4,899,000	7,414,848	10,542,305	13,898,744	17,618,598	21,863,840	26,747,241	32,081,573	37,972,634	44,416,290	51,367,909

ROYAL CARIBBEAN CRUISES
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023
Net income	1,625,133	1,815,792	1,907,600	(5,775,130)	(5,260,499)	(2,155,962)	1,704,000
Depreciation & amortization	951,194	1,033,697	1,245,942	1,279,254	1,292,878	1,406,689	1,455,000
Impairment & credit losses	-	33,651	-	1,566,380	82,001	562	-
Net deferred income tax expense (benefit)	1,730	(2,679)	7,745	(8,791)	(42,979)	(21,576)	(8,000)
Loss (gain) on derivative instruments not designated as hedges	(61,704)	61,148	(1,431)	49,316	(1,492)	99,985	(19,000)
Share-based compensation expense	69,459	46,061	75,930	39,779	63,638	36,116	126,000
Equity investment loss (income)	(156,247)	(210,756)	(230,980)	213,286	135,469	(56,695)	(200,000)
Amortization of debt issuance costs	45,943	41,978	31,991	89,442	125,116	148,790	-
Amortization of debt discounts & premiums	-	-	-	66,776	123,439	13,978	109,000
Loss on extinguishment of secured senior term loan	-	-	-	41,109	-	-	-
Amortization of commercial paper notes discount	-	-	31,263	-	-	-	-
Loss on extinguishment of debt	-	-	6,326	-	138,759	93,810	121,000
Change in fair value of contingent consideration	-	-	18,400	(45,126)	-	-	-
Recognition of deferred currency translation adjustment loss on sale of assets	-	-	-	69,044	-	-	-
Loss (gain) on sale of property & equipment	(30,902)	-	-	-	-	-	-
Loss (gain) on sale of unconsolidated affiliate	-	(13,680)	-	-	-	-	-
Recognition of deferred loss (gain)	-	(21,794)	-	-	-	-	-
Trade & other receivables, net	(32,043)	(9,573)	(9,898)	121,055	(181,707)	(234,348)	99,000
Inventories	2,424	(23,849)	(8,533)	27,077	(34,527)	(73,792)	(24,000)
Prepaid expenses & other assets	20,859	(71,770)	15,669	295,876	(152,071)	(153,196)	(184,000)
Accounts payable	36,780	91,737	75,281	(133,815)	188,518	74,657	124,000
Accrued interest	1,303	18,773	(4,460)	182,578	(694)	136,855	13,000
Accrued expenses & other liabilities	34,215	42,937	96,490	(180,479)	235,446	215,981	1,143,000
Customer deposits	274,705	385,990	280,139	(1,643,560)	1,426,647	1,007,129	-
Dividends received from unconsolidated affiliates	109,677	243,101	150,177	2,215	-	-	-
Other operating activities, net	(17,960)	18,375	28,715	12,061	(15,757)	(57,126)	18,000
Net cash flows from operating activities	2,874,566	3,479,139	3,716,366	(3,731,653)	(1,877,815)	481,857	4,477,000
Purchases of property & equipment	(564,138)	(3,660,028)	(3,024,663)	(1,965,131)	(2,229,704)	(2,710,063)	(3,897,000)
Repayment (purchase) of notes from TUI Travel	-	-	-	-	-	-	40,000
Cash received on settlement of derivative financial instruments	63,224	76,529	7,621	15,874	44,492	52,550	35,000
Cash paid on settlement of derivative financial instruments	-	(98,074)	(68,836)	(161,335)	(74,249)	(355,909)	(86,000)
Investment in & loans to unconsolidated affiliates	(10,396)	(27,172)	(25,569)	(100,609)	(70,228)	-	(31,000)
Cash received on loans to unconsolidated affiliates	62,303	124,238	32,870	21,086	31,334	18,650	-
Proceeds from the sale of property & equipment	230,000	13,215	-	27,796	176,039	421	13,000
Acquisition of Silversea Cruise Holding Ltd., net of cash acquired	-	(916,135)	-	-	-	-	-
Other investing activities, net	5,415	(1,731)	(12,829)	(16,247)	(22,423)	6,585	-
Other net	-	-	-	-	-	-	3,000
Net cash flows from investing activities	(213,592)	(4,489,158)	(3,091,406)	(2,178,566)	(2,144,739)	(2,987,766)	(3,923,000)
Debt proceeds	5,866,966	8,590,740	3,525,564	13,547,189	4,467,789	9,787,166	7,641,000
Debt issuance costs	(51,590)	(81,959)	(50,348)	(374,715)	(201,698)	(251,888)	-
Repayments of debt	(7,835,087)	(6,963,511)	(4,060,244)	(3,845,133)	(2,296,990)	(7,728,568)	(9,566,000)
Premium on repayment of debt	-	-	-	-	(135,372)	(49,367)	(80,000)
Proceeds from issuance of commercial paper notes	-	4,730,286	26,240,540	6,765,816	-	-	-
Repayments of commercial paper notes	-	(3,965,450)	(25,613,111)	(7,837,635)	(414,570)	-	-
Purchase of treasury stock	(224,998)	(575,039)	(99,582)	-	-	-	-
Dividends paid	(437,455)	(527,494)	(602,674)	(326,421)	-	-	-
Proceeds from common stock issuances	-	-	-	1,431,375	1,621,860	-	-
Proceeds from exercise of common stock options	2,525	4,264	1,742	-	-	-	-
Other financing activities, net	3,843	(13,764)	(12,258)	(10,688)	(442)	(16,370)	(194,000)
Other net	-	-	-	-	-	-	(3,000)
Proceeds from sale of noncontrolling interest	-	-	-	-	-	-	209,000
Net cash flows from financing activities	(2,675,796)	1,198,073	(670,371)	9,349,788	3,040,577	1,740,973	(1,993,000)
Effect of exchange rate changes on cash	2,331	(20,314)	1,297	1,167	(727)	(1,829)	1,000
Net increase (decrease) in cash & cash equivalents	(12,491)	167,740	(44,114)	3,440,736	(982,704)	(766,765)	(1,438,000)
Cash & cash equivalents at beginning of year	132,603	120,112	287,852	243,738	3,684,474	2,701,770	1,935,000
Cash & cash equivalents at end of year	120,112	287,852	243,738	3,684,474	2,701,770	1,935,005	497,000
Cash paid during the year for interest, net of amount capitalized	249,615	252,466	246,312	418,164	834,245	959,907	1,442,000

ROYAL CARIBBEAN CRUISES
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net Income	2,541,848	3,127,457	3,653,891	4,232,702	4,858,339	5,628,851	6,242,833	7,010,599	7,843,652	8,744,706
Depreciation & amortization	1,576,124	1,666,349	1,764,806	1,872,035	1,988,621	2,115,198	2,252,450	2,401,114	2,561,990	2,735,937
Trade & other receivables, net	(106,877)	(49,719)	(50,977)	(52,079)	(53,954)	(57,963)	(62,239)	(66,795)	(71,647)	(76,812)
Inventories	1,136	(23,978)	(24,585)	(25,116)	(26,020)	(27,954)	(30,016)	(32,213)	(34,553)	(37,044)
Prepaid expenses & other assets	62	(59,923)	(61,440)	(62,768)	(65,028)	(69,860)	(75,013)	(80,504)	(86,353)	(92,578)
Accounts payable	14,290	78,315	80,297	82,033	84,986	91,302	98,036	105,213	112,856	120,992
Accrued interest	-	-	-	-	-	-	-	-	-	-
Accrued expenses & other liabilities	137,162	156,881	160,851	164,328	170,244	182,896	196,386	210,762	226,074	242,371
Customer deposits	822,710	595,769	610,846	624,051	646,515	694,562	745,792	800,387	858,533	920,425
Other assets, net	(643,938)	(237,866)	(243,886)	(249,158)	(258,127)	(277,310)	(297,764)	(319,562)	(342,777)	(367,488)
Net cash flows from operating activities	4,342,515	5,253,285	5,889,804	6,586,027	7,345,576	8,279,721	9,070,465	10,029,002	11,067,774	12,190,508
Capital expenditures	(3,300,000)	(3,547,500)	(3,813,563)	(4,099,580)	(4,407,048)	(4,737,577)	(5,092,895)	(5,474,862)	(5,885,477)	(6,326,888)
Derivative financial instruments (CA)	(3,406)	(3,870)	(4,397)	(4,996)	(5,677)	(6,450)	(7,329)	(8,328)	(9,462)	(10,751)
Derivative financial instruments (CL)	5,851	6,829	7,971	9,303	10,858	12,673	14,792	17,265	20,151	23,519
Lease right-of-use assets	(34,977)	(38,168)	(41,568)	(45,196)	(49,069)	(53,207)	(57,631)	(62,365)	(67,432)	(72,859)
Net cash flows from investing activities	(3,332,532)	(3,582,709)	(3,851,558)	(4,140,469)	(4,450,936)	(4,784,561)	(5,143,064)	(5,528,290)	(5,942,221)	(6,386,979)
Common stock	-	-	-	-	-	-	-	-	-	-
Stock repurchases	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	(297,452)	(512,849)	(613,097)	(745,449)	(908,501)	(1,119,538)	(1,399,996)	(1,793,086)
Current portion of long-term debt	2,000	928,000	756,000	357,000	(274,000)	(2,096,000)	-	-	-	-
Long-term debt, net of current maturities	(433,459)	(509,307)	(23,371)	(77,031)	(141,844)	(217,738)	(308,596)	(415,918)	(541,359)	(686,752)
Current portion of operating lease liabilities	3,721	4,060	4,422	4,808	5,220	5,660	6,131	6,635	7,174	7,751
Operating leases liabilities, net of current	35,091	38,293	41,704	45,344	49,229	53,381	57,820	62,569	67,653	73,097
Capitalized Leases - Current Portion	(26,000)	-	-	-	-	-	-	-	-	-
Other long-term liabilities	156,128	62,370	63,948	65,331	67,683	72,713	78,076	83,791	89,878	96,358
Net cash flows from financing activities	(262,518)	523,416	545,252	(117,397)	(906,809)	(2,927,433)	(1,075,071)	(1,382,461)	(1,776,650)	(2,302,632)
Cash & equivalents increase (decrease)	747,465	2,193,992	2,583,498	2,328,162	1,987,832	567,727	2,852,330	3,118,251	3,348,903	3,500,897
Cash & equivalents at beginning of year	497,000	1,244,465	3,438,458	6,021,956	8,350,118	10,337,949	10,905,676	13,758,007	16,876,258	20,225,161
Cash & equivalents at end of year	1,244,465	3,438,458	6,021,956	8,350,118	10,337,949	10,905,676	13,758,007	16,876,258	20,225,161	23,726,058

ROYAL CARIBBEAN CRUISES
Common Size Income Statement (% of Sales)

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Passenger ticket revenues	61.43%	65.53%	68.83%	68.83%	68.83%	68.83%	68.83%	68.83%	68.83%	68.83%	68.83%	68.83%	68.83%
Onboard & other revenues	38.57%	34.47%	31.17%	31.17%	31.17%	31.17%	31.17%	31.17%	31.17%	31.17%	31.17%	31.17%	31.17%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Commissions, transportation, & other expenses	13.55%	15.35%	14.40%	14.48%	14.48%	14.48%	14.48%	14.48%	14.48%	14.48%	14.48%	14.48%	14.48%
Onboard & other expenses	7.63%	6.75%	5.82%	5.82%	5.82%	5.82%	5.82%	5.82%	5.82%	5.82%	5.82%	5.82%	5.82%
Payroll & related expenses	54.70%	14.57%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%
Food expenses	10.73%	7.39%	5.89%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%
Fuel expense	25.15%	12.13%	8.27%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%
Other operating expenses	61.69%	18.63%	12.94%	12.14%	12.14%	12.14%	12.14%	12.14%	12.14%	12.14%	12.14%	12.14%	12.14%
Total cruise operating expenses	173.45%	74.82%	55.94%	54.10%	54.10%	54.10%	54.10%	54.10%	54.10%	54.10%	54.10%	54.10%	54.10%
Marketing, selling & administrative expenses	89.42%	17.91%	12.89%	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%	13.20%
Depreciation & amortization expenses	84.38%	15.91%	10.47%	9.82%	9.46%	9.19%	8.98%	8.82%	8.69%	8.56%	8.45%	8.36%	8.28%
Impairment & credit losses	5.35%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating expenses	352.61%	108.64%	79.29%	77.12%	76.76%	76.49%	76.28%	76.13%	75.99%	75.87%	75.76%	75.66%	75.58%
Operating income	-252.61%	-8.64%	20.71%	22.88%	23.24%	23.51%	23.72%	23.87%	24.01%	24.13%	24.24%	24.34%	24.42%
Interest income	1.09%	0.41%	0.26%	0.14%	0.71%	1.56%	2.28%	2.86%	3.30%	3.44%	3.95%	4.43%	4.89%
Interest expense, net of interest capitalized	84.31%	15.43%	10.09%	9.18%	9.18%	9.14%	9.00%	8.71%	7.97%	7.85%	7.74%	7.64%	7.56%
Equity investment income (loss) (% of operating)	3.50%	-7.42%	6.95%	8.96%	9.18%	9.41%	9.65%	9.89%	10.14%	10.39%	10.65%	10.92%	11.19%
Equity investment income (loss)	-8.84%	0.64%	1.44%	2.28%	2.13%	2.21%	2.29%	2.36%	2.43%	2.51%	2.58%	2.66%	2.73%
Other income (expense)	1.32%	-1.36%	-0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total other income (expense)	-90.73%	-15.75%	-8.45%	-6.76%	-6.34%	-5.37%	-4.44%	-3.50%	-2.24%	-1.90%	-1.21%	-0.55%	0.06%
Net income (loss)	-343.34%	-24.39%	12.26%	16.12%	16.90%	18.15%	19.28%	20.38%	21.78%	22.24%	23.03%	23.78%	24.49%
Less: net income (loss) attributable to noncontrolling interest	0.00%	0.00%	-0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss) attributable to Royal Caribbean Cruises Ltd.	-343.34%	-24.39%	12.21%	16.12%	16.90%	18.15%	19.28%	20.38%	21.78%	22.24%	23.03%	23.78%	24.49%

ROYAL CARIBBEAN CRUISES
Common Size Balance Sheet (% of Sales)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash & cash equivalents	176.34%	21.89%	3.58%	7.75%	19.52%	31.35%	40.06%	45.87%	44.78%	52.30%	59.42%	65.99%	71.77%
Trade & other receivables, net	26.63%	6.01%	2.91%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%
Inventories	9.80%	2.53%	1.78%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%
Prepaid expenses & other assets	18.67%	5.16%	4.44%	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%
Derivative financial instruments	3.54%	0.67%	0.18%	0.18%	0.18%	0.19%	0.20%	0.21%	0.22%	0.23%	0.24%	0.26%	0.27%
Total current assets	234.98%	36.25%	12.89%	16.50%	28.28%	40.11%	48.83%	54.65%	53.57%	61.10%	68.24%	74.82%	80.61%
Ships	2046.67%	388.48%	260.83%	238.77%	230.49%	224.15%	219.45%	215.89%	212.74%	209.96%	207.50%	205.34%	203.46%
Ship improvements	140.49%	26.78%	16.25%	14.88%	14.36%	13.97%	13.67%	13.45%	13.26%	13.08%	12.93%	12.79%	12.68%
Ships under construction	77.05%	12.00%	21.96%	20.10%	19.40%	18.87%	18.47%	18.17%	17.91%	17.67%	17.47%	17.29%	17.13%
Land, buildings & improvements	48.74%	8.73%	5.49%	5.03%	4.85%	4.72%	4.62%	4.54%	4.48%	4.42%	4.37%	4.32%	4.28%
Other property & equipment	107.71%	17.33%	11.47%	10.50%	10.14%	9.86%	9.65%	9.50%	9.36%	9.24%	9.13%	9.03%	8.95%
Total property & equipment, gross	2420.66%	453.31%	316.00%	289.28%	279.25%	271.56%	265.87%	261.56%	257.75%	254.37%	251.39%	248.78%	246.50%
Less: accumulated depreciation & amortization	729.68%	141.72%	99.35%	90.95%	87.80%	85.38%	83.59%	82.24%	81.04%	79.98%	79.04%	78.22%	77.50%
Property & equipment, net	1690.97%	311.59%	216.65%	198.33%	191.45%	186.18%	182.28%	179.33%	176.71%	174.39%	172.35%	170.56%	169.00%
Operating lease right-of-use assets	35.38%	6.08%	4.40%	4.02%	3.88%	3.78%	3.70%	3.64%	3.59%	3.54%	3.50%	3.46%	3.43%
Goodwill	52.83%	9.15%	5.82%	5.04%	4.59%	4.21%	3.88%	3.59%	3.32%	3.08%	2.85%	2.64%	2.45%
Other assets	91.29%	18.98%	12.99%	15.26%	15.26%	15.26%	15.26%	15.26%	15.26%	15.26%	15.26%	15.26%	15.26%
Total assets	2105.45%	382.06%	252.74%	239.14%	243.46%	249.53%	253.94%	256.46%	252.44%	257.36%	262.19%	266.74%	270.74%
Current portion of long-term debt	146.41%	23.62%	12.37%	10.73%	15.05%	17.73%	18.05%	15.48%	5.72%	5.30%	4.90%	4.55%	4.21%
Commercial paper	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current portion of operating lease liabilities	4.50%	0.90%	0.47%	0.43%	0.41%	0.40%	0.39%	0.39%	0.38%	0.38%	0.37%	0.37%	0.36%
Accounts payable	35.64%	7.32%	5.70%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%
Accrued interest	16.45%	4.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accrued expenses & other liabilities	57.93%	12.12%	10.63%	10.06%	10.06%	10.06%	10.06%	10.06%	10.06%	10.06%	10.06%	10.06%	10.06%
Derivative financial instruments	8.30%	1.49%	0.25%	0.25%	0.27%	0.29%	0.31%	0.34%	0.36%	0.39%	0.42%	0.46%	0.50%
Customer deposits	206.31%	47.15%	38.21%	38.21%	38.21%	38.21%	38.21%	38.21%	38.21%	38.21%	38.21%	38.21%	38.21%
Capitalized Leases - Current Portion	0.00%	0.00%	0.19%										
Total current liabilities	475.53%	96.98%	67.63%	64.70%	69.02%	71.71%	72.05%	69.50%	59.76%	59.36%	58.99%	58.66%	58.37%
Long-term debt	1230.13%	240.97%	141.96%	120.22%	106.68%	97.68%	89.66%	82.30%	75.26%	68.50%	61.99%	55.68%	49.54%
Long-term operating lease liabilities	34.90%	5.92%	4.41%	4.04%	3.90%	3.79%	3.71%	3.65%	3.60%	3.55%	3.51%	3.47%	3.44%
Other long-term liabilities	32.97%	5.74%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total long-term liabilities	1298.00%	252.63%	149.86%	128.25%	114.58%	105.47%	97.37%	89.95%	82.86%	76.05%	69.49%	63.15%	56.98%
Total liabilities	1773.53%	349.61%	217.50%	192.96%	183.60%	177.19%	169.42%	159.45%	142.61%	135.41%	128.49%	121.81%	115.35%
Redeemable noncontrolling interest	0.00%	0.00%	1.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common stock	0.18%	0.03%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Paid-in capital	493.25%	82.40%	53.77%	46.56%	42.44%	38.90%	35.86%	33.16%	30.69%	28.41%	26.32%	24.39%	22.61%
Retained earnings (accumulated deficit)	19.73%	-19.31%	-0.07%	16.70%	32.98%	47.71%	61.81%	76.01%	90.39%	103.96%	117.03%	129.48%	141.07%
Treasury stock, at cost	134.84%	23.39%	14.88%	12.89%	11.75%	10.77%	9.93%	9.18%	8.50%	7.87%	7.28%	6.75%	6.26%
Accumulated other comprehensive income (loss)	-46.40%	-7.28%	-4.85%	-4.20%	-3.83%	-3.51%	-3.23%	-2.99%	-2.77%	-2.56%	-2.37%	-2.20%	-2.04%
Total shareholders' equity attributable to RCL	331.93%	32.45%	33.99%	46.19%	59.86%	72.35%	84.52%	97.02%	109.83%	121.95%	133.70%	144.92%	155.39%
Equity Minority Interests	0.00%	0.00%	1.26%										
Total shareholders equity	331.93%	32.45%	35.24%	46.19%	59.86%	72.35%	84.52%	97.02%	109.83%	121.95%	133.70%	144.92%	155.39%

ROYAL CARIBBEAN CRUISES
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:	(3,749,214)	(728,067)	2,913,049	3,712,666	4,134,554	4,561,320	4,990,836	5,430,455	5,901,452	6,405,885	6,945,913	7,523,798	8,141,906
% change	25.38%	-80.58%	-500.11%	27.45%	11.36%	10.32%	9.42%	8.81%	8.67%	8.55%	8.43%	8.32%	8.22%
EBIT Calculation:													
Add: Passenger ticket revenues	941,175	5,793,492	9,568,000	11,050,147	12,123,451	13,223,917	14,348,172	15,512,898	16,764,181	18,107,759	19,549,692	21,096,377	22,754,562
Add: Onboard & other revenues	590,958	3,047,048	4,332,000	5,003,056	5,489,004	5,987,250	6,496,267	7,023,607	7,590,137	8,198,454	8,851,303	9,551,579	10,302,337
Less: Commissions, transportation, & other expenses	207,562	1,357,008	2,001,000	2,324,245	2,550,000	2,781,468	3,017,939	3,262,923	3,526,113	3,808,716	4,112,007	4,437,330	4,786,107
Less: Onboard & related expenses	116,946	596,554	809,000	934,320	1,025,070	1,118,118	1,213,176	1,311,657	1,417,456	1,531,059	1,652,979	1,783,755	1,923,959
Less: Payroll & related expenses	838,088	1,287,801	1,197,000	1,382,423	1,516,699	1,654,372	1,795,021	1,940,734	2,097,275	2,265,362	2,445,755	2,639,252	2,846,698
Less: Food expenses	164,389	653,139	819,000	896,002	983,031	1,072,263	1,163,423	1,257,865	1,359,325	1,468,269	1,585,189	1,710,602	1,845,056
Less: Fuel expense	385,322	1,072,567	1,150,000	1,199,640	1,316,162	1,435,632	1,557,685	1,684,131	1,819,975	1,965,838	2,122,379	2,290,292	2,470,310
Less: Other operating expenses	945,205	1,647,267	1,799,000	1,948,311	2,137,551	2,331,580	2,529,804	2,735,163	2,955,783	3,192,677	3,446,912	3,719,616	4,011,980
Less: Marketing, selling & administrative expenses	1,370,076	1,582,929	1,792,000	2,119,308	2,325,157	2,536,216	2,751,837	2,975,220	3,215,203	3,472,888	3,749,436	4,046,075	4,364,099
Less: Depreciation & amortization expenses	1,292,878	1,406,689	1,455,000	1,576,124	1,666,349	1,764,806	1,872,035	1,988,621	2,115,198	2,252,450	2,401,114	2,561,990	2,735,937
Add: Implied lease interest	39,119	35,347	35,049	39,837	42,118	44,606	47,316	50,263	53,463	56,932	60,689	64,755	69,152
Total EBIT	(3,749,214)	(728,067)	2,913,049	3,712,666	4,134,554	4,561,320	4,990,836	5,430,455	5,901,452	6,405,885	6,945,913	7,523,798	8,141,906
Tax Adjustments:													
Total Adjusted Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Change in Deferred Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Current Assets:													
Normal cash	34,102	196,771	309,384	357,310	392,015	427,599	463,952	501,614	542,074	585,519	632,145	682,157	735,775
Trade & other receivables, net	408,067	531,066	405,000	511,877	561,596	612,573	664,652	718,606	776,569	838,808	905,603	977,250	1,054,062
Inventories	150,224	224,016	248,000	246,864	270,842	295,427	320,543	346,563	374,517	404,533	436,746	471,300	508,344
Prepaid expenses & other assets	286,026	455,836	617,000	616,938	676,862	738,301	801,069	866,097	935,957	1,010,970	1,091,474	1,177,827	1,270,405
Total Operating CA	878,419	1,407,689	1,579,384	1,732,989	1,901,315	2,073,900	2,250,216	2,432,880	2,629,118	2,839,831	3,065,968	3,308,534	3,568,586
Operating Current Liabilities:													
Accounts payable	545,978	646,727	792,000	806,290	884,606	964,903	1,046,936	1,131,922	1,223,223	1,321,260	1,426,472	1,539,328	1,660,320
Accrued expenses & other liabilities	887,575	1,071,129	1,478,000	1,615,162	1,772,043	1,932,894	2,097,222	2,267,466	2,450,362	2,646,748	2,857,510	3,083,584	3,325,955
Customer deposits	3,160,867	4,167,997	5,311,000	6,133,710	6,729,479	7,340,324	7,964,375	8,610,891	9,305,452	10,051,245	10,851,632	11,710,165	12,630,589
Total Operating CL	4,594,420	5,885,853	7,581,000	8,555,162	9,386,127	10,238,121	11,108,533	12,010,279	12,979,038	14,019,252	15,135,614	16,333,077	17,616,865
Net Working Capital	(3,716,001)	(4,478,164)	(6,001,616)	(6,822,173)	(7,484,812)	(8,164,221)	(8,858,317)	(9,577,399)	(10,349,920)	(11,179,422)	(12,069,646)	(13,024,543)	(14,048,279)
Property & equipment, net	25,907,949	27,546,445	30,114,000	31,837,876	33,719,028	35,767,785	37,995,330	40,413,757	43,036,136	45,876,581	48,950,329	52,273,816	55,864,767
Net Other Operating Assets:													
Operating lease right-of-use assets	542,128	537,559	611,000	645,977	684,144	725,713	770,909	819,978	873,185	930,816	993,181	1,060,613	1,133,472
Other assets	1,398,624	1,678,074	1,805,000	2,448,938	2,686,804	2,930,690	3,179,848	3,437,975	3,715,285	4,013,049	4,332,611	4,675,388	5,042,876
Total Net Other Operating Assets	1,940,752	2,215,633	2,416,000	3,094,915	3,370,949	3,656,403	3,950,757	4,257,953	4,588,470	4,943,865	5,325,792	5,736,001	6,176,348
Net Other Operating Liabilities:													
Other long-term liabilities	505,181	507,599	486,000	642,128	704,498	768,447	833,778	901,460	974,173	1,052,249	1,136,040	1,225,918	1,322,276
Total Net Other Operating Liabilities	505,181	507,599	486,000	642,128	704,498	768,447	833,778	901,460	974,173	1,052,249	1,136,040	1,225,918	1,322,276
Invested Capital (IC)	23,627,519	24,776,315	26,042,384	27,468,491	28,900,666	30,491,520	32,253,992	34,192,851	36,300,513	38,588,776	41,070,435	43,759,355	46,670,560
Free Cash Flow (FCF):													
NOPLAT	(3,749,214)	(728,067)	2,913,049	3,712,666	4,134,554	4,561,320	4,990,836	5,430,455	5,901,452	6,405,885	6,945,913	7,523,798	8,141,906
Change in IC	(923,226)	1,148,796	1,266,069	1,426,107	1,432,175	1,590,854	1,762,472	1,938,858	2,107,662	2,288,263	2,481,659	2,688,921	2,911,205
FCF	(2,825,988)	(1,876,864)	1,646,980	2,286,559	2,702,379	2,970,466	3,228,364	3,491,597	3,793,790	4,117,622	4,464,254	4,834,877	5,230,701
Return on Invested Capital (ROIC):													
NOPLAT	(3,749,214)	(728,067)	2,913,049	3,712,666	4,134,554	4,561,320	4,990,836	5,430,455	5,901,452	6,405,885	6,945,913	7,523,798	8,141,906
Beginning IC	24,550,745	23,627,519	24,776,315	26,042,384	27,468,491	28,900,666	30,491,520	32,253,992	34,192,851	36,300,513	38,588,776	41,070,435	43,759,355
ROIC	-15.27%	-3.08%	11.76%	14.26%	15.05%	15.78%	16.37%	16.84%	17.26%	17.65%	18.00%	18.32%	18.61%
Economic Profit (EP):													
Beginning IC	24,550,745	23,627,519	24,776,315	26,042,384	27,468,491	28,900,666	30,491,520	32,253,992	34,192,851	36,300,513	38,588,776	41,070,435	43,759,355
x (ROIC - WACC)	-25.48%	-13.29%	1.55%	4.05%	4.84%	5.58%	6.16%	6.63%	7.05%	7.44%	7.79%	8.11%	8.40%
EP	(6,255,287)	(3,139,900)	383,950	1,054,331	1,330,645	1,611,219	1,878,345	2,138,055	2,411,139	2,700,428	3,006,876	3,331,440	3,675,070

ROYAL CARIBBEAN CRUISES

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.59%
Beta	1.62
Equity Risk Premium	5.00%
Cost of Equity	12.69%

ASSUMPTIONS:

10-year treasury bond

5-year weekly beta

HF assumption

Cost of Debt:

Risk-Free Rate	4.59%
Implied Default Premium	1.94%
Pre-Tax Cost of Debt	6.52%
Marginal Tax Rate	0%
After-Tax Cost of Debt	6.52%

10-year treasury bond

YTM on highest Years to Maturity corporate bond

Market Value of Common Equity:

Total Shares Outstanding	256,650,100
Current Stock Price	\$127.97
MV of Equity	32,843,513,297.00

MV Weights

59.82%

Market Value of Debt:

Short-Term Debt	
Current Portion of LTD	1,720,000,000
Long-Term Debt	19,732,000,000
PV of Operating Leases	611,000,000
MV of Total Debt	22,063,000,000.00

40.18%

Market Value of the Firm

54,906,513,297.00

100.00%

Estimated WACC

10.21%

ROYAL CARIBBEAN CRUISES

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	18.61%
WACC	10.21%
Cost of Equity	12.69%

<i>Fiscal Years Ending Dec. 31</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	2,286,559	2,702,379	2,970,466	3,228,364	3,491,597	3,793,790	4,117,622	4,464,254	4,834,877	5,230,701
Continuing Value (CV)										94,747,268
PV of FCF	2,074,772	2,224,959	2,219,159	2,188,438	2,147,652	2,117,391	2,085,269	2,051,410	2,015,937	39,505,565

Value of Operating Assets:

	58,630,553
Non-Operating Adjustments	
Less: Total debt	(21,452,000)
Less: PV of operating leases	(611,000)
Less: ESOP	-
Less: Derivative liabilities	(35,000)
Add: Excess cash	187,616
Add: Derivative assets	25,000
Add: Non-controlling interests assets	175,000
Value of Equity	36,920,169
Shares Outstanding	256,650
Intrinsic Value of Last FYE	\$ 143.85
Implied Price as of Today	\$ 149.01

EP Model:

Economic Profit (EP)	1,054,331	1,330,645	1,611,219	1,878,345	2,138,055	2,411,139	2,700,428	3,006,876	3,331,440	3,675,070
Continuing Value (CV)										50,987,913
PV of EP	956,676	1,095,565	1,203,700	1,273,289	1,315,100	1,345,705	1,367,566	1,381,717	1,389,068	21,259,782

Total PV of EP	32,588,169
Invested Capital (last FYE)	26,042,384

Value of Operating Assets:

	58,630,553
Non-Operating Adjustments	
Less: Total debt	(21,452,000)
Less: PV of operating leases	(611,000)
Less: ESOP	-
Less: Derivative liabilities	(35,000)
Add: Excess cash	187,616
Add: Derivative assets	25,000
Add: Non-controlling interests assets	175,000
Value of Equity	36,920,169
Shares Outstanding	256,650
Intrinsic Value of Last FYE	\$ 143.85
Implied Price as of Today	\$ 149.01

ROYAL CARIBBEAN CRUISES

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending Dec. 31</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EPS	\$ 10.09	\$ 11.61	\$ 13.59	\$ 15.67	\$ 17.91	\$ 20.68	\$ 22.81	\$ 25.51	\$ 28.43	\$ 31.57
Key Assumptions										
CV growth of EPS	3.00%									
CV Year ROE	19.28%									
Cost of Equity	12.69%									
Future Cash Flows										
P/E Multiple (CV Year)										8.72
EPS (CV Year)										\$ 31.57
Future Stock Price										\$ 275.21
Dividends Per Share	\$ -	\$ -	\$ 1.16	\$ 2.00	\$ 2.35	\$ 2.82	\$ 3.40	\$ 4.14	\$ 5.13	
Discounted Cash Flows	\$ -	\$ -	\$ 0.81	\$ 1.24	\$ 1.30	\$ 1.38	\$ 1.47	\$ 1.59	\$ 1.75	\$ 93.94
Intrinsic Value as of Last FYE	\$ 103.49									
Implied Price as of Today	\$ 107.20									

ROYAL CARIBBEAN CRUISES

Relative Valuation Models

Ticker	Company	Price	EPS		P/E 24	P/E 25	EBITDA	EV	Sales	EV/EBITDA	P/S
			2024E	2025E							
CCL	Carnival Corp	\$14.12	\$1.01	\$1.42	13.98	9.94	4,326	50,423	21,593	11.66	0.81
NCLH	LINE HOLDINGS LTD.	\$18.02	\$1.27	\$1.71	14.19	10.54	1,853	22,867	8,550	12.34	0.90
LIND	HOLDINGS, INC.	\$6.95	(\$0.37)	(\$0.04)	(18.78)	(173.75)	58	1,041	570	17.92	0.65
Average					14.08	10.24				13.97	0.79

RCL	ROYAL CARIBBEAN CRUISE	\$127.97	\$10.09	\$11.61	12.7	11.0	4,345	60,142	13,900	13.84	2.36
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Implied Relative Value:

P/E (EPS24)	\$ 142.12
P/E (EPS25)	\$ 118.86
EV/EBITDA	\$ 154.90
P/S	\$ 42.53

ROYAL CARIBBEAN CRUISES
Key Management Ratios

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:													
Current Ratio (Current Assets / Current Liabilities)	0.494	0.374	0.191	0.255	0.410	0.559	0.678	0.786	0.896	1.029	1.157	1.275	1.381
Quick Ratio ((Cash + Receivables + Investment Securities) / Current Liabilities)	0.434	0.295	0.099	0.172	0.332	0.484	0.603	0.709	0.806	0.939	1.065	1.184	1.289
Cash Ratio (Cash / Current Liabilities)	0.371	0.226	0.053	0.120	0.283	0.437	0.556	0.660	0.749	0.881	1.007	1.125	1.230
Non-Cash Current Ratio ((Current Assets - Cash) / Current Liabilities)	0.123	0.148	0.138	0.135	0.127	0.122	0.122	0.126	0.147	0.148	0.149	0.150	0.151
Asset-Management Ratios:													
Total Asset Turnover (Revenue / Total Assets)	0.047	0.262	0.396	0.418	0.411	0.401	0.394	0.390	0.396	0.389	0.381	0.375	0.369
Net Working Capital Turnover (Revenue / Net Working Capital)	0.412	1.974	2.316	2.353	2.353	2.353	2.353	2.353	2.353	2.353	2.353	2.353	2.353
Receivables Turnover (Revenue / Net Receivable)	3.755	16.647	34.321	31.361	31.361	31.361	31.361	31.361	31.361	31.361	31.361	31.361	31.361
Financial Leverage Ratios:													
Debt to Equity (Total Liabilities / Total Shareholder's Equity)	5.343	10.774	6.400	4.177	3.067	2.449	2.004	1.644	1.299	1.110	0.961	0.841	0.742
Debt to Equity (Total Long-Term Liabilities / Total Shareholder's Equity)	3.911	7.785	4.410	2.777	1.914	1.458	1.152	0.927	0.754	0.624	0.520	0.436	0.367
Equity Multiplier (Total Assets / Total Equity)	6.343	11.774	7.437	5.177	4.067	3.449	3.004	2.644	2.299	2.110	1.961	1.841	1.742
Debt to Assets (Total Liabilities / Total Assets)	0.842	0.915	0.861	0.807	0.754	0.710	0.667	0.622	0.565	0.526	0.490	0.457	0.426
Profitability Ratios:													
Return on Equity (NI/Beg TSE)	-60.05%	-42.39%	59.40%	56.96%	42.18%	34.66%	30.45%	27.58%	25.75%	23.34%	21.85%	20.66%	19.69%
Return on Assets (Net Income / Total Assets)	-16.31%	-6.38%	4.85%	7.01%	7.29%	7.62%	8.00%	8.41%	9.16%	9.22%	9.41%	9.59%	9.77%
Gross Profit Margin (Operating Income / Revenue)	-252.61%	-8.64%	20.71%	22.88%	23.24%	23.51%	23.72%	23.87%	24.01%	24.13%	24.24%	24.34%	24.42%
Net Profit Margin (Net Income / Revenue)	-343.34%	-24.39%	12.26%	16.76%	17.76%	19.02%	20.31%	21.56%	23.11%	23.73%	24.68%	25.59%	26.45%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	0.00%	0.00%	0.00%	0.00%	0.00%	8.14%	12.12%	12.62%	13.24%	14.55%	15.97%	17.85%	20.50%
Total Payout Ratio ((Divs. + Repurchases)/NI)	0.00%	0.00%	0.00%	0.00%	0.00%	8.14%	12.12%	12.62%	13.24%	14.55%	15.97%	17.85%	20.50%

ROYAL CARIBBEAN CRUISES*Present Value of Operating Lease Obligations*

Fiscal Years Ending Dec. 31	2017	2018
Year 1	29420.0	67682.0
Year 2	22095.5	60190.0
Year 3	22095.5	60190.0
Year 4	11322.0	52640.5
Year 5	11322.0	52640.5
Thereafter	145213.0	383973.0
Total Minimum Payments	241468.0	677316.0
Less: Cumulative Interest	88742.8	214312.8
PV of Minimum Payments	152725.2	463003.2
Pre-Tax Cost of Debt	6.52%	6.52%
Years Implied by Year 6 Payment	12.8	7.3
Expected Obligation in Year 6 & Beyond	11322	52640.5
Present Value of Lease Payments		
PV of Year 1	27619.2	63539.2
PV of Year 2	19473.4	53047.1
PV of Year 3	18281.4	49800.2
PV of Year 4	8794.2	40888.0
PV of Year 5	8256.0	38385.2
PV of 6 & beyond	70300.9	217343.5
Capitalized PV of Payments	152725.2	463003.2