

# CCL Stock Pitch

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## Investment Thesis

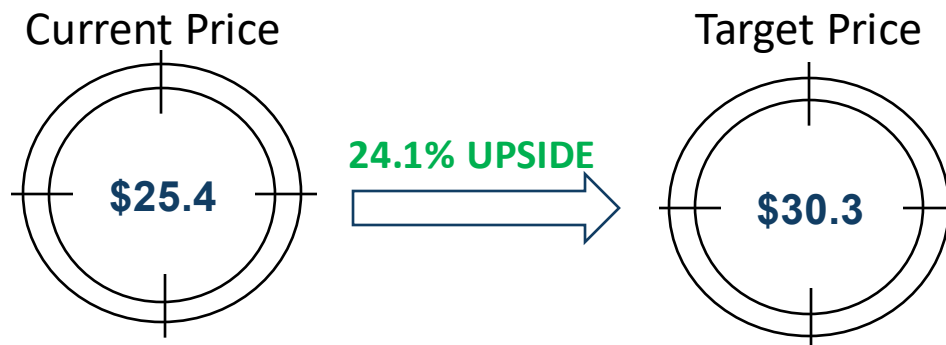
BALANCE SHEET  
DELEVERAGING



INCREASED TOURISM  
DRIVING BOOKING  
MOMENTUM



## Recommendation



Enterprise Value	60.2B
52 Week High	25.22
52 Week Low	13,78
P/E Ratio	22.22x
EV/EBITDA	9.26x
LTM Revenue	24.5B
LTM Earnings	1.6B

**BUY RECOMMENDATION**

- World's Largest Cruise Operator: Founded in 1972, operates over 90 vessels across 9 brands.
- Core Business: Offers cruises lasting 2–29 days with entertainment, dining, excursions, and packages.
- Key Financial Highlights: Revenue increased by 75% from 2022 to 2023.
- Sustainability Focus: Introduced LNG-powered ships, such as Mardi Gras, Celebration, and Jubilee.

- Market Size: Ocean and coastal transportation industry worth \$47.7 billion.
- Key Segments: Deep-sea passenger transportation and coastal freight and passenger transportation.
- Consolidated industry Post-Covid, big four cruise lines (Carnival, Royal Caribbean, Norwegian, and MSC) make up ~80% of the market.
- Competitive Landscape: Carnival holds 40% market share, ahead of Royal Caribbean (25%) and Norwegian (9%).
- Post-COVID Recovery: Growth driven by increased tourism and a strengthening economy.
- Comcast President on losing share to cruise lines , “Going back to 2022 and 2023, parks were clearly the early beneficiaries of substantial rebounds in tourism and travel after the pandemic, resulting in a surge in demand that contributed to us reaching record results for both of those years. More recently, other travel options, including cruises and international tourism given the strength of the dollar, have experienced their own surge in demand, which cause visitation rates at our parks to normalize” (Comcast Q2 24 Earnings Call).

# Cruise Brands

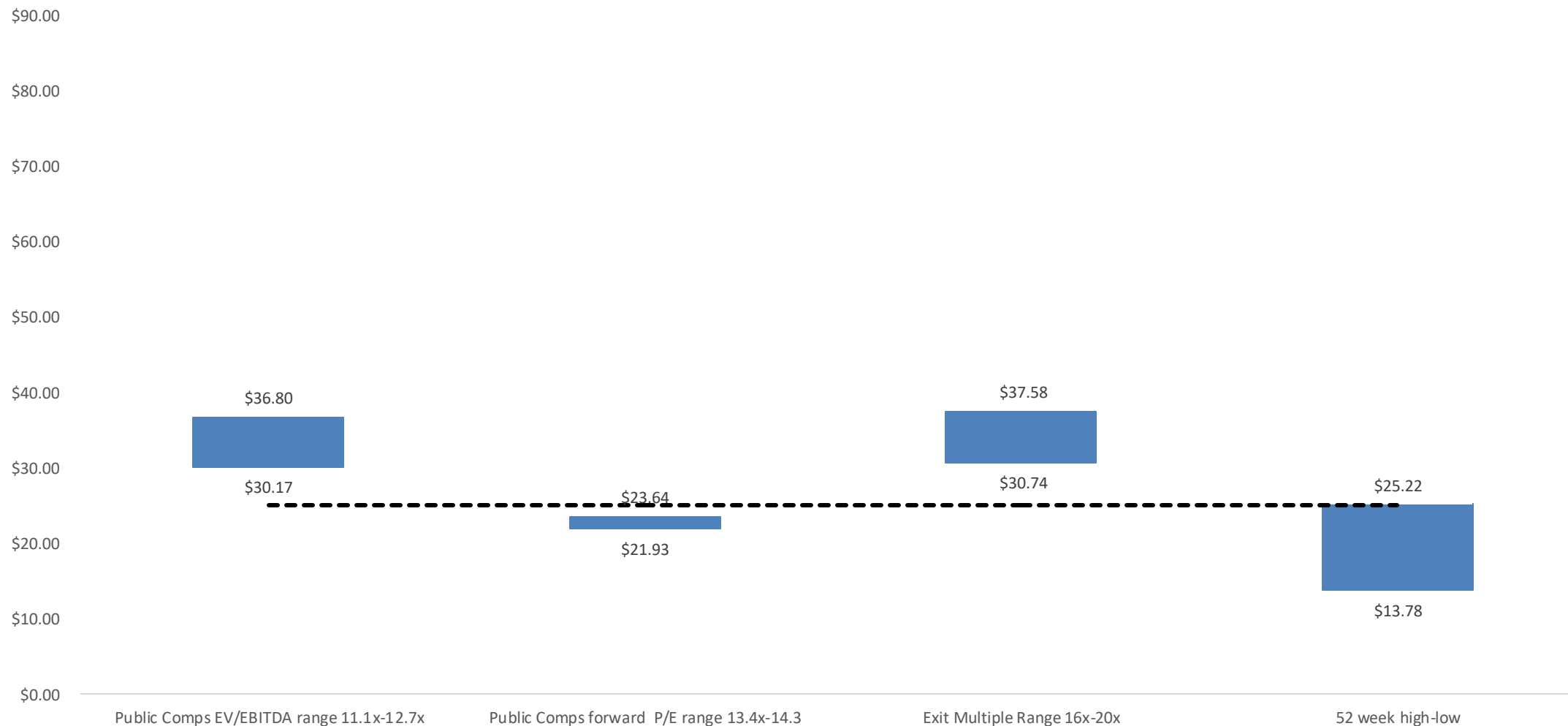


## Thesis 1 – Balance Sheet De-levering

- Carnival's balance sheet was wrecked due to the Covid-19 pandemic.
- Now that operations are thriving again, Management is determined to **pay down debt**
  - Limited order book of new ships is freeing up operating cash flow for debt reduction
  - Over FY 25' and 26' Carnival is guiding **5.3b in CapEx** (1 ship delivery) and **EBITDA estimates total over 13b.**
  - With around **2.8b in interest expense** and a **1.5b working capital benefit** (customer deposits for 25' and 26' bookings) this frees up at least **6b to reduce the debt principal** by 2026
  - Carnival's **EPS is highly leveraged to reducing interest expense** because it makes up such a high % of net income.
  - Carnival can also refinance part of their debt at lower rates through using **export credit financing** for their new ship Capex.
- Management goal of investment grade credit rating by 2026. Currently BB-
- De-levered balance sheet will allow company to reinstate a dividend or pursue other capital allocation opportunities.

- 2020 CDC shut down industry and now it's roaring back
- Demand for cruise ships is currently higher than pre-covid numbers with a total of 35 million travelers expected in 2024.
- Achieving record booking volumes for 25' and 26' despite raising prices
- Investment in advertising driving 17% YoY Q3 increase in new-to-cruise. Ad spend is still lower than peers.
- The cruise industry remains underpenetrated, suggesting significant growth potential for Carnival as demand for cruise vacations expands.

CCL Football Field Chart



## Exit Multiple Model

ccl											
CARNIVAL CORP	Sector	FY End	Market Cap	Shs Outstand	Div Yield						
	Consumer Discretionary	11/2023	32,251	1,154	#N/A N/A						
									Annualized Growth (LTM to 2026e)		
		2020	2021	2022	2023	Current/LTM	2024e	2025e	2026e		
Revenue		5,595	1,908	12,168	21,593	24,480	24,972	26,167	27,106	5.1%	
growth %		(73.1)	(65.9)	537.7	77.5	22.2	15.6	4.8	3.6		
Gross Profit		(2,650)	(2,746)	411	7,276	9,046	14,190	10,099	10,436	7.3%	
growth %	#N/A N/A		(3.6)	#N/A N/A	1,670.3		95.0	(28.8)	3.3		
margin %		(47.4)	(143.9)	3.4	33.7	37.0	56.8	38.6	38.5		
EBITDA		(1,935)	(3,001)	(1,288)	4,493	5,935	6,048	6,590	6,929	7.9%	
growth %	#N/A N/A		(55.1)	57.1	#N/A N/A		34.6	9.0	5.1		
margin %		(34.6)	(157.3)	(10.6)	20.8	24.2	24.2	25.2	25.6		
Net Income		(5,793)	(7,478)	(5,576)	1	1,619	1,789	2,338	2,744	29.7%	
growth %	#N/A N/A		(36.9)	30.6	#N/A N/A		178,809.5	30.7	17.3		
margin %		(103.5)	(391.9)	(45.8)	0.0	6.6	7.2	8.9	10.1		
EPS		(7.47)	(7.06)	(4.67)	-	1.16	1.32	1.71	2.03	31.6%	
growth %	#N/A N/A		10.9	29.0	100.0	#N/A N/A	#DIV/0!	29.1	18.6		
Exit Multiple Model											
		2020	2021	2022	2023	Current/LTM	2024e	2025e	2026e	Annualized Growth (Curr/LTM to 2025e)	PEG
EPS, Adj+		(7.47)	(7.06)	(4.67)	-	1.16		1.71	2.03	47.3%	0.63
P/E		(2.67)	(2.49)	(2.13)	#DIV/0!	21.67		20.00	18.00	-7.7%	
Price		19.98	17.62	9.93	15.06	25.13		34.16	36.45	35.9%	

## Valuation Matrix

### VALUATION MATRIX

Method	Share Price	Weight
Public Comps EV/EBITDA	\$23.64	33%
Public Comps forward P/E range	36.80	33%
Exit Multiple	34.16	33%
Weighted Average Target Price		\$30.3

**IMPACT**

<b>Virus Outbreak, Trade War, Geopolitical Conflicts</b>	<b>Recession</b>	
<b>Construction halt potential</b>	<b>Oil Prices, Inflation</b>	
	<b>Currency Risk</b>	

**Probability**

## Top Risks

- Oil Prices

- Currency Risk

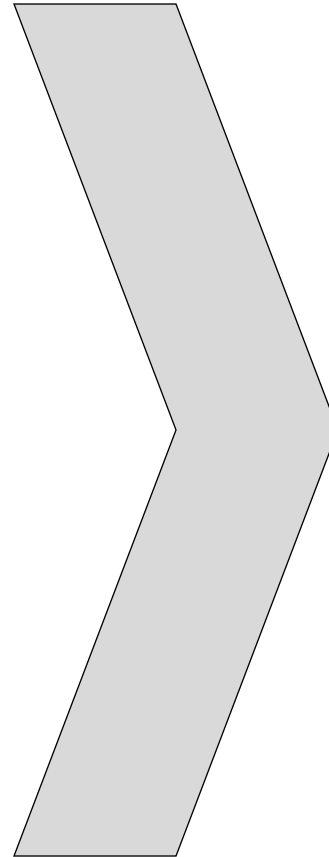
- Inflation

## Investment Thesis

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INCREASED TOURISM  
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**BUY**

Target Price: \$30.1  
24.1%% Upside