

Royal Caribbean Cruises Ltd. Announces Second Quarter Earnings and Major Cost Savings Initiatives

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Second Quarter Net Income of \$84.7 million, or \$0.40 per share.

Royal Caribbean Cruises Ltd. (NYSE:RCL) (NYSE:Oslo) .

Key Highlights

Second Quarter Net Income of \$84.7 million, or \$0.40 per share.

Cost savings program expected to save approximately \$125 million annually.

Revenue environment remains solid:

Net Yields expected to be up 3% to 4 % for the full year.

Full year 2008 results in line with original expectations except for fuel.

2009 load factors and pricing ahead of same time last year.

At current fuel prices, full year 2008 earnings per share expected to be \$2.55 to \$2.65, including estimated restructuring-related expenses of \$15 million, or \$0.07 per share.

Royal Caribbean Cruises Ltd. today announced net income for the second quarter 2008 of \$84.7 million, or \$0.40 per share, compared to a net income of \$128.7 million, or \$0.60 per share, for the second quarter 2007. Net Income for the first six months was \$160.4 million or \$0.75 per share, compared to net income of \$137.6 million, or \$0.64 per share, for the same period last year.

Second Quarter Highlights

Key metrics for the second quarter 2008, as compared to the second quarter 2007, were as follows:

Net Yields improved 1.0%.

Net Cruise Costs per APCD increased 6.7%.

Net Cruise Costs excluding fuel, per APCD increased 2.0%.

-- Fuel prices increased 55%, while fuel costs per APCD increased at a lower rate of 31%, due mainly to fuel initiatives and hedging.

The improvement in Net Yields was consistent with previous guidance for the company's Royal Caribbean International, Celebrity Cruises and Azamara Cruises brands. Net Yields were somewhat weaker than expected for the company's Spanish brand, Pullmantur Cruises, the effect of which was offset by lower than expected general and administrative expenses.

Net Cruise Costs per APCD increased 6.7% versus guidance of an increase of 7% to 8%. Excluding fuel, Net Cruise Costs per APCD increased 2.0%, versus guidance of an increase of 3% to 4%. This was driven primarily by lower general and administrative expenses.

Cost Savings Program

The company also announced a significant cost savings initiative that is expected to reduce spending by approximately \$125 million annually. "Too much of our profitability is being eroded by the increase in fuel prices. This is unacceptable and we are evaluating everything we do to find ways to do it more efficiently and effectively," said Richard D. Fain, Chairman and Chief Executive Officer. "While our brands continue to attract premium prices even in this difficult environment, it is imperative that we find ways to reduce our costs."

As part of the restructuring, the company announced it is eliminating approximately 400 shore-side positions. In addition, the company announced it had discontinued some non-core operations, including The Scholar Ship, an educational partnership aimed at college students studying aboard cruise ships. The company expects to incur charges related to this restructuring of approximately \$15 million, or \$0.07 per share, in the third quarter 2008.

"This is a difficult period for virtually all businesses, but we are determined to improve our operating results through tight cost controls, while preserving our outstanding guest experience and continuing to strongly support our travel agent partners. We will also continue to make measured strategic investments, especially in growing the international operations of our business," Fain continued.

In 2009, based on the targeted reductions, selling, general and administrative expenses per APCD are expected to be around the levels that the company incurred in 2004, and Net Cruise Costs excluding fuel, per APCD to be similar to 2007 levels.

"Over the last few years, we have made significant investments to seed our growth in many strategic markets," said Brian J. Rice, Executive Vice President and Chief Financial Officer. "These costs are now being absorbed by capacity and revenue growth in the emerging markets around the world. In addition, our scale and exceptional brand positioning in North America are enabling us to drive further efficiencies."

Revenue Environment

Despite the worsening economic environment, the company continues to enjoy healthy demand for its products and its revenue expectations have not changed materially. The company's Net Yields improved by 1.0% in the second quarter 2008. This was lower than the 2% forecast, mainly due to lower yield performance by Pullmantur Cruises, as a result of weaker demand in Spain and a grounding incident involving the Sky Wonder.

The company's other brands saw Net Yield improvement of approximately 2%, consistent with previous guidance. Close-in demand, booked within 90 days of sailing, continued to show strength and provided year-over-year pricing premiums. Forward bookings for 2009 are strong, with higher load factors and higher prices in the first quarter and for the full year compared to the same time a year ago.

The company expects Net Yields to increase in a range around 2% for the third quarter 2008, to increase 4% to 5% for the fourth quarter 2008, and to increase 3% to 4% for the full year 2008.

"Although pressure on the consumer persists and there is much uncertainty in the market, demand for our cruises and onboard spending continues to be resilient," said Rice. "Our yields should improve in all four quarters this year."

Outlook

The company expects third quarter 2008 earnings per share, including the restructuring charges, to be \$1.65 to \$1.70, and to be \$2.55 to \$2.65 for the full year 2008. This forecast is virtually unchanged from that provided at the beginning of the year and at the end of the first quarter, except for the direct increase in fuel costs.

Mr. Fain commented that, "We continue to watch with concern both the high oil price and the weakening economy. While we can't solve high oil prices, we are gratified that, except for the oil price, our business continues to do as well or better than expected despite the economy. One might have assumed that we would have been impacted by both, but the fact that our business continues to overcome these economic pressures says volumes about its resilience. We believe this is due to several factors, including the strength of our brands, the success of our newest ships, the value of cruising to the consumer and our growing penetration of new global markets."

The company provided the following estimates for the third quarter and full year 2008, as compared to the third quarter and full year of 2007, respectively:

	Third Quarter 2008	Full Year 2008
Earnings per share	\$1.65 - \$1.70	\$2.55 - \$2.65
Capacity	3.9%	5.0%
Net Yields	approx. 2%	3% - 4%
Net Cruise Costs per APCD	approx. 10%	6% - 7%
Net Cruise Costs per APCD, excluding fuel	1% - 2%	approx. 1%
Depreciation & Amortization	\$138 - \$143 million	\$530 - \$540 million
Interest Expense	\$83 - \$88 million	\$330 - \$340 million

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