



Norwegian Cruise Call Buyer Looks for Bottom

Ticker/Price: NCLH (\$49.20)

Analysis:

Norwegian Cruise (NCLH) with 3,000 September \$52.50 calls bought today for \$1.05, 5X average, and shares back near a level where 2,000 August \$47.50 puts were sold to open recently and remain in OI. Shares rallied off the December lows earlier this year up near \$60 and have traded back to the mid-point of that range around \$50. Longer-term, shares are forming a series of higher lows since 2016 and potential right shoulder of a wider inverted head and shoulders under \$57.50. The \$10.79B company trades 8.36X earnings, 1.75X sales, and 29.7X FCF and expected to generate \$1.5B to \$2B in excess cash through 2020 for shareholder return. NCLH sees 11.4% EPS growth with 10.7% sales growth in FY20, better than both peers RCL and CCL. NCLH fell recently with a warning from CCL on European demand but an area where NCLH is impacted less with just 20% of the market vs sizable positioning in the Caribbean (36%) which has seen strong bookings. NCLH is also seeing better yields, 5.5%, vs flattish for the industry overall as the high-end / upscale customer market where they have a market lead in deployments has remained strong. The company hosted analyst day in late 2018 and outlined a plan to boost market share in the \$1.5T global leisure travel market using more value-added bundling of services and minimizing customer acquisition costs, especially among millennials. They expect to see capacity grow 4-5% through 2022. Analysts have an average target for shares of \$65.25 with 11 buy ratings and 2 hold. Stifel out positive on 6-21 noting that pressures from other carriers are isolated in markets away from NCLH while the analyst remains confident in their ability to deliver on the objectives laid out last year. Short interest is 2.7% and up recently from around 1.5%. Hedge Fund ownership rose 1.9% last quarter. HG Vora and Eminence Capital, two activist firms, with notable stakes.

Hawk Vision:



Hawk's Perspective: NCLH screens well versus peers though sentiment across the industry been weakening. It is too tough of a downtrend to be interest here in my view.

Confidence Ranking: \$