Moschovakis Capital

Carnival Corporation Ltd.

CCL

EQUITY RESEARCH REPORT

September 15, 2026

CONFIDENTIAL — FOR INFORMATIONAL PURPOSES ONLY | NOT INVESTMENT ADVICE

CCL — Carnival Corporation Ltd.

Report Date: 2026-09-15

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	$2,026.00 USD / €1,754.92 EUR
Fair Value (Base Case)	$35.36 USD / €30.63 EUR
Margin of Safety	-98.3%
Target Entry (if HOLD)	Not applicable. Re-review only below $24.26 USD

Return Profile	Value
Dividend Yield	0.03%
Expected Dividend Growth	No reliable CAGR. Dividend reinstated after pandemic suspension
Expected Price Appreciation	-30.8% CAGR base case
Total Expected Return (Base)	-30.8% CAGR
Bear Case Total Return	-37.7% CAGR
Bull Case Total Return	-27.1% CAGR
Probability-Weighted Return	-31.6% CAGR

Risk Assessment	Value
Wealth Preservation Score	15 / 100
Downside Protection Score	15 / 100
Quality Score	10 / 100
Risk Level	ELEVATED
Probability of >50% Loss	>90%
Recession Profile	VULNERABLE

One-Line Thesis:

At $2,026 per share, Carnival trades at 912 times trailing earnings for a leveraged, cyclical cruise operator with no demonstrable moat, and the stock fails every wealth preservation requirement before any upside analysis begins.

FRAMEWORK STAGE VERDICTS

Stage	Verdict
Stage 1 Sector/Theme	PASS. Understandable business, not in secular decline, but highly cyclica
Stage 2 Solvency Gate	FAIL. Interest coverage 3.32x is below the 4.0x automatic-removal floor. D
Stage 3 Quality Score	10 / 100. Weakest tier
Stage 4 Qualitative	No moat. Scale does not convert into margin advantage
Stage 5 Valuation	EXPENSIVE. Current price untethered from fundamentals
Stage 6 WP Score	15 / 100
Stage 7 Recommendation	AVOID

INVESTMENT THESIS

Carnival Corporation does not preserve capital at the mandated current price of $2,026.00. At that level, the market capitalizes the company at roughly $2.78 trillion against trailing twelve-month net income of $3.07 billion, a trailing earnings multiple of 912 times. The cruise industry does not support that capitalization under any plausible growth, margin, or return-on-capital assumption. The first requirement of this framework is to answer how much the investor can lose before asking how much the investor can gain. The answer at this price is almost the entire position. The fair value estimate I derive from Carnival's normalized earnings and its own ten-year historical multiple is $35.36 per share. The gap between $2,026 and $35.36 is a 98.3 percent loss before any recovery.

The underlying business offers no compensating case. Carnival is the world's largest cruise operator by fleet size, with approximately 94 ships across nine brands, and it serves roughly 13.5 million guests annually. That scale creates barriers to entry in a capital-intensive industry, but the data in this packet shows the scale does not create a durable economic moat. SafetyMargin.io scores the moat at 18 out of 100, below the 40 point threshold for even a narrow moat. The operating margin is approximately 15 percent, below Royal Caribbean's approximately 21 percent. Carnival's fleet is older and less fuel efficient than its closest competitor's fleet. The business is concentrated in mass-market, value-oriented cruising, where switching costs are low and price competition is structural. This is not the profile of a premium business at a fair price. It is a leveraged cyclical business at an absurd price.

The return hurdle for this mandate is inflation plus 4 percent, roughly 6.5 to 7.5 percent total return. A 4 percent high-yield savings account outperforms the probability-weighted expected return of negative 31.6 percent CAGR that I calculate from a ten-year scenario model at the current price. Even the bull case produces a negative 27.1 percent CAGR. The bear case produces a negative 37.7 percent CAGR. Every scenario loses money because the entry price is far above any fundamental terminal value. The dividend, reinstated at $0.60 annually, yields 0.03 percent at the current price and cannot offset the price decline. The Stage 2 solvency gate fails independently of valuation. Carnival carries $26.17 billion in total debt against $12.97 billion of book equity, a debt-to-equity ratio of 2.02 times, and interest coverage of 3.32 times. The framework automatically removes a company when interest coverage falls below 4.0 times. Carnival fails that test.

An investor looking to preserve capital should hold cash or allocate to businesses that pass the solvency gate. At the current price, Carnival fails the absolute requirements on bear case return, base case return, solvency, and

permanent loss probability. Even if the live price feed is an error and the real market price is the $22 to $27 range referenced elsewhere in the research packet, the investment still does not clear the Stage 2 solvency threshold. The 2020 pandemic caused a suspension of the dividend and required years of demand recovery. A severe recession scenario would likely force a dividend cut, contract free cash flow, and pressure refinancing. The stock's beta of 2.01 and annualized volatility of 32.7 percent confirm that it behaves as a high-beta consumer cyclical, not a preservation vehicle. I recommend AVOID.

1. BUSINESS QUALITY ASSESSMENT

Carnival operates the largest global cruise fleet, with approximately 94 ships across nine brands spanning mass-market Carnival Cruise Line, premium Princess Cruises, Holland America Line, Costa, AIDA, P&O Cruises, Cunard, and ultra-luxury Seabourn. The company reports four segments. The SEC filing identifies North America cruise operations, Europe cruise operations, Cruise Support, and Tour and Other. The product-level revenue split for fiscal 2025 shows Cruise Passenger Ticket revenue of $14.07 billion and Cruise Onboard and Other revenue of $7.53 billion, out of total revenue of $26.6 billion. The segment labels in one source appear internally inconsistent, but the total revenue figure ties to the overall income statement. The geographic split is not supplied in this packet, which is itself a limitation because the business has material European and currency exposure.

The core competitive argument for Carnival is scale. It operates more ships than Royal Caribbean's approximately 65 and Norwegian's approximately 32, and its nine-brand portfolio covers nearly every price point. Scale in cruising matters for shipbuilding procurement, destination access, itineraries, marketing, and distribution. The problem is that the available evidence shows the scale does not convert into superior profitability. Koalagains reports an operating margin of approximately 15 percent for Carnival, significantly below Royal Caribbean's roughly 21 percent. The same source notes an older average fleet age than Royal Caribbean, lower fuel efficiency, and uneven performance across the nine brands. A scale advantage that does not produce a margin advantage is not a moat.

SafetyMargin.io's quantitative moat composite scores Carnival 18 out of 100, with the label "No Moat". The score evaluates returns above cost of capital, pricing power stability, revenue predictability, and capital efficiency over five years. The conclusion states the business shows limited evidence of pricing power, consistent returns, or capital efficiency. That matters for wealth preservation because a moat is what protects earnings during recession. Cruise demand recovered to 2019 levels only in 2023, four years after the pre-pandemic peak. The value/mass-market concentration means Carnival competes heavily on price against land-based holidays and other cruise lines. The business has low switching costs, and capacity additions across the industry can lead to oversupply. The 10-K risk factors explicitly name overcapacity and competition as a threat to pricing.

There are positive demand signals. Q2 fiscal 2026 customer deposits reached an all-time high of $9.0 billion. Net yields in constant currency rose 2.2 percent in the quarter. Adjusted EBITDA was $1.58 billion. Capacity increased 2.0 percent. The company is investing in exclusive destinations, including Celebration Key in The Bahamas, with a pier extension that doubles berth capacity to four ships and adds approximately 700,000 annual guests. These destination assets aim to differentiate the product and capture onboard spending. However, the same 10-K filing frames destination investment as a new risk concentration, citing weather, local political developments, logistics, labor, safety, environmental, and health risks. In short, Carnival is a scale leader with improving demand but no moat, lower margins than its closest peer, and structural cyclicality. That is not a premium business, and it is not a preservation candidate at any price near the current level.

2. FINANCIAL FORTRESS ANALYSIS

The solvency gate is the most important test in this framework, and Carnival fails it. The balance sheet carries $26.17 billion in total debt against $2.24 billion in cash, giving net debt of $23.93 billion as of the May 31, 2026 quarter. Book equity is approximately $12.97 billion, based on $9.47 book value per share and 1.37 billion shares outstanding. The debt-to-equity ratio is 2.02 times, above the 1.0 times maximum this framework prefers and above the 0.5 times level for a fortress rating. Interest coverage is 3.32 times, derived from $4.5 billion of operating income against roughly $1.3 billion of interest expense. The framework automatically removes a company when interest coverage falls below 4.0 times. Carnival sits below that floor.

Cash as a percentage of total debt is 8.6 percent, below the 20 percent preferred level. A current ratio is not provided in the packet, so I cannot score that metric. Free cash flow is positive on a trailing basis at $3.2 billion, and fiscal 2025 free cash flow was $2.6 billion. That is a genuine improvement, but it does not offset the leverage. Operating cash flow per share of $4.96 compares favorably to EPS of $2.22, indicating that earnings convert to cash. However, the prior-year net income included nonrecurring ship sale gains. In Q2 fiscal 2026, GAAP net income of $537 million declined from $565 million a year earlier because those ship sale gains did not repeat. Adjusted net income of $569 million was a record. The earnings quality is acceptable, but the one-time gain in the prior period inflates the apparent growth.

A stress test clarifies the problem. If revenue dropped 30 percent from the trailing $27.31 billion to about $19.1 billion for two years, EBITDA would likely compress below $4 billion given the fixed-cost nature of the fleet. Interest expense of $1.3 billion would still be due. Interest coverage would fall toward 2.5 times or lower. Free cash flow would likely turn negative after maintenance capex. The dividend would almost certainly be cut, as it was during the pandemic. The company might need to refinance at unfavorable terms or issue equity, diluting shareholders. Carnival survived the pandemic, but survival required issuing debt and suspending the dividend. That event is part of the recent history, not a hypothetical.

The debt refinancing signals are positive but modest. On August 5, 2026, Carnival redeemed all $500 million of its 7.000 percent First-Priority Senior Secured Notes due 2029 at 103.50 percent of principal. Redemption of high-coupon secured debt is the right capital allocation move. The company states that debt reduction remains the top priority. The June 25, 2026 indenture reference and the 5.75 percent Senior Unsecured Notes due 2032 show active liability management. Still, these actions reduce interest cost gradually. They do not transform a 2.0 times debt-to-equity ratio into a fortress balance sheet within a year. The dilution check is acceptable. Shares outstanding increased 1.09 percent year over year and decreased 0.29 percent quarter over quarter. Insider ownership of 7.11 percent and institutional ownership of 71.43 percent provide some alignment, but the solvency verdict remains. This is a leveraged cyclical enterprise with positive current free cash flow and unacceptable interest coverage. Solvency Assessment: UNACCEPTABLE.

---

3. DIVIDEND ANALYSIS

Carnival pays a quarterly dividend of $0.15 per share, or $0.60 annually. At the mandated current price of $2,026, the yield is 0.03 percent. A dividend that produces 3 basis points of yield provides no contribution to meeting the inflation plus 4 percent hurdle. The dividend is real cash, but at this entry price it is irrelevant to total return.

The payout ratio is healthy on current earnings. Annual dividends of $0.60 per share divided by trailing EPS of $2.22 gives a 27.0 percent payout ratio. The free cash flow payout ratio is also comfortable. Total dividends would cost about $822 million based on 1.37 billion shares, against trailing free cash flow of $3.2 billion. That is a 25.7 percent FCF payout ratio. Dividend coverage from free cash flow is roughly 3.9 times. On these current

numbers, the dividend is financially sustainable at the corporate level.

The problem is durability. Carnival suspended its dividend during the pandemic. The packet does not provide the exact suspension and reinstatement dates, but the board's recent $0.15 quarterly declaration confirms the reinstatement is fresh. A dividend reinstated after a cut does not yet qualify as a rock-solid income stream under this framework. The company has no meaningful five-year dividend growth record. The dividend history threshold of 15 consecutive years is not met because of the pandemic cut.

In a stress scenario where earnings fall 40 percent, EPS would decline to about $1.33. The $0.60 dividend would consume 45 percent of earnings, which is still serviceable on paper. But the stress would also pressure free cash flow, and management may prioritize debt reduction over the dividend. During the last severe shock, management eliminated the dividend entirely. The most realistic recession assumption is a 25 percent to 100 percent dividend cut. Dividend Sustainability: SUSTAINABLE on current payout metrics, but not ROCK SOLID. The dividend does not rescue the investment thesis because the current-price yield is 0.03 percent.

4. VALUATION ANALYSIS

The current price of $2,026.00 produces multiples that have no precedent in this company's history or in the consumer cyclical sector. Trailing EPS of $2.22 gives a trailing P/E of 912.6 times. Forward EPS of $2.24 for fiscal 2026 gives a forward P/E of 904.5 times. Fiscal 2027 consensus EPS of $2.64 gives 767.4 times. Book value per share of $9.47 produces a price-to-book ratio of 213.9 times. Trailing revenue of $27.31 billion and 1.37 billion shares produce revenue per share of roughly $19.93, giving a price-to-sales ratio of 101.6 times. Trailing free cash flow per share of roughly $2.34 gives a P/FCF multiple of 867 times. Enterprise value, using the given price, cash, debt, and 1.37 billion shares, is approximately $2.80 trillion against EBITDA of $7.3 billion. That is an EV/EBITDA ratio of 383.5 times.

These multiples are not merely expensive. They are detached from any fundamental valuation method. The research packet shows that at the lower price references of $22 to $27, Carnival traded at a trailing P/E around 10, a forward P/E around 9, an EV/EBITDA around 7.5 to 7.8, a P/B around 2.4, and a P/FCF around 9.7. Those multiples were already below the company's five-year average P/E of roughly 15.8 and below the ten-year average of 15.93. The current mandated price is not the market value that those metrics describe. It is an outlier that produces a valuation conclusion of EXPENSIVE by an order of magnitude.

I derive a base-case fair value using normalized earnings and the historical multiple. Trailing EPS of $2.22 times the ten-year average P/E of 15.93 gives $35.36 per share. This aligns closely with the Street mean target of $35.30 and sits below SafetyMargin.io's DCF base case of $58.42. For wealth preservation, I use the lower normalized fair value of $35.36. The margin of safety is negative 98.3 percent. In EUR terms, the current price is €1,754.92 against fair value of €30.63.

The valuation analysis does not need a detailed reverse DCF to conclude. A cruise operator earning $3.07 billion TTM cannot support a $2.78 trillion equity valuation. Even if Carnival produced 30 percent earnings growth annually for a decade, the earnings base would still not justify the current price. The dividend yield of 0.03 percent and the earnings yield of 0.11 percent mean the investor receives almost no current return while bearing the full risk of an economic cyclical. Valuation: EXTREME OVERVALUATION. Margin of Safety: -98.3 percent.

5. SCENARIO ANALYSIS

I model a ten-year horizon from the current price of $2,026.00. The table below shows the assumptions, terminal prices, and total return CAGRs. Dividends add approximately 0.03 percent annually at the current price and are

not material.

Scenario	EPS CAGR	Terminal P/E	Terminal Price	Total CAGR	Weight
Bear	0.0%	8.0x	$17.76	-37.7%	25%
Base	5.0%	14.0x	$50.68	-30.8%	50%
Bull	8.0%	18.0x	$86.22	-27.1%	25%
Probability-Weighted				-31.6%	

The bear case assumes a global recession within the next two years. Revenue flattens. EPS does not grow over ten years. The fleet remains leveraged. The terminal multiple contracts to 8 times, consistent with a cyclical stress multiple. The terminal price of $17.76 is 99.1 percent below the current price. The total return is negative 37.7 percent CAGR. The dividend would likely be cut, so the 0.03 percent yield does not cushion the loss.

The base case assumes normalized economic growth and a 5 percent EPS CAGR. That is below the fiscal 2027 consensus jump but more realistic for a fully recovered cyclical over a decade. The terminal multiple of 14 times sits slightly below Carnival's ten-year average. The terminal price of $50.68 is still 97.5 percent below the current price. The total return is negative 30.8 percent CAGR. Even if Carnival executes reasonably well, the entry price dooms the return.

The bull case assumes an 8 percent EPS CAGR and a terminal multiple of 18 times, reflecting a rerating to a quality multiple. The terminal price of $86.22 is 95.7 percent below the current price. The total return is negative 27.1 percent CAGR. No scenario generates a positive return because the starting price exceeds all terminal values by an order of magnitude.

The key question in this framework is whether the bear case return is positive. It is not. The bear case loses 37.7 percent annually. The probability of a greater than 50 percent decline from $2,026 is effectively 100 percent, because every fundamental fair value estimate in the packet sits below $1,013. The maximum drawdown from current price to the bear target is over 99 percent. This fails the downside protection requirement completely.

6. RISK ASSESSMENT

The risk inventory begins with the price itself. At $2,026, the investor assumes a valuation risk that overwhelms every operating consideration. A reversion to the $35.36 fair value is a 98.3 percent loss. A reversion to SafetyMargin.io's bear case of $28.25 is a 98.6 percent loss. A fall to GuruFocus's GF Value of $24.26 is a 98.8 percent loss. Even the highest analyst target of $45 is a 97.8 percent loss. The valuation risk alone disqualifies the position.

The second risk is balance sheet leverage. Carnival carries $26.17 billion in total debt and net debt of $23.93 billion. Interest coverage of 3.32 times is below the automatic-removal floor. Debt-to-equity is 2.02 times. The company has been refinancing high-coupon secured debt, including the August 5, 2026 redemption of $500 million of 7 percent notes due 2029. That is positive, but the balance sheet remains vulnerable to a second severe demand shock. The 2020 pandemic demonstrated the downside. The cruise operator suspended its dividend, raised capital, and needed years to restore 2019 passenger volumes.

The third risk is cyclicality. Cruise demand is structurally cyclical. The business recovered 2019 guest levels only in 2023, four years after the pre-pandemic peak. Carnival is concentrated in mass-market affordability. In a consumer downturn, customers trade down or postpone cruise vacations. The 10-K explicitly warns about

overcapacity and competition. The industry combines low switching costs, price competition, and episodic demand shocks from public health, geopolitical, and weather events.

Fuel and geopolitical exposure are material. Q2 fiscal 2026 GAAP net income declined partly due to higher fuel costs. Management noted weaker European yields and Middle East tensions affecting Mediterranean operations. The research packet records a December 4, 2025 group-wide cruise stock decline of approximately 20 percent on sentiment. The stock's beta of 2.01 and annualized volatility of 32.7 percent confirm high sensitivity to market moves. A broad equity drawdown would likely magnify losses in Carnival.

Regulatory and destination risk is present but unquantified in the packet. Environmental regulation, port-level political developments, and exposure to exclusive-island assets create operating risk. The packet contains no named litigation or accounting red flags. The forensic overlay scores Carnival "Unlikely Manipulator" at -2.67, which is not a concern. No auditor warnings or going concern issues appear. The risk is not fraud. The risk is a leveraged cyclical business priced beyond any reasonable fundamental value.

For wealth preservation, the permanent loss assessment is decisive. The framework requires a probability of greater than 50 percent permanent loss below 10 percent. At $2,026, the probability is greater than 90 percent. Even holding the stock through a restoration to fair value would destroy most of the capital. Risk Assessment: ELEVATED.

7. MANAGEMENT & GOVERNANCE

The available evidence on management quality is thin. The research summary rates management as average based on recent performance. CEO Joshua Ian Weinstein leads the company. CFO David Bernstein signed the Q2 fiscal 2026 earnings release and the August 5, 2026 debt redemption notice. The company has a Chief Maritime Officer to oversee maritime policy, standards, training, and shipbuilding, which is a sensible structural control for a cruise operator.

The earnings recovery from a $74 million net loss in fiscal 2023 to $1.92 billion in fiscal 2024 and $2.76 billion in fiscal 2025 is the strongest observable execution signal. But the packet does not attribute that recovery explicitly to management decisions. The improvement partly reflects the post-pandemic demand recovery, which was sector-wide. Adjusted net income of $569 million in Q2 fiscal 2026 rose over 20 percent year over year, while GAAP net income of $537 million declined due the nonrecurrence of prior ship sale gains. This gap between adjusted and GAAP results is normal but requires monitoring.

The capital allocation history is not covered in the packet. I cannot assess five-year dividends, buybacks, debt paydown, newbuild capex, or ship sales with confidence. The one clear action is the debt redemption, which supports the stated priority of reducing leverage. The absence of a full capital allocation record itself limits the governance evaluation.

Insider activity appears in the filing inventory. Form 4s list Bettina Alejandra Deynes, Enrique Miguez, and Sir Jonathon Band. A Form 144 lists a proposed sale by Deynes. The packet does not provide the amounts of these transactions, so I cannot determine whether they are material or routine. Insider ownership of 7.11 percent and institutional ownership of 71.43 percent provide some alignment, but institutional ownership in a large liquid name does not guarantee capital discipline.

Governance structure includes the dual-listed Carnival Corporation & plc arrangement. The 10-K's Part III incorporates information by reference from the 2026 joint definitive Proxy Statement. The exhibit list includes a Compensation Protection and Restrictive Covenants Agreement with Joshua Weinstein and a Clawback Policy. These are standard governance mechanics. No restatement, auditor qualification, or going concern issue

appears. Management grades as ADEQUATE on available data, but the capital allocation track record cannot be scored without the missing five-year cash flow detail. The governance does nothing to offset the valuation and leverage problems.

8. PEER COMPARISON

The packet provides only partial peer data for Royal Caribbean and Norwegian. I therefore use qualitative rankings from the supplied sources and mark missing quantitative entries explicitly.

Dimension	CCL	RCL	NCLH	Preservation Best
Fleet size	~94 ships	~65 ships	~32 ships	CCL for scale
Operating margin	~15%	~21%	Not provided	RCL
Moat score	18/100 No Moat	Not provided	Not provided	Unknown
Debt/Equity	2.02x	Not provided	Not provided	Unknown
Interest Coverage	3.32x	Not provided	Not provided	Likely RCL
Value positioning	Mass-market	Innovation-led	Freestyle cruising	Depends
Market share of global cruise revenue	~37-39%	Not provided	Not provided	CCL

The comparison turns on one fact. Carnival is the scale leader, but Royal Caribbean earns a materially higher operating margin, approximately 21 percent versus 15 percent. Royal Caribbean leads in ship innovation and has a more modern fleet. Norwegian leads in freestyle cruising and product differentiation. Carnival competes on value, broad distribution, and affordability. In a wealth preservation context, the lower-margin, higher-debt incumbent is not the preferred operator. The peer ranking for balance sheet and profitability likely favors Royal Caribbean, although the packet does not provide its exact leverage. Carnival's only clear advantage is fleet size and market coverage, which did not translate into superior returns or margins. The peer comparison reinforces the Stage 3 conclusion that Carnival has no moat despite its scale.

9. KEY METRICS SUMMARY

Metric	Value	Framework Verdict
Current Price	$2,026.00	N/A
Trailing EPS	$2.22	N/A
Trailing P/E	912.6x	Extreme
Forward P/E (FY2026)	904.5x	Extreme
EV/EBITDA	383.5x	Extreme
P/B	213.9x	Extreme
Dividend Yield	0.03%	Inadequate
Payout Ratio	27.0%	Sustainable

Metric	Value	Framework Verdict
FCF Payout Ratio	25.7%	Sustainable
Total Debt	$26.17B	Fail
Net Debt	$23.93B	Fail
Debt/Equity	2.02x	Fail
Interest Coverage	3.32x	Fail automatic removal
Cash/Total Debt	8.6%	Below preferred
TTM FCF	$3.2B	Pass
Beta	2.01	High
Moat Score	18/100	No Moat
WP Score	15/100	Fail

10. MONITORING CHECKLIST

Item	Trigger	Next Check
Q3 FY2026 EPS	vs. $1.35-$1.36 consensus	Sep 28 or Oct 5, 2026
Q3 FY2026 adjusted EBITDA	vs. $2.95B modeled	Earnings release
Net yields constant currency	Hold above +2%	Earnings
Adjusted cruise cost ex-fuel per ALBD	below +4%	Earnings
Customer deposits	Hold above $8.5B	Earnings
Debt reduction	Secured debt redemptions continue	8-K/10-Q
Interest coverage	Needs to exceed 5.0x	Quarterly
Net debt/EBITDA	Below 3.0x preferred	Quarterly
Dividend	Watch for cut in stress	Board declaration
European yield stabilization	No further downgrade	Earnings
Fuel cost	Above $100 Brent is negative	Monthly

11. MARKET EXPECTATIONS & CONSENSUS

At the research-data price references around $22 to $27, the market placed a low multiple on Carnival. The consensus forward P/E of 11.52 compares to an industry forward P/E of 16.92. The PEG ratio of 1.07 compares to 1.24 for leisure and recreation services. Dividing the forward P/E by that PEG implied roughly 10.8 percent expected earnings growth. At $27.79, the shares traded near 12.4 times fiscal 2026 consensus EPS of $2.24 and 10.5 times fiscal 2027 EPS of $2.64. Those were plausible multiples for a cyclical recovery story.

The mandated current price changes the read completely. At $2,026 against fiscal 2026 EPS of $2.24, the implied earnings growth has no finite solution. No reverse DCF can justify a 904 forward multiple. The signal is not value. It is a price feed disconnected from the earnings base. The market expectations section therefore must distinguish between the analytical consensus and the current price. The analytical consensus is buy-skewed, but that consensus assumes a stock price near $25 to $28, not $2,026.

Consensus ratings vary from Strong Buy to Moderate Buy. inkl.com cites 27 analysts with 20 Strong Buys, 1 Moderate Buy, and 6 Holds, with a mean target of $35.30 and a Street high of $45. TIKR counts 30 analysts with 18 buys, 5 outperforms, 7 holds, and zero sells, with a mean target of $36. The lowest published target is Bernstein's $28.70 Hold. The company beat consensus in four consecutive quarters with surprises of 8.54 percent, 38.64 percent, 8.94 percent, and 21.08 percent. But a string of EPS beats does not justify a 912 trailing multiple.

The consensus bull case rests on twelve consecutive quarters of record net yields and record customer deposits, a Q2 beat of $0.41 against $0.34, capacity additions at Celebration Key, and a fiscal 2027 EBITDA acceleration of 9 percent to $1.72 billion in FQ2 and 12 percent to $3.29 billion in FQ4. The bear case rests on fuel costs, European booking softness, Middle East tensions, and a modeled earnings trough with FQ3 EBITDA down 2 percent and FQ4 EBITDA down 7 percent. Short interest is 2.89 percent with 1.87 days to cover, which is low and does not suggest a crowded short.

Forward Valuation table:

Metric	Value	Assessment
Forward P/E, research-data snapshot	9.09	Cheap vs sector before the mandated price
Forward P/E at $2,026	904.5x	Extreme
PEG, research-data snapshot	0.82	Favorable before the mandated price
EV/EBITDA, research-data snapshot	7.84	Below historical range before the mandated price
EV/EBITDA at $2,026	383.5x	Extreme
Beta	2.01	High factor exposure, cyclical

What would validate the consensus is a stabilization of European yields, a Q3 EBITDA of at least $2.95 billion, a Q3 EPS of $1.36 or better, and a clean path to fiscal 2027 EPS of $2.64. What would disappoint is any revenue miss, a further yield downgrade, a spike in fuel costs, or a decline in customer deposits below $8.5 billion. None of these operating outcomes, good or bad, can rescue an entry at $2,026.

12. KEY BUSINESS DRIVERS

Driver 1: Net yields in constant currency

Why it matters: It measures pricing power per available berth day after currency effects.

Current level: +2.2% in Q2 fiscal 2026; FY2026 guidance +2.75%.

Bull threshold: Hold above +2.5%.

Bear threshold: Below +1% or negative.

Next data point: Q3 fiscal 2026 earnings.

Driver 2: Adjusted cruise costs excluding fuel per ALBD

Why it matters: It shows whether management controls the fixed-cost base without fuel noise.

Current level: Roughly flat in Q2; FY2026 guidance up about 3.1%.

Bull threshold: Below +1%.

Bear threshold: Above +4%.

Next data point: Q3 earnings.

Driver 3: Customer deposits

Why it matters: It is a leading indicator of future revenue and booking demand.

Current level: All-time high $9.0 billion.

Bull threshold: Above $9.5 billion.

Bear threshold: Below $8.5 billion.

Next data point: Q3 earnings balance sheet.

Driver 4: Adjusted EBITDA

Why it matters: It drives deleveraging and interest coverage.

Current level: TTM $7.3 billion; FY2026 guidance $7.19 billion.

Bull threshold: Above $7.3 billion with interest coverage above 5x over time.

Bear threshold: Below $6.8 billion.

Next data point: Quarterly 8-K.

Driver 5: Net debt/EBITDA

Why it matters: It is the cleanest leverage gauge for a capital-intensive cruise operator.

Current level: Net debt $23.93 billion / EBITDA $7.3 billion = 3.28x.

Bull threshold: Below 3.0x.

Bear threshold: Above 4.0x.

Next data point: Quarterly.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
Royal Caribbean	RCL	Leads cruise sector pricing and demand sentiment	Bullish if RCL holds margin and target; be
Norwegian Cruise Line	NCLH	Correlates with mass-market cruise demand	Bullish if NCLH bookings and yields firm;
Brent crude oil	CL=F / BNO	Inverse to CCL earnings through fuel cost	Bearish if Brent sustains above $100; bul
Consumer discretionary	XLY	Macro demand proxy for experiences	Bearish if XLY breaks down on consumer

Monitoring rule: If RCL breaks below its 50-day moving average on booking-demand or pricing news, re-examine the CCL thesis within five sessions.

EXIT TRIGGERS

Because the recommendation is AVOID, standard buy exit triggers do not apply. Re-review only if the following conditions appear:

- The live price reverts to the fundamental range at or below GuruFocus GF Value of $24.26.
- Interest coverage exceeds 5.0 times on a trailing basis.
- Debt-to-equity falls below 1.0 times.
- Customer deposits hold above $8.5 billion and net yields hold above +2 percent.
- Carnival produces five consecutive years of positive free cash flow and maintains the dividend through a demand shock.
- The Q3 fiscal 2026 release shows no further European yield deterioration and no fuel-driven EBITDA downgrade.

If any of these forces a re-review, run the full framework again from Stage 1. The current price of $2,026.00 fails before operating catalysts matter.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

ANALYST NOTES

Key Assumptions:

- Current price equals the system-supplied authoritative quote of $2,026.00 USD / €1,754.92 EUR.
- Fair value base case uses trailing EPS of $2.22 and the ten-year average P/E of 15.93, producing $35.36 USD.
- Scenario returns use a ten-year horizon and terminal multiples of 8x, 14x, and 18x for bear, base, and bull.
- Dividend yield uses $0.60 annual against the mandated current price.
- Financial metrics come from the supplied research packet; where data is missing, I flag the gap rather than estimate.

Limitations:

- The authoritative current price is irreconcilable with the research packet's $22 to $27 price references, $30B to $32B market cap, and analyst targets. I used the mandated price as instructed, and all current-price multiples and returns reflect that.
- The packet lacks a five-year capital allocation history, a full debt maturity ladder, current ratio, geographic split, ROIC, and peer financials for RCL and NCLH.
- The packet contains conflicting earnings dates, consensus labels, and segment labels. I chose the most supported figure and flagged conflicts where material.
- Dividend suspension and reinstatement dates are not precisely supplied, so the dividend track record assessment is qualitative.

Confidence Level: HIGH. The AVOID recommendation rests primarily on the mandated price and the Stage 2 interest coverage failure. Both are unambiguous. The operational story may improve, but improved operations cannot convert a 912-times-earnings entry price into a wealth preservation result.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

CONTINUE THE RESEARCH

This report is one of over 120 equity research analyses published by Moschovakis Capital. Each covers valuation, scenario modelling and risk in the same format as the report you have just read.

Full equity research archive

Latest published research

Enquiries and coverage requests

moschovakiscapital.com

IMPORTANT DISCLOSURES

This report has been prepared by Moschovakis Capital for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Moschovakis Capital and its affiliates may hold positions in the securities discussed. This document is confidential and intended solely for the recipient. Any reproduction or distribution without prior written consent is prohibited.

EXECUTION INFRASTRUCTURE

For the execution of positions discussed in our research, we use the following platforms for their regulatory standing, liquidity and reliability.

eToro	Equity execution — regulated, social trading infrastructure
Revolut	Multi-currency banking and FX
Interactive Brokers	Institutional-grade brokerage
Vantage	MT4/MT5 execution
Binance	Digital asset infrastructure
Hostinger	Web infrastructure

Referral links: Moschovakis Capital may receive a commission or bonus if you open an account. It does not affect our research.