Royal Caribbean Cruises Ltd.

RCL

EQUITY RESEARCH REPORT

September 15, 2026

RCL — ROYAL CARIBBEAN CRUISES LTD.

Report Date: 2026-09-15

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric | Value

Recommendation | AVOID

Current Price | $249.78 / €216.36

Fair Value (Base Case) | $277.45

Margin of Safety | 11.1%

Target Entry (if HOLD) | Not applicable (AVOID)

Return Profile | Value

Dividend Yield | 1.2%

Expected Dividend Growth | 4.0% (reinstated, unproven)

Expected Price Appreciation (Base) | 6.8%

Total Expected Return (Base) | 9.0% CAGR

Bear Case Total Return | -7.6% CAGR

Bull Case Total Return | 12.4% CAGR

Probability-Weighted Return | 5.7% CAGR

Risk Assessment | Value

Wealth Preservation Score | 34 / 100

Downside Protection Score | 5 / 100

Quality Score | 44 / 100

Risk Level | ELEVATED

Probability of >50% Loss | ~18%

Recession Profile | VULNERABLE

One-Line Thesis:

Royal Caribbean runs a strong cruise franchise with real pricing power, but its leveraged, capital-intensive balance sheet and negative free cash flow mean a normal recession would produce negative total return, so it fails the wealth preservation mandate.

INVESTMENT THESIS

Royal Caribbean Cruises Ltd. owns three cruise brands: Royal Caribbean International, Celebrity Cruises, and Silversea, plus a 50% stake in the TUI Cruises joint venture. The company generated $17.94 billion of revenue in fiscal 2025, split between $17.07 billion of cruise itinerary revenue and $864 million of other products and services. Gross margin reached 50.6%, operating margin reached 27.4%, and diluted EPS reached $15.64. The recovery from the pandemic is not a forecast. It is in the reported financials. Revenue grew from $1.53 billion in 2021 to $17.94 billion in 2025. Operating income moved from a loss of $3.87 billion in 2021 to a profit of $4.92

billion in 2025. Management guided 2026 adjusted EPS to $17.70 to $18.10. The business prints cash at the operating level, with $3.69 billion of operating cash flow in the first half of 2026.

The problem is the balance sheet and the capital cycle. Total debt sits at $23.5 billion against shareholders' equity of $10.46 billion. Debt to equity is 2.25x. Current ratio is 0.21. Cash is $876 million. The company has $16.5 billion of ships on order. Trailing free cash flow margin is negative 2.2%, because ship investments of $3.24 billion in the first half of 2026 exceeded operating cash flow after dividends and buybacks. Royal Caribbean suspended its dividend during COVID and reinstated it only recently. The trailing dividend yield is 1.2%. The payout ratio on a trailing basis is reported at 14%, but first-half 2026 dividends of $674 million annualized would represent roughly $1.35 billion, or around 31% of trailing net income. Either way, the dividend is small and does not provide a meaningful income cushion.

Wealth preservation requires the bear case to be flat or positive. Royal Caribbean fails that test. In a 2027 to 2028 recession, revenue would not decline 5% or 10%. It would likely decline 20% to 30% because cruising is discretionary and the fleet has high fixed costs. At a 25% revenue decline from $19.6 billion to roughly $14 billion, operating margin would compress from the current 27% toward a high single digit. Interest expense runs near $1.0 billion annually. The interest coverage ratio would fall from 5.14x today toward 1.0x. In that scenario, the dividend would be cut again, and the stock would decline more than the market. A bear case price of $110 implies a 56% drawdown from the current $249.78.

The bull case is real, and that is why the stock is not cheap enough to dismiss casually. Analyst consensus targets sit near $353, implying 41% upside from the live price. Simply Wall St's fair value estimate is $278.55. Base case total return using 2026 EPS of $17.90, a 6% long-term earnings CAGR, and a 15x terminal multiple is roughly 9.0% per year including dividends and buybacks. But the distribution is asymmetric. The bear case loses 7.6% per year over ten years. Probability-weighted return is 5.7%, below our 7% hurdle. For a capital preservation mandate, a 56% bear-case drawdown with a 2.25x debt-to-equity ratio disqualifies the position regardless of base-case upside.

This is not a judgment on management. The company executed the post-COVID recovery better than many peers. It is a judgment on the structure of the investment. A leveraged cruise operator carries permanent capital loss risk in a downturn. That risk is acceptable for a growth or cyclical value portfolio. It is not acceptable for wealth preservation.

1. BUSINESS QUALITY ASSESSMENT

Royal Caribbean qualifies as a business I can understand. It sells cruise tickets and onboard experiences. Guests pay a base fare for the cabin and basic food. The company earns incremental high-margin revenue from drink packages, specialty restaurants, casinos, spas, shore excursions, and private island access. The model turns a ship into a floating resort. The three owned brands span contemporary, premium, and luxury price points. The TUI Cruises venture adds exposure to the German-speaking market.

The revenue split for fiscal 2025 supports that description. Cruise itinerary revenue was $17.07 billion. Other products and services contributed $864 million. Cruise itinerary revenue grew from $13.23 billion in fiscal 2023 to $17.07 billion in fiscal 2025, roughly 29% over two years. Total revenue reached $17.94 billion in fiscal 2025 and $18.68 billion on a trailing twelve-month basis through June 30, 2026. The company serves more than 7 million guests annually across its brands, according to the research packet.

RCL competes through fleet innovation and destination exclusivity. Icon of the Seas, launched in 2024, is the world's largest cruise ship at 250,800 gross tons and represented a $2 billion capital commitment. Perfect Day at CocoCay and the new Royal Beach Club Paradise Island, opened in late 2025, function as private destinations that generate outsized onboard revenue and differentiate the product from competitors who rely on third-party ports. Private island assets are difficult to replicate in most Caribbean itineraries. That gives Royal Caribbean a real, if narrow, moat.

The moat does not extend to the balance sheet. This is a highly cyclical business. Cruise demand is discretionary. When household budgets tighten, vacations get cut first. The research data documents the pandemic effect directly. Revenue collapsed from $16.48 billion in fiscal 2024 to $1.53 billion in fiscal 2021 under the worst disruption. Operating margin went from 25.0% in fiscal 2024 to negative 252.5% in fiscal 2021. The company had to suspend the dividend, raise debt, and dilute shareholders. That history is the single most important fact for this analysis.

Stage 1 of the framework asks whether a highly cyclical company has exceptional balance sheet strength and a valuation discount. RCL fails the balance sheet portion. Debt to equity is 2.25x. Current ratio is 0.21. Free cash flow is positive in only three of the last five fiscal years. The sector is not in secular decline, and the business is understandable, but the cyclicality requirement forces the analysis toward heightened solvency scrutiny rather than a normal quality review.

2. FINANCIAL FORTRESS ANALYSIS

The solvency gate is the most important test in this framework, and RCL fails it on multiple metrics.

Total debt is $23.52 billion. Cash is $876 million. Debt to equity is 2.25x. The framework threshold is below 1.0x, with ideally below 0.5x. Current ratio is 0.21, below the 1.5x threshold and below the 1.0x automatic-removal line. Quick ratio is 0.11. The current ratio deserves a caveat for cruise accounting: customer deposits create large current liabilities, while the ships are long-term assets. A cruise company will normally run a current ratio below 1.0. That does not make the ratio irrelevant. It means the company funds daily operations with customer prepayments. That funding source is reliable in demand booms and unreliable in demand shocks.

Interest coverage is the one solvency metric that looks acceptable on the surface. StockAnalysis.com reports 5.14x. The second-quarter 2026 filing reports adjusted EBITDA to net interest expense of 6.87x. Both figures are above the 5.0x minimum in the framework, but below the preferred 8.0x. The headroom is thinner than it appears when revenue falls. Interest expense stepped down from roughly $1.59 billion to $976 million in the most recent column, likely reflecting refinancing. That improvement is real, but it still leaves a fixed interest burden near $1 billion per year.

Free cash flow is the weakest line. Derived from the reported FCF margins: negative $4.1 billion in fiscal 2021, negative $2.2 billion in fiscal 2022, positive $0.58 billion in fiscal 2023, positive $2.0 billion in fiscal 2024, and positive $1.24 billion in fiscal 2025. Trailing twelve months through June 30, 2026, show a negative $0.42 billion. That is only three positive years out of five, short of the framework's four-of-five threshold. The negative trailing figure is driven by the ship construction program. First-half 2026 operating cash flow of $3.69 billion funded $3.24 billion of ship capex, $674 million of dividends, and $1.0 billion of buybacks. The company borrowed to fill the gap. Total debt rose to $23.407 billion, supported by a $6 billion undrawn revolver and export credit-backed ship financing.

The stress test is the decisive failure. If revenue declined 30% for two years, from $19.6 billion to $13.7 billion, operating margin would compress from 27.4% to roughly 8%. That yields operating income near $1.1 billion before interest. Interest near $1.0 billion leaves almost no pretax income. A sharper margin compression to 5% would produce operating income near $700 million and a coverage shortfall. In that case, the company would need the revolver, export credit facilities, or equity issuance. It would likely cut the dividend and suspend buybacks. The balance sheet survived COVID because external capital markets were open. For a wealth preservation investment, I need a balance sheet that can survive a severe recession without external rescue. RCL does not meet that standard.

Earnings quality is acceptable. First-half 2026 operating cash flow of $3.694 billion exceeded net income of $2.086 billion. Cash conversion at the operating level is strong. Net margin is 23.5%. ROE is 44.7%, but that is inflated by 2.25x leverage. Return on invested capital was 16.1% in fiscal 2024, above the cost of capital. That is a genuine positive. The ship assets earn returns once delivered.

Dilution is a mixed picture. Current shares outstanding are 267.45 million, down 1.63% year over year due to buybacks. In the first half of 2026, the company repurchased $1.0 billion of stock. But the longer history includes COVID-era dilution. Implied weighted shares were roughly 252 million in fiscal 2021 against 267 million today, about 1.4% annualized dilution over four years. Insider ownership is only 0.38%. Institutions own 87.13%, with the three Capital Group entities holding roughly 28.95% combined. Chairman Richard Fain sold about 20,000 shares in May 2026 at roughly $253, a $5 million transaction, and has been a net seller of $25 million over twelve months. There are no insider buys in the data.

Solvency Assessment: MARGINAL.

Earnings Quality: ACCEPTABLE.

Dilution Assessment: CONCERNING, improving.

ROIC: 16.1% vs. WACC, trend improving from the pandemic trough.

3. DIVIDEND ANALYSIS

Royal Caribbean pays a dividend, but it does not function as wealth preservation income. The trailing yield is 1.2%. The ex-dividend date is September 17, 2026. The stated trailing payout ratio is 14% of earnings, using the partially reinstated trailing period. First-half 2026 dividends of $674 million equal 32% of first-half net income of $2.086 billion. Annualized, that would be roughly $1.35 billion, or about 31% of trailing net income and a 2.0% yield on the current market capitalization. The difference between the 1.2% trailing yield and the 2.0% annualized figure reflects the timing of the dividend reinstatement.

The dividend has no credible growth history. RCL suspended the dividend during COVID. It reinstated the payment only after the recovery in 2025. There is no five-year dividend growth CAGR. There is no 10-year or 15-year consecutive payment record. The framework awards points for dividend growth above 5% and for a 15-year payment history. RCL receives neither.

The payout ratio alone suggests the dividend is affordable in a base case. At 31% of net income, the dividend would remain covered if earnings fell 40%, which would take EPS from $16.21 to roughly $9.73. A $3.00 annual dividend would then consume about 31% of EPS. But free cash flow complicates that arithmetic. Trailing free cash flow is negative $0.42 billion. Dividends are currently funded in part by the revolver or by reducing discretionary spending, not by surplus free cash flow. In a recession, EPS would fall below $9.73. The dividend would likely be cut again, just as it was in 2020. A 1.2% yield cannot compensate for a 56% bear-case price drawdown.

Dividend Sustainability: SUSTAINABLE in base case, AT RISK in stress. The dividend is not a preservation feature of this investment.

4. VALUATION ANALYSIS

At the live price of $249.78, RCL trades at 15.4x trailing EPS of $16.21. Using the 2026 adjusted EPS guidance midpoint of $17.90, the forward multiple is 13.9x. These are not demanding multiples for a company growing earnings in the low single digits to low teens.

The enterprise value multiples are equally moderate. Market capitalization at 267.45 million shares times $249.78 is $66.8 billion. Adding $23.52 billion of debt and subtracting $876 million of cash gives enterprise value of $89.4 billion. Against trailing twelve-month EBITDA of $6.93 billion, EV/EBITDA is 12.9x. EV/EBIT is roughly 17.5x against trailing twelve-month operating income of $5.11 billion. Price to book is 6.4x on shareholders' equity of $10.46 billion. Price to sales is 3.6x on trailing revenue of $18.68 billion.

The historical comparison gives RCL a valuation discount. The 8-year average trailing P/E is 19.25. The current 15.4x is about 20% below that average. The 10-year average P/E is 17.3 with a median of 15.95. The current multiple is slightly below the median. On the simplest historical multiple basis, RCL looks moderately attractive. That is the source of the analyst consensus target of $353.40 and the Simply Wall St fair value estimate of $278.55.

The flaw is that current earnings are near cycle peaks. Fiscal 2025 net margin was 23.8%, up from 17.4% in 2024 and 12.2% in 2023. Operating margin was 27.4%. Cyclical companies at peak margins should trade below historical average multiples, not at them. A through-cycle normalized EPS near $12, which is closer to the pre-COVID level adjusted for dilution and debt, applied to a 15x multiple gives a fair value near $180. The $277.45 base fair value uses 2026 guide EPS of $17.90 and a 15.5x multiple. That implies 11.1% upside from $249.78. It also assumes current conditions persist.

Valuation Assessment: FAIR with a modest margin of safety. The margin is not sufficient to offset the downside scenario. P/FCF is not meaningful because trailing free cash flow is negative. P/OCF is 10.45, but that excludes the capital expenditure that is the business itself for a cruise line.

5. SCENARIO ANALYSIS

The scenario table uses a ten-year horizon and current price $249.78.

Scenario | Price Target | Total Return CAGR | Weight | Contribution

Bear | $110 | -7.6% | 25% | -1.9%

Base | $481 | 9.0% | 50% | 4.5%

Bull | $703 | 12.4% | 25% | 3.1%

Expected | | 5.7% | |

Bear case. A 2027 to 2028 recession cuts revenue 25% from $19.6 billion to about $14 billion. Operating margin compresses from 27% to 8%. Interest near $1.0 billion leaves roughly breakeven pretax income. EPS troughs near $1.00. The dividend is cut. After recovery, 2036 EPS reaches $9.00 and the market assigns a 12x multiple on depressed cyclical earnings, producing a $108 price. I round to $110. Price CAGR is negative 7.8%, and small average dividends push the total return to negative 7.6%. This violates the absolute requirement that the bear case total return be at least zero.

Base case. 2026 EPS of $17.90 grows at 6% annually for ten years, reaching $32.05 in 2036. A 15x terminal multiple gives a $481 price. The price CAGR is 6.8%. Dividends and buybacks add about 2.2% annually, producing a 9.0% total return. This clears the 7% hurdle.

Bull case. Capacity growth and private destination pricing exceed expectations. EPS grows 8% annually from $18.10 in 2026 to $39.08 in 2036. An 18x terminal multiple gives $703. The price CAGR is 10.9%, and dividends add 1.5%, producing a 12.4% total return.

The probability-weighted return of 5.7% fails the 7% hurdle. More important, the bear case is not a temporary markdown. It implies a 56% drawdown from current price. The historical COVID drawdown exceeded 70%. The probability of a greater-than-50% loss not recovered within five years is about 18%. Capital at risk in the bear case is roughly 14% of the position at a 25% bear-case weight. This is not acceptable for wealth preservation.

Downside protection fails. The bear case total return is negative. The maximum historical drawdown exceeds 40%. The dividend was cut within the last ten years. The downside protection score is 5 out of 100.

6. RISK ASSESSMENT

The dominant risk is financial. Debt of $23.5 billion against equity of $10.46 billion produces a 2.25x debt-to-equity ratio. Current ratio is 0.21. Trailing free cash flow is negative because of the $16.5 billion ship orderbook. The company holds a $6 billion revolver and $7.2 billion of total liquidity as of December 31, 2025, which provides a bridge. But a bridge is not the same as a fortress balance sheet. In a 30% revenue decline, interest coverage falls toward 1x. The company would depend on external capital at the worst possible time.

The second risk is demand cyclicality. Cruising is discretionary. The financial history proves the severity. Revenue fell from $16.48 billion in fiscal 2024 to $1.53 billion in fiscal 2021. Operating margin went to negative 252%. Shareholders lost more than 70% peak to trough. The research packet documents the model's vulnerability to global health crises, geopolitical disruptions, and reduced household budgets. A mild recession would not repeat COVID, but a 20% to 30% revenue decline is a reasonable severe recession assumption.

Fuel and interest rates create direct margin sensitivity. A 10% change in fuel prices moves full-year results by $57 million. A 100 basis point change in SOFR moves results by $12 million. The company has refinanced high-cost debt, but $23.5 billion of gross debt remains sensitive to rates over time. The $16.5 billion orderbook locks in future capital spending regardless of demand conditions.

Regulatory and ESG risk is rising. The fiscal 2025 10-K flags increasing global regulation of greenhouse gas and other emissions, with final programs still undetermined. The company also cites risks from port and terminal projects, including permit delays, NGO opposition, and claims related to environmental impact, cultural heritage, or land. Incidents involving cruise ships can increase regulatory oversight and trigger litigation, amplified by social media. These are manageable for an equity investor with a growth orientation. They add tail risk for a preservation mandate.

Competition and overcapacity are structural. Carnival carries more revenue and a higher gross margin, 55.5% versus 50.6%. Norwegian is a distant third at 42.6%. The cruise industry adds capacity in multi-year ship cycles. A demand slowdown can coincide with new ship deliveries, compressing net yields. RCL's private islands and newer ships mitigate this, but they do not eliminate it.

Insider behavior adds a cautious signal. Insider ownership is 0.38%, and the data shows no insider buying. The chairman sold $5 million in May 2026 and $25 million over twelve months. Insiders have sold $9 million recently. That is not a red flag by itself, but it provides no counterweight to the financial risk.

Probability of >50% permanent loss: approximately 18%. That exceeds the 10% to 15% threshold required for this mandate. Recession profile: VULNERABLE.

7. MANAGEMENT & GOVERNANCE

The research data does not provide CEO names, tenure, compensation detail, or a guidance-versus-actuals track record. That limits the depth of this section. What the data shows is execution. Management took the company from a $5.26 billion net loss in fiscal 2021 to a $4.27 billion net profit in fiscal 2025. Fiscal 2025 adjusted EPS of $15.64 beat guidance, driven by stronger revenue and better joint-venture performance. The 2026 adjusted EPS guide of $17.70 to $18.10 implies continued growth. The operational recovery is credible.

Capital allocation is mixed. In the first half of 2026, the company repurchased $1.0 billion of stock and paid $674 million of dividends. Those are shareholder-friendly actions. They also occurred while total debt rose to $23.407 billion and the company carried a $16.5 billion ship orderbook. The company issued $2.5 billion of notes in February 2026 and $1.25 billion of notes due 2034 in August 2026. That is debt-financed expansion with a simultaneous return of capital. The framework views that pattern as concerning for a preservation investor because it prioritizes near-term shareholder returns over balance sheet de-risking.

Governance signals are neutral to negative. The DEF 14A and DEFA14A proxy filings went out on April 17, 2026, with an annual report to shareholders on the same date. No accounting concerns or auditor warnings appear in the provided filings. Insider ownership is 0.38%. The three Capital Group entities hold 28.95% of shares, a strong institutional base, but concentrated passive or index ownership does not substitute for management's own alignment. The chairman's $25 million of net selling over twelve months and the absence of insider buys weigh against the management quality score.

Management Quality: ADEQUATE.

Capital Allocation Track Record: ACCEPTABLE, trending positive on returns but negative on balance sheet conservative.

8. PEER COMPARISON

Company | Market Cap | TTM Revenue | Gross Margin

Royal Caribbean (RCL) | $66.8B (derived) | $18.68B | 50.6%

Carnival (CCL) | $37.62B | $26.62B | 55.5%

Norwegian (NCLH) | $9.52B | $9.83B | 42.6%

Royal Caribbean commands a substantial valuation premium. At the derived market cap of $66.8 billion, RCL is worth 1.8x Carnival despite generating 30% less revenue. Carnival's gross margin is 55.5%, about 500 basis points above RCL's 50.6%. Norwegian is smaller and less profitable. The premium reflects RCL's newer fleet, private island platform, and superior post-COVID earnings growth. PitchGrade notes RCL leads peers on earnings growth at 37.1% year over year.

For wealth preservation, the premium is a drawback, not a strength. When an entire industry suffers a demand shock, the highest-multiple name has the most valuation compression risk. Peer solvency metrics are not provided in the research data, so I cannot compare debt-to-equity or interest coverage across the three. The revenue and margin comparison alone does not justify RCL's premium enough to offset its 2.25x debt-to-equity ratio.

The peer table also exposes an important data conflict. The research packet contains a PitchGrade market cap of $77.19 billion, a Statvoo market cap of $40.0 billion, and a Statvoo revenue line of $2.33 billion. I use the derived $66.8 billion from 267.45 million shares at $249.78 because the live price and share count are authoritative. The $77.19 billion and $40.0 billion figures are inconsistent with each other and with the current share price.

9. KEY METRICS SUMMARY

Metric | Value

Revenue FY2025 | $17.94B

Revenue TTM | $18.68B

Gross Margin TTM | 50.3%

Operating Margin TTM | 27.4%

Net Margin TTM | 23.5%

Diluted EPS TTM | $16.21

2026 Adjusted EPS Guide | $17.70 - $18.10

Total Debt | $23.52B

Cash | $876M

Debt/Equity | 2.25x

Current Ratio | 0.21

Debt/EBITDA | 3.32x

Interest Coverage | 5.14x

Adjusted EBITDA/Net Interest (Q2 2026) | 6.87x

ROIC (FY2024) | 16.1%

ROE TTM | 44.7%

FCF Margin TTM | -2.2%

Dividend Yield | 1.2%

Payout Ratio (trailing reported) | 14%

Trailing P/E | 15.4x

Forward P/E (2026 guide midpoint) | 13.9x

EV/EBITDA | 12.9x

P/B | 6.4x

P/S | 3.6x

10. MONITORING CHECKLIST

Item | Threshold | Current

Interest coverage | >5.0x required; >8.0x preferred | 5.14x / 6.87x adjusted

Debt/Equity | <1.0x required; <0.5x preferred | 2.25x

Current ratio | >1.5x required; remove if <1.0x | 0.21

FCF positive years | 4 of last 5 | 3 of 5, TTM negative

Dividend cut history | None in 10 years | Cut during COVID

Adjusted EBITDA/net interest | >5.0x | 6.87x

Net yield trend | Positive in base case | +11.5% FY2024, no forward data

Insider activity | Prefer net buying | Net selling

Debt/EBITDA | Prefer <3.0x | 3.32x

11. MARKET EXPECTATIONS & CONSENSUS

The market prices RCL below its historical earnings multiple. At 15.4x trailing earnings against the 8-year average P/E of 19.25, the stock carries a roughly 20% discount. The 10-year average P/E is 17.3, and the median is 15.95. The stock is slightly below the median. Forward P/E on the 2026 guide midpoint is 13.9x, below the trailing multiple because earnings are expected to grow. That is not a value trap by itself.

What does the current price imply about growth? The Yahoo Finance PEG ratio is 1.05, which at a 15.4x trailing P/E implies expected earnings growth near 14.7% annually. StockAnalysis.com reports a PEG of 0.86, implying faster expected growth relative to the multiple. Consensus revenue for 2026 is $19.6 billion, unchanged from the pre-Q2 estimate, per Simply Wall St. Consensus earnings moved slightly higher after Q2. The price embeds continued mid-single-digit revenue growth and low-double-digit earnings growth.

The consensus bull case centers on net yield growth from new ships and private destinations, capacity growth of 6.7% in 2026, and continued demand for premium and luxury cruising. The consensus bear case centers on a consumer slowdown, fuel inflation, higher interest costs, and valuation compression in a discretionary sector. MarketBeat's consensus rating is Moderate Buy, with 14 Buy, 7 Hold, 0 Sell among 22 analysts, and a price target of $353.40. That target implies 41.5% upside from the live $249.78 price. The research data's 31.65% upside headline references a prior price near $268, not the live price.

Short interest is not provided in the research data. I cannot state days to cover or short float without fabricating a number. Analyst consensus target is $353.40 in one source and $346.92 in another. Simply Wall St's fair value estimate is $278.55.

What would validate the consensus: Q3 2026 EPS above the $6.35 Zacks consensus, full-year 2026 guide maintained or raised from $17.70 to $18.10, positive constant-currency net yields, and stable adjusted EBITDA to net interest above 6.5x. What would disappoint: a Q3 miss, a lower full-year guide, net yield compression, higher fuel or interest costs, or a deceleration in onboard spend per passenger.

Forward Valuation | Value | vs. Sector Avg | Assessment

Forward P/E | 13.9x (2026 guide) | n/a | Moderate discount

PEG | 1.05 Yahoo / 0.86 StockAnalysis | n/a | Reasonable

EV/EBITDA | 12.9x | n/a | Moderate

Beta | Not provided | n/a | Cannot assess factor exposure

12. KEY BUSINESS DRIVERS

Driver 1: Net yields, constant currency

Why it matters: measures pricing power per available passenger cruise day after costs.

Current level: +11.5% as reported in fiscal 2024; no forward figure provided.

Bull threshold: Positive growth above 2% in 2026 and 2027.

Bear threshold: Negative net yields for two consecutive quarters.

Next data point: Q3 2026 earnings, expected October 27, 2026.

Driver 2: Capacity growth

Why it matters: determines fixed-cost absorption and revenue growth contribution.

Current level: +6.7% for 2026, +4% for 2027, +6% for 2028, +7% for 2029.

Bull threshold: Occupancy holds near 105% plus while capacity grows.

Bear threshold: Occupancy falls and new ship deliveries create overcapacity.

Next data point: Quarterly bookings and capacity commentary.

Driver 3: Adjusted EBITDA to net interest expense

Why it matters: the clearest measure of solvency headroom on a leveraged balance sheet.

Current level: 6.87x at June 30, 2026.

Bull threshold: Above 7.0x sustained.

Bear threshold: Below 4.0x would signal covenant and stress risk.

Next data point: Q3 2026 filings.

Driver 4: Net cruise costs excluding fuel (NCC ex-fuel)

Why it matters: operating cost discipline, excluding the volatile fuel line.

Current level: 1% change equals $73 million full-year impact per guidance.

Bull threshold: Growth below 2% while revenue grows.

Bear threshold: NCC ex-fuel growth above 5% without yield offset.

Next data point: Q3 2026 earnings.

Driver 5: Fuel price and SOFR sensitivity

Why it matters: direct margin and interest expense exposure.

Current level: 10% fuel change equals $57 million; 100 bps SOFR equals $12 million.

Bull threshold: Brent stable to lower; SOFR stable to lower.

Bear threshold: Brent above $100 or SOFR repricing higher.

Next data point: Monthly energy and rate data.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy | Ticker/Symbol | Relationship | Signal

Consumer Discretionary ETF | XLY | Correlated with discretionary travel demand | Bullish if above 200-day MA; bearish if breaks 50-day

Carnival Corporation | CCL | Peer lead for cruise pricing and demand | Bullish if CCL issues strong yield guidance; bearish if CCL cuts

Norwegian Cruise Line | NCLH | Peer lead, more leveraged and sensitive | Bearish if NCLH declines >10% on demand news

Brent Crude / 10Y Treasury | BRN00 / US10Y | Fuel cost and interest rate exposure | Bearish for RCL if rising; bullish if falling

Monitoring rule: If CCL or NCLH breaks below its 50-day moving average on weak forward yield guidance, re-evaluate the RCL AVOID thesis within five days even without an RCL-specific event.

EXIT TRIGGERS AND RE-ENTRY TRIGGERS

The recommendation is AVOID, so these are triggers that would convert the view to BUY or HOLD.

Trigger: Interest coverage sustains above 8.0x and debt to equity falls below 1.5x. Action: Move to review.

Trigger: Free cash flow turns positive for two consecutive fiscal years before any new equity raise. Action: Move to review.

Trigger: Bear case total return at the prevailing price becomes zero or positive. Action: Move to HOLD if the entry price supports it.

Trigger: Dividend grows above 3% annually with a 10-year no-cut history. Action: Reassess income pillar.

Trigger: Insider buying appears and the chairman stops net selling. Action: Reassess governance.

Trigger: RCL falls to roughly $180 or below, where normalized EPS near $12 would yield about 6.7% on earnings and provide a larger margin of safety. Action: Reevaluate valuation.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Absolute Requirements | Result

Bear case total return >= 0% | FAIL (-7.6% CAGR)

Base case total return >= 7% | PASS (9.0% CAGR)

Solvency FORTRESS or ADEQUATE | FAIL (MARGINAL)

Dividend sustainability ROCK SOLID or SUSTAINABLE | FAIL in stress (AT RISK)

Probability of >50% permanent loss < 10% | FAIL (~18%)

The Wealth Preservation Score is 34 out of 100, composed of a 5 out of 100 downside protection score, a 70 out of 100 return adequacy score, and a 44 out of 100 quality score. The score falls below the 45 AVOID threshold. RCL is a well-run business with genuine franchise value. It is not a wealth preservation asset because the bear case loses money and the balance sheet is too leveraged to survive a severe recession without external help.

ANALYST NOTES

Key Assumptions: 267.45 million shares outstanding; 2026 diluted EPS $17.90 at the guidance midpoint; 10-year base EPS CAGR of 6%; terminal multiples of 15x base, 12x bear, and 18x bull; average dividend and buyback contribution of 2.2% in the base case. Bear case revenue decline of 25%.

Limitations: The research data lacks geographic revenue splits, management tenure and compensation detail, peer solvency metrics, and short interest. Source conflicts exist on market cap, revenue history, and EBITDA. Derived figures use the live price and share count.

Confidence Level: MEDIUM-HIGH for the AVOID recommendation. The financial risk is clear and measurable. The main uncertainty is the timing and depth of the next downturn, not the direction of the risk.

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