

ROYAL CARIBBEAN CRUISES LTD
Form 8-K
July 26, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 26, 2007

ROYAL CARIBBEAN CRUISES LTD.

(Exact Name of Registrant as Specified in Charter)

Republic of Liberia

(State or Other Jurisdiction of Incorporation)

1-11884

98-0081645

(Commission File Number)

1050 Caribbean Way, Miami, Florida

(IRS Employer Identification No.)

33132

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code **305-539-6000**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Edgar Filing: ROYAL CARIBBEAN CRUISES LTD - Form 8-K

The following information is provided pursuant to Item 2.02 of Form 8-K, Results of Operations and Financial Conditions and Item 7.01 of Form 8-K, Regulation FD Disclosure.

Item 2.02 Results of Operations and Financial Conditions.

Item 7.01 Regulation FD Disclosure.

On July 26, 2007, Royal Caribbean Cruises Ltd. issued a press release entitled Royal Caribbean Reports Higher Second Quarter 2007 Earnings. A copy of this press release is furnished as Exhibit 99.1 to this report. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of Royal Caribbean Cruises Ltd., whether made before or after the filing of this report, regardless of any general incorporation language in the filing, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit 99.1 Press release entitled Royal Caribbean Reports Higher Second Quarter 2007 Earnings dated July 26, 2007.

Edgar Filing: ROYAL CARIBBEAN CRUISES LTD - Form 8-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ROYAL CARIBBEAN CRUISES LTD.

Date: July 26, 2007

By: /s/ Brian J. Rice

Name: Brian J. Rice

Title: Executive Vice President and

Chief Financial Officer

Exhibit 99.1

Contact: Lynn Martenstein or Greg Johnson

(305) 539-6570 or (305) 539-6153

For Immediate Release

ROYAL CARIBBEAN REPORTS HIGHER SECOND QUARTER 2007 EARNINGS

MIAMI July 26, 2007 Royal Caribbean Cruises Ltd. (NYSE/OSX: RCL) today announced net income for the second quarter 2007 of \$128.7 million, or \$0.60 per share, compared to net income of \$122.4 million, or \$0.57 per share in 2006. The results were consistent with previous guidance of \$0.58 to \$0.63 per share. Revenues for the second quarter 2007 increased to \$1.5 billion from revenues of \$1.3 billion in the second quarter 2006.

The company also announced that the full year earnings guidance is substantially unchanged except for the impact of higher fuel prices. The company does not forecast fuel prices, and, adjusting for current spot pricing, full year 2007 earnings are expected to be \$2.75 to \$2.85 per share.

Key metrics for the second quarter 2007 on a comparable basis (excluding Pullmantur) were as follows:

Net Yields decreased 0.2% compared to the second quarter 2006, consistent with previous guidance of a decrease in a range around 1%.

Net Cruise Costs per APCD decreased 4.0%, versus previous guidance of a decrease in a range around 3%. Fuel costs were higher than anticipated, and non-fuel expenses came in lower.

Fuel prices increased 8% from the May 1, 2007 levels disclosed previously, with at-the-pump fuel prices averaging \$443 per metric ton compared to the previously disclosed price of \$412 per metric ton. Fuel prices were \$460 per metric ton in the second quarter 2006.

Excluding fuel, Net Cruise Costs per APCD decreased 3.2%, versus previous guidance of a decrease in a range around 1%, partly due to the timing of certain marketing and selling expenses.

Despite continuing pressure from high fuel prices, our second quarter results were consistent with our expectations, said Richard Fain, chairman and chief executive officer. The revenue environment has stabilized versus the first quarter, and our cost control initiatives are working well.

Edgar Filing: ROYAL CARIBBEAN CRUISES LTD - Form 8-K

Including Pullmantur, the company's Net Yields increased 0.9% and Net Cruise Costs per APCD increased 1.1%. Pullmantur's operating income fell slightly below expectations due to weaker than expected demand for its land tour business during the spring season.

Outlook For The Rest Of The Year

The company provided the following estimates for the full year and third quarter 2007. The Comparable estimates exclude Pullmantur, while the Including Pullmantur estimates are for the entire combined group.

	<u>Full Year 2007</u>		<u>Third Quarter 2007</u>	
	<u>Comparable</u>	<u>Including Pullmantur</u>	<u>Comparable</u>	<u>Including Pullmantur</u>
Capacity	4.6%	12.0%	4.9%	13.2%
Net Yields	Flat	2% - 3%	Flat	2% - 3%
Net Cruise Costs per APCD	Flat (1%)	5%	Flat (1%)	5% - 6%
Net Cruise Costs per APCD, excluding Fuel	Flat	7%	Flat - 1%	7%

As previously disclosed, Celebrity Cruises cancelled two 12-night Mediterranean sailings onboard *Celebrity Millennium* due to damage to the ship's propellers. The cancelled cruises are expected to have a negative impact on earnings of approximately \$0.14 per share, which is reflected in third quarter 2007 guidance.

Collectively, the company will have a 12.0% increase in capacity in 2007, driven by Pullmantur, the April delivery of *Liberty of the Seas*, and a full year of *Freedom of the Seas*.

After a relatively slow start to the year, we are encouraged by the stabilized Caribbean pricing environment and the sound demand for our summer seasonal products, Fain said.

	<u>Second Half 2007</u>	<u>Third Quarter 2007</u>
Fuel Price/Metric Ton (Current)	\$486	\$486
Fuel Consumption (Metric Tons)	635,000	320,000

Edgar Filing: ROYAL CARIBBEAN CRUISES LTD - Form 8-K

Fuel Percentage Hedged (Current)	53%	57%
10% Change in Fuel Price Impact	\$12 Million	\$6 Million

The company does not forecast fuel prices and its cost guidance for fuel is based on a current at-the-pump price of \$486 per metric ton. This is higher than the May 1, 2007, figure, and represents a negative impact of \$0.17 per share (\$0.03, \$0.08 and \$0.06 in the second quarter, third quarter, and fourth quarter, respectively) versus the company's previous guidance. Additionally, the company is currently 53% and 57% hedged for the second half of 2007 and third quarter 2007, respectively. A 10% change in the market price of fuel results in \$12 million and \$6 million changes in fuel costs for the second half of 2007 and third quarter 2007, respectively, after taking into account existing hedges.

	<u>Full Year 2007</u>	<u>Third Quarter 2007</u>
Depreciation and Amortization	\$490 to \$500 Million	\$125 to \$130 Million
Interest Expense	\$330 to \$340 Million	\$85 to \$90 Million
Earnings Per Share	\$2.75 to \$2.85	\$1.75 to \$1.80

Based on these estimates, and assuming that fuel prices remain at today's level, the company expects its full year 2007 earnings per share to be \$2.75 to \$2.85, and expects third quarter 2007 earnings per share to be \$1.75 to \$1.80.

As of June 30, 2007, liquidity was \$1.4 billion, comprising \$0.2 billion in cash and cash equivalents and \$1.2 billion in available credit on the company's revolving credit agreement.

Projected capital expenditures for 2007, 2008, 2009, 2010, and 2011 are estimated to be \$1.3 billion, \$1.8 billion, \$2.0 billion, \$2.2 billion, and \$1.0 billion, respectively. Projected capacity increases for the same five years are estimated at 12.0%, 9.5%, 7.7%, 11.5%, and 5.8%, respectively.

The company has scheduled a conference call at 10 a.m. Eastern Standard Time today to discuss its earnings. This call can be heard, either live or on a delayed basis, on the company's investor relations web site at www.rclinvestor.com.

Terminology

Available Passenger Cruise Days (APCD)

APCDs are our measurement of capacity and represent double occupancy per cabin multiplied by the number of cruise days for the period.

Gross Yields

Gross Yields represent total revenues per APCD.

Net Yields

Net Yields represent Gross Yields less commissions, transportation and other expenses and onboard and other expenses per APCD. We utilize Net Yields to manage our business on a day-to-day basis and believe that it is the most relevant measure of our pricing performance because it reflects the cruise revenues earned by us net of our most significant variable costs. We have not provided a quantitative reconciliation of projected Gross Yields to projected Net Yields due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

Gross Cruise Costs

Gross Cruise Costs represent the sum of total cruise operating expenses plus marketing, selling and administrative expenses.

Net Cruise Costs

Net Cruise Costs represent Gross Cruise Costs excluding commissions, transportation and other expenses and onboard and other expenses. In measuring our ability to control costs in a manner that positively impacts net income, we believe changes in Net Cruise Costs to be the most relevant indicator of our performance. We have not provided a quantitative reconciliation of projected Gross Cruise Costs to projected Net Cruise Costs due to the significant uncertainty in projecting the costs deducted to arrive at this measure. Accordingly, we do not believe that reconciling information for such projected figures would be meaningful.

Passenger Cruise Days

Passenger Cruise Days represent the number of passengers carried for the period multiplied by the number of days of their respective cruises.

Edgar Filing: ROYAL CARIBBEAN CRUISES LTD - Form 8-K

Occupancy

Occupancy, in accordance with cruise industry practice, is calculated by dividing Passenger Cruise Days by APCDs. A percentage of 100% or higher indicates that three or more passengers occupied some cabins.

Royal Caribbean Cruises Ltd. is a global cruise vacation company that operates Royal Caribbean International, Celebrity Cruises, Pullmantur and Azamara Cruises. The company has a combined total of 35 ships in service and seven under construction. It also offers unique land-tour vacations in Alaska, Asia, Australia, Canada, Europe, Latin America and New Zealand. Additional information can be found on www.royalcaribbean.com, www.celebrity.com, www.pullmantur.es, www.azamaracruises.com or www.rclinvestor.com.

Certain statements in this news release are forward-looking statements. Forward-looking statements do not guarantee future performance and may involve risks, uncertainties and other factors, which could cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in those forward-looking statements. Such factors include general economic and business conditions, vacation industry competition, including cruise vacation industry competition, changes in vacation industry capacity, including over capacity in the cruise vacation industry, the impact of tax laws and regulations affecting our business or our principal shareholders, the impact of changes in other laws and regulations affecting our business, the impact of pending or threatened litigation, the delivery of scheduled new ships, emergency ship repairs, negative incidents involving cruise ships including those involving the health and safety of passengers, reduced consumer demand for cruises as a result of any number of reasons, including geo-political and economic uncertainties, the unavailability of air service, armed conflict, terrorist attacks and the resulting concerns over safety and security aspects of traveling, the impact of the spread of contagious diseases, our ability to obtain financing on terms that are favorable or consistent with our expectations, changes in our stock price or principal shareholders, the impact of changes in operating and financing costs, including changes in foreign currency, interest rates, fuel, food, payroll, insurance and security costs, the implementation of regulations in the United States requiring United States citizens to obtain passports for travel to additional foreign destinations, weather, and other factors described in further detail in Royal Caribbean Cruises Ltd.'s filings with the Securities and Exchange Commission. The above examples are not exhaustive and new risks emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, certain financial measures in this news release constitute non-GAAP financial measures as defined by Regulation G. A reconciliation of these items can be found on our investor relations website at www.rclinvestor.com.

Financial Tables Follow

(####)

