

INVESTOR'S EDGE

Two cruise lines that are worth a look

Royal Caribbean and Viking offer different experiences, but solid results.

"Traveling is one way of lengthening life, at least in appearance." — Ben Franklin



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Guest columnist

In my lifetime, I've been on just a few cruises, the worst actually being on my honeymoon. It was two weeks of tedium in August of 1999, when the weather in Syracuse was great, but my cruise ship was — literally — passing icebergs in the North Atlantic. We were also the youngest cruisers by about 40 years.

The boredom over those two weeks became so bad, I was hoping, somewhat seriously, that we would hit one of the icebergs, a la the Titanic. The only difference being my desire that everyone would be safely rescued. Unfortunately, no luck there.

Needless to say, my view of cruises became quite jaded.

Modern cruises, however, are nothing like what I experienced 25 years ago. The cruise ships of today are essentially floating mega resorts complete with gourmet dining, casinos, theaters, laser tag, live music, and even roller coaster rides.

In fact, cruises are more popular than ever. According to Expedia, 2024 is projected to see a record 36 million global cruise passengers — a number that is expected to grow to nearly 40 million by 2027.

Recently I had a client rave about a Viking cruise that she and her husband experienced that went from Antwerp, Belgium to Amsterdam. As Viking Cruises just went public on May 1, I think it is a good time to look at this growing industry.

I will focus on only the two top players in the industry that local investors should consider embarking on.

ROYAL CARIBBEAN (TICKER: RCL)

Miami based Royal Caribbean International is the world's largest cruise line by revenue and accounts for nearly 20% of all cruises taken around the globe.

Royal Caribbean vessels are the essence of the floating "mega resorts" I mentioned above, which center around offering just about every type of entertainment imaginable from rock climbing walls and water slides to ice skating rinks and Broadway shows. With a focus on luxury and top-tier service, Royal Caribbean is considered by many to be the gold standard in the mega-cruising industry.

The company is currently firing on all cylinders with record booking levels, ship capacity, and profit margins. In fact, after three years of losses during the pandemic from 2020-2022, Royal Caribbean's earnings per share skyrocketed back to \$6.69 in 2023 and are projected to crest \$10 per share in 2024. Despite the stock being up more than 90% in the past year, the stock still sells at a very reasonable 19 times earnings — far lower than its top competitors.



The Viking Octantis was the first ship to call on Michigan's Mackinac Island for the 2024 Great Lakes cruising season last month. *Mackinac Island Tourism Bureau*

I believe Royal Caribbean is a solid buy within the cruise industry.

VIKING (TICKER: VIK)

While most cruise brands try to offer a large variety of experiences and entertainment that appeal to everyone, Viking unapologetically does not. Viking offers high-end adults-only cruises for the affluent and intellectually curious.

Viking sails across 88 countries in all seven continents. The hallmark of a Viking cruise is world-class accommodations, food, and curated cultural experiences both on and off the ship.

The company's "secret sauce" is its niche position and fiercely loyal customer base. In fact, more than 50% of patrons return for another Viking cruise and Viking's total revenue per passenger is more than four times larger than a standard cruise line.

According to Bank of America, Viking's average cruise is booked 11 months ahead of time, providing meaningful earnings visibility.

Furthermore, while most cruise lines focus mainly on the Caribbean, more than 60% of Viking's excursions take place on European rivers, allowing it to carve out a niche with little competition.

Viking is undergoing an aggressive expansion strategy to keep up with ris-

ing demand. The company plans to build 14 river cruise ships and 10 ocean ships by 2030.

The company just went public on May 1 and already the stock has risen more than 12%. With only a \$13 billion market cap, Viking has a lot of room to grow.

The risks involved with these stocks is a steep economic downturn or, as in what happened in 2020, a worldwide crisis like a pandemic. Barring that, however, the cruise lines in general have been very good investments.

To note, I don't personally own either of these stocks. I prefer owning meaningful positions in a lesser number of businesses. That said, I am currently looking into a Viking cruise later this year and I think this the cruise line stock with the most runway.

Viking and Royal Caribbean are two very different, but still best in breed cruise players that are growing rapidly. For growth-oriented investors, either is an excellent stock to consider setting sail on.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com

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