

Norwegian Cruise Line Holdings Ltd.
Form 10-Q
November 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-35784

NORWEGIAN CRUISE LINE HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

Bermuda 98-0691007
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

7665 Corporate Center Drive, Miami, Florida 33126
(Address of principal executive offices) (zip code)

(305) 436-4000
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Edgar Filing: Norwegian Cruise Line Holdings Ltd. - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 227,179,962 ordinary shares outstanding as of November 3, 2016.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	1
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	28
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	30
<u>Item 1A. Risk Factors</u>	30
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<u>Item 6. Exhibits</u>	31
<u>SIGNATURES</u>	33

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Norwegian Cruise Line Holdings Ltd.****Consolidated Statements of Operations****(Unaudited)****(in thousands, except share and per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue				
Passenger ticket	\$1,071,815	\$948,059	\$2,630,405	\$2,406,533
Onboard and other	412,921	336,851	1,118,798	901,992
Total revenue	1,484,736	1,284,910	3,749,203	3,308,525
Cruise operating expense				
Commissions, transportation and other	249,519	225,586	618,492	589,851
Onboard and other	90,661	84,171	230,416	210,701
Payroll and related	193,122	170,694	554,741	490,253
Fuel	86,250	88,829	248,529	267,784
Food	50,902	46,419	151,674	131,969
Other	114,280	102,023	351,263	307,143
Total cruise operating expense	784,734	717,722	2,155,115	1,997,701
Other operating expense				
Marketing, general and administrative	174,813	150,558	504,694	411,879
Depreciation and amortization	111,575	109,798	317,480	314,381
Total other operating expense	286,388	260,356	822,174	726,260
Operating income	413,614	306,832	771,914	584,564
Non-operating income (expense)				
Interest expense, net	(60,662)	(49,784)	(188,836)	(153,219)
Other expense	(5,333)	(1,733)	(13,281)	(35,589)
Total non-operating income (expense)	(65,995)	(51,517)	(202,117)	(188,808)
Net income before income taxes	347,619	255,315	569,797	395,756
Income tax expense	(5,241)	(3,528)	(8,944)	(6,931)
Net income	\$342,378	\$251,787	\$560,853	\$388,825
Weighted-average shares outstanding				
Basic	227,096,142	227,384,616	227,102,560	225,805,901
Diluted	227,598,607	230,274,756	227,859,617	229,860,900
Earnings per share				
Basic	\$1.51	\$1.11	\$2.47	\$1.72
Diluted	\$1.50	\$1.09	\$2.46	\$1.69

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Norwegian Cruise Line Holdings Ltd.

Consolidated Statements of Comprehensive Income

(Unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$342,378	\$251,787	\$560,853	\$388,825
Other comprehensive income (loss):				
Shipboard Retirement Plan	107	119	323	358
Cash flow hedges:				
Net unrealized income (loss)	37,051	(105,227)	112,508	(138,501)
Amount realized and reclassified into earnings	18,327	13,132	76,658	61,582
Total other comprehensive income (loss)	55,485	(91,976)	189,489	(76,561)
Total comprehensive income	\$397,863	\$159,811	\$750,342	\$312,264

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Norwegian Cruise Line Holdings Ltd.****Consolidated Balance Sheets****(Unaudited)****(in thousands, except share data)**

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 155,431	\$ 115,937
Accounts receivable, net	55,838	44,996
Inventories	65,983	58,173
Prepaid expenses and other assets	159,447	121,305
Total current assets	436,699	340,411
Property and equipment, net	10,054,220	9,458,805
Goodwill	1,388,931	1,388,931
Tradenames	817,525	817,525
Other long-term assets	245,965	259,085
Total assets	\$ 12,943,340	\$ 12,264,757
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 566,911	\$ 629,840
Accounts payable	51,494	51,369
Accrued expenses and other liabilities	520,079	640,568
Due to Affiliate	—	20,769
Advance ticket sales	1,210,505	1,023,973
Total current liabilities	2,348,989	2,366,519
Long-term debt	5,815,248	5,767,697
Other long-term liabilities	242,376	349,661
Total liabilities	8,406,613	8,483,877
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Ordinary shares, \$.001 par value; 490,000,000 shares authorized; 232,467,409 shares issued and 227,155,448 shares outstanding at September 30, 2016 and 232,179,786 shares issued and 227,815,301 shares outstanding at December 31, 2015	232	232
Additional paid-in capital	3,870,040	3,814,536
Accumulated other comprehensive income (loss)	(223,161)	(412,650)
Retained earnings	1,128,871	568,018