

ROYAL CARIBBEAN CRUISES LTD

Form 10-Q

October 28, 2016

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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: 1-11884

ROYAL CARIBBEAN CRUISES LTD.

(Exact name of registrant as specified in its charter)

Republic of Liberia

(State or other jurisdiction of incorporation or organization)

98-0081645

(I.R.S. Employer Identification No.)

1050 Caribbean Way, Miami, Florida 33132

(Address of principal executive offices) (zip code)

(305) 539-6000

(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

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 Smaller reporting company
(Do not check if a 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 214,582,024 shares of common stock outstanding as of October 20, 2016.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited; in thousands, except per share data)

	Quarter Ended September 30,	
	2016	2015
Passenger ticket revenues	\$1,899,956	\$1,873,942
Onboard and other revenues	663,785	649,158
Total revenues	2,563,741	2,523,100
Cruise operating expenses:		
Commissions, transportation and other	400,933	413,156
Onboard and other	159,887	175,214
Payroll and related	214,081	217,627
Food	125,732	122,124
Fuel	178,772	199,848
Other operating	260,718	259,057
Total cruise operating expenses	1,340,123	1,387,026
Marketing, selling and administrative expenses	257,430	256,060
Depreciation and amortization expenses	229,328	210,742
Impairment of Pullmantur related assets	—	411,267
Restructuring charges	1,897	—
Operating Income	734,963	258,005
Other income (expense):		
Interest income	6,472	1,735
Interest expense, net of interest capitalized	(82,610)	(66,819)
Other income (including in 2015 a net deferred tax benefit of \$12.0 million related to the Pullmantur impairment)	34,432	35,866
	(41,706)	(29,218)
Net Income	\$693,257	\$228,787
Earnings per Share:		
Basic	\$3.23	\$1.04
Diluted	\$3.21	\$1.03
Weighted-Average Shares Outstanding:		
Basic	214,819	219,963
Diluted	215,667	221,137
Comprehensive Income		
Net Income	\$693,257	\$228,787
Other comprehensive income (loss):		
Foreign currency translation adjustments	4,043	(4,191)
Change in defined benefit plans	(5,051)	3,318
Gain (loss) on cash flow derivative hedges	95,536	(222,492)
Total other comprehensive income (loss)	94,528	(223,365)
Comprehensive Income	\$787,785	\$5,422

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

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ROYAL CARIBBEAN CRUISES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited; in thousands, except per share data)

	Nine Months Ended September 30,	
	2016	2015
Passenger ticket revenues	\$4,794,653	\$4,688,189
Onboard and other revenues	1,792,145	1,708,832
Total revenues	6,586,798	6,397,021
Cruise operating expenses:		
Commissions, transportation and other	1,060,391	1,093,409
Onboard and other	399,739	438,558
Payroll and related	671,955	647,788
Food	371,759	361,317
Fuel	531,283	607,689
Other operating	857,161	777,291
Total cruise operating expenses	3,892,288	3,926,052
Marketing, selling and administrative expenses	845,808	817,040
Depreciation and amortization expenses	661,712	617,678
Impairment of Pullmantur related assets	—	411,267
Restructuring charges	6,627	—
Operating Income	1,180,363	624,984
Other income (expense):		
Interest income	14,875	8,244
Interest expense, net of interest capitalized	(226,803)	(213,598)
Other income (including a \$21.7 million loss related to the 2016 elimination of the Pullmantur reporting lag and including in 2015 a net deferred tax benefit of \$12.0 million related to the Pullmantur impairment)	53,867	39,354
	(158,061)	(166,000)
Net Income	\$1,022,302	\$458,984
Earnings per Share:		
Basic	\$4.74	\$2.09
Diluted	\$4.72	\$2.08
Weighted-Average Shares Outstanding:		
Basic	215,663	219,835
Diluted	216,575	220,979
Comprehensive Income		