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Norwegian Eyes Cuba and China

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Norwegian Cruise Line Holdings Ltd. (NCLH) might move into the China market sooner than expected and also has applied for permission to operate to Cuba.

Those developments come as the integration of [Norwegian Cruise Line](#) and Prestige Cruise Holdings, parent of [Oceania Cruises](#) and [Regent Seven Seas Cruises](#), nears completion, with positive results, according to CEO Frank Del Rio.

“The benefits of the combination of Norwegian and Prestige are beginning to hit their full stride, resulting in strong earnings growth in the quarter,” Del Rio said in a press release. “Many of the strategies we have previously communicated are gaining more and more traction, from the weaving of Prestige’s go-to-market strategy into the Norwegian brand’s pricing and marketing practices, to the focus on adding value for our guests in lieu of discounting, in addition to leveraging our scale to maximize cost efficiencies.”

In a conference call with financial analysts, Del Rio said he is very involved in the company’s Cuba strategy.

“Once Cuba opens totally, it’s going to be a real windfall for the industry,” Del Rio said. “Everyone’s excited about China, but I believe Cuba could have a similar positive impact on the industry as a whole, because of its proximity to the U.S. and because the Caribbean represents about 40 percent of the industry deployment.”

The company has applied for a license from the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) and a Commerce Department export license.

“We are waiting to hear the positive results, and we’ve also engaged the Cuban government as necessary to obtain their permission as well,” Del Rio said. “We don’t know the timing of when any of those will come through, but we hope they do before the year is out.”

Then NCLH would have to decide which vessel to move from existing published deployment to operate to Cuba.

“Given the infrastructure limitations, it looks like the first vessel would most likely come from Oceania as opposed to large vessels from the Norwegian fleet. This is still very much a project in progress and this is very new to a lot of people both in the U.S. and Cuba, but we’re hopeful the applicable permissions from both governments come soon.”

As for China and Asia, Norwegian just announced plans to [operate in the region in winter 2016-17](#) with cruises aimed at Western travelers. The company has been studying when and how to enter the Chinese source market and is getting closer to an announcement as competitors tout success there, Del Rio said.

“Everything we have seen indicates that is correct. We want in on that action,” he said. “Things are going well with our review and our assessment on the potential of China and Asia in general, so we will make the decision to go or not go earlier than we once thought.”

If NCLH does get into the China market, it would be in 2017 at the earliest, he said.

Overall, the company is experiencing strong bookings at higher prices and occupancies, thanks in part to a rebound in the Caribbean. NCLH has 30 percent more booked revenue now compared to the same time last year on a capacity increase of approximately 11 percent.

The company reported second-quarter profits of was \$158.5 million, or 69 cents per share, compared to \$111.6 million or 54 cents per share.

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