Cruise operator cuts profit forecast on Cuba travel ban, weak Europe demand

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Carnival cut its profit forecast for the year on Thursday, anticipating a hit from the Trump administration’s sudden ban on cruises to Cuba and weakening demand in Europe over political uncertainty, sending its shares down over 7%.

The company’s profit warning also dragged down Carnival’s rivals, Norwegian Cruise Line and Royal Caribbean Cruises, about 3%.

Carnival is the latest company to warn of the financial impact of the US ban on forms of recreational travel to the Caribbean island, a move that sent cruise operators scrambling to reroute their cruises, usually booked months in advance.

“The suddenness of the regulatory change to this high yielding destination has led to a near-term impact on revenue yields,” Carnival said.

Revenue yields are an important metric for cruise operators and measures spending per available berth.

Carnival said its full-year earnings will take a 10c to 12c hit from lower net revenue yields, also due to expected cheaper ticket prices for its European cruises.

“Recent booking trends have been impacted by ongoing geopolitical and macroeconomic headwinds affecting our Continental European brands,” CEO Arnold Donald said.

The Miami-based company said the ban on travel to Cuba would have a further 4c to 6c per share impact on its full-year earnings, while changes to cruise itineraries for its Carnival Vista ship, sailing at a slower-than-usual cruising speed, would have an 8c to 10c impact.

Carnival had to add an extra day of sailing for slow-sailing ship cruises and will bear the expenses for the additional day.

Overall, Carnival said it now expects 2019 adjusted earnings in the range of $4.25 to $4.35 per share, down from an earlier forecast of $4.35 to $4.55.

The company's total revenue rose 11% to $4.84bn in the second quarter ended May 31, beating analysts' average estimate of $4.53bn, according to IBES data from Refinitiv.

(Reuters)