

Haaland Hates Cruises

Norwegian Cruise Line Holdings and the 2026 Strait of Hormuz Shock

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Introduction

In 2026 Norwegian Cruise Line Holdings (NCLH) went through two major changes at once: a new, activist-backed leadership team, and the closure of the Strait of Hormuz, which gave the cruise industry its biggest cost shock since the pandemic. The shock hit hardest at the most indebted of the three large US-listed operators, and by early October its shares had lost more than a third of their February value. Next to Royal Caribbean and Carnival, NCLH now looks like the operator that has fallen furthest behind in remaking itself. This essay argues that the market has taken that gap as permanent and is overlooking NCLH as a strong long position, even though analysts such as Bank of America still value the shares well above where they trade.

1 Background

NCLH runs 33 ships with about 68,000 berths (Norwegian Cruise Line Holdings, 2026h). It segments the market by price and experience. Norwegian Cruise Line, a contemporary brand serving mainstream vacationers, provides 84% of capacity; Oceania Cruises and Regent Seven Seas serve wealthier travelers in the premium and luxury tiers and provide the other 16%. About two-thirds of revenue comes from tickets and one-third from higher-margin onboard spending.

NCLH stands out in two ways. The core brand is built on “Freestyle Cruising”, with no set dining times, assigned seats or formal nights, which it relaunched in January as its main selling point (TravelHost, 2026). The stronger differentiator is the premium and luxury brands: their guests are less sensitive to price, and they have kept performing while the core brand has struggled (Norwegian Cruise Line Holdings, 2026b). The weak part of the portfolio, however, is also the largest. Unlike its rivals, NCLH has no high-margin private destination on the scale of Royal Caribbean’s CocoCay or Carnival’s Celebration Key, yet it planned a 43% rise in Caribbean capacity (XTB, 2026). Its core brand was set to compete on price in the region where its rivals are strongest.

2 The Shift

NCLH faced two shifts in 2026 (Figure 1). The first was internal and followed a long stretch of underperformance. Elliott argued that NCLH’s strategy and execution had lagged Royal Caribbean and Carnival, and it pushed for a board overhaul and tighter cost discipline (CruiseMapper, 2026). John Chidsey replaced Harry Sommer as chief executive on 12 February, days before Elliott’s stake of more than 10% became public (Sharecast News, 2026), and on 27 March five new independent directors joined the board under a cooperation agreement with Elliott (Norwegian Cruise Line Holdings, 2026a).

The second shift was external and far larger. After US and Israeli strikes on Iran in late February, Tehran closed the Strait of Hormuz, the route for about a fifth of the world’s oil. WTI crude rose from \$71 a barrel on 2 March to more than \$111 a month later (Moadel, 2026), and every major cruise line cancelled its 2026 Gulf season and sent those ships elsewhere, many of them to the Caribbean (Deep Arrival, 2026).

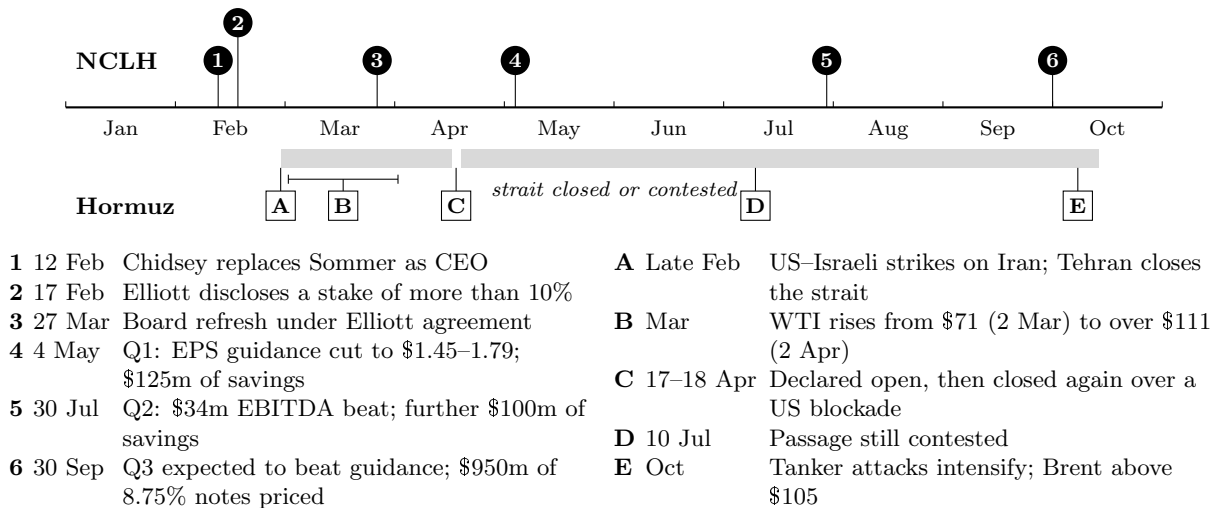


Figure 1: The two shifts at NCLH, January–October 2026. The new chief executive was in place before the strait closed; shading shows the strait closed or contested up to 13 October. Sources: Norwegian Cruise Line Holdings (2026c,a,e,f,g); Sharecast News (2026); AltexSoft (2026); NCL Corporation (2026); Moadel (2026); PBS NewsHour (2026); Deep Arrival (2026); Slav (2026).

The disruption has dragged on for most of the year. Iran declared the strait open on 17 April but closed it again the next day after the United States blockaded its ports (PBS NewsHour, 2026). Passage was still contested over the summer, and in early October a new wave of attacks on tankers pushed Brent crude back above \$105 (Slav, 2026).

3 Impact

3.1 On the organization

For NCLH the shock arrived as cost-push pressure. Its 2026 fuel estimate, net of hedges, rose from \$670 to about \$780 per metric ton (Norwegian Cruise Line Holdings, 2026d,f). Most cruise costs are fixed, so this kind of operating leverage turns a rise in fuel prices into a much larger fall in profit, and adjusted EPS guidance was cut from \$2.38 to \$1.45–1.79 in May (AltexSoft, 2026).

The balance sheet made the hit harder to absorb. Net debt was 5.3 times EBITDA at 30 June (Norwegian Cruise Line Holdings, 2026f), and with heavy spending on new ships still to come, leverage is likely to rise before it falls. NCLH's latest bond was priced at 8.75% (NCL Corporation, 2026), a high price for a company at the peak of its investment cycle.

3.2 On the industry

The three largest operators came into the shock in very different positions (Table 1). Royal Caribbean had hedged about 60% of its 2026 fuel (Royal Caribbean Blog, 2026) and burns less fuel per dollar of revenue (Jain and Kanatt, 2026), and it has since raised its guidance. Carnival does not usually hedge and faced more than \$500m in extra fuel costs (Cruise Mummy, 2026), yet its yields are still expected to grow this year. NCLH sat between them at about 52% hedged, but it is the only one of the three whose net yield is expected to fall.

Competitive rivalry, one of Porter's Five Forces, helps explain the gap. Cancelled Gulf seasons pushed extra ships into the Caribbean just as NCLH was adding its own capacity there. Royal Caribbean and Carnival can lean on their private destinations to fill those ships, while

Table 1: How the three largest US-listed cruise operators were exposed to the fuel shock.

	NCLH	Royal Caribbean	Carnival
2026 fuel hedged	≈52%	≈60%	Usually unhedged
Fuel as % of revenue (2022)	14.2%	12.1%	17.7%
Net debt / 2026E EBITDA	5.9x	2.8x	3.2x
2026E net yield (constant currency)	≈ −5%	+1.75% to +2.25%	≈+2.3%
2026 guidance after the shock	Adj. EPS cut to \$1.45–1.79 (from \$2.38); ≈\$1.50 in July	Cut, later raised to \$17.73–17.87	Cut to \$2.21; \$500m+ extra fuel cost

Sources: hedging Norwegian Cruise Line Holdings (2026f), Royal Caribbean Blog (2026), Cruise Mummy (2026); fuel share of revenue Jain and Kanatt (2026); net yield Norwegian Cruise Line Holdings (2026f), Royal Caribbean Group (2026), Carnival Corporation & plc (2026); guidance AltexSoft (2026), Norwegian Cruise Line Holdings (2026f), 24/7 Wall St. (2026), Moadel (2026). Leverage: author’s calculations from company filings.

NCLH has had to compete more on price. When a Wells Fargo note warned of Caribbean pricing pressure in September, NCLH’s shares fell further than its rivals’ (24/7 Wall St., 2026), which suggests investors already see it as the weakest of the three in a more crowded region.

Hormuz does not explain all of this. The core brand was already struggling before the strait closed, and its rivals have spent years building destinations that NCLH is only now trying to match.

3.3 On the wider economy

For the wider economy, Hormuz was a classic supply shock that pushed up costs and inflation together. In April, US gasoline prices were still more than 35% above pre-war levels (Scripps News, 2026), squeezing household budgets and putting vacations at risk. Even so, Bank of America card data showed cruise spending up 9.8% in June (Goldesel, 2026). So far the shock has landed on cruise costs far more than on cruise demand, which matters for NCLH because a cost problem can be hedged and managed over time.

4 Response

NCLH has responded, and its early results are better than its share price suggests. The company raised 2027 fuel hedging from about 27% in January to 38% by 30 June (Norwegian Cruise Line Holdings, 2026d,f), and it announced \$225m of annualized cost savings across its first- and second-quarter results (Norwegian Cruise Line Holdings, 2026e,f).

Its results have improved over the year. First-quarter adjusted EBITDA rose 18% to \$533m, ahead of guidance (AltexSoft, 2026). Second-quarter EBITDA beat guidance by \$34m, and on 30 September the company said third-quarter results would also come in above guidance (Norwegian Cruise Line Holdings, 2026f,g).

Where NCLH still trails is in remaking its core brand. The relaunch of Norwegian around Freestyle Cruising is less than a year old, and third-quarter guidance still assumed net yield falling by almost 9% (Norwegian Cruise Line Holdings, 2026f). In October the company also began cutting fares on 2027 and 2028 sailings to rebuild demand (Stafford, 2026).

The market seems to have priced that lag as permanent. Even Bank of America, which rates NCLH Neutral and cut its target twice this year, set that target at \$22 in July, well above where the shares traded in early October (MT Newswires, 2026; Goldesel, 2026). A Monte

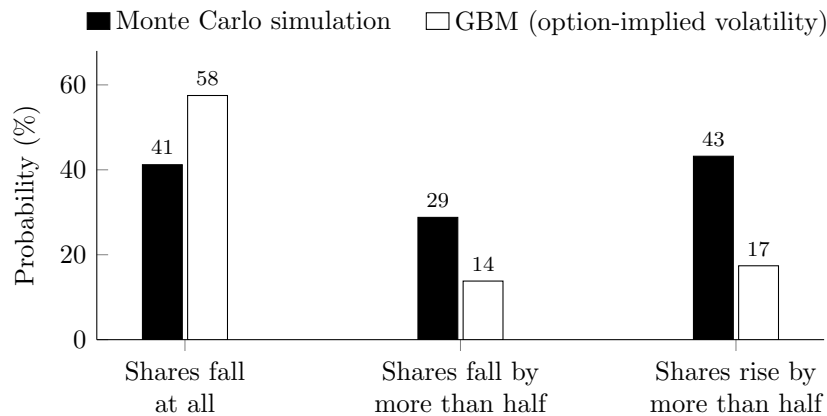


Figure 2: Chance of each 12-month outcome for NCLH shares from 2 October 2026: the author’s Monte Carlo simulation (100,000 draws) against a geometric Brownian motion model calibrated to NCLH’s 54% option-implied volatility. Source: author’s calculations (footnote 1).

Carlo simulation I built, running 100,000 combinations of NCLH’s fuel, yield, cost and cash-flow drivers, gives about a 43% chance that the shares rise by half within a year. A geometric Brownian motion (GBM) model calibrated to the 54% volatility implied by NCLH’s options puts the same chance at about 17% (Figure 2).¹ The simulation is also gloomier about deep losses, but its far higher odds of a recovery suggest that investors are overlooking the upside.

On balance, the response has done what it can on costs and earnings, while the slower work of rebuilding the core brand is still underway.

Conclusion

The Hormuz shock revealed the fault in NCLH’s high-debt gamble and left it trailing its two larger rivals. The response, built on deeper hedging and \$225m of savings under a new board, has already improved results, and I believe the market is treating a recoverable cost shock as permanent damage. In a business with high fixed costs, managing input costs becomes a whole different strategy. Four things will show whether the recovery holds: whether the strait reopens, how much of 2027’s fuel NCLH hedges, whether leverage peaks this year, and whether the core brand’s yields stop falling in the full third-quarter results.

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