

Analysts mull over impact of accident on cruise sector

NEW YORK, United States

SHARES of cruise operators declined yesterday, with analysts questioning whether the capsizing of a Carnival Corp vessel would hurt travel demand just at the start of the important bookings season.

The Friday night capsizing of the Costa Concordia off a Tuscan island has left at least 11 people dead, according to the latest reports yesterday.

Greg Badishkanian of Citi Investment Research said in a client note that the accident could be an overhang on shares of Carnival and rival Royal Caribbean Cruises Limited, as it took place during the cruise industry's busiest booking period of January through March, commonly known as wave season.

Badishkanian said that cruise booking volumes likely fell six per cent to 10 per cent over the past few days but stressed that the decline is within normal day-to-day volatility.

Pricing is still firm and there has been no material increase in cancellations, he added, "which means there is no major passenger fear of cruising thus far."

But Badishkanian says that negative press surrounding the capsizing is not helping, as pictures and videos are more graphic and widespread than previous cruise incidents.

"The media coverage could also be prolonged as the 100-year anniversary of the Titanic is in three months," he added.

In two separate reports, Susquehanna Financial Group's Rachael Rothman lowered the ratings of Carnival and Royal Caribbean, both based in Miami, to "Neutral" from "Positive." She also reduced Carnival's price target to US\$29 (\$2,487) from US\$40 and cut Royal Caribbean's price target to US\$26 from US\$39.

The analyst said that the bad press will probably "be a severe headwind to bookings in the months ahead," adding that wave season can make up close to about 35 per cent of annual bookings.

Carnival's stock slid US\$4.73, or 13.8 per cent, to US\$29.55 in afternoon trading. The stock is trading at the low end of its 52-week range of US\$28.52 to US\$48.13. Shares of Royal Caribbean fell US\$1.03, or 3.6 per cent, to US\$27.72.

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The *Costa Concordia* lists to starboard after running aground off Italy on Friday. The accident is expected to hurt the cruise sector. (Photo: AP)

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