

VIK Earnings Call Transcript

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Quarter: 2

Operator: Good morning. My name is Paul, and I will be your conference operator today. At this time, I would like to welcome everyone to Viking's Second Quarter 2025 Earnings Conference Call. As a reminder, this call is being recorded. [Operator Instructions] I would now like to turn the program to your host for today's conference, Vice President of Investor Relations, Carola Mengolini.

Carola Mengolini: Good morning, everyone, and welcome to Viking's Second Quarter 2025 Earnings Conference Call. I am joined by Tor Hagen, Chairman and Chief Executive Officer; and Leah Talactac, President and Chief Financial Officer. Also available during the Q&A session is Linh Banh, Executive Vice President of Finance. Before we get started, please note our cautionary statement regarding forward-looking information. During the call, management may discuss information that is forward-looking and involves known and unknown risks, uncertainties and other factors, which may cause the actual results to be different than those expressed or implied. Please evaluate the forward-looking information in the context of these factors, which are detailed in today's press release as well as in our filings with the SEC. The forward-looking statements are as of today, and we assume no obligation to update or supplement these statements. We may also refer to certain non-IFRS financial metrics, which are reconciled and described in our press release posted on our Investor Relations website at ir.viking.com. Tor and Leah will begin today's call with a strategic overview of the business, including a recap of our second quarter results and an update on the current booking environment. Following their remarks, we will open the call for your questions. To supplement today's discussion, an earnings presentation is available on our Investor Relations website. With that, I'm pleased to turn the call over to Tor.

Torstein Hagen: Thank you, Carola, and good morning, everyone. We are pleased to have delivered another quarter of great results, which reaffirm once and again the strength of our business model of our brand and our guest demographic. As you can see on Slide 3, in the second quarter of 2025, net yield increased 8%, which combined with an 8.8% capacity growth resulted in revenue increases of 18.5% year-over-year. I believe this is the result of disciplined execution and great demand for our cruises. In terms of the overall booking environment, we are seeing sustained strength in demand. 96% of the 2025 capacity for our core product is already booked, effectively selling out this year. As such, our attention remains on 2026 bookings, where we are seeing a very strong start. As of August 10, 55% of the capacity of our core products for the 2026 season was already sold, which is in line with our booked position at the same point last year and at higher rates. If we look at the next slide, #4, you will see that since we last spoke, we have been quite busy, both expanding our fleet and strengthening our global presence. First, the Viking Vesta joined our ocean fleet in June and is spending her inaugural season in the Mediterranean. On the River side, we continue to thoughtfully strengthen our presence with the additions of the Viking Amun on the Nile. Also this past July, we announced our first deliver voyages in India starting in 2027. This region offers stunning scenery and rich cultural heritage. We look forward to taking our guests to exclusive itineraries delivered the Viking way, that is with a great level of comfort and cultural enrichment. The early response to this new product has been phenomenal with all available itineraries already sold out. And earlier during the second quarter, we completed a secondary offering of 30.5 million ordinary shares priced at \$44.20 per share. We will now look at how these developments shape the bigger picture for Viking, starting on Slide 5. When you consider that we

started with just 4 river ships in 1997, our growth over the years have been a remarkable achievement and one we are very proud of. A key reason behind our sustained success is that our vision has remained consistent. Travel should focus on the destination. We are also fortunate to have very loyal guests, travelers who return to Viking time and time again. And most importantly, our continued growth is a result of hard work and dedication of our teams around the world. Today, our river fleet consists of 85 vessels operating on rivers across the globe from the Rhine to the Nile and from Danube to the Mekong. Through years of strategic investments and partnerships, we now control or have priority access of 110 docking locations, giving us logical flexibility and the ability to deliver a consistent high-quality guest experience. On the oceans, we now operate 12 small modern ships, all with 100% balcony staterooms and designed to be nearly identical. This uniformity allows us to scale efficiently, deliver a consistent product and maintain tight operational control. The same philosophy guides our 2 expedition vessels, which serve guests seeking deeper exploration in remote regions of the world. Overall, our fleet is designed with both efficiency and purpose, offering superior guest comfort and compelling economics. These efficiencies apply both to our ship design, where we optimize space utilization and energy solution and our operations, enabling Viking to drive yields, enhance the guest experience and build long-term growth. Now moving to Slide 6. The recent ship deliveries and new itinerary offerings in India are a testament to the fact that our River business remains fundamental to our identity and continues to be a key growth engine and brand differentiator. Overall, we now operate 21 rivers worldwide with an expanding footprint that reflects both demand from our loyal guests and the cultural richness of the regions we serve. Our river strategy is built on selective expansion, focusing on destinations that align with the Viking brand and resonate with culturally curious travelers. This means going beyond our well-traveled European routes and deepening our presence in high-value, less explored regions like those shown on the slide. In Egypt, the Nile continues to be a strong performer. We now have 7 ships in operation and plan to deliver 5 more by 2027, underscoring our confidence in the long-term demand for this iconic destination. On the Mekong River through Vietnam and Cambodia, we currently operate 1 vessel with another scheduled for delivery later this year. And our newest river offering in India will start with one vessel in 2027 and another one in 2028. These will be small vessels with a capacity of 80 guests each. We are regularly conducting extensive research to identify new itineraries that will fill gaps in the travel market for our core demographic, inspiring our past Viking guests to travel with us again while attracting new guests to the brand. India is one example of that. The India offering is not large in terms of immediate scale, but this addition is not about volume. It's about providing our guests with culturally immersive destination-focused travel that can enrich our portfolio and offer our loyal guests even more ways to explore the world with Viking. Now if we move to Slide 7, I will provide a quick update on our ownership structure. On May 29, 2025, we completed a secondary offering. An aggregate of 30.5 million ordinary shares were offered by TPG Capital and CPP Investments at a price of \$44.20 per share. As you can see on the slide, this transaction adjusted our ownership composition, increasing our institutional float and further diversifying our shareholder base. We appreciate all who participated in the offering and are grateful for the continued interest and support in Viking. With that, I'll turn to Leah to discuss our financials.

Leah Talactac: Thank you, Tor, and good morning, everyone. I will start by reviewing our very strong second quarter results. On a consolidated basis, total revenue for the quarter increased 18.5% year-over-year to \$1.9 billion. The year-over-year increase was mainly driven by increased capacity, higher occupancy and higher revenue per PCD. Capacity increased 8.8% this quarter, driven by the delivery of 2 river vessels and 1 ocean ship in 2024 as well as an additional river vessel delivered in March 2025. Growth also reflects the Viking Yi Dun, which operates in China. As you might recall, at the end of last year, we celebrated our return to this region. While our product in Asia and for Asia is still in its early stages of development, we are very pleased to have added an ocean ship with unique itineraries for our Asian guests. Adjusted gross margin increased 19.2% year-over-year to \$1.2 billion, resulting in a net yield of \$607, 8% higher than the second quarter of 2024. Vessel expenses, excluding fuel per capacity PCD increased 8.2% this quarter compared to the same period last year. This year-over-year increase was driven by several factors. These include changes in itinerary mix that resulted in both higher yields and some higher expenses such as port charges. We remain committed to optimizing our cost structure while continuously refining our deployment and itinerary planning.

Regarding SG&A, following the year-over-year step-up in expenses in the second quarter, we continue to invest in our teams as well as in sales and marketing to support future growth and drive demand generation. Adjusted EBITDA for the second quarter was \$633 million, 28.5% higher than the same period last year. This significant year-over-year increase was mainly driven by higher capacity, occupancy and net yields in both the Ocean and River segments. As we have mentioned in the past, the combination of capacity growth and yield growth translates into healthy EBITDA growth. Net income was \$439 million, an improvement of almost \$280 million when compared to the same period in 2024. I will note that the net income for the second quarter of 2024 includes a loss of \$123 million from the revaluation of warrants issued by the company due to stock price appreciation, and it also includes a loss of \$66 million from the net impact of the private placement derivative loss and interest expense related to the company's Series C preference shares. Adjusted net income attributable to Viking Holdings Limited was \$439 million, 25.8% higher than the same period in 2024. The net income is also impacted by fluctuation in currency. To this end, we have hedged a significant portion of our euro exposure for 2025 and 2026 operating expenses. We have EUR 470 million hedged for 2025 and EUR 500 million hedged for 2026 at a weighted rate of \$1.10 per euro. We also worked on opportunities to offset our currency exposure on the balance sheet, such as our euro-denominated loans. For example, we naturally hedge these loans by converting an equivalent amount of cash holdings into euros as of late Q2 2025. With this, on a go-forward basis, we have generally mitigated the unrealized currency fluctuations caused by the euro loans due to fluctuating euro rates. Adjusted EPS was \$0.99 for the second quarter. Before moving to our reportable segments, which are on Slide 10, I would like to highlight that for the first half of the year, our consolidated adjusted gross margin increased 20.7% year-over-year to over \$1.8 billion, and our net yield was \$584, 7.6% higher than in the same period last year. Now I will briefly discuss our 2 reportable segments, River and Ocean. Unless noted, I will be referring to year-to-date metrics or 6 months ended June 30, 2025. In the River segment, capacity PCDs increased 7.5% year-over-year, mainly driven by the addition of 2 new ships for Egypt delivered in 2024 and the Viking Nerthus which began operating on the Seine River in March of 2025. Occupancy for the period was 95.6%, an increase of almost 100 basis points compared to the same period last year. Adjusted gross margin grew 15.8% year-over-year and net yield was \$607, up 6.9% year-over-year, driven by strong demand for our European itineraries. As a reminder, the bulk of our River business begins in the second quarter. For Ocean, capacity PCDs increased 11.2% year-over-year, mainly due to the addition of the Viking Vela in December of 2024. Occupancy for the period was 95.2%, about 25 basis points higher than last year. Adjusted gross margin increased 24.9% year-over-year to \$888 million, while net yield increased 12% to \$551. The increase in net yield was primarily driven by a favorable mix in deployment. I will particularly highlight the positive impact of operating 1 World Cruise this year compared to 2 in 2024. Excluding this impact, net yield for the period would have increased by high single digits compared to 2024. Now moving to the balance sheet on Slide 11. You can see that as of June 30, 2025, we had total cash and cash equivalents of \$2.6 billion, and we also have an undrawn revolver facility of \$375 million. Our net debt was \$3.2 billion, and our net leverage was 2.1x. As of June 30, 2025, deferred revenue was \$4.4 billion. Also on Slide 11, we show you our bond maturity outlook. As you can see, maturities are in 2027 and beyond. With this, I'd like to confirm our debt amortization for 2025 and 2026. As of June 30, 2025, the scheduled principal payments for the remainder of 2025 were \$142 million and \$258 million for the full year 2026. From a committed capital expenditure perspective and for full year 2025, the total expected committed ship CapEx is about \$990 million or \$560 million net of financing. And for the full year 2026, the total expected committed ship CapEx is about \$1.2 billion or \$70 million net of financing. The main drivers of the total committed ship CapEx for 2026 are 2 ocean ships, Viking Mira and Viking Libra, which are scheduled for delivery in 2026. With that, I'll turn it back to Tor to review our business outlook, including our booking curves.

Torstein Hagen: Thank you, Leah. Let's now dive into the booking curves, which are all as of August 10, 2025. On Slide 13, we show our consolidated metrics for our core products. As you can see, we are in very good shape, both for 2025 and the 2026 seasons. The 2025 season already has 96% of our capacity PCDs booked. Advanced bookings equaled \$5.6 billion, which is 21% higher than the 2024 season at the same point in time, while the capacity is increasing by 12%. And for 2026, we are already

55% booked with \$3.9 billion of advanced bookings. These are 13% higher than the 2025 season at the same point in time in 2024. Capacity for our core products is increasing by 9%. Let us now talk about the advanced booking curves for the segments. On the next slide, you will see the curves for Ocean Cruises. This is Slide 14. I will start with the blue line, which shows the bookings for 2025. Overall, we have sold 95% of our capacity PCDs for the year and have \$2.5 billion of advanced bookings, which is 29% higher than last year at this point in time. Capacity is increasing by 18% and rates have remained strong as we finished selling the last quarter of the year. If you now look at the yellow line, you will see the booking trend for the 2026 season, which is in very good shape, too. As of August 10, we had sold about 64% of the 2026 capacity of Ocean, which is increasing by 9%. Advanced bookings are 19% higher than last year, with rates equal to \$780 compared to \$752 for the 2025 season at the same point in time. Now if we move to Slide 15, you will see the curves for the River Cruises. I will start with advanced bookings for 2025, which is the blue line. As you can see, we are having a great year with 97% of the 2025 capacity already sold as of August 10. We have over \$2.7 billion in advanced bookings, which is 16% higher than last year at this point in time. As you can tell, we have continued to book our remaining inventory at very attractive rates. Capacity for the River segment is expected to grow approximately 6%, a slight decrease from the 7% reported last quarter. The most notable update is related to 2 vessels previously scheduled for delivery at the end of 2025, which are now expected at the beginning of 2026. The impact of these changes to the advanced booking curves and our metrics for 2025 and '26 for that matter, is immaterial. Now looking at the yellow line, these are the advanced bookings for the 2026 season. As you can see, we have sold about \$1.6 billion in advanced bookings, which is 5% higher than the 2025 season at the same point in time. Our operating capacity for River is up 9% year-over-year. This number is slightly higher than what we reported last year, driven by the changes in delivery dates previously mentioned. These are good trends for 2026 with rates equal to \$940 compared to \$887 in 2025. So overall, advanced booking for our core products are doing very well. Moreover, rates for the 2026 season remain steady, currently 4% higher than the 2025 season at the same point in time, alongside with a 9% increase in capacity. To this end, we are very pleased with how the curves are now trending. Now Leah will add some color to our order book and capacity.

Leah Talactac: Thank you, Tor. Now turning to our order book on Slide 16. The chart has been updated to reflect the ship deliveries mentioned by Tor. It also includes the 2 river vessels that we will operate in India with deliveries planned for 2027 and 2028. And lastly, the chart reflects a shift in the delivery timeline of 2 river vessels previously scheduled for 2025, which are now expected in 2026. As you can see, we remain committed to adding new capacity and expanding our itinerary offerings in exciting destinations. At Viking, we believe that if we remain focused on offering and delivering meaningful experiences, strong results will follow. With this, I conclude our prepared remarks. I'll now turn it back to the operator to take questions.

Operator: [Operator Instructions] And the first question today is coming from Steve Wieczynski from Stifel.

Steven Moyer Wieczynski: Congratulations on a solid quarter here. So Tor or Leah, I'm wondering if -- maybe you could just walk us through the last couple of months in terms of booking progress for '26. And I guess what I'm trying to understand your -- I understand a little bit more here is obviously, there was some slowdown in bookings as we go back and think about February and March around Liberation Day, stuff and just general macro uneasiness? And then what we heard from you guys last April and May seemed like it improved. I'm wondering that if you could just walk us through maybe what you kind of have seen in June, July and so far in August in terms of how bookings have trended across both River and Ocean. And maybe if your core customer has become more selective with how and when they are booking.

Leah Talactac: It's a great question. Since we last spoke, we have continued to see really strong demand from our consumers. In fact, we had an outstanding June and July, and we continue to see that booking strength continue into August, and that's reflected in the fact that we're 55% sold for 2026. So from our perspective, the consumer behavior is pretty much consistent with what we have seen in the past. We've seen our guests start to really engage and start to book their holidays for the 2026 season. And Tor, I don't know if you want to provide any color. Well, go ahead, Steve, do you another question.

Steven Moyer Wieczynski: Yes. I'll move on. And then you guys -- you mentioned marketing spend and a little bit of uptick in terms of marketing spend. Just wondering maybe is that broad-based -- or are you guys having to market maybe more aggressively to certain itineraries or certain cabin classes and stuff like that? Just trying to understand that commentary there around the uplift in marketing spend?

Leah Talactac: Yes, sure. So we -- in the past, we have spoken to the fact that if we see a little bit of softening in demand that our first lever that we pull is marketing, not necessarily pricing. And you've spoken to this a little bit of a softer demand around Liberation Day, and so that's where we turned on our marketing machine and just promoted more, not necessarily discount, but just got the word out and the consumers focusing on Viking and stimulating that demand. So that's what you see there. And it's something that we do as part of our business strategy of consumer -- direct-to-consumer interface?

Operator: Thank you. The next question will be from Matthew Boss from JPMorgan.

Matthew Robert Boss: Congrats on a nice quarter. So Tor, with 2026 bookings off to a very strong start as you cited, how do you see the current '26 booked position at over 50% today, allowing you to optimize pricing on capacity for '26 at this point?

Torstein Hagen: Yes. This is always a tricky game. We -- at the prices we get, we have a reasonably good return. And we also want to make sure that our guests get good value for money. So we should be careful that we don't get overly excited also. But it's a balance we strike. And I think we are in a good spot now where we are. Might possibly, when you look at things backwards, might possibly have pushed the price a little bit higher. But I think we're quite satisfied with where we are.

Matthew Robert Boss: Great. And for a follow-up, Leah, maybe could you provide some perspective on the 4% advanced bookings per PCB growth to date? Is mid-single-digit yield growth for '26 the right baseline? Or just any puts and takes to consider as we move further down the booking curve?

Leah Talactac: Sure. So I think we don't provide guidance, but we have -- that is our goal is to mid-single digits price growth. And taking into perspective, you talked a little bit about average price per day. We are averaging \$800 to \$900 per day, and that's 4% on top of already 7% that we've achieved in 2025. So the pricing increase in addition to our capacity increase, we believe, will lead to great revenue and EBITDA growth, not just in '25, but also in 2026. And at the end of the day, we are building long-term. We want our guests to repeat. We want good value for money and our payback ownerships reflect that our pricing is also quite strong. Our payback for Ocean vessel is 5 to 6 years. Payback for Rivers is 4 to 5 years, and that's even before the negative working capital with the fact that our guests book and pay 7, 8 months prior to departure. So overall, I would say that the consumer is showing signs that it's healthy. They're engaged, they're booking, and we are able to demonstrate that our goals of mid-single-digit price increases is achievable.

Torstein Hagen: And if I may add if I may add, we are, of course, fortunate because we believe we are somewhat contrarian. So we have been able to contract ships at very good prices. We are also a good negotiator when it comes to shipyards. So you can see the ships that we now have on the books have been acquired at fairly attractive prices, which gives advantage relative to anybody who might want to expand their position or even enter this market. So I think we want to make sure that we give good value to our loyal guests.

Operator: The next question will be from Robin Farley from UBS.

Robin Margaret Farley: Just looking at your booked revenue per crew day for 2026 and that up 4%. And it sounded last quarter like you had maybe expected that would tick up over the course of this year. It sounds like -- is maybe the expectation that it won't tick up that it maybe will sort of stay at this level. So maybe a little bit of a different view than you had last quarter? Or how should we think about the commentary that you're giving us today?

Leah Talactac: Yes, I can start, and then you can kind of give your perspective. But we have said mid-single digits, and we didn't give any guidance that we thought it would tick up. So I just wanted to clarify that. But go ahead, Linh.

Linh Banh: No, I agree with what Leah just said, I think in our last call, we said us if market conditions remain, we do feel that we would get to our mid-single-digit goal. And I'll just reiterate what Tor and Leah both just said that we feel our capacity increase plus our yield increase would lead to good, healthy EBITDA growth. So as Tor said and we'll reiterate, we feel we're in a great position for 2026.

We're 55% sold, rates are higher. And given that our average revenue per day is \$800 to \$900, we feel we are in a good spot.

Robin Margaret Farley: Okay. And just as a follow-up question. On the expense side, you mentioned there were some things having to do with port charges, some more marketing, different things that are contributing to that. The higher expense uptick, can you give us a sense of how much of that do you think is, is this the new base for -- in other words, should we expect this expense increase to continue? Or were there kind of onetime items or nonrecurring factors in the quarter? Because I'm just thinking about that rate of expense growth relative to next year's revenue growth, if it stays at the 4% level, just to get some comfort that expenses wouldn't be up that much more than revenue. So anything about, but maybe sort of nonrecurring from this quarter.

Leah Talactac: Sure. So I mean, at the end of the day, quarterly variances may occur due to a variety of things, the timing of repairs and maintenance, ship deliveries, itinerary mix. But like we noted in the past, we are long-term, and we do not manage our business. Quarterly, we do manage at most on an annual basis. We try to be prudent with expenses while not compromising quality. And so what we can say is for the first half of 2025 compared to the same period in '24, operating expenses, excluding fuel, was up 3.9%, and our capacity was up 11% for the same period, and yields were up 7.6%. So overall revenue growth grew 20.5% and adjusted EBITDA grew 45%. So I think for the first half of the year, even given the slight tick up in operating expenses, we were able to yield really strong revenue growth and EBITDA growth.

Robin Margaret Farley: So the Q2 expenses, that's not the level that you -- you're saying there are quarterly fluctuations in there. Is that the right way to think about it.

Leah Talactac: Correct, there will be quarterly fluctuation. Agreed. There will be quarterly fluctuations.

Operator: The next question will be from Andrew Didora from Bank of America.

Andrew George Didora: Tor, Leah, I just wanted to ask 1 more just on 2026 pricing. Obviously, across the portfolio, it held steady from your last update. But just digging into the presentation, it looked like River pricing did accelerate from your last update while Ocean was decelerated modestly. Can you maybe speak to some of the differences you're seeing in consumer behavior across the 2 segments, if any at all?

Leah Talactac: Yes, sure. So Andrew, we've talked a lot about how we operate as one brand, and we feel that, that really differentiates us. And so from our perspective, whether our guests traveled with us on rivers or oceans or expeditions as long as they book and travel with Viking, that remains our goal. And year-over-year price changes will always be dependent on what is sold. And in the last call, Linh has talked a little -- Linh talked a little bit about how the river curve is slightly different in shape of when the curves develop because of the seasonality of the product itself. And so you're starting to see that in the curves that we presented today where the river curves have picked up. And at the end of the day, we price to demand. And we feel, again, with the \$800 to \$900 per day in revenue achieved across all our products, we are -- feel we are well positioned in how our curves look for the 2026 year.

Andrew George Didora: Got it. And then, look, I know you get this question a lot, but as one looks out to next year, net debt is likely headed below maybe a turn of net leverage. I guess what metrics in your mind do you have to get to in order to consider capital returns to shareholders. And I ask just because another cruise company started to return capital with net leverage above where you are today. So just curious how we should think about that.

Leah Talactac: Yes. Sure. So we're committed to a balanced capital allocation framework. At the end of the day, we have said that we feel that the large cash reserve we have on hand at the balance sheet provides a great buffer against unpredictability. We've seen it in years past and even in this year. So it gives us that stability and flexibility to be able to be contrarian. And we believe the strategy reflects our long-term perspective and readiness to deploy capital when market conditions are favorable or take advantage of when things arise. So currently, we're not contemplating a dividend or share buyback, but they are an option to return capital to shareholders in the longer-term. But given that we are just past our 1-year mark, I think there are better uses of our cash in terms of generating return to investors.

Operator: The next question will be from James Hardiman from Citi.

James Lloyd Hardiman: So I wanted to actually follow up on that last question -- well, I guess 2 questions ago. The idea that as we think about 2026 advanced bookings per PCB that river is

accelerating a little bit and ocean is decelerating a little bit. Is -- are those trends that we should anticipate moving forward? And maybe you can speak -- I'm curious how capacity growth impacts pricing growth. Obviously, the Ocean segment growing at a much faster pace, does that put downward pressure on pricing relative to what we're seeing in River?

Torstein Hagen: I wouldn't say that the growth has much to do with the pricing on the Ocean segment, quite frankly. I'd probably almost flip it around a little bit the growth that we see in our Ocean business is really a clear manifestation of the outstanding products that we have on the Oceans. Now I go from time to time onboard our vessels and talk to our guests, and they are very enthusiastic about what they experience. So I think we see good -- very good growth opportunities on the Ocean. We see it on the River's too, but I see no signs of a slowdown in the Ocean. Maybe we could have added a little bit higher price on the Ocean in the last couple of quarters. But at these rates, we get a reasonably good return to shareholders as it is. And it gives us a good chance to deliver a good product and good results. Some interesting things when we look at where -- what's going on is that our -- the people who now travel on our Ocean business are, to a large extent, people have been on other Ocean cruise lines before. I'll not mention names of some of them, but we have it in some of our presentation material from earlier where they've been on Ocean cruises. I call them more floating theme parks with their children. And then they grow up. I guess that is, they get into their 50s and said, we really want to have a different experience than this stuff where we go with our kids and do all the fun stuff. We want to have a quiet serene experience. And I think they don't have much choice, and they're so enthusiastic about what we have. So I think our Ocean product has very much demand coming, and we are very fortunate to have the large order book that we have at very attractive prices for the ships. So we can talk about the fine-tuning of the fares. As I said, we might could have done a little bit better. Looking backward is always easier. But I think the Ocean business is in great shape. And I say the River business is also in very good shape. We have 50% of that market, 52%, I think, latest count. So I think we're in excellent position on both of the products.

James Lloyd Hardiman: Got it. That's helpful. And I wanted to ask about mix a little bit. Obviously, the 4% for 2026 is getting a lot of focus this morning it's the same number as last time around. And so one takeaway might just need that nothing's changed, right, since May, whatever, May 11. I guess, are there any mix offsets that we should be aware of? I don't know if there's this concept of sort of like-for-like has that gotten any better and maybe that's offset, we've talked a lot in the past about sort of the premium rooms booking first. Obviously, there's a lot of different parts of the world. So curious about how mix impacts that 2026 number? And then maybe a way too early question for 2027 but how do we think about mix there? It looks like your Egyptian capacity is almost doubling. I think you get some real good prices for those rooms, should we be thinking about that as a tailwind to pricing in 2027?

Torstein Hagen: Of course, Egypt when you say how quickly it's sold out. And similarly, India is sold out very shortly out we launched it. So you could say we have pushed prices higher on that. But they are not such big components of our business. So they won't have a big impact on the average as you can well realize. But I think it shows the great desire, I guess, have to go to new places and how easy it is for us to introduce new products, the way we introduced the expedition product is another example. Our guests want to have more experiences. I was on board, as I said, 1 of our -- 2 of our ships this weekend. And there are people who quoted from my commercial, I said my commercial right over time, time being the only truly scarce resource. We don't have so much time left. We have to do something useful and nice with our time. And what other thing is that to do than travel with Viking. Then I was, of course, that probably butter me up. But I think this is very, very key, how we can find new experiences for them. And we have had a long debate how much of a luxury product are we? We are about -- other people define luxury one way or another. I don't think our guests necessarily like to have butlers roaming around their luggage and whether it's dirty or clean laundry. But we are really a very -- we are an understated elegant product, peaceful, quite. We give product where people have worked hard and who now deserve to spend some time doing interesting things. So the promise is we have no children, no casinos, no nickel and diming, I think that has hit right at the heart of who the people, what people want when they travel. We shouldn't almost call that cruise because we are so different from the others. So I think we're in a good spot.

Operator: The next question will be from Stephen Grambling from Morgan Stanley.

Stephen White Grambling: I think I caught that you said that you were getting good pricing on ships. I guess I was wondering if you could double-click on that comment. Is that relative to peers, history or both? And what do you think is driving some of the improved capital efficiency on the order book?

Torstein Hagen: If I may, I think we have taken a lot of care when we first assigned both the Ocean ships and the River ships. We'd like to get it right in the first place. And then as you know, we don't vary things much. So we don't have new designers come in and mess things around. So our ships are virtually identical. That makes it better for the yard, so we get a better price as such, it cost them less to repeat. Also, I dare say we have -- the people on our side who negotiate are quite hardnosed when it comes to dealing with yard, we don't use brokers in between, which some of the other cruise lines do. So we are quite efficient, I would say. So the comparison is really both with our price of the past because, of course, with inflation, we have had to pay somewhat more. But certainly, compared to anybody out there now contracting ships, we get much better prices than they because we are quite efficient and we don't waste space or things on the ships. So that is a key tenet of what we're doing.

Stephen White Grambling: That's helpful. And maybe changing gears as a follow-up. Could you just talk about some of the puts and takes to gross margins associated with thinking about the gross pricing you have in your advanced bookings versus what we're seeing in net yields, which look like they've been little bit better and how to think about that maybe into next year.

Linh Banh: Sure. Stephen, this is Linh. So what we provide in our booking curves are what generally, I guess, would book, so cruise, land, air, et cetera. In our net yields, we do include costs, onboard spend and ancillary revenue. So that's how you go from what we have in the curves to what is eventually presented in our financial statements. There will be a difference, as you know, but we've done a good job of being able to keep rates up.

Operator: The next question will be from Lizzie Dove from Goldman Sachs.

Elizabeth Dove: I just wanted to go back bigger picture to the kind of capacity growth piece. Obviously, as people mentioned, you have some of the best capacity growth in the industry. I suppose, looking at long-term, even beyond '26 and '27, what gives you confidence in kind of filling that capacity at the right price? How do you kind of balance occupancy and price and especially with some of the growing competition that you have in River over the longer-term?

Torstein Hagen: Well you say we have growing competition. I understand some of it is going to deliver 2 newer ships in 2027. And that's a quarter of year's delivery from our normal fleet. So I don't worry too much about that. It's nice to get some attention to the sector. So we've been at it now for 30 years, and we are not worrying too much about that. As you know, in the rivers, we have a number of fairly protective things. We own or control the 110 docking stations along the river which I think it's nice to have prime docking. That's on that side. On the Oceans, I would say that given we haven't seen any indication that it's going to be difficult to fill. And at some stage, we may also need some of those -- some more tonnage for our product in China, which is -- which we are developing for the Chinese source market which we are developing, and it seems to be coming along quite okay. But we are at least sitting here today, we're not the least worried about filling that capacity. We're more worried about making sure we have enough capacity. That's more of an issue.

Elizabeth Dove: Great. That's super clear. And then just following up on 1 of the earlier questions about capital returns. I think you mentioned in your answer that you would see better uses of cash. I'm curious whether kind of any kind of M&A; would be on the cards? And what kind of -- whether it's tuck-in acquisitions that you might consider.

Leah Talactac: Yes. Sure, Lizzie. We talk about our committed order book, so you could see that we have -- our growth engine is Ocean and while our strategy is to maintain our dominance in the River. So that strong cash balance gives us the opportunity to continue to contract these vessels further out with options going out to 2032 and 2033. And when we think about M&A;, our ROIC is a benchmark that we want to further improve. And we're ready for an acquisition if the right opportunity presents itself. In the past, we've talked about our guiding principles, which is that it's scalable, it's margin accretive and it's complementary to the brand. And India is an example of that, where it is definitely complementary to the brand. Our guests have largely sold it out and have demonstrated that when we come to market

with a new product they are very willing to book in this case 2 years -- 2 to 3 years out. So we believe that having -- making sure that these 3 guiding principles are met are really what drives our decisions in terms of acquisition and further expansion. So we remain watchful. There are plenty of opportunities and plenty of companies that come up for sale every once in a while, and we do assess them. But at the end of the day, we want to make sure that these 3 principles are met.

Torstein Hagen: And I would say that everybody in management -- top management of Viking, I think we're all -- some of us are owners, too. But I think we all have the owners mentality rather than the managers mentality. We want to -- we think about what we are doing for the shareholders, not what we're doing for the management egos where if an acquisition should take place, it has to be a good deal, and it has to fit for those principles. So I wouldn't have too much fear.

Operator: The next question will be from Alex Brignall from Rothschild Company, Redburn.

Alex Brignall: Just asking a question on a couple of things, I guess, both related to the product and new entrants. You talked about the position you have with the shipyards. When you think about where capacity would come from if others were going to want to build longboat river ships. Is that -- where the restrictions lie? I guess the larger the major cruise lines would talk about their relationship with existing shipyards. But can you just talk about obviously, you've done a phenomenal job of building a very consistent product to a very, very high standard. And so it's good for us to understand what the restrictions are on other shipyards that could build river ships. We obviously know how it works in the ocean space a little bit better. And perhaps I'll ask my second one because it's very related. You have obviously a very consistent product on both sides, and you obviously understand your customer very, very well. Are the cruise lines have talked about the evolving demand habits and preferences that their consumers have. You seemingly have consumers that don't change what they like. do you sort of continually assess that and think about ways that you could have the margin evolve the product, should that happen? Or is it sort of this is the way it's going to be because that's the way that we run the business.

Torstein Hagen: Maybe I could take the second half of the question first. There is one word I don't like and that's evolved. I think evolution -- sneaky evolution is very dangerous. So we have been very, very, very tough on anything that could change the product the way it is generally delivered and perceived. I believe a little bit in revolutions, not evolutions. But I think we've gotten the model right. We have the documents. As I said, we also have some of the design elements that are very unique. We have this asymmetric orders where we have a patent on that and a few things like that. And of course, we feel we have the first call, first, we are the employer of choice. I feel that you don't have any guarantee for that, but we feel we are the way we treated our staff during COVID, I think, has paid off in manifold since because we treated them like part of the family. So we have that lockdown. The experience that our team has, it's not so -- it's easier to operate an Ocean ship than a River ship. In River ship, you had to be awake 24 hours a day. On the Ocean, you can put it on autopilot and it normally goes well. So I think we have captains and engineers with huge skills and they like to work with Viking. We probably try to -- will cement them even more to us. But I think we have all that, the relationships along the Rivers. So I think it's fine. There are yards that can build river ships, but it's not so easy. And you could say you had to be very cost conscious. So -- but if you give it enough years, people can go up to -- can get a slice of the market. But I'm not too worried about it. Famous last words.

Operator: And our final question today will come from Conor Cunningham from Melius Research.

Conor T. Cunningham: Nice to see the 2026 River price move up like you did. On new markets like Egypt and India, you talked about how you have seen a lot of demand already. I'm curious if those new markets or new markets in general are dilutive to the overall pricing strategy. And maybe if you could just talk about how you go about assessing new markets in general? And then just as my second question. During the IPO process, you mentioned a lot about moving point of sale away from -- the opportunity set outside of the North American market. Tor you talked a little bit about China. I was just hoping you level set a little bit on that strategy and where things sit today.

Torstein Hagen: Yes. I think when we move to new call it, the destination, the new destinations, it's quite -- typically we then go with smaller vessels and smaller vessels do need higher prices. So we have to make sure that we don't do anything stupid. But I think what we've done, for example, in Egypt is exceptional. Nobody comes near the vessels, we are building there in quality. And I think similarly will

be India. So I think we have to take care of that. The market research, I joked a bit about it. I said we do a lot of market -- I do a lot of research in the morning when I shave and maybe that's a bit -- we do a lot of formal market research too. But I have the benefit as I know. I feel I know what our guests want, quite frankly, and so do my colleagues. So we have -- we can really assess it quite well. But it's clear that people want to go to interesting places. I mentioned to some guests on board that next World Cruise will go to Lagos in Nigeria. And many people say, "Oh, that's so dangerous." Of course, people like to go to a new place that they haven't been before. And they said, we'd like to do with Viking because we know that we are safe. And that's really the theme throughout. So I think we're -- we'll find some more places like that. But the math -- when you look at our map in our brochure, we are pretty much everywhere, quite frankly. But we have even now the business we have in the U.S. on the Mississippi, we had some start-up issues, but I think that has also come quite right in terms of the quality of the product. And China, as we all know, is a huge potential market. We currently have 4 river ships staffed by Chinese speakers, and we are marketing and in the same fashion as we do in North America. We market directly to Chinese consumer. People said you must be nuts. And I said, no, we don't want to go through tour operators or other people who brand over us. So I think we are seeing -- it's taken a long time, but I feel we are coming through that. So there will be, hopefully, some real things coming out of that. So there is -- there are these obvious expansion opportunities. China is the biggest one, of course. So I don't know if that answers your question. Leah, there was one point you should have made. Do you want to make the point before the last question has been asked or should I...

Leah Talactac: No, we just wanted to point out that we talked a little bit about it during the scripted portion of the call, but we do have 2 euro- denominated loans they are Ocean loans, they are disclosed in the financial statements. And we did experience unrealized FX losses related to them. And we calculated and it translated to a \$0.11 adjusted EPS impact to our adjusted EPS \$0.99. And what we did was we converted U.S. dollars to euros to create a natural hedge. So we don't expect that unrealized loss to recur throughout the rest of the year. So we did want to point that out as the euro starts to strengthen, the fact that we did that and also we are hedged for a portion of our '25 and '26 results, we feel we are able to manage through the currency exposure.

Torstein Hagen: I think that's important because our philosophy has always been to finance our vessels in dollars. But on this occasion, there were some issue and we then said we had to do it in euro. And we're probably a little bit slow in converting or having a matching euro deposit. So that has that negative impact, both on Q1 and Q2 this year, but that should not be a recurring event for those who like to look to the future. I think that's important. We don't want to take unnecessary currency risks. There are no other risks, we can exploit.

Leah Talactac: That was exactly the point. Thanks, Tor.

Torstein Hagen: Okay. Sorry about that. But I think it's important because somebody -- I think some famous investor from Omaha use to call EBITDA, the result before expenses. And there are something below EBITDA too, which one should look at, and we do look at the bottom line.

Operator: Thank you. And I will now turn the conference back over to Tor Hagen, Viking's Chairman and CEO for closing remarks.

Torstein Hagen: Yes. So again, I thank you everybody for joining in today's call. And I thank you for the support and interest in Viking. And we'll see what the future brings. Thank you very much all.

Operator: Thank you. This does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.