

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

P&O PRINCESS CRUISES PLC
Form 425
January 07, 2002

Filing under Rule 425 under
the Securities Act of 1933
and deemed filed under Rule 14d-2
of the Securities Exchange Act of 1934
Filing by: Carnival Corporation
Subject Company: P&O Princess Cruises plc.
SEC File No. of Princess: 001-15136

[Logo]

CARNIVAL
CORPORATION

Investor Presentation
January 2002

FORWARD LOOKING STATEMENTS AND RESPONSIBILITY

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this presentation constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Carnival Corporation ("CCL") has tried, wherever possible, to identify such statements by using words such as "anticipate," "assume," "believe," "expect," "intend," "plan" and words and terms of similar substance in connection with any discussion of future operating or financial performance. These forward-looking statements, including those which may impact the forecasting of CCL's net revenue yields, booking levels, price, occupancy or business prospects, involve known and unknown risks, uncertainties and other factors, which may cause CCL's actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions which may impact levels of disposable income of consumers and the net revenue yields for CCL's cruise products; consumer demand for cruises and other vacation options; other vacation industry competition; effects on consumer demand of armed conflicts, political instability, terrorism, the availability of air service and adverse media publicity; increases in cruise industry and vacation industry capacity; continued availability of attractive port destinations; changes in tax laws and regulations; CCL's ability to implement its shipbuilding program and to continue to expand its business outside the North American market; CCL's ability to attract and retain shipboard crew; changes in foreign currency rates, security expenses, food, fuel, insurance and commodity prices and interest rates; delivery of new ships on schedule and at the contracted prices; weather patterns; unscheduled ship repairs and dry-docking; incidents involving cruise ships; impact of pending or threatened litigation; and changes in laws and regulations applicable to CCL.

CCL cautions the reader that these risks may not be exhaustive. CCL operates in a continually changing business environment, and new risks emerge from time to time. CCL cannot predict such risks nor can it assess the impact, if any, of such risks on its business or the extent to which any risk, or combination of

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

risks may cause actual results to differ from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. CCL undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CCL PLANS TO FILE A REGISTRATION STATEMENT ON FORM S-4 AND A STATEMENT ON SCHEDULE TO WITH THE US SECURITIES AND EXCHANGE COMMISSION IN CONNECTION WITH THE OFFER. THE FORM S-4 WILL CONTAIN A PROSPECTUS AND OTHER DOCUMENTS RELATING TO THE OFFER. CCL PLANS TO MAIL THE PROSPECTUS CONTAINED IN THE FORM S-4 TO SHAREHOLDERS OF P&O PRINCESS CRUISES PLC ("POC") WHEN THE FORM S-4 IS FILED WITH THE SEC. THE FORM S-4, THE PROSPECTUS AND THE SCHEDULE TO WILL CONTAIN IMPORTANT INFORMATION ABOUT CCL, POC, THE OFFER AND RELATED MATTERS. INVESTORS AND STOCKHOLDERS SHOULD READ THE FORM S-4, THE PROSPECTUS, THE SCHEDULE TO AND THE OTHER DOCUMENTS FILED WITH THE

2

SEC IN CONNECTION WITH THE OFFER CAREFULLY BEFORE THEY MAKE ANY DECISION WITH RESPECT TO THE OFFER. THE FORM S-4, THE PROSPECTUS, THE SCHEDULE TO AND ALL OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE OFFER WILL BE AVAILABLE WHEN FILED FREE OF CHARGE AT THE SEC'S WEB SITE, AT WWW.SEC.GOV. IN ADDITION, THE PROSPECTUS AND ALL OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE OFFER WILL BE MADE AVAILABLE TO INVESTORS FREE OF CHARGE BY WRITING TO TIM GALLAGHER AT CARNIVAL CORPORATION, CARNIVAL PLACE, 3655 N.W. 87 AVENUE, MIAMI, FLORIDA, 33178-2428, US.

IN ADDITION TO THE FORM S-4, PROSPECTUS, THE SCHEDULE TO AND THE OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE OFFER, CCL IS OBLIGATED TO FILE ANNUAL, QUARTERLY AND SPECIAL REPORTS, PROXY STATEMENTS AND OTHER INFORMATION WITH THE SEC. PERSONS MAY READ AND COPY ANY REPORTS, STATEMENTS AND OTHER INFORMATION FILED WITH THE SEC AT THE SEC'S PUBLIC REFERENCE ROOM AT 450 FIFTH STREET, N.W., WASHINGTON, D.C. 20549. PLEASE CALL THE SEC AT 1-800-SEC-0330 FOR FURTHER INFORMATION ON THE PUBLIC REFERENCE ROOM. FILINGS WITH THE SEC ALSO ARE AVAILABLE TO THE PUBLIC FROM COMMERCIAL DOCUMENT-RETRIEVAL SERVICES AND AT THE WEB SITE MAINTAINED BY THE SEC AT WWW.SEC.GOV.

Terms used in this presentation have the same meaning as in the Announcement dated 16 December 2001.

The Directors of CCL ("Directors") accept responsibility for the information in this presentation and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this presentation is in accordance with the facts and does not omit anything likely to affect the import of such information. The only responsibility accepted by the Directors for the information in this presentation concerning POC and RCL, which has been compiled from published sources, is that it has been correctly and fairly reproduced and presented.

Merrill Lynch International and UBS Warburg, a business group of UBS AG, are acting as joint financial advisers and joint brokers exclusively to CCL and no one else in connection with the Offer and will not be responsible to anyone other than CCL for providing the protection afforded to clients respectively of Merrill Lynch International and UBS Warburg as the case may be or for providing advice in relation to the Offer.

3

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

CCL'S CORE MANAGEMENT TEAM

- o Micky Arison Chairman and Chief Executive Officer
- o Howard Frank Vice Chairman and Chief Operating Officer
- o Gerry Cahill Senior Vice President and Chief Financial Officer

4

CCL's OFFER

- o 200p in cash and 0.1361 CCL shares for each POC share
- o Value of offer - 468p (1)
- o 48% premium to price prior to RCL proposal (2)
- o 30% premium to close on last business day before CCL's offer(2)
- o Sharing savings if POC reduces cost of poison pills

Notes:

- (1) CCL's closing price as at 4 January 2002--US\$28.44
- (2) POC pre-announcement price--317p. POC's closing price as at 14 December 2001-- 360p

5

CCL: A SUPERIOR DEAL FOR POC SHAREHOLDERS

- | CCL / POC
----- | RCL / POC
----- |
|-----------------------------------|---------------------|
| o 48% premium to pre-RCL proposal | o No premium |
| o 200p cash | o No cash |
| o Fully values POC | o Undervalues POC |
| o Simple transaction | o Complex structure |
| o Strong partner | o Weak partner |
| o Strong balance sheet | o Highly geared, |

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

constrained balance sheet

Both transactions face similar regulatory issues

6

CCL: A SUPERIOR OFFER

[graph for information below]

Current value of CCL offer (2)	468p
Current see-through price of RCL proposal (1)	362p
Change from current value of CCL offer to current see-through price of RCL proposal	29%

Source: Datastream

Notes:

- (1) RCL see-through price based on RCL current market cap of US\$3.5bn and POC's share of the proposed combined entity
- (2) CCL's closing price as at 4 January 2002-US\$28.44

7

POC SHAREHOLDERS MUST ACT URGENTLY

If POC shareholders approve RCL's proposal
CCL's superior offer CANNOT proceed

Shareholders should instruct the board of POC to:

- o CHANGE ITS RECOMMENDATION TO CCL
- o DEFER OR ADJOURN EGM

8

CCL -- PROFILE

- o Incorporated in 1974

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

- o Floated on NYSE in July 1987
- o Current market capitalisation US\$16.7 billion (1)
- o Arison family controls 47%
- o Revenues US\$4.5 billion (2)
- o EBITDA US\$1.3 billion (2)
- o CCL already operates in the UK vacation market through its UK-flagged luxury brand Cunard -- owner of the QE2

Notes:

- (1) As at close 4 January 2002
- (2) To year ended 30 November, EBITDA excludes impairment charge of US\$140m

9

CCL BRANDS

	Segment	Principal markets	Ships
	-----	-----	-----
Carnival Cruise Lines	Contemporary	North America	16
Costa	Contemporary	S. Europe/S. America	7
Holland America	Premium	North America	10
Cunard	Premium/Luxury	UK/North America	2
Windstar Cruises	Luxury	North America	4
Logo Seabourn	Luxury	North America	4

			43

10

CCL FINANCIAL PERFORMANCE

Compound annual growth	1990-2000
-----	-----
Earnings	15.2%
Net capacity (1)	11.8%

[graph for information below]

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

	Net Income

	(US\$m)
1990 (2)	234
2000	965

Source: Company accounts and filings

Note:

- (1) Available berth days
- (2) 1990 figure is income from continuing operations

11

STRATEGIC RATIONALE

12

CCL-POC -- THE BEST COMBINATION

- o Broad, complementary offering of well-established brands with expanded geographic reach
- o Carnival and Princess - highest unaided brand awareness in North America
- o Significant synergies
- o Sharing best practices

13

PRO-FORMA CCL-POC FACT SHEET

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

LTM (1)	CCL	POC	CCL/POC
-----	-----	-----	-----
Fleet size (ships)	43	18	61
Passengers carried (000s) (2)	2,669	919	3,588
Revenue (US\$m)	4,427	2,451	6,877
EBITDA (US\$m)	1,440	495	1,935
Market cap (3) (US\$m)	16,671	3,994	19,351 (4)
Net debt (US\$m)	1,505	1,380	4,895 (4)
Net debt / market cap	9.0%	34.6%	25.3%

Source: Company accounts and filings

Notes:

- (1) CCL LTM to 31 August 2001 (as per US GAAP), POC LTM to 30 September 2001 (as per UK GAAP)
- (2) Passengers carried for fiscal year 2000
- (3) As at close 4 January 2002
- (4) Pro-forma for equity and cash consideration in transaction

14

CORE BRANDS BY SEGMENT

	North America		UK/Europe	
	-----	-----	-----	-----
	CCL	POC	CCL	POC
-----	-----	-----	-----	-----
Luxury	Seabourn Windstar Cruises			
	-----		Cunard	
Premium	Holland America			P&O Cruises Arosa
	-----	Princess		
Contemporary	Carnival Cruise Lines		Costa (S Europe)	Aida Das Clubschiff (Germany)

Note:

- (1) Costa and AIDA are primarily Southern European and German brands respectively

CCL -- THE BETTER PARTNER FOR POC

CCL IS THE MOST PROFITABLE OPERATOR

[graphs for information below]

	EBIT margin (LTM) (1)	Net income margin (LTM)
	-----	-----
CCL	24.4%	22.7%
POC	14.1%	10.9%
RCL	15.9%	10.3%

Source: Company accounts and filings

Notes:

- (1) CCL operating income net of impairment loss
 (2) CCL and RCL as per US GAAP, POC as per UK GAAP

CCL IS THE MOST EFFICIENT OPERATOR

[graphs for information below]

	Average cost per berth	EBIT / Available berth days	ROIC (2)
	-----	-----	-----
	(US\$ 000) (1)	(US\$)	
CCL	136	62	12.9%
POC	158	42	9.9%
RCL	167	46	9.0%

Source: Company accounts and filings

Notes:

- (1) Gross ship PP&E net of construction in progress as at year end 2000
 (2) ROIC is after-tax EBIT divided by average invested capital. POC intercompany creditor in 1999 accounts treated as debt

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

(3) CCL and RCL as per US GAAP, POC as per UK GAAP

18

HISTORIC RETURNS TO SHAREHOLDERS

CCL and RCL total shareholder returns at announcement

[graphs for information below]

	Last 5 years	Last 12 months
	-----	-----
CCL	93%	7%
RCL	41%	(27)%
S&P 500 Composite	67%	(13)%

Source: Datastream

19

THE RCL PROPOSAL

20

WHY POC SHOULD NOT ACCEPT RCL'S PROPOSAL

- o No premium and no cash
- o Inequitable share of economics

POC shareholders will own 50.7% of the combined entity but contribute significantly more than this to the combined projected net earnings

Broker	Date	2002	2003
-----	-----	-----	-----
SSSB	29 Nov 01	64.4%	57.7%

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

Bear Stearns	9 Nov 01, 21 Nov 01	53.0%	57.7%
MS	21 Nov 01	59.5%	45.7%
UBSW	5 Dec 01	65.5%	59.6%

Disproportionate share of earnings and synergies accrue to RCL

WHY POC SHOULD NOT ACCEPT RCL'S PROPOSAL

- o Is the best management in place?

The most senior management positions in the combined group have been awarded to the RCL Chairman and CEO

- o CCL and RCL total shareholder returns at announcement

[graphs for information below]

	Last 5 years	Last 12 months
	-----	-----
CCL	93%	7%
RCL	41%	(27)%
S&P 500 Composite	67%	(13)%

Source: Datastream

WHY POC SHOULD NOT ACCEPT RCL'S PROPOSAL

- o No compensation for extra financial risk

[graph for information below]

A2	CCL today		
A3			
Baa1		POC pre-20 Nov	
Baa2		\\ /	
Baa3		POC today	
Ba1			
Ba2			RCL pre-20 Nov
	CCL	POC	RCL

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

Net debt / EBITDA (LTM)	1.0x	2.8x	5.6x
Net debt / total book cap	18.7%	34.4%	53.3%

Note:

- (1) Credit ratings as per Moody's Investors Service

23

POISON PILLS

- o The poison pills destroy value for POC shareholders
- o Break Fee
 - US\$62.5 million break fee exceeds UK market norm Takeover Code maximum S\$31 million (1% of market cap)
- o Joint Venture
 - Cost of exiting JV estimated to be US\$400m(1) via put
 - Possibility of having to support JV through financial guarantees or subordinated debt on an ongoing basis
- o Every US\$100m poison pill cost equates to 10p per POC share

Note:

- (1) US\$200m enterprise value reduction and US\$81-112m present value of notes of US\$300m face value (using 15-20% discount rate)

24

THE CARNIVAL OFFER

25

CCL -- PREVIOUS EXPRESSIONS OF INTEREST IN POC

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

-
- o CCL has proposed to merge with POC both before and after spin off from P&O
 - o Most recently, Howard Frank called Peter Ratcliffe on 24 September 2001 to reiterate interest in pursuing a combination -- no response received
 - o Offer communicated by letter on 13 December 2001
 - o POC rejected meeting, rejected Offer

26

TRANSACTION HIGHLIGHTS

- o 200p in cash and 0.1361 CCL shares per POC share
- o Current value of offer 468p(1) (US\$27.01 per ADR)
- o Offer to be increased by share of reduced cost of poison
- o Mix and match election
- o CCL willing to seek a listing for its shares on the LSE
- o CCL willing to consider alternative structures, including DLC

Note:

- (1) CCL's closing share price as at 4 January 2002--US\$28.44

27

CCL'S PRE-CONDITIONS

Pre-conditions	Comment
-----	-----
o Regulatory clearances	o Similar position to RCL/POC combination
o POC's EGM - deferred or not convened, or resolutions voted down	o CCL cannot proceed with the Offer if RCL's proposal is approved

CCL'S PRE-CONDITIONS

Pre-conditions	Comment
-----	-----
o Access to information given to RCL	o Would be available if Code transaction
o Cost to POC of terminating JV not exceeding US\$200 million	o Insufficient information available to date
o Committed funding being arranged	o Unnecessary cost given regulatory timetable approximately US\$2.4 billion(1)

RCL's proposal has 15 conditions

Note:

(1) Based on Q3 results

SIMILAR ANTITRUST APPROVAL ISSUES

- o Both the CCL and RCL proposals are subject to clearance from relevant antitrust authorities
- o Advice is that the regulatory risk for CCL is no greater than for RCL
- o Simultaneous review of both RCL and CCL proposals does not reduce likelihood of clearance for either proposal
- o CCL filing already submitted in US, process has also commenced in Europe this week

Edgar Filing: P&O PRINCESS CRUISES PLC - Form 425

	CCL -----	RCL -----	Differential -----
North American Berths	33,252	33,046	