OFF WALL STREET

July 22, 2026

OWS Notes: One Spa World Ltd. (OSW)

TLDR: OSW's commanding market share in the growing cruise ship spa services industry makes OSW seem more like a long than a short. While a broader downturn in cruise demand and new cruise ship builds would negatively impact revenue growth at OSW, we do not see sufficient evidence this is happening, or any other near-term catalysts likely to derail OSW bulls. Nevertheless, we will continue to monitor OSW for potential competitive changes or a downturn in onboard spending and cruise demand.

Summary: We investigated OSW as a potential short candidate. We viewed the company as a second-derivative play on potentially unsustainable post-COVID cruise ship demand growth with exposure to pullbacks in discretionary spending. OSW's premium valuation (18.6x 2-year EV/EBITDA vs historical average of 16.7x) suggested downside potential if the multiple mean-reverted due to the above dynamics.

However, upon further investigation, we do not see evidence of idiosyncratic threats to the OSW bull case. OSW seems uniquely positioned to capitalize on rising cruise ship passenger volumes and increasing demand for vacation wellness services. New cruise ships feature higher total berths, driving increases in total passenger volume and expanding the captive audience for OSW's spa services. Concurrently, consumers' growing focus on health and beauty, for which GLP-1 adoption should be a tailwind, provides a sustainable structural tailwind for onboard gym and spa services.

Additionally, OSW's near-monopolistic position in this growing niche indicates a strong competitive moat, as smaller one-off competitors appear to lack the expertise and logistical capabilities developed by OSW. OSW reports a commanding 90% market share, more than 10x the size of the closest maritime competitor. The company boasts multi-decade relationships with all three of the major cruise lines (CCL, RCL, NCLH), and industry participants note that cruise lines are unlikely to insource or switch service providers due to the benefits of offloading logistical headaches onto OSW, mitigation of potential litigation risk, and previous operational failures by competitors such as Canyon Ranch's failure with RCL. As a result, we think that demand for OSW's services will likely outpace overall cruise capacity growth and remain insulated from competitive pressure.

Our research suggests demand remains robust despite price increases, particularly for ancillary high-ticket medi-spa services (dermal fillers, cryolipolysis, skin tightening), where the introduction of new modalities has generated strong double-digit growth post-implementation. Also, the company's core customer demographic belong to higher-income families (average cruise ship guest HHI > $100k annually), and spa services attract the top decile of cruise ship passengers. These customers remain relatively unaffected by current macroeconomic pressures, as they are more often beneficiaries of the "k-shaped economy," with higher levels of disposable income. OSW's efforts to drive increased pre-booking of spa services provides an additional tailwind to revenue growth, as customers who pre-book spend 30% more on average compared to customers who book on-board.

The primary risk facing the company is a continued revenue-split mix shift favoring cruise line operators. Historically, revenue generated via OSW's offerings were split 50/50 with cruise lines. However, recent contract agreements have compressed the percentage mix closer to 60/40. Despite this changing dynamic, consensus estimates still seem achievable supported by low single-digit new cruise ship capacity growth, increased occupancy per new ship, and rising per passenger spend. OSW also faces litigation risk, as evidenced by recent lawsuits, but these lawsuits do not currently appear likely to result in a material liability for the company.

Therefore, at this time, OSW does not appear to be a good short candidate. We will continue to monitor the company for competitive changes or a downturn in onboard spending and cruise demand.

Description: One Spa World Ltd. (OSW) is a near-monopolistic player in the maritime health and wellness space commanding approximately 90% of the total market share. OSW currently has contracts with the three leading cruise lines (CCL, RCL, NCLH), providing OSW with the exclusive right to offer their products and services onboard all of each lines' ships, as well as new ships introduced to the fleet. The company generates revenue through two segments: services (salon, manicures & pedicures, personal training, etc.; 81% of total revenue), and products (skin care, serums, etc.; 19% of total revenue) – revenue is split with partners through a revenue share model (split percentage varies by contract), although generally results in a ~40% revenue split for OSW.

Market cap: $2.68B

Why did we investigate this company?

1) Potential pull-forward in new cruise ship builds post-covid could flatten demand growth for OSW services.

2) Recent price hikes for service could create demand destruction amid heightened pressure on consumer discretionary spending.

What research did we perform?

1) Standard preliminary company research - reviewed recent filings, transcripts, presentations, "street" research, etc.

2) Competitive analysis - evaluated the competitive landscape to check for incoming competitive threats from smaller players and inspected the viability of cruise ship operators insourcing these services.

3) Valuation Analysis - constructed a financial model.
