

Vail Resorts, Inc. (MTN)

\$243.48 (As of 01/02/20)

Price Target (6-12 Months): **\$256.00**

Long Term: 6-12 Months | **Zacks Recommendation:** **Neutral**
 (Since: 03/12/19)
 Prior Recommendation: Underperform

Short Term: 1-3 Months | **Zacks Rank:** (1-5) **3-Hold**
 Zacks Style Scores: **VGM:B**
 Value: D | Growth: B | Momentum: A

Summary

Shares of Vail Resorts have outperformed the industry in the past year. The company reported better-than-expected first-quarter fiscal 2020 results. It incurred an adjusted loss narrower than the Zacks Consensus Estimate but revenues surpassed the same. A strong season pass program, increased focus on acquisitions and mergers along with efficient marketing efforts bode well for Vail Resorts. Furthermore, the company has widespread geographical boundaries. Apart from operations in the United States, it operates in North America, Japan and Europe. However, rising expenses related to operations, acquisitions and pertinent weather-related woes continue to hurt profitability. Intense competition in the ski resort and lodging industries is an added concern. Earnings estimates for 2020 over the past 30 days have witnessed downward trend.

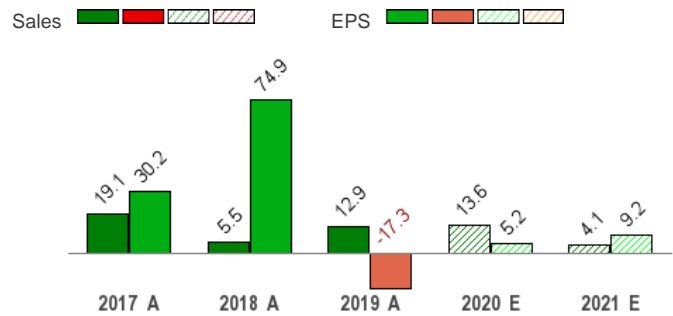
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$251.81 - \$179.60
20 Day Average Volume (sh)	298,308
Market Cap	\$9.8 B
YTD Price Change	1.5%
Beta	0.70
Dividend / Div Yld	\$7.04 / 2.9%
Industry	Leisure and Recreation Services
Zacks Industry Rank	Bottom 12% (222 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	25.7%
Last Sales Surprise	4.7%
EPS F1 Est- 4 week change	2.9%
Expected Report Date	03/13/2020
Earnings ESP	0.0%
P/E TTM	31.7
P/E F1	30.7
PEG F1	2.0
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	274 E	1,003 E	1,149 E	276 E	2,687 E
2020	268 A	958 E	1,085 E	271 E	2,581 E
2019	220 A	850 A	958 A	244 A	2,272 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$2.93 E	\$5.90 E	\$8.55 E	-\$2.85 E	\$8.67 E
2020	-\$2.23 A	\$5.46 E	\$7.92 E	-\$2.86 E	\$7.94 E
2019	-\$2.43 A	\$5.02 A	\$7.12 A	-\$2.22 A	\$7.55 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/02/2020. The reports text is as of 01/03/2020.

Overview

Vail Resorts, Inc. is a Delaware-based holding company found in 1997. Its operations are carried out by several subsidiaries and are clustered into two segments namely Mountain and Lodging.

The **Mountain segment** (86% of net revenues for fiscal 2019) operates mountain resort properties and urban ski areas as well as ancillary services like ski school, dining and retail/rental operations.

The **Lodging segment** (14%) owns and manages luxury hotels under the RockResorts brand and condominiums around mountain resorts. The segment also operates concessionaire properties like the Grand Teton Lodge Company and mountain resort golf courses.

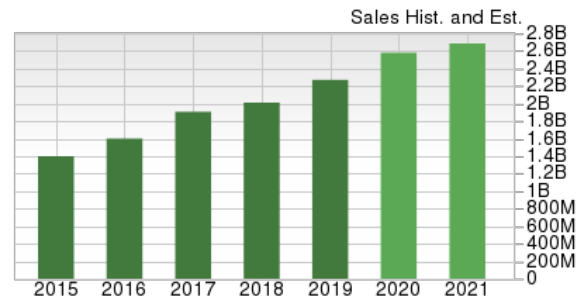
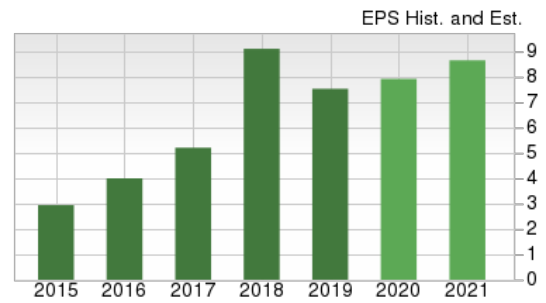
The **Real Estate segment** (0.07%) owns, develops, and sells real estate in and around the company's resort communities.

Vail Resorts generates revenues from two segments — Resort (98.4% of net revenues in first-quarter fiscal 2020) and Real Estate (1.6%). Under the Resort segment, the company has Mountain and Lodging services, and other (constituting 67.2% of net revenues in the fiscal first quarter), and Mountain and Lodging retail and dining (31.2%).

As of Dec 9, 2019, the company's Mountain segment operated 37 world-class mountain resort properties and five urban ski areas.

The company has a notable presence in Park City in Utah. It also operates resorts in the Heavenly, Northstar and Kirkwood in the Lake Tahoe area of California and Nevada.

On Aug 15, 2018, Vail Resorts closed its acquisition of Stevens Pass Resort in Washington and on Sep 27, 2018, it closed its merger with Triple Peaks, LLC.



Reasons To Buy:

▲ **Impressive Top Line:** Shares of Vail Resorts have outperformed the industry in the past year. The appreciation in share price can be attributed to the company's better-than-expected sales in five out of the trailing eight quarters. Notably, the company's fiscal first-quarter 2020 revenues came in at \$267.8 million, outpacing the consensus mark of \$256 million and increased 21.7% on a year-over-year basis. Total revenues were driven by growth in each segment. Also, robust performance of its Australian resorts along with North American resorts' summer activities contributed to first-quarter results.

A strong season pass program, increased focus on acquisitions and mergers, along with efficient marketing efforts, bode well for Vail Resorts.

Notably, growth in the Australia market was driven by solid Epic Australia Pass sales, good conditions and the addition of the Leichhardt chairlift at Perisher.

▲ **Robust Season Pass Program:** Vail Resorts has a season pass program under which the company offers a variety of season pass products for all the mountain resorts and urban ski areas in both domestic, and international markets. Increased demand for skiing has led the company to witness higher season pass sales lately. Notably, North America ski season pass sales increased approximately 22% in units and 17% in sales dollars through Dec 2, 2019 on a year-over-year basis. The company attributed the solid results from its season pass sales to very strong growth in the Northeast, with unlimited access at Stowe, Okemo and Mount Sunapee, the recent addition of Peak Resorts. It also introduced Epic Day Pass (EDP) sales, which exceeded management's expectations, with the vast majority of sales coming from new pass holders and in destination markets. Vail Resorts also witnessed season pass sales increase across all products and geographies, including destination markets.

▲ **Marketing Efforts Drive Guest Loyalty:** Robust growth in the season pass sales reflects Vail Resorts' efficient guest focused marketing efforts. The company orients its strategy with data analytics to drive targeted and personalized marketing toward guests. Guest data is captured through season pass programs; e-commerce platforms, including mobile lift ticket sales; the EpicMix application and operational processes at the lift ticket windows. Additionally, Vail Resorts involves in digital marketing, and media advertising to drive traffic and sales. The company's recently introduced EDP also expanded its guest traffic.

Meanwhile, the company has spent more than \$1.2 billion over the last decade to drive guest loyalty. The company has also made significant investments in Colorado for its snowmaking systems at Vail, Beaver Creek and Keystone. Additionally, Vail Resorts has completed its full renovation of the Beaver Creek Children's Ski School facilities and the Peak eight base area at Breckenridge, with new ski school and childcare facilities. It has also completed one of its final stage of modernization project and has invested in technology to program its data-driven marketing efforts.

▲ **Geographic Diversification to Counter Weather-Related Woes:** Vail Resorts have widespread geographical boundaries. Apart from operations in the United States, the company has expanse in North America, Japan and Europe. By widely diversifying its geographical locations, Vail Resorts aims to cushion the business from weather inconsistencies. The company has also announced that it will expand 250-acre lift-served terrain in the signature McCoy Park area of Beaver Creek. It also intends to increase the seating capacity at the Rendezvous Lodge restaurant on Blackcomb Mountain, which will add 250 seats further enhancing the experience at North America's largest resort.

▲ **Focus on Acquisitions:** Vail Resorts extensively focuses on acquisitions and mergers to build a stronger portfolio of differentiated, and varied services. The company acquired a few mountain resorts, hotel properties and other businesses complementary to its own as well as developable land in proximity to its resorts. Vail Resorts has completed the acquisition of Peak Resorts for \$11 per share. With the completion of this buyout, the company added 17 U.S. ski areas to its portfolio. The newly acquired resorts are located in the Northeast, Mid-Atlantic and the Midwest. Currently, the company has 37 owned and operated resorts worldwide. In fiscal 2020, the company expects to incur approximately \$20 million of acquisition and integration-related expenses. It also plans to spend approximately \$24 million on integration activities primarily related to Peak Resorts.

Moreover, On Aug 15, 2018, the company acquired Stevens Pass Resort in Washington from Ski Resort Holdings, LLC, for \$64 million. Additionally, on Sep 27, 2018, management acquired Triple Peaks, LLC, the parent company of Okemo Mountain Resort in Vermont; Crested Butte Mountain Resort in Colorado and Mount Sunapee Resort in New Hampshire for a cash price of roughly \$74 million. Vail Resorts expects these acquisitions to positively contribute to the company's operating results going ahead.

Reasons To Sell:

- ▼ **High Costs of Operations:** Vail Resorts' operational efficiencies also come at the cost of increased expenses. During the first quarter of fiscal 2020, total segmental operating expenses increased 17.7% year over year to \$346.8 million. Resort operating expenses totaled \$341.5 million, up 16.2% year over year.
- ▼ **Challenges in Acquisition Strategies:** While Vail Resorts' relentless acquisition and merger are likely to prove beneficial over the long term, there are certain short-term risks associated. Vail Resorts reported EBITDA loss of \$76.7 million in the first quarter of fiscal 2020 compared with a negative \$72.5 million a year ago. The company is somewhat struggling with added expenses, stemming from acquisitions. In first-quarter fiscal 2020, EBITDA included acquisition and integration-related expenses worth \$9 million.
- ▼ **Competition Ails:** The ski resort and lodging industries are highly competitive. There are roughly 470 ski areas in the United States that serve local, and destination guests. Resultantly, Vail Resorts face intense competition from other ski providers. Coming to the lodging industry, it is already known how an oversupply of hotels in the United States has given rise to a stiff competitive environment. Subsequently, the company faces heightened competition in its lodging business segment.
- ▼ **Overvalued Compared With Peers:** Since the leisure service providers are debt-laden, it makes sense to value them based on the EV/EBITDA (Enterprise Value/ Earnings before Interest Tax Depreciation and Amortization) ratio. This is because the valuation metric takes into account not just its equity but also the level of debt on a company's balance sheet. For capital-intensive companies, the EV/EBITDA is a better valuation metric because it is unaffected by the changing capital structures and ignores effects of non-cash expenses on a company's value. The trailing 12-month EV/EBITDA ratio of Vail Resorts is 17.33, which is overvalued compared with the industry's 8.87 and the S&P 500's 12.01.
- ▼ **Weather-Related Woes:** Vail Resorts' business is highly dependent on weather conditions. Particularly, the ski business directly depends on the amount and timing of snowfall. Unfavorable weather conditions can adversely affect skiers' visits and in turn hurt the company's revenues and profits. Unseasonably warm weather may also result in inadequate natural snowfall and reduce skiable terrain, which increases costs of snowmaking.

High costs of operations, risks from mergers, competition and weather-related woes continue to hurt Vail Resorts.

Last Earnings Report

Vail Resorts Posts Narrower-Than-Expected Loss in Q1

Vail Resorts, Inc. reported better-than-expected first-quarter fiscal 2020 results. In the quarter under review, the company incurred an adjusted loss of \$2.23 per share, narrower than the Zacks Consensus Estimate of a loss of \$3.00. In the year-ago quarter, Vail Resorts had incurred an adjusted loss of \$2.43 per share.

Quarterly revenues came in at \$267.8 million, outpacing the consensus mark of \$256 million and increased 21.7% on a year-over-year basis. Total revenues were driven by growth in each segment. Also, robust performance of the company's Australian resorts along with North American resorts' summer activities contributed to the first-quarter results.

Notably, growth in the Australia market was driven by solid Epic Australia Pass sales, good conditions and the addition of the Leichhardt chairlift at Perisher.

Segment Results

Vail Resorts generates revenues from two segments — Resort (98.4% of net revenues in first-quarter fiscal 2020) and Real Estate (1.6%). Under the Resort segment, the company has Mountain and Lodging services, and other (constituting 67.2% of net revenues in the fiscal first quarter), and Mountain and Lodging retail and dining (31.2%).

Meanwhile, Vail Resorts has two reporting segments — Mountain and Lodging.

The Mountain segment reported revenues of \$180.8 million in the quarter under review, up 24.7% year over year. The metric was mainly driven by robust performance of Falls Creek and Hotham operations.

The segment's EBITDA loss came in at \$80 million compared with a negative \$83.6 million in the prior-year quarter. Operating expenses at the Mountain segment totaled \$228.7 million, up 17.8% year over year.

Lodging net revenues in the reported quarter were \$83.6 million, up 10.1% year over year on rise in sales from Triple Peaks and Peak Resort. Under the segment, EBITDA decreased 16.2% to \$3.3 million from the prior-year quarter. Operating expenses at the Lodging segment rose 8.2% year over year to \$37.7 million.

Operating Results

Vail Resorts reported EBITDA loss of \$76.7 million in the quarter under review compared with a negative \$72.5 million a year ago.

Resort operating expenses totaled \$341.5 million, up 16.2% year over year. Total segmental operating expenses increased 17.7% year over year to \$346.8 million.

Balance Sheet

Cash and cash equivalents as of Oct 31, 2019, totaled \$136.3 million. Net long-term debt as of Oct 31, 2019, was \$2,005.1 million.

Vail Resorts approved a quarterly cash dividend of \$1.76 per share of common stock, which is payable Jan 9, 2020, to its shareholders of record as of Dec 26, 2019.

Fiscal 2020 Guidance

For fiscal 2020, the company's total EBITDA is estimated at \$776-\$822 million.

Quarter Ending 10/2019

Report Date	Dec 09, 2019
Sales Surprise	4.74%
EPS Surprise	25.67%
Quarterly EPS	-2.23
Annual EPS (TTM)	7.69

Valuation

Vail Resorts' shares are up 11.8% over the trailing 12-month period. Over the past year, the Zacks sub-industry was up 10.7% and sector by 24.3%, respectively.

The S&P 500 index is up 26.2% in the past year.

The stock is currently trading at 17.33x trailing 12-month EV/EBITDA, which compares to 8.87x for the Zacks sub-industry, 12.77x for the Zacks sector and 12.01x for the S&P 500 index.

Over the past five years, the stock has traded as high as 29.53x and as low as 11.52x, with a 5-year median of 16.15x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$256 price target reflects 31.03x forward 12-month Price to Earnings value.

The table below shows summary valuation data for MTN.

Valuation Multiples - MTN					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	17.33	8.87	12.77	12.01
	5-Year High	29.53	11.38	17.77	12.86
	5-Year Low	11.52	7.06	11.08	8.48
	5-Year Median	16.15	8.92	12.43	10.66
P/E F12M	Current	29.51	17.75	20.82	19.07
	5-Year High	41.75	22.68	23.34	19.34
	5-Year Low	22.19	15.64	16.17	15.17
	5-Year Median	30.74	18.94	20.07	17.44
P/B TTM	Current	6.45	1.32	3.55	4.41
	5-Year High	7.34	1.71	5.04	4.42
	5-Year Low	3.56	0.97	3.13	2.85
	5-Year Median	5.03	1.38	4.29	3.6

As of 01/02/2020

Industry Analysis Zacks Industry Rank: Bottom 12% (222 out of 253)



Top Peers

Choice Hotels International, Inc. (CHH)	Neutral
Cedar Fair, L.P. (FUN)	Neutral
Las Vegas Sands Corp. (LVS)	Neutral
MGM Resorts International (MGM)	Neutral
Six Flags Entertainment Corporation New (SIX)	Neutral
The Madison Square Garden Company (MSG)	Underperform
Extended Stay America, Inc. (STAY)	Underperform
Wynn Resorts, Limited (WYNN)	Underperform

Industry Comparison Industry: Leisure And Recreation Services				Industry Peers		
	MTN Neutral	X Industry	S&P 500	LVS Neutral	MGM Neutral	WYNN Underperform
VGM Score	B	-	-	C	B	F
Market Cap	9.80 B	1.02 B	23.76 B	54.38 B	17.55 B	15.42 B
# of Analysts	8	4	13	3	2	5
Dividend Yield	2.89%	0.00%	1.78%	4.35%	1.54%	2.79%
Value Score	D	-	-	C	C	F
Cash/Price	0.02	0.10	0.04	0.07	0.07	0.11
EV/EBITDA	17.07	10.08	13.97	12.62	12.12	18.28
PEG Ratio	2.04	1.62	2.02	8.84	3.46	2.68
Price/Book (P/B)	6.45	2.02	3.38	8.35	1.67	9.28
Price/Cash Flow (P/CF)	18.58	9.03	13.70	14.65	9.95	12.13
P/E (F1)	30.66	17.76	18.83	21.22	23.23	26.80
Price/Sales (P/S)	4.23	1.33	2.68	3.97	1.37	2.32
Earnings Yield	3.26%	5.38%	5.30%	4.72%	4.31%	3.73%
Debt/Equity	1.47	0.77	0.72	1.82	1.47	5.75
Cash Flow (\$/share)	13.11	1.90	6.94	4.83	3.38	11.84
Growth Score	B	-	-	C	B	F
Hist. EPS Growth (3-5 yrs)	26.75%	15.63%	10.56%	3.56%	16.44%	6.08%
Proj. EPS Growth (F1/F0)	5.15%	14.33%	7.41%	5.94%	391.08%	28.25%
Curr. Cash Flow Growth	13.43%	10.60%	14.83%	3.58%	8.87%	13.11%
Hist. Cash Flow Growth (3-5 yrs)	25.66%	11.29%	9.00%	1.60%	12.21%	1.94%
Current Ratio	0.44	0.93	1.23	1.60	0.87	1.09
Debt/Capital	59.49%	56.37%	42.92%	64.58%	59.67%	85.18%
Net Margin	13.04%	5.93%	11.08%	13.86%	0.11%	10.12%
Return on Equity	18.69%	7.28%	17.10%	37.04%	4.10%	25.33%
Sales/Assets	0.51	0.53	0.55	0.61	0.41	0.50
Proj. Sales Growth (F1/F0)	13.64%	4.37%	4.20%	1.26%	2.58%	7.85%
Momentum Score	A	-	-	B	C	C
Daily Price Chg	1.52%	0.00%	0.33%	2.55%	1.17%	3.41%
1 Week Price Chg	-1.79%	0.00%	0.13%	1.77%	0.87%	1.27%
4 Week Price Chg	3.17%	2.51%	3.31%	11.90%	5.42%	21.42%
12 Week Price Chg	7.83%	6.33%	9.70%	29.22%	22.71%	35.40%
52 Week Price Chg	15.95%	-3.18%	30.28%	35.58%	36.28%	38.89%
20 Day Average Volume	298,308	126,086	1,603,615	3,120,243	3,226,480	2,128,904
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	2.87%	0.00%	0.00%	-0.43%	-5.04%	-5.04%
(F1) EPS Est 12 week change	2.87%	-5.64%	-0.57%	1.08%	-4.51%	-18.25%
(Q1) EPS Est Mthly Chg	-3.03%	0.00%	0.00%	0.00%	-17.59%	-15.48%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	A
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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