

## Vail Resorts Announces Strong Fiscal 2007 Year-End Results

2007-09-27

---

Net income of \$61.4 million for fiscal 2007, 34.2% higher than last fiscal year.

- **Net income of \$61.4 million for fiscal 2007, 34.2% higher than last fiscal year.**
- **Resort Reported EBITDA of \$225.9 million for fiscal 2007, 16.3% higher than last fiscal year.**
- **Resort Revenue of \$827.8 million for fiscal 2007, 6.6% higher than last fiscal year.**

Vail Resorts, Inc. (NYSE:MTN) announced today financial results for the fiscal year ended July 31, 2007, including financial results for the fiscal fourth quarter.

### FISCAL YEAR 2007 PERFORMANCE

#### Mountain Segment

Mountain revenue grew \$44.9 million, or 7.2%, for the twelve months ended July 31, 2007, to \$665.4 million from \$620.4 million for the 2006 fiscal year. Mountain expense increased \$19.6 million, or 4.4%, to \$462.7 million. Mountain Reported EBITDA in the 2007 fiscal year grew \$26.5 million, or 14.6%, to \$207.7 million compared to \$181.2 million for the 2006 fiscal year.

#### Lodging Segment

Lodging revenue increased \$6.6 million, or 4.3%, for the twelve months ended July 31, 2007, to \$162.5 million from \$155.8 million for the 2006 fiscal year. Lodging expense increased \$1.6 million, or 1.1%, to \$144.3 million. For fiscal year 2006, the Lodging segment included revenue of \$5.2 million and operating expenses of \$4.5 million related to Snake River Lodge & Spa ("SRL&S"), which was sold in January 2006. Additionally, revenue for the twelve months ended July 31, 2007, included \$5.4 million of fees primarily associated with the termination of the management agreements at The Equinox as a result of the sale of the hotel by the hotel owner and at The Lodge at Rancho Mirage in conjunction with the closing of the hotel as part of a redevelopment plan by the current hotel owner (both pursuant to the terms of the management agreements). Lodging Reported EBITDA in the 2007 fiscal year grew \$5.1 million, or 38.8%, to \$18.2 million compared to \$13.1 million for the 2006 fiscal year.

#### Resort - Combination of Mountain and Lodging Segments

Resort revenue, the combination of Mountain and Lodging revenue, increased \$51.6 million, or 6.6%, for the twelve months ended July 31, 2007, to \$827.8 million from \$776.2 million for the 2006 fiscal year. Resort expense increased \$21.2 million, or 3.6%, to \$607.0 million. Resort Reported EBITDA in the 2007 fiscal year increased \$31.6 million to \$225.9 million, a 16.3% increase over the 2006 fiscal year. Resort Reported EBITDA excluding stock-based compensation increased \$31.5 million, or 15.8%, to \$230.8 million.

#### Real Estate Segment

Real Estate revenue increased \$50.1 million, or 80.0%, for the twelve months ended July 31, 2007, to \$112.7 million from \$62.6 million for the 2006 fiscal year. Real Estate expense increased 103.2% to \$115.2 million. Real Estate Reported EBITDA in the 2007 fiscal year decreased \$9.2 million, or 136.9%, to a loss of \$2.5 million compared to a profit of \$6.7 million in the 2006 fiscal year.

#### Total Performance - Fiscal Year

Total revenue increased \$101.7 million, or 12.1%, for the twelve months ended July 31, 2007, to \$940.5 million from \$838.9 million for the 2006 fiscal year. Income from operations for the year increased \$22.9 million, or 21.7%, to \$128.2 million. The Company recorded total pre-tax stock-based compensation expense of \$7.0 million in the twelve months ended July 31, 2007, compared to \$6.5 million for the twelve months ended July 31, 2006.

The Company reported net income of \$61.4 million, or \$1.56 per diluted share, for the 2007 fiscal year compared to net income of \$45.8 million, or \$1.19 per diluted share, for the 2006 fiscal year. Excluding stock-based compensation expense, the Company's net income for the 2007 fiscal year would have been \$65.8 million, or \$1.67 per diluted share, compared to net income of \$49.8 million excluding stock-based compensation, or \$1.29 per diluted share, for the 2006 fiscal year.

### FOURTH QUARTER PERFORMANCE

#### Mountain Segment

Mountain revenue decreased \$0.7 million, or 1.8%, in the fourth quarter of fiscal 2007 to \$38.5 million from \$39.2 million for the comparable quarter last fiscal year. Mountain expense decreased \$0.4 million, or 0.5%, to \$70.4 million. Mountain Reported EBITDA was flat at a loss of \$30.8 million compared to the comparable quarter last fiscal year.

## Lodging Segment

Lodging revenue increased \$3.1 million, or 7.3%, in the fourth quarter of fiscal 2007 to \$45.6 million from \$42.5 million for the comparable quarter last fiscal year. Lodging expense increased \$4.4 million, or 10.5%, to \$46.0 million. Lodging Reported EBITDA decreased \$1.3 million, or 149.3%, to a loss of \$0.4 million compared to a profit of \$0.8 million for the comparable quarter last fiscal year.

## Resort - Combination of Mountain and Lodging Segments

Resort revenue, the combination of Mountain and Lodging revenue, increased \$2.4 million, or 3.0%, in the fourth quarter of fiscal 2007 to \$84.1 million from \$81.6 million for the comparable quarter last fiscal year. Resort expense increased \$4.0 million, or 3.6%, to \$116.4 million. Fourth fiscal quarter Resort Reported EBITDA decreased \$1.3 million to a loss of \$31.2 million, a 4.3% decrease over the comparable quarter last fiscal year. Resort Reported EBITDA excluding stock-based compensation decreased \$1.7 million, or 5.9%, to \$30.2 million.

## Real Estate Segment

Real Estate revenue decreased \$29.9 million, or 70.7%, in the fourth quarter of fiscal 2007 to \$12.4 million from \$42.4 million for the comparable quarter last fiscal year. Real Estate expense decreased 59.2% to \$13.4 million. Real Estate Reported EBITDA for the fourth quarter of fiscal 2007, decreased \$11.2 million, or 109.6%, to a loss of \$1.0 million compared to a profit of \$10.2 million in the comparable quarter last fiscal year.

## Total Performance - Fourth Quarter

Total revenue decreased \$27.5 million, or 22.2%, in the fourth quarter of fiscal 2007 to \$96.5 million from \$124.0 million for the comparable quarter last fiscal year. Loss from operations for the quarter increased \$9.8 million, or 21.8%, to \$54.9 million. The Company recorded total pre-tax stock-based compensation expense of \$1.5 million in the three months ended July 31, 2007, compared to \$1.8 million for the three months ended July 31, 2006.

The Company reported fourth quarter fiscal 2007 net loss of \$34.3 million, or \$0.88 per diluted share, compared to net loss of \$31.3 million, or \$0.80 per diluted share, for the same quarter last fiscal year. Excluding stock-based compensation expense, the Company's net loss for the fourth quarter of fiscal 2007 would have been \$33.4 million, or \$0.85 per diluted share, compared to net loss of \$30.1 million excluding stock-based compensation, or \$0.78 per diluted share, for the same quarter last fiscal year.

## Business Commentary and Outlook

Robert Katz, Chief Executive Officer, commented, "I am very pleased with our fiscal 2007 results. Our seasonally low fourth quarter results were clearly in-line with our expectations and most importantly our full fiscal year 2007 results produced a 34.2% improvement in net income. This was primarily achieved due to extremely strong Resort results with Resort Reported EBITDA up 16.3% for the year. The favorable Resort results were driven by a 7.0% increase in destination visitation at our Colorado mountain resorts, a 10.3% increase in effective ticket price ("ETP") for all of our resorts, a 17.7% increase in season pass revenue, corresponding strong revenue increases in our ancillary businesses including ski school, dining and retail/rental and an 8.5% and 9.5% increase in average daily rates and revenue per available room, respectively, at our lodging properties on a same store basis and despite some challenging weather conditions, especially at our Heavenly resort. Specifically in our Mountain segment, these metrics helped produce a 7.2% increase in revenue and very strong flow through leading to a 14.6% increase in EBITDA compared to the prior fiscal year. For the 2006/2007 ski season, Breckenridge, Vail and Keystone were the three most visited ski resorts in the United States, and Heavenly and Beaver Creek also were in the top ten. All five resorts also again finished in the top 20 Ski Magazine rankings. Our Company's mission is Extraordinary Resorts - Exceptional Experiences. The quality rankings are a testament to our passionate employee base creating the top-notch service levels our guests enjoy, together with the iconic nature of our resorts themselves. The resorts are further enhanced by our continuous capital investments, including our significant base area improvements driven by our real estate development. The continuous growth in ETP is certainly a strong indication that our guests see value in everything we put into the experience and the investments we make at our resorts. The guest experience is also greatly enhanced by our Lodging segment. The Lodging results for fiscal 2007, with Reported EBITDA up 38.8% were a reflection of the strong performance from our owned or managed hotels and condominiums at the base of our Colorado resorts, which leveraged the positive destination visitation trends in our Mountain segment. Our Lodging results also included revenue associated with termination fees, reflective of the transition of replacing a few previously managed lodging properties outside of our mountain resorts with several recently announced new RockResorts luxury resorts in truly iconic locations."

Katz added, "While fiscal 2007 was certainly a success for Vail Resorts, we are currently busy looking to make fiscal 2008 and beyond even more successful. With our marketing activities in full force, we are well underway on our sales of season passes, which in fiscal 2007 comprised approximately 25% of our total lift revenue. Our season pass sales to date for the 2007/2008 season have increased 4% in units and 16% in sales dollars, over the same period last year. We believe that the increase in season pass sales at this point in our selling process is in large part due to a higher number of earlier renewals, combined with an 11% increase in effective pass price to date. In addition, bookings through our central reservations systems for our five mountain resorts are up 3% in room nights and 13% in sales dollars over the same time last year. Both of these metrics are early performance indicators as we continue to build momentum for the approaching winter season."

Commenting on what is new for the upcoming 2007/2008 ski season, Katz said, "We have also been focused this summer on making significant capital investments in our Resorts. This season, we open Beaver Creek's Buckaroo Express Gondola, the new children's gondola, that will further enhance what is arguably the premier children's ski and snowboard school in North America, unveil Vail's two new high-speed quad chairlifts replacing chairs 10 and 14, which will allow more convenient and faster access to its Back Bowls, Blue Sky Basin and Two Elk Restaurant, and open Heavenly's new high-speed Olympic

Express chairlift, which will provide access to hundreds of acres of tree and glades skiing in the North Bowl area and their new Heavenly Sky Flyer, which will take people on a 50-mile-an-hour zip line ride right into a spectacular view of Lake Tahoe. With these and many other capital investment projects, we lead the way in offering our guests a truly unique experience."

Turning to real estate, Katz said, "Our real estate development projects provide us with an opportunity to reshape the landscape at the base of our mountain resorts and drive our guest experience. Fiscal 2008 will mark an exciting time for our Company as we begin to transition from construction of our vertical real estate development projects to closing on these projects. Not only do these developments expand the destination bed base for our mountain resorts, they often include a number of amenities, which also benefit our resorts. We have 100% of the units at both The Arrabelle and The Lodge at Vail Chalets projects under contract, and in fiscal 2008, we expect that we will close on all of The Arrabelle units and a portion of The Lodge at Vail Chalets, with the remainder of The Chalets closing in early fiscal 2009. January 2008 will mark the grand opening of The Arrabelle's hotel and commercial components. In addition to world class skiing and snowboarding accessed via the gondola just steps away, lodging guests at The Arrabelle will experience the highest level of amenities and services. The marketing of The Ritz-Carlton Residences, Vail continues with 71 whole ownership two- to six-bedroom condominium units and 45 fractional ownership units. We currently have a total of 46 whole ownership units and all 45 fractional units under contract, representing 66% of total expected revenue. At our Crystal Peak Lodge development on Peak 7 in Breckenridge, we have 45 of the 46 units under contract and construction is underway. This winter, we plan to begin marketing the first building of One Ski Hill Place at Breckenridge Peak 8, the first in a phased five to six building multi-use development, with the first building including 90 ski-in/ski-out residences ranging from studio to four-bedroom with approximately 102,000 saleable residential square feet."

As an update on the Vail Mountain Club, Katz added, "The marketing of the Vail Mountain Club, an exclusive private club steps from the Vista Bahn Express lift, is on-going with activity expected to intensify in the winter months. To date, we have sold 110 full memberships, which include parking privileges, and an additional 123 social memberships, which exclude parking representing total sales commitments of \$39.9 million of total proceeds when paid in full."

On the Company's lodging business, Katz commented, "We are excited with the recent announced expansions of our RockResorts luxury hotel portfolio including the addition of The Landings St. Lucia, located on Rodney Bay, St. Lucia, in the West Indies. RockResorts will manage the resort operations including 231 luxury suites ranging from 900 to 2,300 square feet, spa facilities and restaurants as well as the resort's private yacht harbor and beach club. The Landings St. Lucia will open in four phases, with phase one scheduled to open in December 2007. We continue to seek select opportunities to manage properties of distinction outside of our mountain resorts not only in the United States, but also into the Caribbean and other warm weather destinations, as we further diversify the incredible landscapes and experiences available within our collection of world-class resorts."

Katz said, "We would like to take this opportunity to announce our guidance for fiscal 2008. We expect to continue to drive year-over-year performance and are very optimistic for the upcoming season as we conclude another record fiscal year. Based on our current estimates, we expect full year Resort Reported EBITDA, the combination of our Mountain and Lodging segments, to range from \$239 million to \$249 million and Resort Reported EBITDA excluding stock-based compensation expense to range from \$245 million to \$255 million. The Resort guidance includes a range for Mountain Reported EBITDA of \$228 million to \$238 million and Mountain Reported EBITDA excluding stock-based compensation expense of \$233 million to \$243 million, while we expect Lodging Reported EBITDA to range from \$8 million to \$14 million and Lodging Reported EBITDA excluding stock-based compensation expense expected to range from \$9 million to \$15 million. Real Estate Reported EBITDA is expected to range from \$54 million to \$60 million and Real Estate Reported EBITDA excluding stock-based compensation expense is expected to range from \$57 million to \$63 million. Based on our current estimates, we expect net income to range from \$112 million to \$122 million and net income excluding stock-based compensation expense to range from \$117 million to \$127 million. This includes an assumption that we will receive payment of the arbitration award in fiscal 2008 relating to the termination of RockResorts' Cheeca Lodge & Spa management agreement. Katz concluded, "In August 2007, we continued our previously announced share repurchase program, resulting in the repurchase of 232,504 shares at an average price of \$50.31 for a total amount of \$11.7 million. Since inception of this program in fiscal 2006, the Company has repurchased 906,004 shares at an average price of \$41.44 for a total amount of approximately \$37.5 million, with 2,093,996 shares remaining available under the existing repurchase authorization. Our purchases under this program are reviewed with our Board quarterly and are based on a number of factors as we evaluate

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article29424.html>

© 1998 - 2007 Nevistas and the author.

Brought to you by Hotel News Resource

*Distribute your news on our Network*

See what all the buzz is about at:

[http://www.hotelnewsresource.com/Info-news\\_account\\_info.html](http://www.hotelnewsresource.com/Info-news_account_info.html)