

Vail Resorts Announces Fiscal 2008 Third Quarter Results

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-- Record third quarter Mountain Reported EBITDA of \$168.6 million, a 7.1% increase over the prior year's record third quarter.

-- Record third quarter Resort Reported EBITDA of \$176.7 million, a 4.0% increase over the prior year's record third quarter.

-- Record third quarter net income of \$87.3 million, an 11.3% increase over the prior year's record third quarter.

Vail Resorts, Inc. (NYSE:MTN) announced today financial results for the third quarter of fiscal 2008 ended April 30, 2008.

The Company uses the terms "Reported EBITDA," "Reported EBITDA excluding stock-based compensation," "net income excluding stock-based compensation" and "Net Debt" when reporting financial results in accordance with Securities and Exchange Commission rules regarding the use of non-GAAP financial measures. The Company defines Reported EBITDA as segment net revenue less segment operating expense plus segment equity investment income or loss and for the Real Estate segment plus gain on sale of real property. The Company defines Net Debt as long-term debt plus long-term debt due within one year less cash and cash equivalents.

THIRD QUARTER PERFORMANCE

Mountain Segment

Mountain revenue increased \$17.0 million, or 5.5%, in the third quarter of fiscal 2008 to \$325.7 million from \$308.7 million for the same quarter last fiscal year. Mountain operating expense increased \$4.8 million, or 3.1%, to \$157.8 million. Mountain equity investment income, net decreased \$1.0 million. Mountain Reported EBITDA increased \$11.2 million, or 7.1%, to \$168.6 million compared to \$157.4 million for the same quarter last fiscal year.

Lodging Segment

Lodging revenue of \$43.6 million was flat in the third quarter of fiscal 2008. The prior year period included \$2.6 million of revenue associated with the termination of the management agreement at The Equinox (pursuant to the terms of the management agreement) as a result of the sale of the hotel by the hotel owner. Excluding the termination fee, Lodging revenue would have increased \$2.6 million, or 6.3%. Lodging operating expense increased \$4.4 million, or 14.1%, to \$35.5 million. Lodging Reported EBITDA decreased \$4.4 million, or 35.5%, to \$8.1 million compared to \$12.5 million for the same quarter last fiscal year.

Resort - Combination of Mountain and Lodging Segments

Resort revenue, the combination of Mountain and Lodging revenue, increased \$17.0 million, or 4.8%, in the third quarter of fiscal 2008 to \$369.3 million from \$352.4 million for the same quarter last fiscal year. Resort operating expense increased \$9.2 million, or 5.0%, to \$193.3 million. Resort equity investment income, net decreased \$1.0 million. Resort Reported EBITDA increased \$6.8 million, or 4.0%, to \$176.7 million compared to \$169.9 million for the same quarter last fiscal year. Resort Reported EBITDA excluding stock-based compensation increased \$6.8 million, or 4.0%, to \$178.0 million.

Real Estate Segment

Real Estate revenue increased \$37.3 million, or 217.9%, in the third quarter of fiscal 2008 to \$54.5 million from \$17.1 million for the same quarter last fiscal year. Real Estate operating expense increased \$28.3 million, or 112.0%, to \$53.6 million. Real Estate Reported EBITDA increased \$9.0 million, or 111.2%, to \$0.9 million compared to a loss of \$8.1 million for the same quarter last fiscal year.

Total Performance

Total revenue increased \$54.3 million, or 14.7%, in the third quarter of fiscal 2008 to \$423.8 million from \$369.5 million for the same quarter last fiscal year. Income from operations for the quarter increased \$15.3 million, or 11.2%, to \$151.5 million.

The Company reported third quarter fiscal 2008 net income of \$87.3 million, or \$2.24 per diluted share, compared to net income of \$78.5 million, or \$1.99 per diluted share, for the same quarter last fiscal year. Excluding stock-based compensation expense, the Company's net income for the third quarter of fiscal 2008 would have been \$88.7 million, or \$2.28 per diluted share, compared to net income of \$79.6 million excluding stock-based compensation, or \$2.02 per diluted share, for the same quarter last fiscal year. The Company recorded total pre-tax stock-based compensation expense of \$2.1 million and \$1.7 million in the three months ended April 30, 2008 and April 30, 2007, respectively.

NINE MONTH PERFORMANCE

Mountain Segment

Mountain revenue increased \$21.1 million, or 3.4%, for the nine months ended April 30, 2008, to \$648.0 million from \$626.9 million for the comparable period last fiscal year. Mountain operating expense increased \$9.6 million, or 2.4%, to \$401.9 million. In the current fiscal year nine month period, Mountain operating expense included approximately \$2.0 million in legal fees for litigation related to the Company's attempted acquisition of The Canyons ski resort ("The Canyons"). Mountain equity investment income, net decreased \$0.4 million. Mountain Reported EBITDA increased \$11.1 million, or 4.7%, to \$249.6 million compared to \$238.5 million for the comparable period last fiscal year.

Lodging Segment

Lodging revenue increased \$4.9 million, or 4.2%, for the nine months ended April 30, 2008, to \$121.7 million from \$116.8 million for the comparable period last fiscal year. The prior year period included the \$2.6 million of revenue associated with the termination of the management agreement at The Equinox (pursuant to the terms of the management agreement) and \$2.4 million of revenue associated with the termination of the management agreement at The Lodge at Rancho Mirage (pursuant to the terms of the management agreement), in conjunction with the closing of the hotel as part of a redevelopment plan by the current hotel owner. Excluding the termination fees, Lodging revenue would have increased \$9.9 million, or 8.9%. Lodging operating expense increased \$15.3 million, or 15.6%, to \$113.5 million. Lodging operating expense included approximately \$3.1 million of start-up and pre-opening expenses related to The Arrabelle at Vail Square hotel. Lodging Reported EBITDA decreased \$10.4 million, or 55.9%, to \$8.2 million compared to \$18.6 million for the comparable period last fiscal year.

Resort - Combination of Mountain and Lodging Segments

Resort revenue, the combination of Mountain and Lodging revenue, increased \$26.0 million, or 3.5%, for the nine months ended April 30, 2008, to \$769.7 million from \$743.8 million for the comparable period last fiscal year. Excluding the impact of the prior year Equinox and The Lodge at Rancho Mirage termination fees, Resort revenue would have increased \$31.0 million, or 4.2%. Resort operating expense increased \$24.9 million, or 5.1%, to \$515.5 million for the nine months ended April 30, 2008. Excluding the \$2.0 million of expense associated with The Canyons litigation and \$3.1 million of start-up and pre-opening expenses related to The Arrabelle at Vail Square hotel, Resort expenses would have increased \$19.8 million, or 4.0%. Resort equity investment income, net decreased \$0.4 million. Resort Reported EBITDA increased \$0.7 million, or 0.3%, to \$257.8 million compared to \$257.2 million for the comparable period last fiscal year. Resort Reported EBITDA excluding stock-based compensation increased \$0.6 million, or 0.2%, to \$261.6 million.

Real Estate Segment

Real Estate revenue increased \$11.7 million, or 11.7%, for the nine months ended April 30, 2008, to \$112.0 million from \$100.3 million for the comparable period last fiscal year. Real Estate operating expense increased \$3.1 million, or 3.1%, to \$104.9 million. Gain on sale of real property increased \$0.7 million. Real Estate Reported EBITDA increased \$9.3 million, or 620.8%, to \$7.8 million compared to a loss of \$1.5 million for the comparable period last fiscal year.

Total Performance

Total revenue increased \$37.7 million, or 4.5%, for the nine months ended April 30, 2008, to \$881.7 million from \$844.0 million for the comparable period last fiscal year. Income from operations for the nine months increased \$8.8 million, or 4.8%, to \$191.8 million.

The Company reported net income of \$114.0 million, or \$2.91 per diluted share, for the first nine months of fiscal 2008, compared to net income of \$95.7 million, or \$2.44 per diluted share, for the comparable period last fiscal year. Included in the first nine months fiscal 2008 results is the receipt of the final cash settlement from Cheeca Holdings, LLC of which \$11.9 million (net of final attorney's fees and on a pre-tax basis) was included in contract dispute credit (charges), net. Excluding stock-based compensation expense, the Company's net income for the nine months ended April 30, 2008, would have been \$117.8 million, or \$3.01 per diluted share, compared to net income of \$99.1 million excluding stock-based compensation, or \$2.52 per diluted share, for the comparable period last fiscal year. The Company recorded total pre-tax stock-based compensation expense of \$6.0 million and \$5.5 million in the nine months ended April 30, 2008 and April 30, 2007, respectively.

Business Commentary and Outlook

Robert Katz, chief executive officer, commented, "I am quite pleased with our results for the fiscal 2008 third quarter and for the nine months ended April 30, 2008, which includes virtually all of the 2007/2008 ski season. Despite the worsened U.S. economy and its impact on the travel sector, as well as the very slow start to the ski season due to difficult weather conditions, our results for the third quarter and first nine months of fiscal year 2008 set new all-time records in Resort revenue, Mountain and Resort Reported EBITDA and net income. Importantly, all of this growth was achieved on an organic basis at our existing resorts. Mountain segment revenue in the third quarter increased 5.5% over the prior year's third quarter with approximately 66% of our incremental revenue growth flowing through to Mountain Reported EBITDA, resulting in Mountain Reported EBITDA margins increasing from 51.0% to 51.8%. For the 2007/2008 season compared to the 2006/2007 season, total skier visits were slightly down by 0.5%. However, excluding the Early Season (defined as the period from the start of the season through December 23, 2007), total skier visits were up 4.1%. Lift revenue for the season (excluding season pass revenue) was up 4.3%, reflecting effective ticket price growth of 7.7% (excluding season pass) and solid visitation during peak periods offsetting softer visitation during the Early Season and other non-peak periods. Season pass revenue was also up 7.6% for the season and season pass holders skied an extra one half day per pass on average. During

the quarter, our ski school, dining and retail/rental ancillary Mountain segment businesses grew, outpacing our total skier visit growth, with guests continuing to spend more on these areas per visit. A key driver in our growth for the year was an estimated 26% increase in international guest visitation compared to the prior year, which included an estimated 28% increase over the prior year third quarter. This growth in international visitation mitigated softness in U.S. destination visitation due to U.S. economic weakness."

Katz continued, "As we look ahead to the 2008/2009 ski season, we are very excited with the launch of the Epic Season Pass. It offers unlimited and unrestricted skiing at all five of our resorts for the entire season at an initial price of \$579. The pass must be purchased on or before November 15, 2008. With this new product, we expect to build on the success of our Colorado, Heavenly and other season pass products, which currently represent approximately 26% of our total lift ticket revenue, the vast majority of which are purchased prior to start of the ski season, providing greater stability to our results. With the Epic Season Pass, we are hoping to increase that percentage and provide our guests from around the world a true "full season" experience at our resorts. Additionally, we have just concluded our Colorado spring pass sales efforts, which historically have represented approximately 26% of our total Colorado season passes sold in sales dollars, prior to the Epic Season Pass introduction. This year's Colorado spring pass sales, excluding Epic Season Passes sold to new pass holders, were up 2% in sales dollars over the prior year. It is important to note that the comparable Colorado spring pass sales in the prior year were up 59% in sales dollars over spring pass sales for the 2006/2007 ski season, though ultimately flattened out in the fall, so at this point we are satisfied with these results."

Katz added, "Despite the fact that our mountain related lodging properties experienced similar trends that we indicated above, our Lodging segment, on a "same store" basis for the quarter, benefited from a 6.9% average daily rate increase due to strong demand during the peak periods, which also helped drive a 6.3% increase in total Lodging revenue, excluding the impact of the revenue associated with the prior year's termination fee of \$2.6 million. In addition, our Real Estate segment benefited from the closings of 17 additional Arrabelle units in the third quarter driving a \$9.0 million increase in Real Estate Reported EBITDA."

Commenting on the Company's Breckenridge and Vail real estate development projects, Katz said, "As we lead the way in transforming the Breckenridge real estate landscape, we are very excited with our ski-in/ski-out projects currently under development, including Crystal Peak Lodge at the base of Peak 7 with all 46 units under contract and closings on these units expected to occur in the winter of 2008. In addition, our latest project, the RockResorts branded One Ski Hill Place, which we brought to market in December 2007, will create a unique luxury experience at the base of Peak 8. To date, we have released 70 units of the total 88 units with an average price per square foot of \$1,246 (29% in excess of Crystal Peak released just a year ago). Currently, we have 49 units under contract, representing gross sales proceeds of \$69.6 million and have commenced construction on this exciting project. We currently expect that income, before provision for income taxes and before allocated corporate or Vail Resorts Development Company overhead, for One Ski Hill Place will range from \$15 million to \$25 million. Turning to our Vail development projects, one additional Ritz-Carlton Residences, Vail unit was placed under contract in the quarter with currently 47 of the 71 available two- to six- bedroom whole ownership condominium units and all 45 fractional condominium units under contract, representing 67% of total expected revenue. With respect to The Arrabelle at Vail Square project, to date we have closed on 29 of the 67 units, and anticipate closing on 35 of the remaining 38 units in the fiscal fourth quarter. We are shifting the expected closing of three of the remaining Arrabelle units into fiscal 2009 based on the timing of completing construction on those units including one unit, which is no longer under contract but has been relisted for approximately 36% over its previous contract price. Finally, we still anticipate closing on six of the thirteen Lodge at Vail Chalets in the fiscal fourth quarter with the remaining seven Chalets closing in the first half of fiscal 2009."

As an update on the Vail Mountain Club, Katz commented, "We are incredibly excited with the sales at the Vail Mountain Club, as we have nearly sold all of the currently available social and full memberships. To date, we have sold 383, or 96% of the available memberships, including 184 full memberships, which include parking privileges, and an additional 199 social memberships, which exclude parking privileges, representing total sales commitments of \$69.0 million of total proceeds when paid in full. This includes the sale of 23 full memberships and 28 social memberships since our March 10, 2008, earnings release. The sales of these memberships, in the midst of this economy and before the club has opened, which will occur next ski season, certainly signal the extraordinary experience that membership in the Vail Mountain Club will offer and provides another exclusive commitment to Vail from many of our guests."

On the Company's lodging development, Katz said, "We are excited with the development occurring at our RockResorts lodging brand with the announcement this quarter of two new properties to the brand, including another new warm weather destination with the management of the Third Turtle Club & Spa in the Turks & Caicos Islands. This property is expected to open in 2011 and will feature approximately 280 total ocean and marina front one-, two-, three- and four-bedroom units. In addition to managing the project's luxury residences and suites, spa facilities and restaurants, RockResorts will also manage the resort's commercial activities, private yacht harbor and beach club. We also announced The Osprey at Beaver Creek will join the RockResorts brand as an owned hotel, formerly known as the Inn at Beaver Creek. The Osprey is undergoing a \$7 million transformation this summer and scheduled to be relaunched as RockResorts' newest addition in time for the 2008-2009 ski season. The 41-room hotel is situated in the heart of the village of the world-class Beaver Creek Resort, set against a spectacular mountain backdrop and is the closest hotel to a chairlift in North America. The addition of these properties reflects the tremendous opportunity of the RockResorts brand as we continue to add to our collection of unique upscale resort hotels."

Katz added, "While challenges exist with the U.S. economic climate and outlook, we feel that our business model remains resilient, supported by the results of our third quarter, the strongest quarter of our fiscal year. Furthermore, we continue to maintain a very strong balance sheet position with \$304 million of cash and cash equivalents and a net debt position of less than one and a half times trailing twelve months Total Reported EBITDA, which provides us additional flexibility to take advantage of future opportunities. Given our performance to date and with the conclusion of our winter season including a softer April for the Resort business than had been expected, I wanted to take this opportunity to reaffirm our previously

announced guidance that we issued in March 2008, although we now estimate falling at the lower end of our Resort and Real Estate guidance ranges and at or slightly below our net income range. We currently expect full year Resort Reported EBITDA, the combination of our Mountain and Lodging segments, to fall at the lower end of the \$230 million to \$240 million range and Resort Reported EBITDA excluding stock-based compensation expense to fall at the lower end of the \$235 million to \$245 million range. The Resort guidance includes a range for Mountain Reported EBITDA of \$218 million to \$228 million and Mountain Reported EBITDA excluding stock-based compensation expense of \$222 million to \$232 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. With respect to Real Estate, given the shifting of three of The Arrabelle units into fiscal 2009, we expect our Real Estate Reported EBITDA to be at the lower end of the previously announced \$54 million to \$60 million range and Real Estate Reported EBITDA excluding stock-based compensation expense expected to be at the lower end of the \$57 million to \$63 million range. Based on our current estimates, we expect net income to be at or slightly below the lower end of the \$112 million to \$122 million range and net income excluding stock-based compensation expense to be at or slightly below the lower end of the \$117 million to \$127 million range."

Katz concluded, "In addition, during the third quarter, we continued our previously announced share repurchase program, resulting in the repurchase of 321,150 shares at an average price of \$46.70 for a total amount of \$15.0 million. Since inception of this program in fiscal 2006, the Company has repurchased 1,506,233 shares at an average price of \$44.29 for a total amount of approximately \$66.7 million, with 1,493,767 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 the appropriate uses of our excess cash, including but not limited to the share repurchase program."

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