

Vail Resorts, Inc

FQ2 Review: Lowers guide as visits remain soft + Analyst Day Preview

Reiterate Rating: NEUTRAL | PO: 250.00 USD | Price: 224.63 USD

Winter woes: 2Q miss and lowers full-year guidance

Vail Resorts (ticker: MTN) reported FQ2 Revenue/EBITDA of \$1.00B/\$423M vs. BofA \$1.13B/\$418M and the Street \$1.150B/\$441M. Vail lowered full year EBITDA guidance to \$849-\$885M (-6.7%) vs. prior guidance of “the lower half” of \$912-\$968M, driven by poor weather and a shift in visitation patterns. [Soft visitation was key to our downgrade \(see our report\)](#), and comes despite [improving snowfall \(see report\)](#).

Bottom line: Shares fell in the after-market, as MTN's guidance reduction was larger than expected given the 1) the soft visitation 2) weak window tickets/negative mix and 3) high operating leverage offset partially by expense control. From here, MTN expects improvement in March/April given spring break timing, pass pre-commitments and improving lodging bookings, but we are concerned there could still be risk to numbers if visitation or behavior doesn't normalize. We lower our 2024 estimates and maintain our below-Street 2025E EBITDA and our \$250 PO. We reiterate our Neutral rating given Vail's pricing power and advanced commitment strategy offset by slowing algorithmic growth.

Visitation challenges from weather; lift ticket mix shift

Season-to-date visitation is down -9.7% through 3/3, in line with our Placer data. [As previewed \(see report\)](#), improving snowfall didn't drive enough visitation as weakness persisted in Whistler and Tahoe while Colorado and Utah didn't rebound as much as management anticipated. Management is not ready to call out any structural behavioral changes and still believes there is enough season to left to see some improvement, especially given unused pass pre-commitments. Through 3/3, lift ticket revenues are +2.6% vs. pass dollars up +11% to start the season. Based on ETP and non-pass ETP in FQ2, we estimate that non-pass visits in Q2 were down -22%, resulting in a ~\$30M hit of high margin revenue and this weakness likely continued into FQ3.

Analyst Day Preview

Next week, Vail will host its annual Analyst Day in Beaver Creek, CO. We think Vail's key strategic priorities will be largely [unchanged from last year \(see report\)](#), with focus on 1) ancillary, 2) International including Europe & Japan, and 3) operational efficiency. We think the prioritization of these initiatives could be important especially with increased effort on cost savings, with some encouraging signs this quarter. Other areas that could be addressed: 1) early learnings from My Epic Gear pilot, 2) upcoming capital improvements, 3) future of lodging & retail businesses, 4) opportunities to add to or streamline existing resort portfolio.

Estimates (Jul) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	8.48	6.74	7.32	9.47	10.38
EPS Change (YoY)	170.9%	-20.5%	8.6%	29.4%	9.6%
Consensus EPS (Bloomberg)			8.99	10.39	11.47
DPS	6.61	7.94	8.36	8.61	8.87
Valuation (Jul)					
P/E	26.5x	33.3x	30.7x	23.7x	21.6x
Dividend Yield	2.9%	3.5%	3.7%	3.8%	4.0%
EV / EBITDA*	13.3x	13.3x	12.9x	11.7x	11.3x
Free Cash Flow Yield*	6.1%	3.8%	4.4%	5.3%	5.8%

* For full definitions of *IQmethod*SM measures, see page 4.

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Timestamp: 12 March 2024 05:00AM EDT

12 March 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,989.9	2,884.2
2025E Rev (m)	3,121.9	3,038.6
2026E Rev (m)	3,250.6	3,164.1
2024E EPS	8.41	7.32
2025E EPS	9.73	9.47
2026E EPS	10.64	10.38

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Stock Data

Price	224.63 USD
Price Objective	250.00 USD
Date Established	8-Mar-2024
Investment Opinion	B-2-7
52-Week Range	204.88 USD - 258.13 USD
Mkt Val (mn) / Shares Out (mn)	8,529 USD / 38.0
Free Float	98.8%
Average Daily Value (mn)	89.92 USD
BofA Ticker / Exchange	MTN / NYS
Bloomberg / Reuters	MTN US / MTN.N
ROE (2024E)	30.3%
Net Dbt to Eqty (Jul-2023A)	168.2%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

ETP: Effective ticket price

iQprofileSM Vail Resorts, Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.1%	7.6%	8.5%	10.7%	11.7%
Return on Equity	21.7%	20.5%	30.3%	45.4%	55.8%
Operating Margin	23.8%	17.5%	19.6%	21.7%	22.0%
Free Cash Flow	518	325	376	452	491

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.0x	2.4x	2.1x	1.9x	1.8x
Asset Replacement Ratio	0.8x	1.2x	0.8x	0.7x	0.7x
Tax Rate	19.4%	23.7%	27.9%	26.5%	26.5%
Net Debt-to-Equity Ratio	87.0%	168.2%	208.4%	231.2%	249.2%
Interest Cover	4.1x	3.3x	3.5x	4.2x	4.5x

Income Statement Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,526	2,886	2,884	3,039	3,164
% Change	32.3%	14.3%	-0.1%	5.4%	4.1%
Gross Profit	2,526	2,886	2,884	3,039	3,164
% Change	32.3%	14.3%	-0.1%	5.4%	4.1%
EBITDA	833	833	857	941	976
% Change	54.2%	0%	2.9%	9.8%	3.7%
Net Interest & Other Income	(146)	(152)	(155)	(158)	(155)
Net Income (Adjusted)	348	268	278	354	382
% Change	172.0%	-22.9%	3.7%	27.3%	8.0%

Free Cash Flow Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	348	268	266	339	367
Depreciation & Amortization	252	269	275	278	278
Change in Working Capital	94	(18)	(13)	16	16
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	16	121	68	25	25
Capital Expenditure	(193)	(315)	(220)	(205)	(195)
Free Cash Flow	518	325	376	452	491
% Change	26.2%	-37.3%	15.7%	20.4%	8.6%
Share / Issue Repurchase	(75)	(500)	(120)	(140)	(140)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(184)	(79)	(81)	(100)	(100)

Balance Sheet Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,126	573	337	228	153
Trade Receivables	665	635	675	698	723
Other Current Assets	NA	NA	NA	NA	NA
Property, Plant & Equipment	2,118	2,372	2,444	2,371	2,288
Other Non-Current Assets	2,408	2,368	2,317	2,313	2,309
Total Assets	6,318	5,948	5,773	5,611	5,474
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	1,047	1,062	1,128	1,167	1,208
Long-Term Debt	2,734	2,820	2,744	2,649	2,555
Other Non-Current Liabilities	689	731	747	747	747
Total Liabilities	4,471	4,612	4,618	4,563	4,510
Total Equity	1,847	1,336	1,155	1,047	964
Total Equity & Liabilities	6,318	5,948	5,773	5,611	5,474

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Lodging

Company Description

Vail Resorts owns and/or operates several ski resorts, including Vail, Beaver Creek, Breckenridge, Keystone, Heavenly, Northstar-at-Tahoe, Kirkwood, Canyons, Park City, Afton Alps, Mt. Brighton, Wilmot, Perisher, Whistler and Stowe. Vail also owns a number of resorts in the Midwest and Northeast, acquired through its acquisition of Peak Resorts. In addition, Vail Resorts owns the RockResorts lodging brand and the Grand Teton Lodge Company.

Investment Rationale

We are Neutral rated on MTN's shares given Vail's data driven model and ongoing evolution to a more advanced commitment business, offset by slowing growth and negative estimate revisions.

Stock Data

Average Daily Volume 412,540

Quarterly Earnings Estimates

	2023	2024
Q1	-3.40A	-4.60A
Q2	5.16A	5.76A
Q3	8.18A	9.66E
Q4	-3.35A	-3.50E

Price objective basis & risk

Vail Resorts, Inc (MTN)

Our \$250 PO is based on approximately 13x our FY2025E Resort EBITDA estimate, in-line with the mid point of its historical range of 8-17x (2010-19).

We believe this is warranted by 1) limited supply and 2) a strong data driven model

Upside risks to our PO are better-than-anticipated pass sales and stronger visitation. Downside risks to our PO are worse-than-expected skier visitation and spending, snowfall and weather hurting results, higher-than-expected operating leverage that could negatively affect operating results in a weak macro environment, and finally key management risk.

Analyst Certification

I, Shaun C. Kelley, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Boyd Gaming Corp	BYD	BYD US	Shaun C. Kelley
	Choice Hotels International	CHH	CHH US	Dany Asad
	DraftKings, Inc.	DKNG	DKNG US	Shaun C. Kelley
	Hilton Worldwide	HLT	HLT US	Shaun C. Kelley
	Host Hotels & Resorts Inc.	HST	HST US	Shaun C. Kelley
	Hyatt Hotels	H	H US	Shaun C. Kelley
	Marriott International Inc.	MAR	MAR US	Shaun C. Kelley
	Penn Entertainment	PENN	PENN US	Shaun C. Kelley
	Ryman Hospitality Properties	RHP	RHP US	Shaun C. Kelley
	Soho House & Co Inc	SHCO	SHCO US	Shaun C. Kelley
	VICI Properties	VICI	VICI US	Shaun C. Kelley
	Wyndham Hotels & Resorts, Inc.	WH	WH US	Dany Asad
NEUTRAL				
	Apple Hospitality REIT Inc.	APLE	APLE US	Dany Asad
	Caesars Entertainment Inc	CZR	CZR US	Shaun C. Kelley
	Churchill Downs Incorporated	CHDN	CHDN US	Shaun C. Kelley
	Hilton Grand Vacations Inc	HGV	HGV US	Dany Asad
	Las Vegas Sands	LVS	LVS US	Shaun C. Kelley
	MGM Resorts International	MGM	MGM US	Shaun C. Kelley
	Park Hotels & Resorts Inc.	PK	PK US	Dany Asad
	Vail Resorts, Inc	MTN	MTN US	Shaun C. Kelley
	Wynn Resorts Ltd	WYNN	WYNN US	Shaun C. Kelley
UNDERPERFORM				
	DiamondRock Hospitality	DRH	DRH US	Dany Asad
	Gaming & Leisure Properties, Inc.	GLPI	GLPI US	Shaun C. Kelley
	Marriott Vacations Worldwide	VAC	VAC US	Shaun C. Kelley
	Pebblebrook Hotel Trust	PEB	PEB US	Shaun C. Kelley
	Playa Hotels & Resorts	PLYA	PLYA US	Shaun C. Kelley
	Red Rock Resorts, Inc.	RRR	RRR US	Shaun C. Kelley
	RLJ Lodging Trust	RLJ	RLJ US	Dany Asad
	Sportradar Holding AG	SRAD	SRAD US	Shaun C. Kelley
	Summit Hotel Properties	INN	INN US	Dany Asad
	Sunstone Hotel Investors	SHO	SHO US	Dany Asad
	Travel + Leisure Co	TNL	TNL US	Dany Asad



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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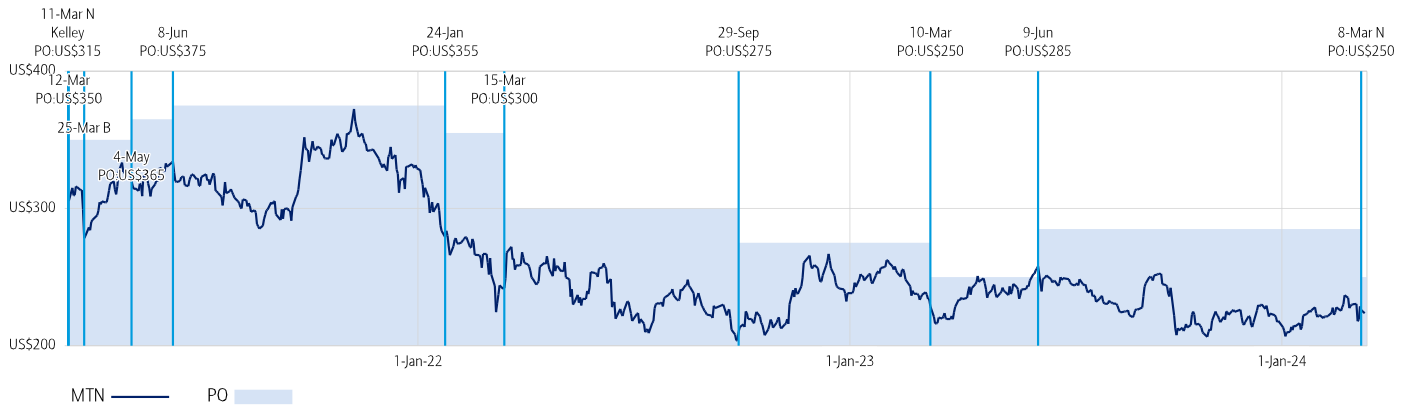
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Vail Resorts (MTN) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Leisure - Hotel/Lodging Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	16	61.54%	Buy	12	75.00%
Hold	3	11.54%	Hold	2	66.67%
Sell	7	26.92%	Sell	5	71.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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