

Vail Resorts, Inc

Snow Tracker & Metrics Preview: A lump of coal to start 2024; lowering estimates

Reiterate Rating: BUY | PO: 285.00 USD | Price: 210.14 USD

Early Season preview: Lowering estimates on poor snow

Based on challenging early season conditions discussed below, we expect MTN to guide to the low end of their prior FY24 EBITDA range of \$912-968M at their early season update. We lower our estimate to \$908M but with 2025E (our valuation basis) unchanged. In Fiscal 2018, Vail had similar challenges to start the season. That year, 1) MTN guided to below their initial range at the early season update, 2) same-mountain visitation was down -11% at the update, but -3% in 2Q and +6% in 3Q, and 3) margins only declined modestly. We think the lack of snow and financial implications are largely reflected in the stock, which is -7% since mid-November vs. the S&P's +4% increase over the same period. Despite a history of underperforming during the ski season (see Ex. 7), snow is on the way and we reiterate our Buy as the worst is likely behind us.

Snow Tracker: -52% Y/Y, widespread weak conditions

Total (cumulative) snowfall across Vail's 16 resorts we track is -52% Y/Y and -50% vs. the long-term average. Conditions are challenging across all regions, but Whistler (-47% below LT avg.), Tahoe (-65% below LT avg.), and Park City are especially weak. Due to the light snowfall, Vail has only opened limited terrain with 47% open vs. 79% at this point last year, though the back bowls at Vail Mountain were open for Christmas. We also note the main gondola at Heavenly was closed this weekend due to a malfunction.

Snowfall by resort: Whistler: 110 in., -15% Y/Y. **MTN's 5 CO resorts:** avg. of 84 in., -16% Y/Y. **MTN's 3 Tahoe resorts:** avg. of 45 in., -79% Y/Y. **Park City:** 91 in., -59% Y/Y. **MTN's 5 Northeast Resorts** avg. of 27 in., -30% Y/Y.

Visitation data -14%; but snow-cast looks good for MLK

Our Placer Visitation data across Vail's US resorts suggest season-to-date visitation is down -14% Y/Y, and given rainy conditions, Whistler is likely lagging the US resorts. By region, season-to-date visitation is: -2% in CO, -10% in the Northeast, -18% in Park City, and -27% in Tahoe. Our cuts assume that visitation normalizes for the remainder of Jan. with winter storms either occurring now (Whistler 17 in. on 1/6 plus 20in. in the forecast) and over 2 feet forecasted in the Northeast. The pass strategy both helps lock in revenue and may help shift visitation to later in the season, with conditions lining up for a strong Martin Luther King Jr Day weekend.

Estimates (Jul) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	8.48	6.74	8.46	10.58	11.54
EPS Change (YoY)	170.9%	-20.5%	25.5%	25.1%	9.1%
Consensus EPS (Bloomberg)			9.23	10.51	11.45
DPS	6.61	7.94	8.36	8.61	8.87
Valuation (Jul)					
P/E	24.8x	31.2x	24.8x	19.9x	18.2x
Dividend Yield	3.1%	3.8%	4.0%	4.1%	4.2%
EV / EBITDA*	12.6x	12.6x	11.6x	10.6x	10.3x
Free Cash Flow Yield*	6.5%	4.1%	4.8%	6.1%	6.6%

* For full definitions of *IQmethod*SM measures, see page 6.

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 08 January 2024 05:00AM EST

08 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	3,039.5	3,017.6
2025E Rev (m)	3,245.1	3,244.3
2026E Rev (m)	3,378.9	3,378.1
2024E EPS	8.89	8.46
2025E EPS	10.60	10.58
2026E EPS	11.56	11.54

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Stock Data

Price	210.14 USD
Price Objective	285.00 USD
Date Established	9-Jun-2023
Investment Opinion	B-1-7
52-Week Range	204.88 USD - 266.26 USD
Mrkt Val (mn) / Shares Out (mn)	7,978 USD / 38.0
Free Float	98.8%
Average Daily Value (mn)	89.13 USD
BofA Ticker / Exchange	MTN / NYS
Bloomberg / Reuters	MTN US / MTN.N
ROE (2024E)	35.9%
Net Dbt to Eqty (Jul-2023A)	168.2%
ESGMeter™	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".

iQprofileSM Vail Resorts, Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.1%	7.6%	9.7%	11.8%	12.8%
Return on Equity	21.7%	20.5%	35.9%	52.5%	60.7%
Operating Margin	23.8%	17.5%	20.5%	22.1%	22.3%
Free Cash Flow	518	325	384	485	523

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.0x	2.4x	1.8x	1.7x	1.7x
Asset Replacement Ratio	0.8x	1.2x	0.8x	0.8x	0.7x
Tax Rate	19.4%	23.7%	26.3%	26.5%	26.5%
Net Debt-to-Equity Ratio	87.0%	168.2%	225.9%	238.7%	243.3%
Interest Cover	4.1x	3.3x	3.8x	4.5x	4.9x

Income Statement Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,526	2,886	3,018	3,244	3,378
% Change	32.3%	14.3%	4.6%	7.5%	4.1%
Gross Profit	2,526	2,886	3,018	3,244	3,378
% Change	32.3%	14.3%	4.6%	7.5%	4.1%
EBITDA	833	833	908	989	1,025
% Change	54.2%	0%	9.0%	8.9%	3.7%
Net Interest & Other Income	(146)	(152)	(162)	(157)	(154)
Net Income (Adjusted)	348	268	322	396	425
% Change	172.0%	-22.9%	19.9%	23.1%	7.4%

Free Cash Flow Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	348	268	298	380	409
Depreciation & Amortization	252	269	267	267	267
Change in Working Capital	94	(18)	49	17	17
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	16	121	(27)	26	26
Capital Expenditure	(193)	(315)	(203)	(205)	(195)
Free Cash Flow	518	325	384	485	523
% Change	26.2%	-37.3%	18.2%	26.3%	8.0%
Share / Issue Repurchase	(75)	(500)	(155)	(140)	(140)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(184)	(79)	(91)	(100)	(100)

Balance Sheet Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,126	573	288	211	168
Trade Receivables	665	635	675	700	725
Other Current Assets	NA	NA	NA	NA	NA
Property, Plant & Equipment	2,118	2,372	2,437	2,376	2,304
Other Non-Current Assets	2,408	2,368	2,278	2,274	2,270
Total Assets	6,318	5,948	5,678	5,560	5,467
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	1,047	1,062	1,128	1,170	1,211
Long-Term Debt	2,734	2,820	2,731	2,637	2,543
Other Non-Current Liabilities	689	731	737	737	737
Total Liabilities	4,471	4,612	4,596	4,544	4,491
Total Equity	1,847	1,336	1,082	1,016	976
Total Equity & Liabilities	6,318	5,948	5,678	5,560	5,467

* For full definitions of iQmethodSM measures, see page 6.

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 Buy rated on MTN's shares given Vail's data driven model and ongoing evolution to a more high visibility, advanced commitment, recurring business. Additionally, Vail should be well positioned to benefit from pent-up luxury travel demand.

Stock Data

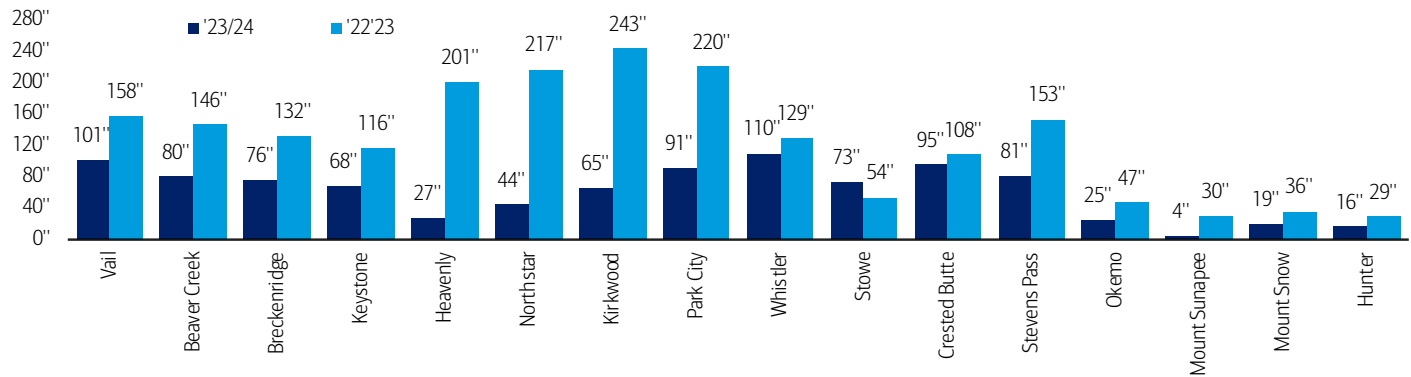
Average Daily Volume 424,151

Quarterly Earnings Estimates

	2023	2024
Q1	-3.40A	-4.60A
Q2	5.16A	6.17E
Q3	8.18A	10.43E
Q4	-3.35A	-3.54E

Exhibit 1: Vail Resorts season to date snowfall

Season-to-date snowfall is currently -52% Y/Y



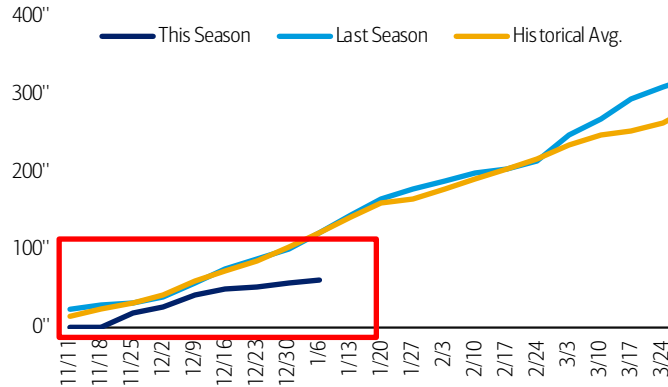
Source: BofA Global Research, OnTheSnow, company websites

Note: Data as of 1/4/2024.

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Exhibit 2: Vail Resorts season snowfall to-date vs. last year and LT avg.

Avg. total snowfall is -50% vs. historical average and -52% below last year

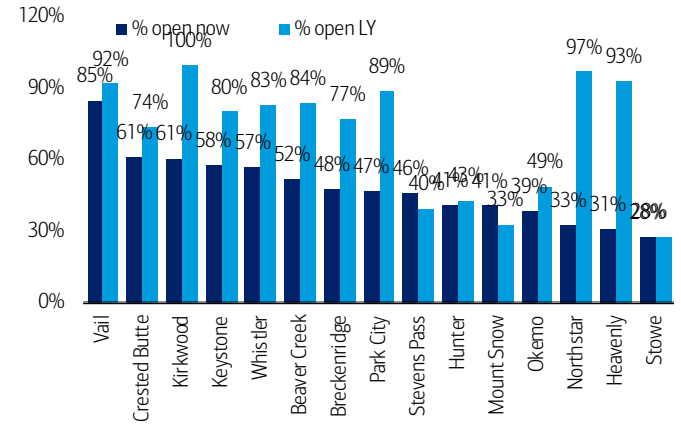


Source: BofA Global Research, ski resort websites

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Exhibit 3: Vail ski resorts % of open acreage

MTN has 47% of their terrain open compared to 79% last year



Source: BofA Global Research, ski resort websites

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Exhibit 4: Placer Visitation Data Weekly Heatmap

Due to the lack of snowfall, foot traffic to Vail's resorts has been down double digits since the season opening in mid-November

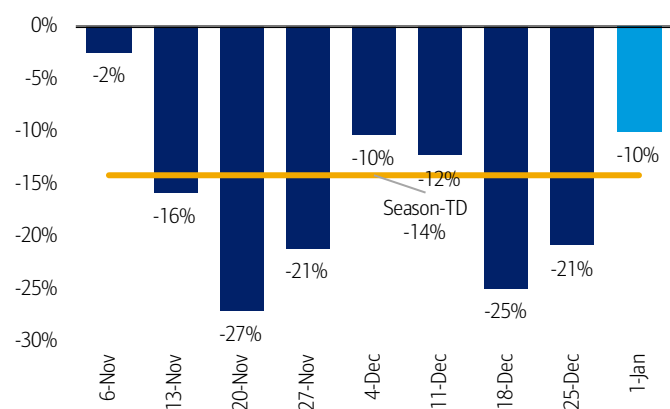
	23-Oct	30-Oct	6-Nov	13-Nov	20-Nov	27-Nov	4-Dec	11-Dec	18-Dec	25-Dec	1-Jan
Vail Weighted Average	0%	-13%	-2%	-16%	-27%	-21%	-10%	-12%	-25%	-21%	-10%
Park City	27%	13%	4%	9%	-19%	-28%	-38%	-49%	-31%	-23%	-16%
Colorado	12%	-15%	-6%	-1%	-7%	-8%	0%	-7%	-13%	-14%	-7%
Tahoe	-27%	-40%	-1%	-58%	-68%	-52%	-41%	-23%	-49%	-36%	-1%
Northeast	-22%	0%	3%	-12%	-18%	-9%	24%	9%	-22%	-16%	-21%

Source: Placer AI, BofA Global Research

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Exhibit 5: Weekly Placer Visitation Data

Foot traffic to Vail's ski resorts has been weak all season, and peak Christmas week was down -10% Y/Y

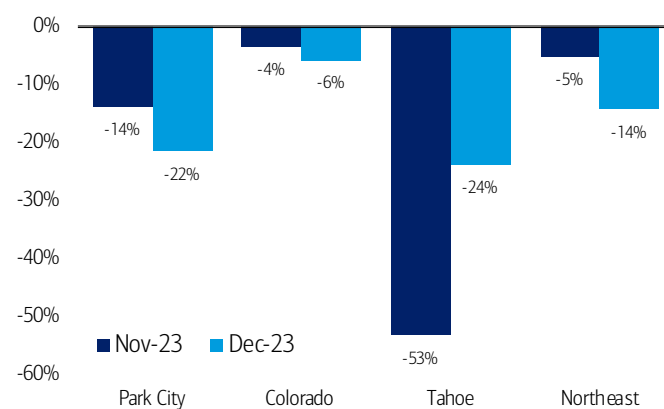


Source: Placer AI, BofA Global Research

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Exhibit 6: Monthly Placer Visitation Data

Placer visitation in each region is down Y/Y and all regions except Tahoe worsened M/M



Source: Placer AI, BofA Global Research

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Exhibit 7: MTN 10-year seasonal stock performance

MTN has a history of underperforming during the ski season, and over 10 years is down an average of -3% in December and January

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
-2.9%	0.6%	0.4%	3.2%	3.1%	1.2%	2.1%	3.0%	-0.5%	1.3%	5.5%	-2.9%

Source: Bloomberg

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Price objective basis & risk

Vail Resorts, Inc (MTN)

Our \$285 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, 2) pent-up demand potential, and 3) a strong data driven model in addition to market wide multiple inflation.

Upside risks to our PO are better-than-anticipated pass sales and stronger destination visitation given pent-up demand. 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				
	Apple Hospitality REIT Inc.	APLE	APLE US	Dany Asad
	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
	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
	Vail Resorts, Inc	MTN	MTN US	Shaun C. Kelley
	VICI Properties	VICI	VICI US	Shaun C. Kelley
	Wyndham Hotels & Resorts, Inc.	WH	WH US	Dany Asad
NEUTRAL				
	Caesars Entertainment Inc	CZR	CZR 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
	Pebblebrook Hotel Trust	PEB	PEB 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
	Host Hotels & Resorts Inc.	HST	HST US	Shaun C. Kelley
	Marriott Vacations Worldwide	VAC	VAC 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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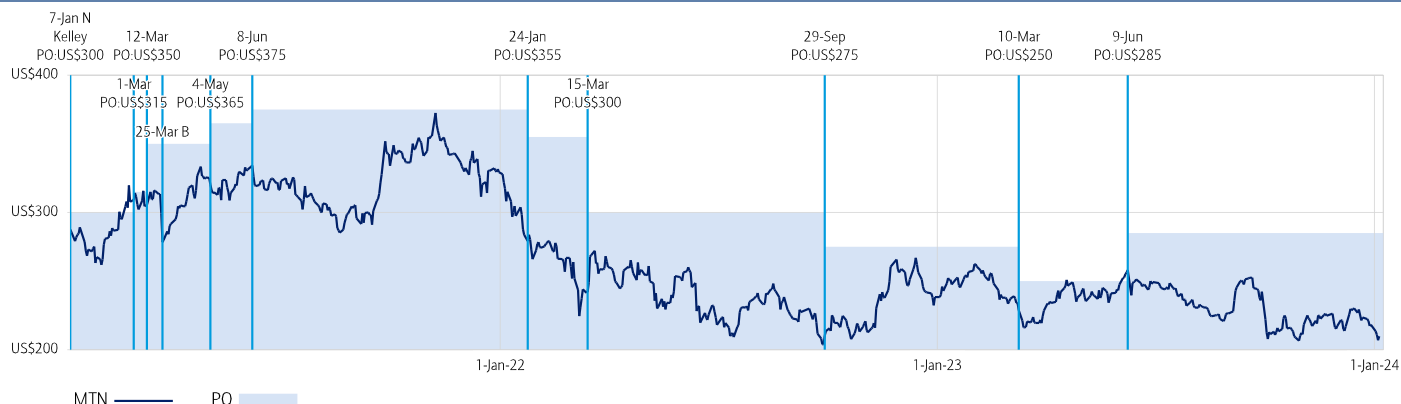
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Disclosures

Important Disclosures

Vail Resorts (MTN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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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