

Vail Resorts, Inc

Downgrading Vail to Neutral: Better snow, so where are the visits?

Rating Change: NEUTRAL | PO: 250.00 USD | Price: 226.08 USD

Lowering shares of Vail to Neutral

We are downgrading shares of Vail Resorts (ticker: MTN) to Neutral from Buy. We see the setup as more challenging from here given 1) risk to FY24 guidance as visitation remains weak, 2) risk to FY25 estimates as MTN's Y/Y organic growth is slower than anticipated, 3) weather volatility relative to the company's outlook and 4) valuation risk with strong pricing but weak weather-adjusted organic growth. Our PO moves to \$250 from \$285, still based on 13x our (now lower) FY 2025E EBITDA of \$947M.

Weak visitation rebound despite better weather

MTN reports FQ2 on 3/11. Recall, Vail already narrowed to the lower half of their original guide of \$912-968M after a weak early season (thru 1/7). We think this was predicated on trends improving through the season, which now seems optimistic given 1) Placer visitation to domestic resorts is -8% Y/Y since the early season update, and 2) recent Inntopia mountain lodging data shows winter (Nov-April) occupancy -6% Y/Y.

While visits have improved from -12% thru 1/7 (and vs. -16% reported), the rebound is still weaker than we anticipated given 1) improving snow conditions (see Exhibit 3), 2) easier visit comps, and 3) volatility in Tahoe and the Northeast in recent weeks. We have also noticed reductions in open terrain which could be weather or cost-related (see Exhibit 10). We lower our Q2 visits to -10% from -5.5% prior, and FY24 Resort EBITDA estimate to \$900M, -4% lower than consensus at \$930M.

Risk of a lower base for 2025 estimates

We bridge to FY25 EBITDA of ~\$925-975M, and our \$947M estimate is -6% lower than consensus at \$1,010M (see exhibits 5-8). Vail has historically guided to "normal" season conditions, but this has proven optimistic recently given weather variability in Australia, the Northeast, Tahoe and Whistler. If Vail sticks with their usual cadence, we think they could guide to \$975-1,025M for FY25 in September but this puts them at risk of needing to lower, should weather not cooperate, for the 3rd straight year. Alternatively, they could guide more conservatively by \$25-50M to start, in-line with our new model.

Valuation: Still premium, but how much

We still think Vail deserves a premium given their pricing power, high end positioning and nominal supply. However, amid multiple years of low organic growth, Vail could remain a show-me story, looking for another chapter or catalyst to reignite enthusiasm.

Estimates (Jul) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	8.48	6.74	8.41	9.73	10.64
EPS Change (YoY)	170.9%	-20.5%	24.8%	15.7%	9.4%
Consensus EPS (Bloomberg)			9.03	10.46	11.39
DPS	6.61	7.94	8.36	8.61	8.87
Valuation (Jul)					
P/E	26.7x	33.5x	26.9x	23.2x	21.2x
Dividend Yield	2.9%	3.5%	3.7%	3.8%	3.9%
EV / EBITDA*	13.3x	13.3x	12.3x	11.8x	11.3x
Free Cash Flow Yield*	6.0%	3.8%	4.4%	5.3%	5.7%

* For full definitions of *IQmethod*SM measures, see page 7.

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Timestamp: 08 March 2024 06:00AM EST

08 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	285.00	250.00
2024E Rev (m)	3,017.9	2,989.9
2025E Rev (m)	3,211.7	3,121.9
2026E Rev (m)	3,344.2	3,250.6
2024E EPS	8.55	8.41
2025E EPS	10.60	9.73
2026E EPS	11.57	10.64

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Stock Data

Price	226.08 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
Mrkt Val (mn) / Shares Out (mn)	8,583 USD / 38.0
Free Float	98.8%
Average Daily Value (mn)	87.21 USD
BoFA Ticker / Exchange	MTN / NYS
Bloomberg / Reuters	MTN US / MTN.N
ROE (2024E)	35.7%
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".

iQprofileSM Vail Resorts, Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.1%	7.6%	9.6%	11.1%	12.2%
Return on Equity	21.7%	20.5%	35.7%	49.4%	60.3%
Operating Margin	23.8%	17.5%	20.6%	21.6%	21.8%
Free Cash Flow	518	325	382	451	490

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.0x	2.4x	1.8x	1.8x	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%	226.5%	250.5%	268.8%
Interest Cover	4.1x	3.3x	3.8x	4.3x	4.6x

Income Statement Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,526	2,886	2,990	3,122	3,251
% Change	32.3%	14.3%	3.6%	4.4%	4.1%
Gross Profit	2,526	2,886	2,990	3,122	3,251
% Change	32.3%	14.3%	3.6%	4.4%	4.1%
EBITDA	833	833	905	945	980
% Change	54.2%	0%	8.7%	4.4%	3.7%
Net Interest & Other Income	(146)	(152)	(162)	(157)	(154)
Net Income (Adjusted)	348	268	320	364	392
% Change	172.0%	-22.9%	19.2%	13.9%	7.7%

Free Cash Flow Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	348	268	296	348	376
Depreciation & Amortization	252	269	267	267	267
Change in Working Capital	94	(18)	49	16	16
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	382	451	490
% Change	26.2%	-37.3%	17.6%	18.3%	8.6%
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	286	176	100
Trade Receivables	665	635	675	698	723
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	5,676	5,524	5,396
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	2,731	2,637	2,543
Other Non-Current Liabilities	689	731	737	737	737
Total Liabilities	4,471	4,612	4,596	4,541	4,488
Total Equity	1,847	1,336	1,080	982	909
Total Equity & Liabilities	6,318	5,948	5,676	5,524	5,396

* For full definitions of iQmethodSM measures, see page 7.

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

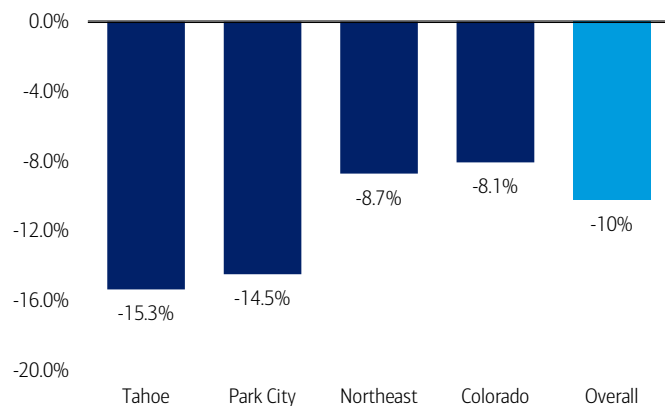
Average Daily Volume 385,751

Quarterly Earnings Estimates

	2023	2024
Q1	-3.40A	-4.60A
Q2	5.16A	5.63E
Q3	8.18A	10.92E
Q4	-3.35A	-3.54E

Exhibit 1: Visitation by region through Q2

Through the end of Q2, Placer visitation is down -10% Y/Y

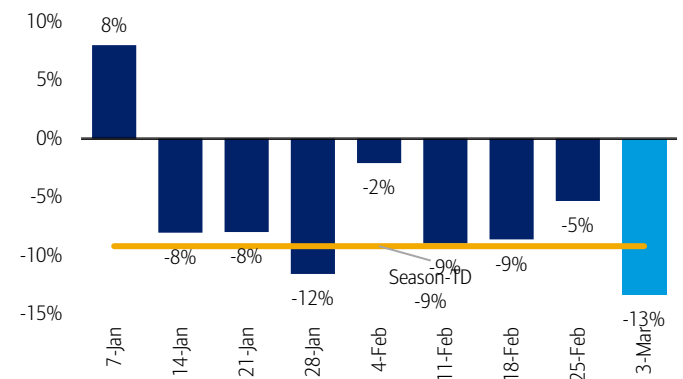


Source: Placer AI

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Exhibit 2: Season-to-date visitation

Since Q2, visitation still remains depressed and down -13% in the most recent week

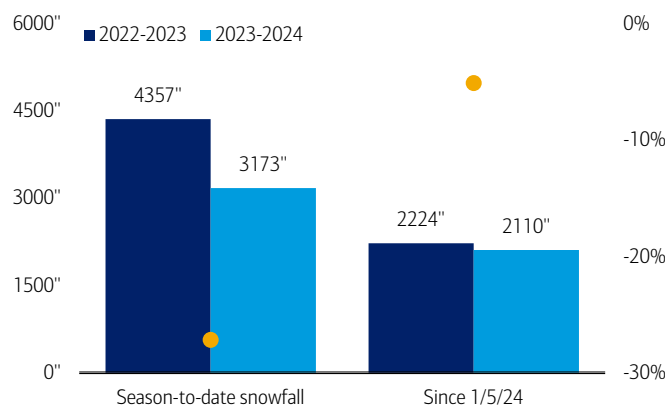


Source: Placer AI

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Exhibit 3: Season to date snowfall

While season to date snowfall is -27% below last season's levels, since early January snowfall has been solid and just slightly below last year

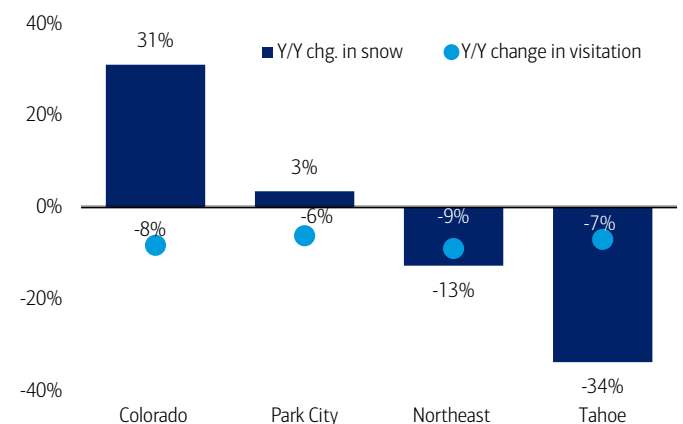


Source: Company Websites

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Exhibit 4: Y/Y change in snowfall and visitation since early January

Despite better conditions in Park City and Colorado, visitation is still tracking down high-single-digits

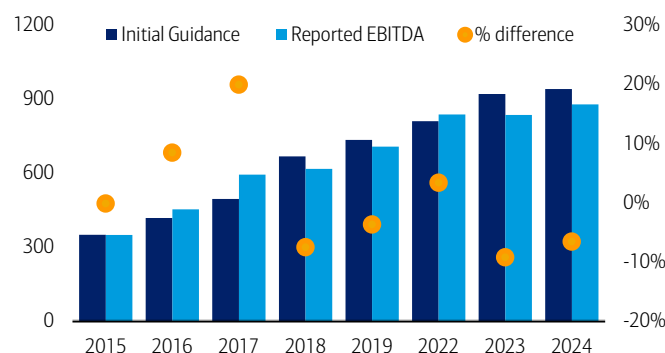


Source: Placer AI, Company Websites

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Exhibit 5: Vail historical EBITDA guidance and reported

Since FY18, Vail has missed the midpoint of their initial EBITDA guidance in all but 1 year



Source: Company presentations & filings

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Exhibit 6: Upside FY25 EBITDA bridge

Based on historical guidance, we think Vail could guide to \$975-\$1,025M, in line with the street

2025E Resort EBITDA Bridge	
FY24 Guidance Mid Point	940
Add Back: Australia	14
Add Back: FX	4
FY24 Baseline	958
Organic growth	4.0%
FY25E Base	996
Plus: Crans-Montana	6
Upside FY25E EBITDA	1002

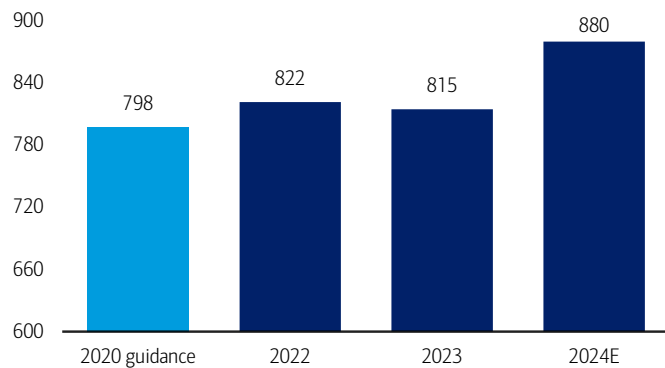
Source: Company presentations & filings, BofA Global Research

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Exhibit 7: Organic Resort EBITDA growth

We think Vail's organic EBITDA growth has slowed to a +2.5% CAGR in recent years

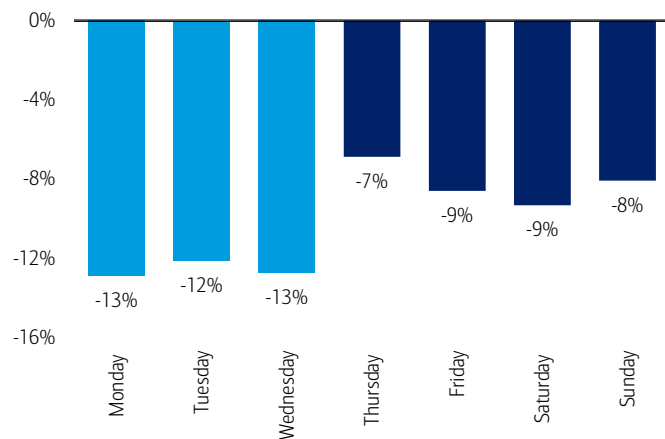


Source: Company presentations & filings, BofA Global Research

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Exhibit 9: Y/Y change in visitation by day of week

The Y/Y decline in visitation is most prominent Monday-Wednesday, likely driven by return to office initiatives

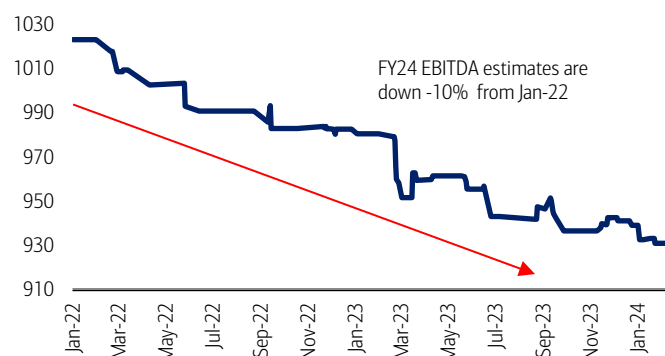


Source: Placer AI

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Exhibit 11: FY24E EBITDA Estimate revisions

Since January 2022, FY24 estimates are down -10%, and we think there is additional downside risk



Source: Bloomberg

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Exhibit 8: BofA FY25 EBITDA Bridge

And we bridge to FY25E EBITDA of ~\$925-975M, -6% below consensus

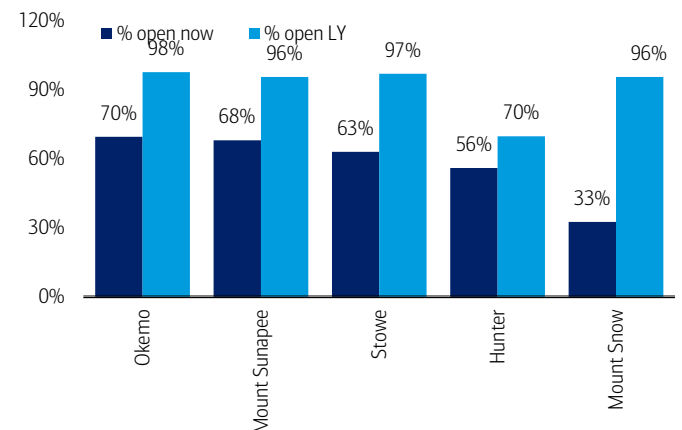
2025E Resort EBITDA Bridge	
BofA FY24E	900
Add Back: Australia	14
Add Back: FX	4
FY24 Base	919
Organic Growth	2.5%
FY25E Base	942
Plus: Crans-Montana	6
BofA FY25E EBITDA	947
Consensus	1010
Delta to cons.	-6%

Source: Company presentations & filings, Bloomberg, BofA Global Research

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Exhibit 10: Northeast Resorts % open terrain

In the Northeast, an average of 59% of terrain is open, compared to 90% last year and 70% open a month ago

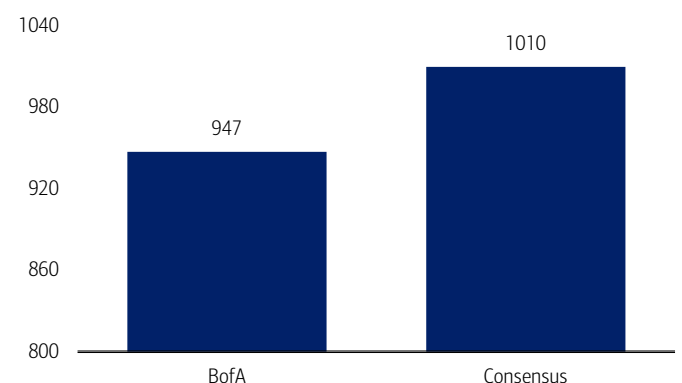


Source: Company websites

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Exhibit 12: FY25E EBITDA Estimates: BofA vs. the Street

We expect further downward estimate revision risk to FY25, where our estimate is -6% below consensus



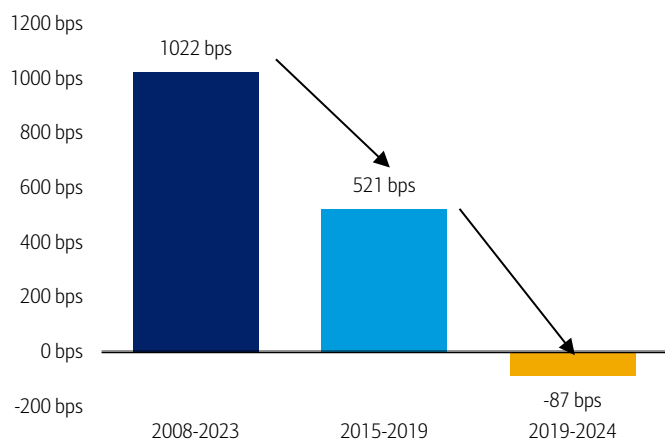
Source: Bloomberg

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Exhibit 13: MTN EBITDA margins

While Vail's margins are up nearly 1000bps since 2008, they are actually down -87bps since 2019

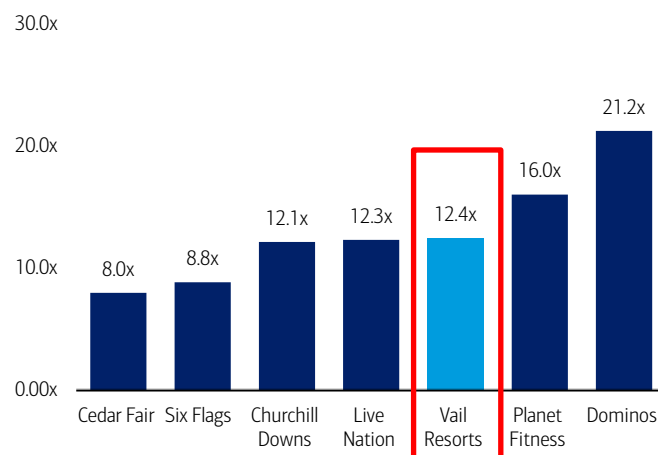


Source: Company filings, BofA Global Research

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Exhibit 14: Vail Resorts Valuation

Vail trades at a premium to other 4 wall leisure businesses like theme parks, but at a discount to other high growth, best of breed, consumer businesses



Source: Bloomberg, BofA Global Research

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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

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

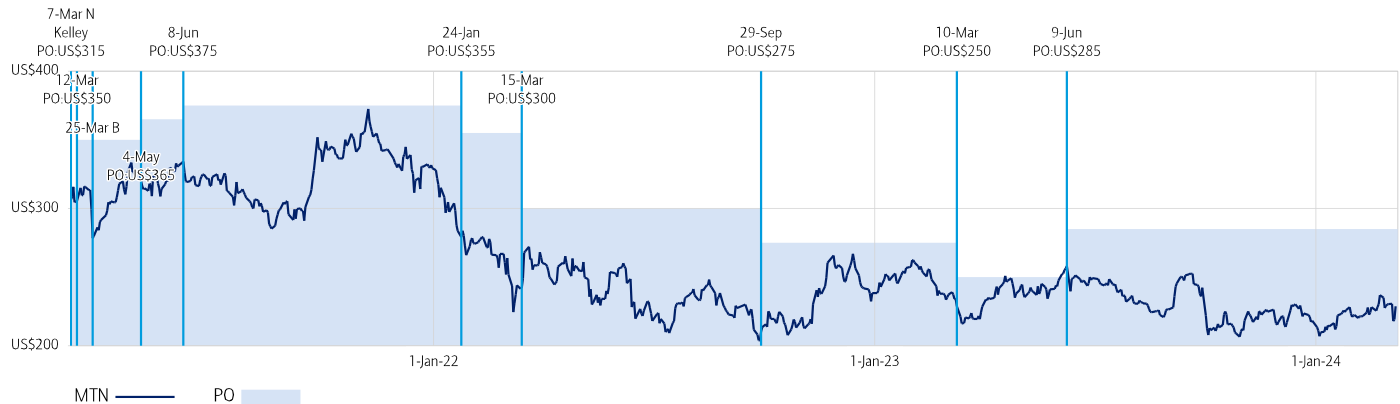
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Disclosures

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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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