

Vail Resorts posts 1st quarter loss, slow start to ski season

By Jason Blevins, Denver Post

Vail Resorts on Tuesday announced a \$60.6 million loss for the August-October quarter, compared to \$55.7 million in the same period last year. The resort company's total net revenue for the quarter was \$116.4 million, almost identical to the revenue from the same quarter of last year.

Vail Resorts always posts a loss in its first fiscal quarter, when its ski areas are not open and summer business fades in the fall. But the company has worked to offset that loss with season pass sales, and earlier this year acquired Kirkwood ski area to bolster sales of its now-seven resort, two-state Epic Pass.

Season pass sales through Dec. 2 were up 5 percent in units and 8 percent in revenue, compared to the same period last year and adjusted as if Kirkwood was already in the company's quiver of ski areas. Pass sales for its Tahoe resorts and international pass sales are fueling the increase, even though the spike is less than expected after strong sales in the spring, said Vail Resorts chief Rob Katz. Pass sales now account for 45 percent of the company's lift ticket revenue, which reached \$342.5 million in fiscal 2012.



Vail Resorts' Colorado ski areas are in need of snow. Photo/LTN file

Vail's earnings from resort operations – including its mountain and lodging businesses – was \$54.5 million for the quarter, compared to \$50.2 million in fiscal 2012. The company cited increased summer business at its resorts for the increased earnings, with increased group business at Keystone helping to stem first-quarter losses.

All seven of Vail Resorts' ski areas are open, with its three Lake Tahoe resorts – Heavenly, Northstar and Kirkwood – enjoying healthy snowpacks. The company's Colorado hills, however, are still waiting for winter. Katz said winter reservations are slightly down compared to last year but Keystone is pacing ahead of last year thanks to the resort's new Kids Ski Free program. Historically, less than half of Vail Resorts reservations are booked by early December.

“It is important to remember that it is still very early in the season with plenty of time for things to improve before the holidays,” Katz said.

Still, Katz said the previous earnings announcement in September, when he offered guidance of 27 percent to 32 percent growth in resort earnings, would be revisited after the holidays and warned analysts to expect a smaller window

for resort earnings growth.

“When we issued guidance back in September, it was predicated on normal weather,” said Katz, saying he was being “upfront and transparent” with the fact that Colorado’s warm start to winter has impacted bookings. “We are seeing trends that could affect that range.”

Some analysts on Tuesday’s earning calls queried Vail’s interest in the Tuesday announcement that Denver-based KSL Capital had acquired a 24 percent share of Whistler-Blackcomb ski area, the most visited ski area in North America.

Katz said Vail Resorts avoids deals that provide the company only a minority position. Katz said the company is continuing its “aggressive approach” in looking for opportunities that help drive its season pass sale business, like last February’s \$18.2 million deal for Kirkwood.

KSL, which owns Squaw Valley, could develop a Whistler-Squaw pass deal that would compete with Vail Resorts’ dominant Epic Pass. This season Aspen, Squaw, Alta and Jackson Hole ski areas joined forces with a \$349 Mountain Collective pass designed to compete with Vail’s eight-hill, \$649 Epic Pass.

Katz said those kind of multi-mountain pass deals helps sway skiers into realizing that the new model for skiing involves a season pass. He said that if KSL comes out with a season pass deal, that would be positive.

“That ultimately speaks to the fact that our strategy is the right strategy for creating long-term growth and stability in the industry,” Katz said. “That helps continue to increase overall season pass penetration and I’m quite comfortable that our collection of resorts and what we offer will always be competitive.”