

# Vail Resorts (NYSE: MTN): A Mountain Monopoly

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# Agenda

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- Company Overview
- Industry Landscape
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- Summary

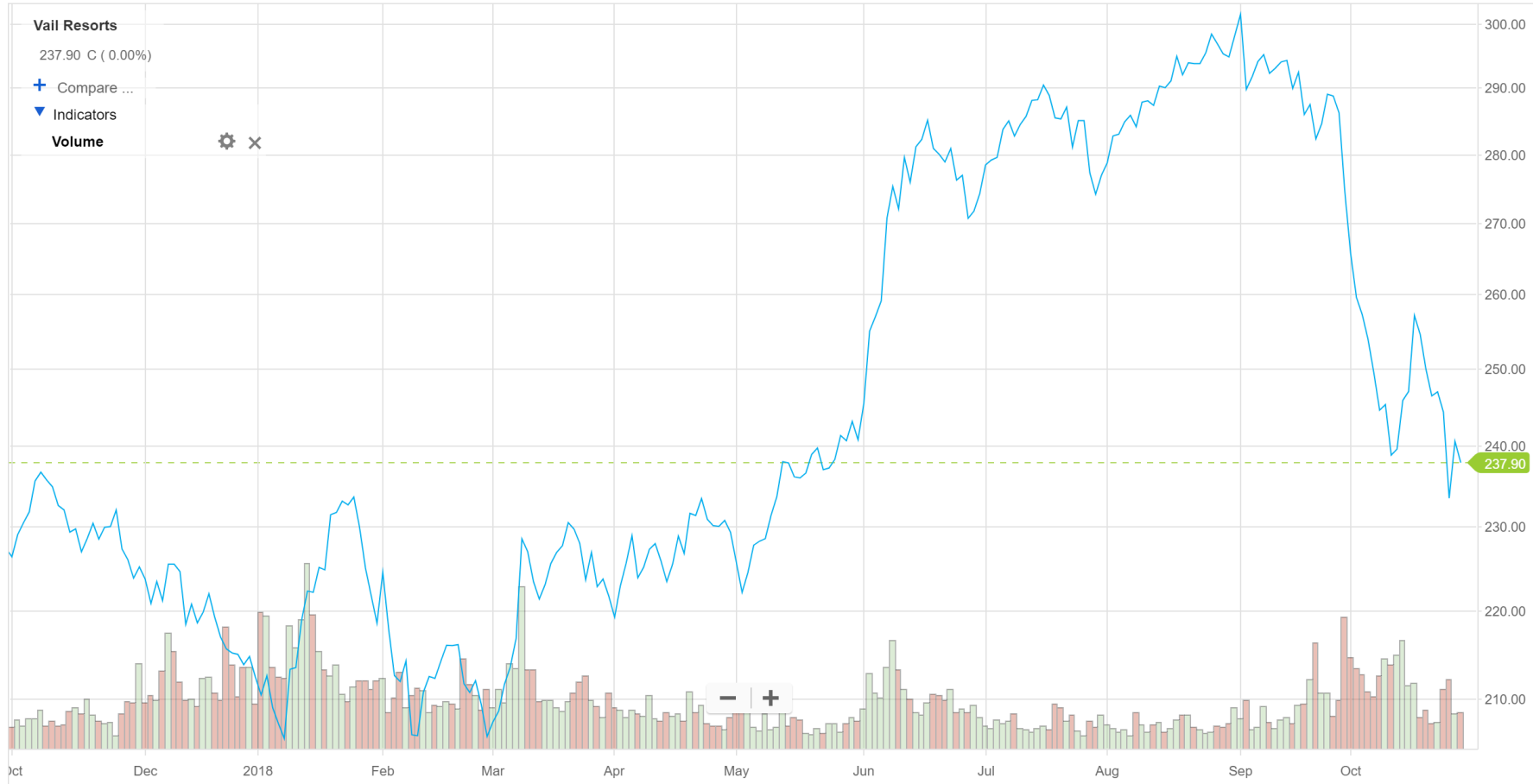
# Basic Financials

- Share price (10/29/18): \$237.90
- Market cap: \$9.63B
- P/E ratio: 26.06x [1]
- EV/EBITDA: 17.36x
- 5-year average ROE: 15.10%
- Interest coverage ratio (EBITDA/cash interest): 11.47x
- Net debt/EBITDA: 1.77x

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1. Taken from Yahoo! Finance.

# 1-Year Price Chart

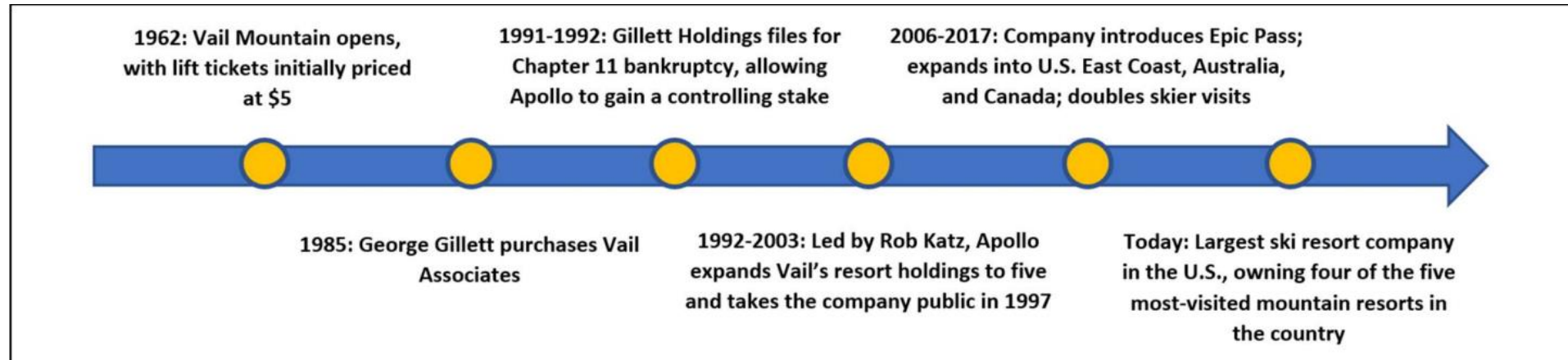


Source: FactSet

# Company Overview

- Best-in-class mountain resort and urban ski area operator
- Three integrated segments: (i) Mountain, (ii) Lodging, and (iii) Real Estate Development
  - Mountain (85.6% of FY18 revenues) – lift revenue & ancillary resort services (e.g. ski school, dining, retail/rental stores)
  - Lodging (14.2% of FY18 revenues) – hotels and managed condo units proximate to resorts, two National Park Service concessionaire properties located in WY, Colorado Mountain Express resort shuttle service, and mountain resort golf courses
  - Real Estate (0.2% of FY18 revenues) – complements Mountain and Lodging segments by expanding bed base, introducing new resort amenities, and selling land parcels to third-party developers who in turn undertake their own building projects.

# Key Events in Vail's History



- Apollo Ski Partners, a subsidiary of Apollo Global Management, acquired controlling stake in Vail following bankruptcy proceedings
- Rob Katz, then an Apollo executive, oversaw restructuring process and led company out of bankruptcy -> IPO'd in 1997
- Katz named as Chairman of Board in 2002 and CEO in 2006



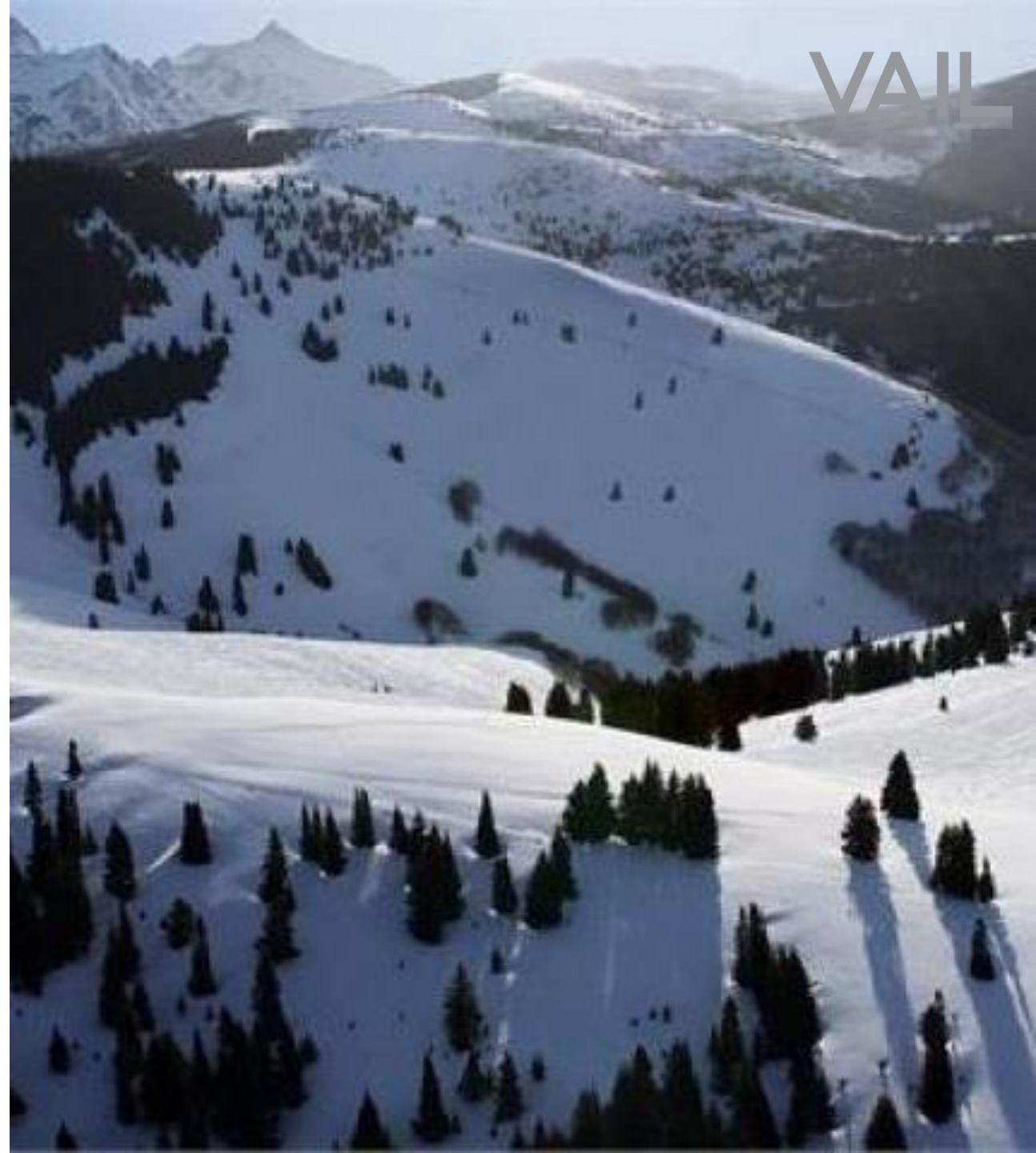
# Industry Landscape

- **Relatively mature:** 5-year revenue CAGR of 1.54% [1]
- **Consolidating:** number of U.S. ski areas has decreased from 735 in 1983 to 472 in 2018 [2]
- **High barriers to entry:** (i) scarcity of private land; (ii) difficult to obtain govt. approvals for use of public land; (iii) significant upfront costs involved with constructing resort infrastructure
- **Fragmented competition base:** ~37% of resort operators have <20 employees [1]
- **Key players:** (i) Vail Resorts (46.7% market share), Alterra Mountain Co. (23.8%), Boyne Resorts (9.7%), Peak Resorts (5.1%), Powdr Corporation (4.5%)

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1. Hyland, Rachel. IBISWorld Industry Report 71392.

2. NSAA. "U.S. Ski Resorts in Operation During 2017/18 Season." Sep. 1, 2018.



# Other Key Players

- Alterra Mountain Company – recently-formed JV of KSL and Henry Crown & Co. (13 owned resorts)
- Peak Resorts (NASDAQ: SKIS) – incorporated in 1997; operates primarily in the Northeast region (17 owned resorts)
- Boyne Resorts – founded in 1947; operates both ski resorts and golf courses (9 owned resorts)
- POWDR Corporation – founded in 1994; advertises itself as an “adventure lifestyle company” (8 owned resorts) [1]




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1. From the “About us” section of the company’s LinkedIn page: “POWDR is an adventure lifestyle company...”





# Comparing Major Players

Vail ranks highly on (i) average snowfall; (ii) average vertical drop; and (iii) total skiable terrain. This serves as a testament to the quality of its mountain holdings.

Resort	Owner	Average snowfall (in)	Vertical drop (ft)	Advanced/expert runs % of total	Google reviews avg. rating	Skiable terrain (acres)	Snowmaking (acres)	% snowmaking	Days open last year
<b>Averages:</b>	Vail	278	2,364	37.4%	4.4	45,826	11,010	24.0%	150
	Alterra	293	2,457	35.8%	4.6	24,998	5,125	20.5%	152
	Peak	73	785	34.1%	4.4	2,420	2,204	91.1%	101
	Boyne	284	2,076	38.5%	4.3	12,774	2,959	23.2%	137
	Powdr	312	1,816	37.5%	4.4	10,115	1,990	19.7%	166
<b>Medians:</b>	Vail	307	2,320	36.0%	4.5				146
	Alterra	300	2,663	35.0%	4.6				142
	Peak	50	600	33.0%	4.3				96
	Boyne	197	2,100	40.0%	4.4				138
	Powdr	284	2,076	37.4%	4.4				157

Sources: OnTheSnow & posted statistics for each individual mountain. Methodology: We collected data on all of Vail, Alterra, Peak, Boyne, and POWDR’s mountain holdings. Summary statistics, presented above, were then calculated. Individual data points can be separated into the following categories: (i) Objective Quality (“Average snowfall,” “Vertical drop,” and “Advanced/expert runs & of total”); (ii) Availability/Breadth (“Skiable terrain,” “% snowmaking,” and “Days open last year”); and (iii) Subjective Quality (“Google reviews avg. rating”).

# Thesis

## Industry-leader with a proven business model:

- Vail has a virtual monopoly in the fragmented North American skiing industry, thus enabling it to earn high returns on invested capital and consistently reinvest profits towards:
  - Strategic acquisitions;
  - Additional recreational offerings at its resorts;
  - Infrastructure improvements; and
  - Technological innovation.
- Has achieved a 10-year historical return on incremental capital investments of ~48%, while being able to plow back profits at a ~34% rate

## What the market misinterprets:

- Company's inherent strengths overshadowed by market's **myopia** and use of **first order thinking**; these two factors interact and drive occasional price/value inefficiencies

# Sell Side Short-Termism

- Recent ~15% share price pullback driven by weak 2017/18 ski season snowfall trends, short-term FCF compression due to capex at newly-acquired resorts, and labor market (wage growth) concerns. As a fund with a long term investment horizon, **we should view this as an opportunity to buy a top-tier enterprise at a reasonable valuation.**

<p><b>Metrics: Visits -10.8%; lift ticket revs up on season pass</b>          Season to date lift ticket revenues across the company's major resorts were up +1.6%, ski school revs -4.5%, dining -8.7% and retail/rental -11.5%. Total visitation was down -10.8% season to date, on an easy comp that was down -13% last season. These metrics are in-line with our expectation of -10-15% skier visits and flattish to slightly up lift ticket revenues given revenue recognition from season passes. It is also a testament to the resiliency of Vail's season pass program which we estimate could contribute more than 50% of lift ticket revenues this season for the first time.</p> <p><b>Conditions improving; tone on snowfall optimistic</b>          MTN called out that Vail, Beaver Creek, and Park City all had the lowest level of snowfall in the last 30 years, and 50% below the next lowest season in Vail and Beaver Creek, two of MTN's most important mountains. However, <u>conditions have improved in the last week</u> with expanded terrain open due to recent storms and a portion of the Back Bowls at Vail and Peak 6 at Breck are expected to open this weekend. Since our Friday update, we estimate MTN has seen an avg. 15 inches of snow in Colorado. Totals are below.</p>	<p><b>Early Season Trends Signal '17 Strength</b></p> <ul style="list-style-type: none"> <li>■ <b>3Q16 Results Beat:</b> MTN reported Adj. EBITDA of \$305m compared to our estimates and consensus of ~\$299m. Favorable weather, strength in season pass revenue (+19% YTD) and a strong opening season at the combined Park City/Canyons helped to drive the beat. ETP (effective ticket price) was slightly below expectations, but as we have highlighted previously, this is not indicative of a change in pricing power, rather a function of high season pass utilization given favorable conditions. To this point, <u>strong weather late in the year</u> has bolstered the price/value of the Epic pass, in our view helping to drive early season pass sales up 34% in dollars (combined with improved CRM [customer relationship management]). We have updated our estimates to reflect 3Q16 results, raising our TP to \$153 (+\$8).</li> <li>■ <b>Early Season Pass Sales Should Limit Difficult Comp Trade:</b> The robust season pass sales for the 2016/17 season are telling of MTN's network effect and increasing ability to lock in revenue irrespective of weather conditions. With early '17 season pass sales already representing 50% of the '16 full year total, and early season (i.e., YTD) trends typically representing ~40% of total pass sales, we are very bullish on '17 as consumers reflect on a strong ski season, management pulls Wilmot (which previously had no robust database) into the Vail network, and Perisher gains further traction.</li> </ul>
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Sources: *BofAML Global Equity Research, Credit Suisse*

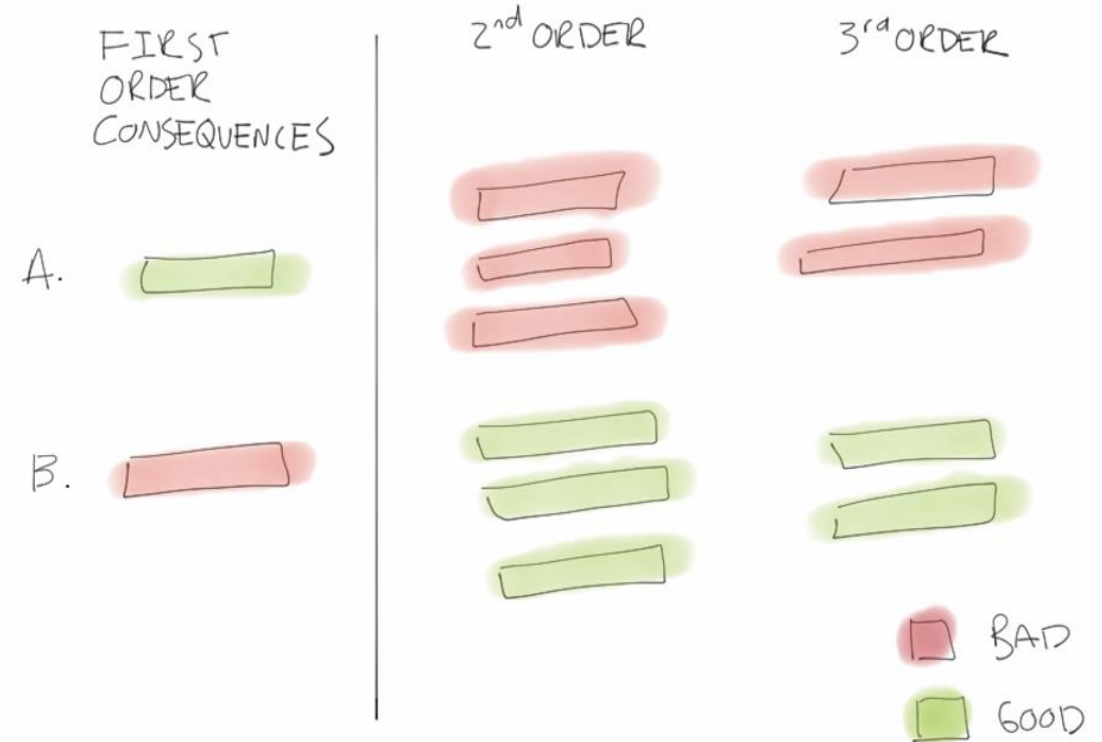
# Vail: An Exercise in Higher-Order Thinking

## First-order consequences:

- Weak snowfall -> bad for Vail in short-run -> share price decline

## Higher-order perspective:

- Weak snowfall -> bad for Vail BUT worse for smaller resort operators in short-run -> financial distress in latter cohort -> potential buyouts at discounted prices for Vail -> Epic Pass network grows IN LONG-RUN -> good for Vail

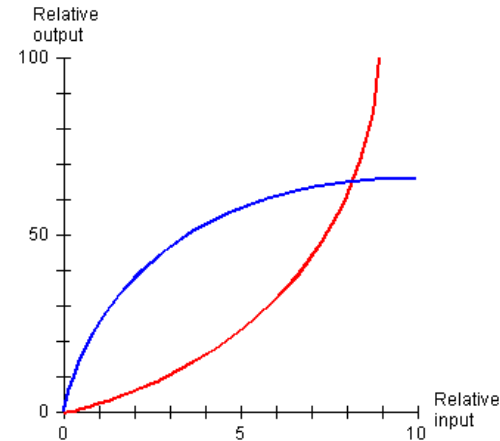


Source: Farnam Street. "Second-Order Thinking: What Smart People Use to Outperform."

# The Vail Model

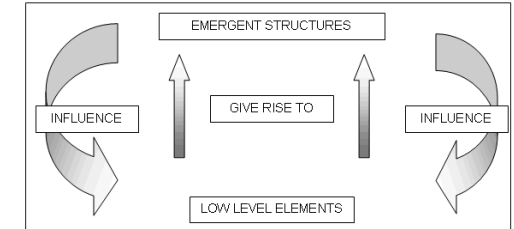
1. Tap public equity markets, leading to reduced reliance on debt and more diversified capital streams (retrospective).
2. “Acquire and integrate businesses that complement [...] existing operations” [1].
3. Strengthen individual portfolio holdings into an integrated network with the Epic Pass.
4. Upgrade and expand resort infrastructure at newly-acquired mountains, thus incentivizing incremental guest visits and greater season pass adoption.
5. Repeat process, with each acquisition expanding Vail’s reach while allowing the company to penetrate previously untapped markets.

## Nonlinearity

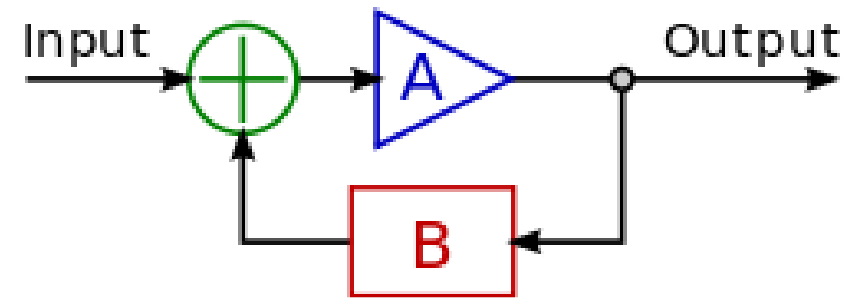


Examples of nonlinearity

## Emergence



## Feedback loops



1. Vail Resorts 2017 Form 10-K, page 57.

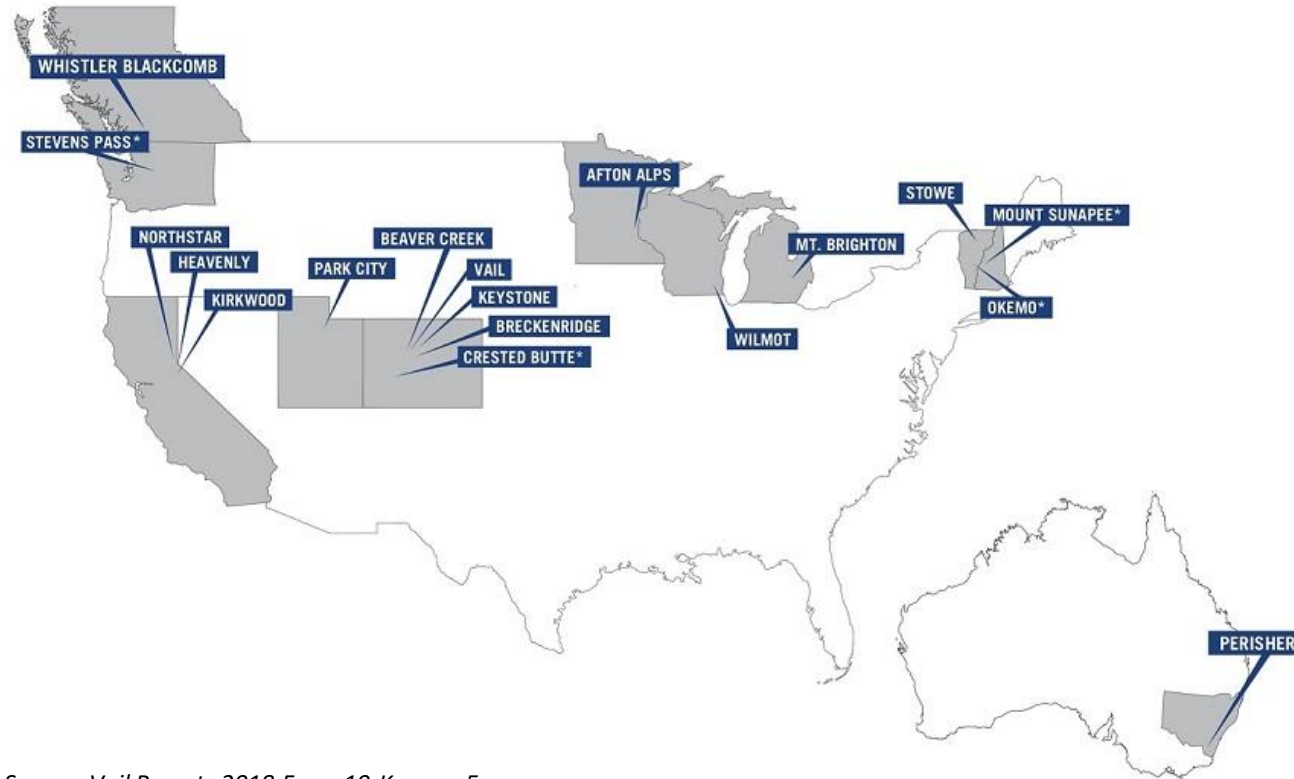
# Value Driver #1: Quality

## Best-in-class mountain holdings:

- Breckenridge Ski Resort (“Breckenridge”) - the most visited mountain resort in the United States (“U.S.”) for the 2017/2018 ski season with five interconnected peaks offering an expansive variety of terrain for every skill level, including access to above tree line intermediate and expert terrain, and progressive and award-winning terrain parks.
- Vail Mountain Resort (“Vail Mountain”) - the second most visited mountain resort in the U.S. for the 2017/2018 ski season. Vail Mountain offers some of the most expansive and varied terrain in North America with approximately 5,300 skiable acres including seven world renowned back bowls and the resort’s rustic Blue Sky Basin.
- Park City Resort (“Park City”) - the third most visited mountain resort in the U.S. for the 2017/2018 ski season and the largest by acreage in the U.S. Park City offers 7,300 acres of skiable terrain for every type of skier and snowboarder and offers guests an outstanding ski experience with fine dining, ski school, retail and lodging.
- Keystone Resort (“Keystone”) - the fourth most visited mountain resort in the U.S. for the 2017/2018 ski season and home to the highly renowned A51 Terrain Park, as well as the largest area of night skiing in Colorado. Keystone also offers guests a unique skiing opportunity through guided snow cat ski tours accessing five bowls. Keystone is a premier destination for families with its “Kidtopia” program focused on providing activities for kids on and off the mountain.

# Value Driver #2: Optionality

## Geographical diversification:



Source: Vail Resorts 2018 Form 10-K, page 5



# Epic Pass: Solidifying the Value Proposition

- Vail offers a lineup of season passes under the “Epic Pass” umbrella
- Offerings include: (i) **Epic Pass** (\$949 for unlimited skiing at all resorts); (ii) **Epic Local Pass** (\$709 for unlimited access to 10 resorts); (iii) **Epic 7 Day** (\$709 for one week of unrestricted access to all resorts); (iv) **Epic 4 Day** (\$489 for four days of unrestricted access to all resorts)
- Designed as a loss leader: customers offered low price per day in exchange for pre-season commitment & incentive to at least “break even” on purchase
- In exchange, Vail attains greater revenue stability, captures valuable guest data, and drives additional visitation at little to no marginal cost
- Every incremental guest visit also increases the prospects of greater ancillary spending, including ski lessons, food/drink, equipment rentals, and retail store purchases
- Added benefit of pricing smaller players out of the market and possibility to raise price later




# Where the Epicness Ends

For the hundreds of smaller independent resorts, that's a risky business model. "When \$500 buys you access to 12 resorts, people scoff at buying day tickets even at \$49," says Aaron Brill, a cofounder of Silverton Mountain, a small, mostly backcountry ski area in southwestern Colorado.

cooperatively held ski area, is watching the trend with a nervous eye. "Our business is about lift tickets and season passes. We have no other options," says marketing director Eric Friedman. "There's no way we can compete with the cheapo season passes on price."

*Source: Moulton, Sam. How Low-Cost Combo Passes Affect Small Ski Areas. Outside Magazine, 29 Oct. 2015*



Puts further pressure on smaller resort operators, many of which are already stretched to the limit.

# Mountain Economics: A Primer

## Nature

- Largely fixed cost structure, driven mainly by equipment leases, chairlift power (electricity costs), and insurance
- Marginal cost of an additional visitor tends toward zero after certain threshold
  - E.g. “Our emphasis on controlling our primarily fixed cost structure allows for unusually high flow through of revenue growth and resulting growth in operating margins.” – Vail [1]

## Consequences

- Rich get richer: Companies like Vail with strong economies of scale, geographical diversification, pricing power, and access to capital have ability to leverage fixed cost structure.
- Poor get poorer: Smaller players have struggled to compete with industry leaders, mainly due to insufficient scale and magnified weather risks (brought forth by concentration). Even transient revenue declines can lead to financial distress.

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1. “Our Strategies.” Strategies, Vail Resorts Management Company, [vailresorts.com/Corp/info/strategies.aspx](http://vailresorts.com/Corp/info/strategies.aspx).

# The poor are indeed getting poorer...

PRO BANKRUPTCY BANKRUPTCY

## New Jersey Ski Resort Files for Bankruptcy

Mountain Creek cites years of warmer weather, little snow and missteps by prior owners

Source: WSJ.com

**BUSINESS**

## Owner of Echo Mountain Resort files for Chapter 11 bankruptcy

Source: Denver Post

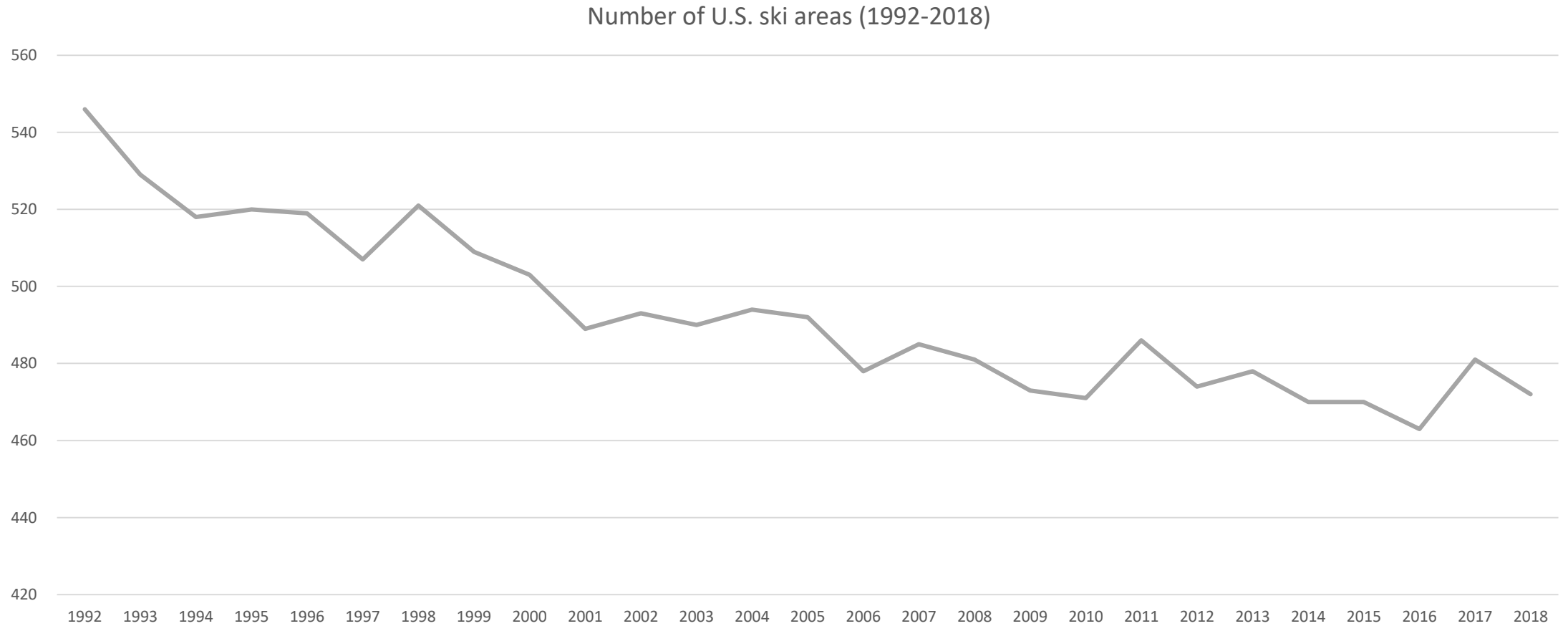
 BUSINESS & ECONOMY

## Hermitage Club taps members to pay off debt

By Brattleboro Reformer  
Oct 20 2017 | 0 comments

Source: Brattleboro Reformer

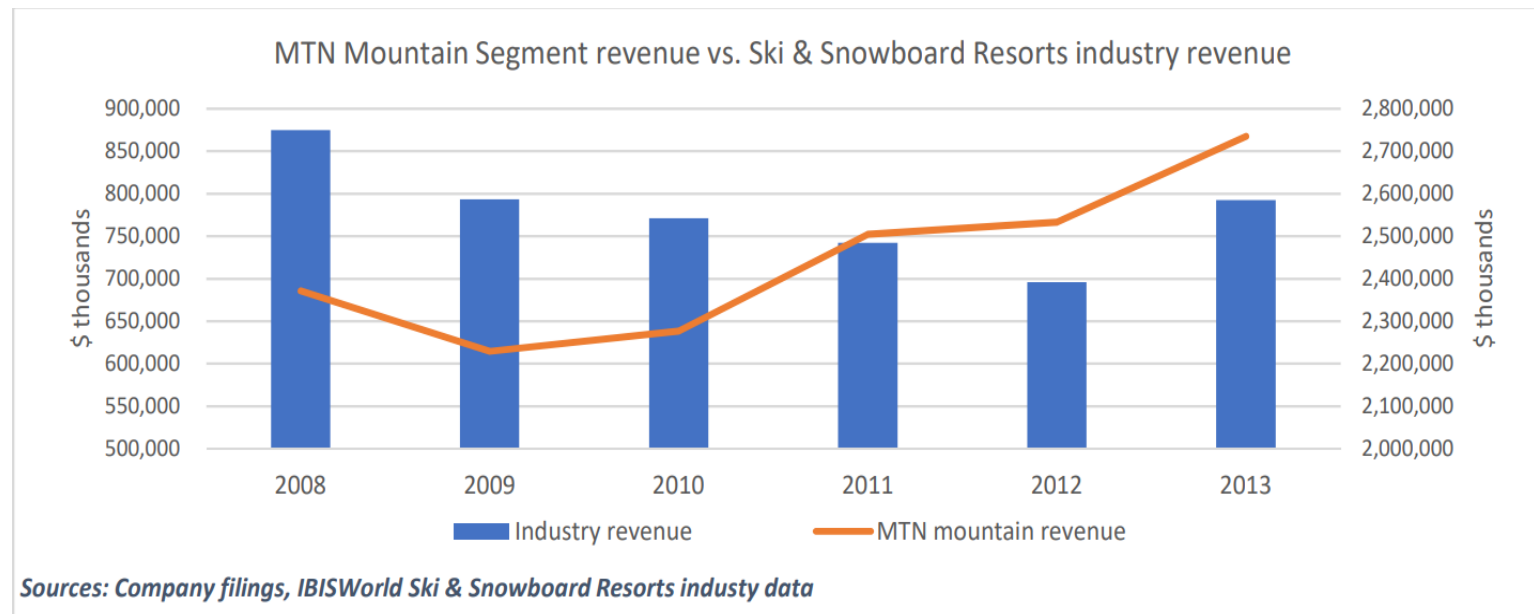
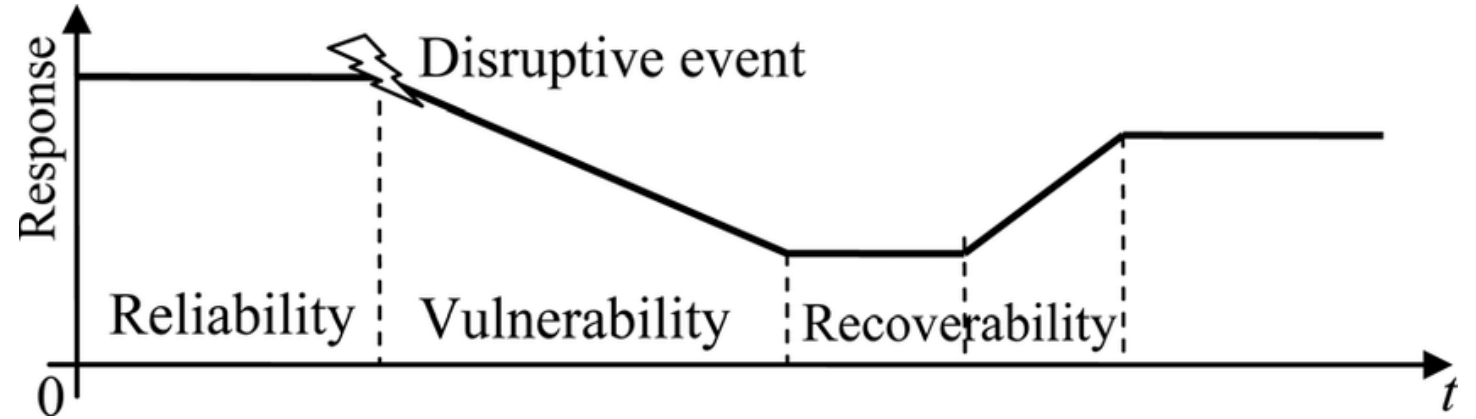
... which corresponds to the industry-wide trend of consolidation.



Source: NSAA Industry Data

# Why Perturbations are Good for Vail: A Systems Perspective

- System resilience – “[the] ability of [a] system to withstand a major disruption within acceptable degradation parameters and to recover within an acceptable time” (IGI Global)
  - E.g. MTN recovered from GFC more quickly than ski resort industry as a whole (see figure at bottom right). As a result, it was able to purchase the following resorts from 2010-2013 at depressed price points: Northstar, Kirkwood, Afton Alps, Mt. Brighton, and Canyons.



# EpicMix: Using CRM, NLP, and AI to Increase Engagement



- EpicMix - “an online and mobile application that, through radio frequency technology, captures a guest’s activity on the mountain (e.g. number of ski days, vertical feet skied and chairlift activity) and allows a guest to share his or her experience and accomplishments with family and friends on social networks” (2018 10-K, pp.8-9).
- Multiple benefits:
  - **Data collection:** Stratifies guests into various categories in accordance with on-mountain activity, demographic characteristics, attitudes, and purchase trends. Vail can then send personalized and targeted messages to guests based on which segment(s) they fall into.
  - **Engagement:** Social media-based platform, the offering of collectable achievement pins, and a leaderboard/point system -> establishes competitive and comparative environment.
  - **Utility value:** “EpicMix Time” allows guests to access real time lift line wait times and adjust their navigation habits accordingly while “EpicMix Conditions” displays live grooming reports and lift open/close reports.
  - **Free advertising:** “EpicMix Photo” enables guests to get pictures taken by any professional photographer stationed on-mountain; copies can be directly uploaded to the app and shared on Facebook and Twitter.

# Targeting Tech-Savvy Millennials and Gen Z's

## VAIL RESORTS INTRODUCES EMMA, YOUR EPIC MOUNTAIN ASSISTANT, THE WORLD'S FIRST DIGITAL MOUNTAIN ASSISTANT TO PROVIDE REAL-TIME INFORMATION TO SKIERS AND SNOWBOARDERS

13 March 2018

Through short message service (SMS) text, Emma answers guest questions in real time. On-demand information can be accessed 24 hours a day, 7 days a week, resulting in instant service and a seamless experience for guests from exploring a resort's village to learning if a favorite slope is groomed to recommendations for the best après-ski location. Topics such as snow conditions and lift line wait times, parking and in-resort wayfinding, ski school, lift tickets and equipment rental options, on- and off-mountain dining and activity recommendations and more can be accessed through Emma. From planning a ski vacation to arrival and all the way through to departure, Emma offers guests an unprecedented breadth of information tailored to each resort. If Emma cannot answer a question, she will seamlessly connect guests to chat with a live agent for further assistance. As Emma interacts with guests, her knowledge base and insight will continue to expand through both human and machine learning.

# Review: Why Vail Succeeds

Vail's ongoing strategy of...

- (i) strategically acquiring destination, urban, and international resorts;
- (ii) bringing new holdings into the Epic Pass network; and
- (iii) using CRM and machine learning technology to capture guest data, target messages (media) based on customer segmentation, and drive repeat visitation that ultimately results in season pass conversion

... has the potential to generate long-lasting, high single-digit revenue growth. Further, a largely fixed cost structure corresponds to strong operating leverage (i.e. high flow-through on growing revenue base -> expanding operating margins).

Economies of scale, pricing power, and a fortress balance sheet enable Vail to execute this strategy “through the cycle” (i.e. in both prosperous and challenging economic times).



# Such success is reflected in Vail's financials

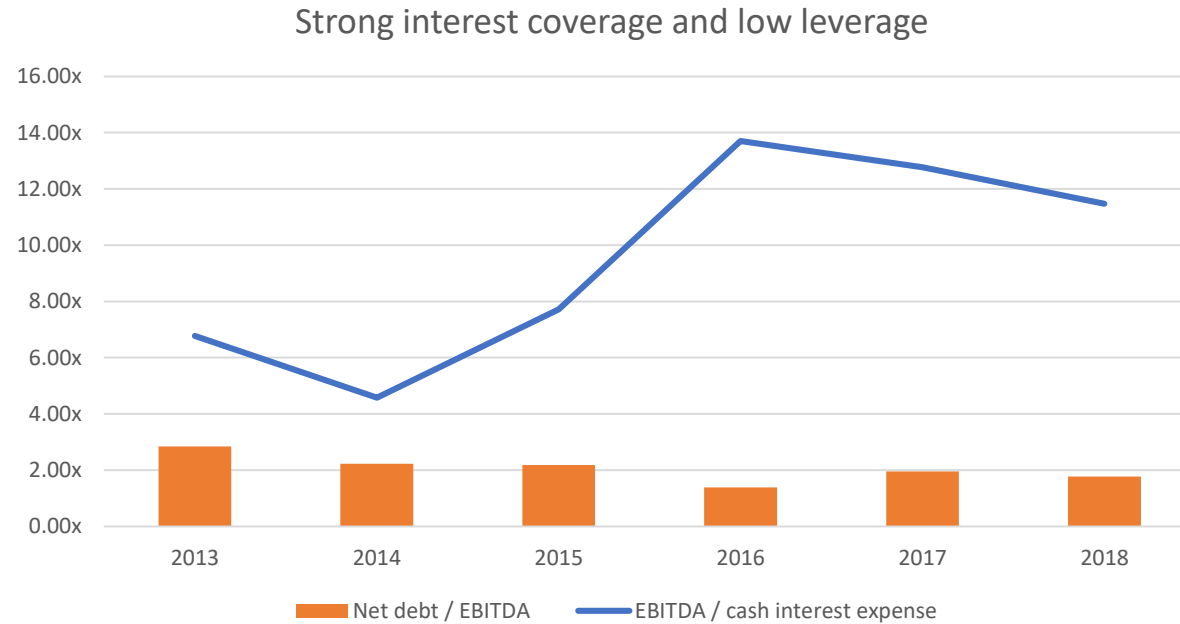
High returns on existing capital + reinvestment opportunities =



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
FY end date	7/31/2008	7/31/2009	7/31/2010	7/31/2011	7/31/2012	7/31/2013	7/31/2014	7/31/2015	7/31/2016	7/31/2017	7/31/2018
Earnings before taxes	170,933	81,196	53,797	55,520	27,092	59,229	44,072	149,328	242,619	348,449	340,092
Income tax provision	63,086	30,644	18,022	21,098	10,701	21,619	15,866	34,718	93,165	116,731	61,138
Tax rate	36.9%	37.7%	33.5%	38.0%	39.5%	36.5%	36.0%	23.2%	38.4%	33.5%	18.0%
Operating profit (EBIT)	176,005	106,134	69,309	94,472	59,331	96,953	117,263	210,513	282,979	379,256	408,817
Less: Income taxes	(64,958)	(40,056)	(23,219)	(35,900)	(23,435)	(35,389)	(42,215)	(48,943)	(108,663)	(127,051)	(73,493)
<b>NOPAT</b>	<b>111,047</b>	<b>66,078</b>	<b>46,090</b>	<b>58,572</b>	<b>35,896</b>	<b>61,564</b>	<b>75,048</b>	<b>161,570</b>	<b>174,316</b>	<b>252,205</b>	<b>335,324</b>
Short-term debt	15,355	352	1,869	1,045	990	994	1,022	10,154	13,354	38,397	38,455
Long-term debt	541,350	491,608	524,842	490,698	489,775	795,928	625,600	806,676	686,909	1,234,024	1,234,277
Stockholders' equity	728,756	780,706	802,387	843,719	816,328	837,869	834,800	880,586	888,466	1,798,959	1,811,663
Less: Goodwill	(142,282)	(167,950)	(181,085)	(268,058)	(269,769)	(348,824)	(378,148)	(500,433)	(509,037)	(1,519,743)	(1,475,686)
<b>Total capital invested</b>	<b>1,143,179</b>	<b>1,104,716</b>	<b>1,148,013</b>	<b>1,067,404</b>	<b>1,037,324</b>	<b>1,285,967</b>	<b>1,083,274</b>	<b>1,196,983</b>	<b>1,079,692</b>	<b>1,551,637</b>	<b>1,608,709</b>
Annual ROIC	9.7%	6.0%	4.0%	5.5%	3.5%	4.8%	6.9%	13.5%	16.1%	16.3%	20.8%
Cumulative after-tax profits	1,377,711										
Incremental capital invested	465,530										
Reinvestment rate	33.8%										
Return on incremental capital investments	48.2%										
Value compounding rate	16.3%										

Source: Company Filings

# Prudent growth brings forth flexibility



Source: Company Filings



under both the Amended Vail Holdings Credit Agreement and Whistler Credit Agreement. The Amended Vail Holdings Credit Agreement and the Whistler Credit Agreement provide adequate flexibility and are priced favorably with any new borrowings currently priced at LIBOR plus 1.25% and Bankers Acceptance Rate plus 1.75%, respectively.

# Catalysts

- **Seamless integration of newly acquired resorts:** If Vail can drive traffic to their new resorts in VT, NH, and CO, it can stand to amplify its revenue stream (via aforementioned network effects), as the VT and NH resorts are in close vicinity to Boston and New York. Past acquisitions suggest that this should not be a challenge.
- **Continued season pass growth:** Vail has increased their season pass sales by 12% y/y with a 19% increase in revenue. Further, a favorable response to the company's new "Epic Military Pass" demonstrates that it can successfully target novel demographic groups [1].
- **Room for growth in offseason business:** Vail's offseason offerings (e.g. conference facilities, golf courses, and outdoor discovery activities such as sightseeing, Jeep tours, mountain biking, etc.) help offset inherent seasonality of ski industry. Expanding these businesses reduces revenue concentration within winter months, thus providing a hedge against future weak snowfall seasons.

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1. Rob Katz on 4Q18 conference call: "The vast majority of Military Epic Passes were sold to guests that were not previously season pass purchasers and over half of the Military Epic Pass purchasers were not previously in our guest database."

# Risks & Mitigants

- Poor weather/snowfall conditions can have a negative effect on the business
  - **As previously discussed, Vail's diverse strengths enable it to outlast (and, at times, acquire) the competition**
- Economic downturns could hurt the ski industry harder than other sports as skiing is a relatively expensive sport
  - **Insulated by demographic profile of clientele with average destination guest annual income of ~\$295K [1]**
  - **~~International vacations~~ -> Local ski trips using value-level season passes**
- Concern over availability of cheap season labor if work visa allowances are decreased
  - **Most seasonal laborers come from South American countries that are unlikely to be affected by travel bans**



# Valuation: Comparables

Company name	Ticker	Price	Shars. out (mn)	Mkt cap (\$mn)	Ent. Value (\$mn)	LTM EBITDA	LTM EV/EBITDA	Fwd. EV/EBITDA
<b>Vail Resorts, Inc.</b>	<b>MTN</b>	<b>\$237.90</b>	<b>40.5</b>	<b>9,629.1</b>	<b>10,723.7</b>	<b>617.6</b>	<b>17.36x</b>	<b>14.34x</b>
<b>Resort &amp; Gaming Comps</b>								
Wynn Resorts Limited	WYNN	\$100.51	108.6	10,919.8	17,787.3	1,556.0	11.43x	8.63x
Las Vegas Sands	LVS	\$52.39	783.6	41,050.4	48,258.4	4,984.0	9.68x	9.54x
MGM Resorts International	MGM	\$24.94	537.9	13,415.3	25,795.9	2,504.1	10.30x	8.60x
Churchill Downs	CHDN	\$249.74	13.6	3,387.3	4,018.4	231.9	17.33x	10.99x
Scientific Games Corp	SGMS	\$20.99	91.4	1,919.0	10,694.3	1,040.2	10.28x	7.89x
Red Rock Resorts Inc	RRR	\$22.54	116.5	2,626.2	5,128.4	690.171	7.43x	9.46x
						<b>Average:</b>	<b>11.08x</b>	<b>9.19x</b>
<b>Lodging &amp; Hotel Comps</b>								
Marriott International	MAR	\$112.73	347.0	39,116.0	47,741.0	2,725.0	17.52x	13.20x
Choice Hotels International	CHH	\$70.33	56.6	3,983.0	4,742.1	226.8	20.91x	13.40x
Hyatt Hotels	H	\$67.03	111.3	7,463.0	8,275.0	627.0	13.20x	10.64x
Hilton Worldwide Holdings	HLT	\$68.27	296.6	20,246.8	27,199.8	1,748.0	15.56x	12.34x
						<b>Average:</b>	<b>16.80x</b>	<b>12.39x</b>

Source: FactSet, YCharts, Company Filings

# Valuation: Historical Multiples

	5Y Avg	JUL '18 365 DAYS	JUL '17 365 DAYS	JUL '16 366 DAYS	JUL '15 365 DAYS	JUL '14 365 DAYS	JUL '13 365 DAYS	JUL '12 366 DAYS	JUL '11 365 DAYS	JUL '10 365 DAYS	JUL '09 365 DAYS
Price/Sales	3.74	5.73	4.46	3.33	2.93	2.23	2.20	1.78	1.44	1.60	1.07
Price/Earnings	48.03	30.33	40.38	35.68	35.73	98.05	65.03	110.31	48.67	45.64	21.51
Price/Book Value	5.26	7.06	5.38	5.92	4.62	3.33	2.92	2.20	1.99	1.72	1.35
Price/Tangible Book Value		-	-	22.95	18.04	8.41	6.81	4.01	3.51	2.62	2.00
Price/Cash Flow	15.46	21.01	18.71	12.72	13.52	11.35	11.14	9.82	6.29	38.70	7.81
Price/Free Cash Flow	23.51	28.25	27.42	17.19	22.84	21.84	19.55	34.48	9.80	-	37.76
Dividend Yield (%)	1.83	1.82	1.77	2.00	1.89	1.65	1.18	1.36	0.33	0.00	0.00
Enterprise Value/EBIT	24.84	30.48	24.38	20.25	23.52	25.58	31.18	36.36	21.25	29.36	13.78
Enterprise Value/EBITDA	15.15	20.36	16.59	12.96	13.57	12.27	13.28	11.74	9.62	10.74	6.89
Enterprise Value/Sales	4.21	6.23	5.15	3.63	3.42	2.64	2.74	2.16	1.78	2.16	1.51
Total Debt/Enterprise Value	0.14	0.10	0.13	0.12	0.17	0.19	0.26	0.22	0.24	0.28	0.33

Source: FactSet



# Valuation: Sum-of-the-Parts Analysis

Valuation	
2020P Mountain EBITDA	713,083
EBITDA multiple	17.0x
Ent. Value of Mountain Segment	12,122,413
2020P Lodging EBITDA	30,732
EBITDA multiple	12.4x
Ent. Value of Lodging Segment	380,894
2019E Real Estate Book Value	97,894
Book value multiple	1.0x
Asset Value of Real Estate Segment	97,894
Total Enterprise Value	12,601,201
Less: Net Debt	(1,094,587)
<b>Equity Value</b>	<b>11,506,614</b>
Diluted Shares Outstanding	40,475.51
<b>MTN Target Price</b>	<b>\$284.29</b>

Notes: 17x Mountain EV/EBITDA multiple represents ~12% premium to 5Y historical average of entire enterprise. We believe this segment deserves a premium multiple due to its strong demonstrated returns, high-margin growth, and moat characteristics. 12.4x Lodging EV/EBITDA multiple is in-line with peer group, which we see as justified because MTN's owned/managed hotels are proximate to its mountain resorts, which incentivizes Destination guests to seek lodging accommodations at these locations. Real estate holdings, which make up a negligible portion of revenues, are valued at 1.0x book: a conservative estimate.

Valuation Scenario Analysis			
(\$ in thousands, except per share data)	Bear Case	Base Case	Bull Case
Total addressable market (TAM)	69,500	71,500	73,500
Market share capture (%)	16.5%	17.0%	17.5%
Skier visits	12,035	12,722	13,430
<b>2020P Mountain Revenue</b>	<b>1,911,761</b>	<b>2,005,721</b>	<b>2,102,414</b>
EBITDA margin	34.6%	35.6%	36.6%
<b>2020P Mountain EBITDA</b>	<b>660,561</b>	<b>713,083</b>	<b>768,484</b>
Applied EV/EBITDA multiple	17.0x	17.0x	17.0x
Mountain Segment enterprise value	11,229,529	12,122,413	13,064,229
<b>2020P Lodging Revenue</b>	<b>298,394</b>	<b>314,099</b>	<b>329,804</b>
EBITDA margin	9.8%	9.8%	9.8%
<b>2020P Lodging EBITDA</b>	<b>29,196</b>	<b>30,732</b>	<b>32,269</b>
Applied EV/EBITDA multiple	12.4x	12.4x	12.4x
Lodging Segment enterprise value	361,849	380,894	399,938
<b>2020P Real Estate Book Value</b>	<b>97,894</b>	<b>97,894</b>	<b>97,894</b>
Book value multiple	1.0x	1.0x	1.0x
Real Estate asset value	97,894	97,894	97,894
Total enterprise value	11,689,272	12,601,201	13,562,062
Less: Net debt (latest period)	(1,094,587)	(1,094,587)	(1,094,587)
<b>Equity value</b>	<b>10,594,685</b>	<b>11,506,614</b>	<b>12,467,475</b>
Diluted shares	40,475.5	40,475.5	40,475.5
MTN target price	\$261.76	\$284.29	\$308.03
<b>Upside/(downside)</b>	<b>10.0%</b>	<b>19.5%</b>	<b>29.5%</b>

# Summary

- Mountain Monopoly
- Essentially a subscription business (Epic Pass) built upon a network of world-class mountain resorts
- Both systemic and idiosyncratic factors strengthen Vail's existing moat, while giving it optionality in terms of pricing power, expansion plans, and other growth levers
- Still plenty of room to grow: domestically, internationally, offseason, new demographic groups
- Structural trend: Experiential-based preferences still prevalent among Millennials; appealing to Gen Z through on-mountain, tech-based engagement initiatives



In closing: The sky is truly the limit with Vail...



... or is it?

Vail Resorts buys Mars, plans intergalactic luxury  
ski resort

*Source: Taggart, Sam. "Vail Resorts buys Mars, plans intergalactic luxury ski resort." Aug. 17, 2018.*