

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-09614

VAIL RESORTS[®]
EXPERIENCE OF A LIFETIME[™]

Vail Resorts, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

51-0291762

(I.R.S. Employer
Identification No.)

**390 Interlocken Crescent
Broomfield, Colorado**

(Address of Principal Executive Offices)

80021

(Zip Code)

(303) 404-1800

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of December 4, 2017, 40,407,160 shares of the registrant's common stock were outstanding.

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Vail Resorts, Inc.
Consolidated Condensed Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	October 31, 2017	July 31, 2017	October 31, 2016
Assets			
Current assets:			
Cash and cash equivalents	\$ 140,397	\$ 117,389	\$ 106,751
Restricted cash	16,609	10,273	13,203
Trade receivables, net	84,571	186,913	59,445
Inventories, net	108,081	84,814	112,792
Other current assets	46,045	33,681	40,172
Total current assets	395,703	433,070	332,363
Property, plant and equipment, net (Note 6)	1,694,692	1,714,154	1,699,087
Real estate held for sale and investment	102,697	103,405	116,852
Goodwill, net	1,484,335	1,519,743	1,454,943
Intangible assets, net	287,093	294,932	286,360
Other assets	44,096	45,414	34,514
Total assets	\$ 4,008,616	\$ 4,110,718	\$ 3,924,119
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	\$ 630,467	\$ 467,669	\$ 542,923
Income taxes payable	40,707	98,491	73,739
Long-term debt due within one year (Note 4)	38,422	38,397	38,374
Total current liabilities	709,596	604,557	655,036
Long-term debt, net (Note 4)	1,262,325	1,234,024	1,371,779
Other long-term liabilities (Note 6)	290,420	301,736	272,309
Deferred income taxes	136,863	171,442	98,192
Total liabilities	2,399,204	2,311,759	2,397,316
Commitments and contingencies (Note 8)			
Stockholders' equity:			
Preferred stock, \$0.01 par value, 25,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, \$0.01 par value, 100,000 shares authorized, 45,842, 45,448 and 45,061 shares issued, respectively	458	454	451
Exchangeable shares, \$0.01 par value, 61, 69 and 418 shares issued and outstanding, respectively (Note 5)	1	1	4
Additional paid-in capital	1,157,547	1,222,510	1,209,935
Accumulated other comprehensive income (loss)	10,591	44,395	(19,784)
Retained earnings	479,997	550,985	394,690
Treasury stock, at cost, 5,436, 5,436, and 5,435 shares, respectively (Note 10)	(247,189)	(247,189)	(246,979)
Total Vail Resorts, Inc. stockholders' equity	1,401,405	1,571,156	1,338,317
Noncontrolling interests	208,007	227,803	188,486
Total stockholders' equity	1,609,412	1,798,959	1,526,803
Total liabilities and stockholders' equity	\$ 4,008,616	\$ 4,110,718	\$ 3,924,119

The accompanying Notes are an integral part of these unaudited consolidated condensed financial statements.

Vail Resorts, Inc.
Consolidated Condensed Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended October 31,	
	2017	2016
Net revenue:		
Mountain and Lodging services and other	\$ 143,348	\$ 114,686
Mountain and Lodging retail and dining	76,866	63,483
Resort net revenue	220,214	178,169
Real Estate	636	96
Total net revenue	220,850	178,265
Operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain and Lodging operating expense	181,276	152,645
Mountain and Lodging retail and dining cost of products sold	35,679	28,940
General and administrative	57,863	50,748
Resort operating expense	274,818	232,333
Real Estate	1,691	1,485
Total segment operating expense	276,509	233,818
Other operating (expense) income:		
Depreciation and amortization	(48,624)	(40,581)
Gain on sale of real property	—	6,466
Change in estimated fair value of contingent consideration (Note 7)	—	(300)
Gain (loss) on disposal of fixed assets, net	567	(550)
Loss from operations	(103,716)	(90,518)
Mountain equity investment income, net	522	832
Investment income and other, net	383	4,523
Foreign currency loss on intercompany loans (Note 4)	(7,346)	—
Interest expense, net	(15,174)	(11,964)
Loss before benefit from income taxes	(125,331)	(97,127)
Benefit from income taxes	93,404	33,509
Net loss	(31,927)	(63,618)
Net loss attributable to noncontrolling interests	3,542	1,031
Net loss attributable to Vail Resorts, Inc.	\$ (28,385)	\$ (62,587)
Per share amounts (Note 3):		
Basic net loss per share attributable to Vail Resorts, Inc.	\$ (0.71)	\$ (1.70)
Diluted net loss per share attributable to Vail Resorts, Inc.	\$ (0.71)	\$ (1.70)
Cash dividends declared per share	\$ 1.053	\$ 0.81

The accompanying Notes are an integral part of these unaudited consolidated condensed financial statements.

Vail Resorts, Inc.
Consolidated Condensed Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three Months Ended October 31,	
	2017	2016
Net loss	\$ (31,927)	\$ (63,618)
Foreign currency translation adjustments, net of tax	(45,405)	(24,412)
Comprehensive loss	(77,332)	(88,030)
Comprehensive loss attributable to noncontrolling interests	15,143	7,209
Comprehensive loss attributable to Vail Resorts, Inc.	\$ (62,189)	\$ (80,821)

The accompanying Notes are an integral part of these unaudited consolidated condensed financial statements.

Vail Resorts, Inc.
Consolidated Condensed Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Total Vail Resorts, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Vail Resorts	Exchangeable							
Balance, July 31, 2016	\$ 416	\$ —	\$ 635,986	\$ (1,550)	\$ 486,667	\$(246,979)	\$ 874,540	\$ 13,926	\$ 888,466
Comprehensive loss:									
Net loss	—	—	—	—	(62,587)	—	(62,587)	(1,031)	(63,618)
Foreign currency translation adjustments, net of tax	—	—	—	(18,234)	—	—	(18,234)	(6,178)	(24,412)
Total comprehensive loss							(80,821)	(7,209)	(88,030)
Stock-based compensation expense	—	—	4,577	—	—	—	4,577	—	4,577
Shares issued for acquisition (Note 5)	33	4	574,608	—	—	—	574,645	—	574,645
Issuance of shares under share award plans, net of shares withheld for taxes	2	—	(11,526)	—	—	—	(11,524)	—	(11,524)
Tax benefit from share award plans	—	—	6,290	—	—	—	6,290	—	6,290
Dividends (Note 3)	—	—	—	—	(29,390)	—	(29,390)	—	(29,390)
Acquisition of noncontrolling interest (Note 5)	—	—	—	—	—	—	—	181,818	181,818
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(49)	(49)
Balance, October 31, 2016	\$ 451	\$ 4	\$ 1,209,935	\$ (19,784)	\$ 394,690	\$(246,979)	\$ 1,338,317	\$ 188,486	\$ 1,526,803
Balance, July 31, 2017	\$ 454	\$ 1	\$ 1,222,510	\$ 44,395	\$ 550,985	\$(247,189)	\$ 1,571,156	\$ 227,803	\$ 1,798,959
Comprehensive loss:									
Net loss	—	—	—	—	(28,385)	—	(28,385)	(3,542)	(31,927)
Foreign currency translation adjustments, net of tax	—	—	—	(33,804)	—	—	(33,804)	(11,601)	(45,405)
Total comprehensive loss							(62,189)	(15,143)	(77,332)
Stock-based compensation expense	—	—	4,521	—	—	—	4,521	—	4,521
Measurement period adjustment (Note 5)	—	—	—	—	—	—	—	(1,776)	(1,776)
Issuance of shares under share award plans, net of shares withheld for taxes	4	—	(69,484)	—	—	—	(69,480)	—	(69,480)
Dividends (Note 3)	—	—	—	—	(42,603)	—	(42,603)	—	(42,603)
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(2,877)	(2,877)
Balance, October 31, 2017	\$ 458	\$ 1	\$ 1,157,547	\$ 10,591	\$ 479,997	\$(247,189)	\$ 1,401,405	\$ 208,007	\$ 1,609,412

The accompanying Notes are an integral part of these unaudited consolidated condensed financial statements.

Vail Resorts, Inc.
Consolidated Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended October 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (31,927)	\$ (63,618)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	48,624	40,581
Stock-based compensation expense	4,521	4,577
Deferred income taxes, net	(41,600)	(33,509)
Gain on sale of real property	—	(6,466)
Other non-cash income, net	4,885	(5,879)
Changes in assets and liabilities:		
Restricted cash	(6,654)	(1,111)
Trade receivables, net	101,642	90,431
Inventories, net	(23,208)	(22,490)
Accounts payable and accrued liabilities	(7,543)	(25,925)
Deferred revenue	167,752	112,130
Income taxes payable - excess tax benefit from share award exercises	(51,804)	(6,290)
Income taxes payable - other	(5,603)	(18,115)
Other assets and liabilities, net	(10,332)	(7,289)
Net cash provided by operating activities	148,753	57,027
Cash flows from investing activities:		
Capital expenditures	(37,449)	(46,043)
Acquisition of businesses, net of cash acquired	(1,356)	(512,348)
Cash received from the sale of real property	—	7,692
Other investing activities, net	5,153	538
Net cash used in investing activities	(33,652)	(550,161)
Cash flows from financing activities:		
Proceeds from borrowings under Vail Holdings Credit Agreement	95,000	619,375
Proceeds from borrowings under Whistler Credit Agreement	11,920	—
Repayments of borrowings under Vail Holdings Credit Agreement	(59,375)	(50,000)
Repayments of borrowings under Whistler Credit Agreement	(17,081)	—
Employee taxes paid for share award exercises	(69,480)	(11,524)
Dividends paid	(42,603)	(29,390)
Other financing activities, net	(6,989)	3,456
Net cash (used in) provided by financing activities	(88,608)	531,917
Effect of exchange rate changes on cash and cash equivalents	(3,485)	71
Net increase in cash and cash equivalents	23,008	38,854
Cash and cash equivalents:		
Beginning of period	117,389	67,897
End of period	\$ 140,397	\$ 106,751
Non-cash investing activities:		
Accrued capital expenditures	\$ 25,314	\$ 17,546

The accompanying Notes are an integral part of these unaudited consolidated condensed financial statements.

Vail Resorts, Inc.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. Organization and Business

Vail Resorts, Inc. (“Vail Resorts”) is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the “Company”) operate in three business segments: Mountain, Lodging and Real Estate. The Company refers to “Resort” as the combination of the Mountain and Lodging segments.

In the Mountain segment, the Company operates eleven world-class mountain resort properties and three urban ski areas including:

Mountain Resorts:	Location:
1. Vail Mountain Resort (“Vail Mountain”)	Colorado
2. Breckenridge Ski Resort (“Breckenridge”)	Colorado
3. Keystone Resort (“Keystone”)	Colorado
4. Beaver Creek Resort (“Beaver Creek”)	Colorado
5. Park City Resort (“Park City”)	Utah
6. Heavenly Mountain Resort (“Heavenly”)	Lake Tahoe area of Nevada and California
7. Northstar Resort (“Northstar”)	Lake Tahoe area of California
8. Kirkwood Mountain Resort (“Kirkwood”)	Lake Tahoe area of California
9. Perisher Ski Resort (“Perisher”)	New South Wales, Australia
10. Whistler Blackcomb Resort (“Whistler Blackcomb”)	British Columbia, Canada
11. Stowe Mountain Resort (“Stowe”)	Vermont
Urban Ski Areas (“Urban”):	Location:
1. Wilmot Mountain (“Wilmot”)	Wisconsin
2. Afton Alps Ski Area (“Afton Alps”)	Minnesota
3. Mount Brighton Ski Area (“Mt. Brighton”)	Michigan

Additionally, the Mountain segment includes ancillary services, primarily including ski school, dining and retail/rental operations, and for Perisher including lodging and transportation operations. The resorts located in the United States (“U.S.”), except for Northstar, Park City, Stowe and the Urban ski areas, operate primarily on federal land under the terms of Special Use Permits granted by the U.S. Department of Agriculture Forest Service. The operations of Whistler Blackcomb are conducted on land owned by the government of the Province of British Columbia, Canada within the traditional territory of the Squamish and Lil’wat Nations. The operations of Perisher are conducted pursuant to a long-term lease and license on land owned by the government of New South Wales, Australia. Stowe operates on land owned by the Company as well as land it leases from the State of Vermont.

In the Lodging segment, the Company owns and/or manages a collection of luxury hotels and condominiums under its RockResorts brand, as well as other strategic lodging properties and a large number of condominiums located in proximity to the Company’s North American mountain resorts, National Park Service (“NPS”) concessionaire properties including the Grand Teton Lodge Company (“GTLC”), which operates destination resorts in Grand Teton National Park, Colorado Mountain Express (“CME”), a Colorado resort ground transportation company, and mountain resort golf courses.

Vail Resorts Development Company (“VRDC”), a wholly-owned subsidiary, conducts the operations of the Company’s Real Estate segment, which owns, develops and sells real estate in and around the Company’s resort communities.

The Company’s mountain business and its lodging properties at or around the Company’s mountain resorts are seasonal in nature with peak operating seasons primarily from mid-November through mid-April in North America. The Company’s operating season at Perisher, its NPS concessionaire properties and its golf courses generally occur from June to early October.

2. Summary of Significant Accounting Policies

Basis of Presentation

Consolidated Condensed Financial Statements— In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire fiscal year, particularly given the significant seasonality to the Company's operating cycle. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2017. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") have been condensed or omitted. The Consolidated Condensed Balance Sheet as of July 31, 2017 was derived from audited financial statements.

The Consolidated Condensed Statement of Operations for the three months ended October 31, 2016 has been revised to separately disclose revenues and costs from retail and dining operations, as well as general and administrative costs. Retail and dining revenues were previously included within Mountain and Lodging revenues, and the related costs were previously included in Mountain and Lodging operating costs. Management considers the change in presentation of its Consolidated Condensed Statement of Operations to be immaterial to the period presented. There is no change to previously reported total net revenue, operating expense, loss from operations, net loss attributable to Vail Resorts, Inc., per share amounts or segment results.

Use of Estimates— The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Instruments— The recorded amounts for cash and cash equivalents, receivables, other current assets, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts outstanding under the Vail Holdings Credit Agreement revolver and term loan, Whistler Credit Agreement revolver and the Employee Housing Bonds (all as defined in Note 4, Long-Term Debt) approximate book value due to the variable nature of the interest rate, which is a market rate, associated with the debt.

Recently Issued Accounting Standards

Adopted Standards

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The new guidance requires companies to record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement when the awards vest or are settled, as applicable, rather than within additional paid in capital which was required under the previous guidance. The guidance also requires companies to present excess tax benefits as an operating activity and cash paid to a taxing authority to satisfy employee statutory withholding as a financing activity on the statement of cash flows. Additionally, the guidance allows companies to make a policy election to account for forfeitures either upon occurrence or by estimating forfeitures. The Company adopted this standard on August 1, 2017, and will prospectively record excess tax benefits and deficiencies within the provision or benefit for income taxes on its Consolidated Condensed Statements of Operations when stock-based compensation awards vest or are exercised. The Company expects this will increase volatility of the provision or benefit for income taxes as the amount of excess tax benefits or deficiencies from stock-based compensation awards are dependent on the Company's stock price at the date the awards vest or are exercised. As a result of adopting this provision of the standard, the Company recorded \$51.8 million of excess tax benefits within benefit from income taxes on its Consolidated Condensed Statement of Operations for the three months ended October 31, 2017 (or \$1.29 per diluted share) resulting from vesting and exercises of equity awards during the quarter. As of August 1, 2017, the Company prospectively presented excess tax benefits as operating activities on its Consolidated Condensed Statement of Cash Flows for the three months ended October 31, 2017. Additionally, the Company has elected to record actual forfeitures for recording stock-based compensation expense when they occur, rather than estimate expected forfeitures, which did not have a material impact to the Consolidated Condensed Statement of Operations for the three months ended October 31, 2017. In accordance with the disclosure provisions of the new guidance, the Company retrospectively adopted the new presentation. Cash paid to taxing authorities on an employee's behalf was changed to be classified as a financing activity in the Consolidated Condensed Statements of Cash Flows, which resulted in a \$11.5 million decrease to cash provided by financing activities with a corresponding increase to cash provided by operating activities for the three months ended October 31, 2016, as shown below (in thousands).

	Three Months Ended October 31, 2016		
	Previously Reported (Previous Guidance)	Tax Payments Change	Revised Reported (New Guidance)
Cash flows provided by operating activities	\$ 45,503	\$ 11,524	\$ 57,027
Cash flows used in investing activities (no change)	(550,161)	—	(550,161)
Cash flows provided by financing activities	543,441	(11,524)	531,917
Effect of exchange rate changes (no change)	71	—	71
Net increase in cash and cash equivalents	\$ 38,854	\$ —	\$ 38,854

Standards Being Evaluated

The authoritative guidance listed below is currently being evaluated for its impact to Company policies upon adoption as well as any significant implementation matters yet to be addressed.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in Accounting Standards Codification 605, “Revenue Recognition.” This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Subsequent to the issuance of ASU 2014-09, the FASB has issued several amendments, which do not change the core principle of the guidance and are intended to clarify and improve understanding of certain topics included within the revenue standard. This standard will be effective for the first interim period within fiscal years beginning after December 15, 2017 (the Company’s first quarter of fiscal 2019), using one of two retrospective application methods. The Company will not early adopt this standard and is evaluating the impacts, if any, the adoption of this accounting standard will have on the Company’s financial position or results of operations and cash flows and related disclosures and is determining the appropriate transition method.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” which supersedes “Leases (Topic 840).” The standard requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet and disclose key information about leasing arrangements. The standard also allows for an accounting policy election not to recognize on the balance sheet lease assets and liabilities for leases with a term of 12 months or less. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset on their balance sheets, while lessor accounting will be largely unchanged. The standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those years (the Company’s first quarter of fiscal 2020), and must be applied using a modified retrospective transition approach to leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with early adoption permitted. The Company is currently evaluating the impacts the adoption of this accounting standard will have on the Company’s financial position or results of operations and cash flows and related disclosures. Additionally, the Company is evaluating the impacts of the standard beyond accounting, including system, data and process changes required to comply with the standard.

3. Net Loss per Share

Earnings per Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net loss attributable to Vail Resorts stockholders by the weighted-average shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of Vail Resorts.

In connection with the Company’s acquisition of Whistler Blackcomb in October 2016 (see Note 5, Acquisitions), the Company issued consideration in the form of shares of Vail Resorts common stock (the “Vail Shares”) and shares of the Company’s wholly-owned Canadian subsidiary (“Exchangeco”). Whistler Blackcomb shareholders elected to receive 3,327,719 Vail Shares and 418,095 shares of Exchangeco (the “Exchangeco Shares”). Both Vail Shares and Exchangeco Shares have a par value of \$0.01 per share, and Exchangeco Shares, while outstanding, are substantially the economic equivalent of Vail Shares and are exchangeable, at any time prior to the seventh anniversary of the closing of the acquisition, into Vail Shares. The Company’s calculation of weighted-average shares outstanding includes the Exchangeco Shares.

Presented below is basic and diluted EPS for the three months ended October 31, 2017 and 2016 (in thousands, except per share amounts):

	Three Months Ended October 31,			
	2017		2016	
	Basic	Diluted	Basic	Diluted
Net loss per share:				
Net loss attributable to Vail Resorts	\$ (28,385)	\$ (28,385)	\$ (62,587)	\$ (62,587)
Weighted-average Vail Shares outstanding	40,147	40,147	36,766	36,766
Weighted-average Exchangeco Shares outstanding	64	64	68	68
Total Weighted-average shares outstanding	40,211	40,211	36,834	36,834
Effect of dilutive securities	—	—	—	—
Total shares	40,211	40,211	36,834	36,834
Net loss per share attributable to Vail Resorts	\$ (0.71)	\$ (0.71)	\$ (1.70)	\$ (1.70)

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. The number of shares issuable upon the exercise of share based awards excluded from the calculation of diluted EPS because the effect of their inclusion would have been anti-dilutive totaled approximately 1.3 million and 1.7 million for the three months ended October 31, 2017 and 2016, respectively.

Dividends

The Company paid cash dividends of \$1.053 and \$0.81 per share (\$42.6 million and \$29.4 million in the aggregate) during the three months ended October 31, 2017 and 2016, respectively. On December 6, 2017, the Company's Board of Directors declared a quarterly cash dividend of \$1.053 per share, for Vail Shares, payable on January 10, 2018 to stockholders of record as of December 27, 2017. Additionally, a Canadian dollar equivalent dividend on the Exchangeco Shares will be payable on January 10, 2018 to the shareholders of record on December 27, 2017.

4. Long-Term Debt

Long-term debt, net as of October 31, 2017, July 31, 2017 and October 31, 2016 is summarized as follows (in thousands):

	Maturity	October 31, 2017	July 31, 2017	October 31, 2016
Vail Holdings Credit Agreement term loan (a)	2021	\$ 712,500	\$ 721,875	\$ 750,000
Vail Holdings Credit Agreement revolver (a)	2021	95,000	50,000	135,000
Whistler Credit Agreement revolver (b)	2022	104,625	113,119	142,103
Employee housing bonds	2027-2039	52,575	52,575	52,575
Canyons obligation	2063	330,217	328,786	324,521
Other	2024-2028	9,743	10,166	10,617
Total debt		1,304,660	1,276,521	1,414,816
Less: Unamortized debt issuance costs		3,913	4,100	4,663
Less: Current maturities (c)		38,422	38,397	38,374
Long-term debt, net		\$ 1,262,325	\$ 1,234,024	\$ 1,371,779

- (a) On October 14, 2016, in order to finance the cash portion of the consideration and payment of associated fees and expenses of the Whistler Blackcomb acquisition (see Note 5, Acquisitions), the Company's wholly owned subsidiary, Vail Holdings, Inc. ("VHI"), entered into the Second Amendment to the Seventh Amended and Restated Credit Agreement, dated as of May 1, 2015 (the "Vail Holdings Credit Agreement"), with Bank of America, N.A., as administrative agent, and other lenders named therein, through which these lenders provided an additional \$509.4 million in incremental term loans and agreed, on behalf of all lenders, to extend the maturity date for the outstanding term loans and revolver facility under the Vail Holdings Credit Agreement to October 14, 2021 (the "Amendment"). The Vail Holdings Credit Agreement consists of a \$400.0 million revolving credit facility and a \$750.0 million term loan facility. The other material terms of the Vail

Holdings Credit Agreement were not altered by the Amendment. Borrowings under the Vail Holdings Credit Agreement, including the term loan facility, bear interest annually at the rate of LIBOR plus 1.25% (2.49%, as of October 31, 2017), and interest payments are due monthly. Additionally, the term loan facility is subject to quarterly principal payments of approximately \$9.4 million, which began on January 31, 2017. Final payment of the remaining principal outstanding plus accrued and unpaid interest is due upon maturity in October 2021. The Vail Holdings Credit Agreement provides for affirmative and negative covenants that restrict, among other things, the Company's ability to incur indebtedness, dispose of assets, make capital expenditures, make distributions and make investments.

- (b) The WB Partnerships (as defined in Note 5, Acquisitions) are party to a credit agreement, dated as of November 12, 2013 (as amended, the "Whistler Credit Agreement"), by and among Whistler Mountain Resort Limited Partnership ("Whistler LP"), Blackcomb Skiing Enterprises Limited Partnership ("Blackcomb LP"), certain subsidiaries of Whistler LP and Blackcomb LP party thereto as guarantors (the "Whistler Subsidiary Guarantors"), the financial institutions party thereto as lenders and The Toronto-Dominion Bank, as administrative agent. The Whistler Credit Agreement consists of a C\$300.0 million revolving credit facility, and during the three months ended October 31, 2017, the Company exercised its right under the Whistler Credit Agreement, with the consent of the lender parties thereto, to extend the maturity date for the Whistler Credit Agreement from November 12, 2021 to November 12, 2022. No other terms of the Whistler Credit agreement were altered. The WB Partnerships' obligations under the Whistler Credit Agreement are guaranteed by the Whistler Subsidiary Guarantors and are collateralized by a pledge of the capital stock of the Whistler Subsidiary Guarantors and a pledge of substantially all of the assets of Whistler LP, Blackcomb LP and the Whistler Subsidiary Guarantors. In addition, pursuant to the terms of the Whistler Credit Agreement, the WB Partnerships have the ability to increase the commitment amount by up to C\$75.0 million subject to lender approval. Borrowings under the Whistler Credit Agreement are available in Canadian or U.S. dollars and bear interest annually, subject to an applicable margin based on the WB Partnerships' Consolidated Total Leverage Ratio (as defined in the Whistler Credit Agreement), with pricing as of October 31, 2017, in the case of borrowings (i) in Canadian dollars, at the WB Partnerships' option, either (a) at the Canadian Prime Rate plus 0.75% per annum or (b) by way of the issuance of bankers' acceptances plus 1.75% per annum; and (ii) in U.S. dollars, at the WB Partnerships option, either at (a) the U.S. Base Rate plus 0.75% per annum or (b) Bankers Acceptance Rate plus 1.75% per annum. As of October 31, 2017 all borrowings under the Whistler Credit Agreement were made in Canadian dollars and by way of the issuance of bankers' acceptances plus 1.75% (approximately 3.11%). The Whistler Credit Agreement also includes a quarterly unused commitment fee based on the Consolidated Total Leverage Ratio, which as of October 31, 2017 is equal to 0.3937% per annum. The Whistler Credit Agreement provides for affirmative and negative covenants that restrict, among other things, the WB Partnerships' ability to incur indebtedness and liens, dispose of assets, make capital expenditures, make distributions and make investments. In addition, the Whistler Credit Agreement includes the restrictive financial covenants (leverage ratios and interest coverage ratios) customary for facilities of this type.
- (c) Current maturities represent principal payments due in the next 12 months.

Aggregate maturities of debt outstanding as of October 31, 2017 reflected by fiscal year (August 1 through July 31) are as follows (in thousands):

	Total
2018 (November 2017 through July 2018)	\$ 28,599
2019	38,455
2020	38,516
2021	38,580
2022	772,648
Thereafter	387,862
Total debt	\$ 1,304,660

The Company recorded gross interest expense of \$15.2 million and \$12.0 million for the three months ended October 31, 2017 and 2016, respectively, of which \$0.3 million and \$0.2 million, respectively, were amortization of deferred financing costs. The Company was in compliance with all of its financial and operating covenants required to be maintained under its debt instruments for all periods presented.

In connection with the acquisition of Whistler Blackcomb, VHI funded a portion of the purchase price through an intercompany loan to Whistler Blackcomb of \$210.0 million, which was effective as of November 1, 2016, and requires foreign currency remeasurement to Canadian dollars, the functional currency for Whistler Blackcomb. As a result, foreign currency fluctuations associated with the loan are recorded within the Company's results of operations. The Company recognized approximately \$7.3

million in foreign currency loss on the intercompany loan to Whistler Blackcomb for the three months ended October 31, 2017 on the Company's Consolidated Condensed Statements of Operations.

5. Acquisitions

Stowe

On June 7, 2017, the Company, through a wholly-owned subsidiary, acquired Stowe Mountain Resort in Stowe, Vermont, from Mt. Mansfield Company, Inc., a wholly-owned subsidiary of American International Group, Inc., for total cash consideration of \$40.7 million. The Company acquired all of the assets related to the mountain operations of the resort, including base area skier services (food and beverage, retail and rental, lift ticket offices and ski and snowboard school facilities). The purchase price was allocated to identifiable tangible and intangible assets acquired based on their estimated fair values at the acquisition date. The Company has completed its preliminary purchase price allocation and has recorded \$39.1 million in property, plant and equipment; \$3.0 million in intangible assets; \$2.3 million in other assets; and \$3.7 million of assumed liabilities on the date of acquisition. The operating results of Stowe are reported within the Mountain segment.

Whistler Blackcomb

On October 17, 2016, the Company, through Exchangeco, acquired all of the outstanding common shares of Whistler Blackcomb, for aggregate purchase consideration paid to Whistler Blackcomb shareholders of \$1.09 billion. The consideration paid consisted of (i) approximately C\$673.8 million (\$512.6 million) in cash (or C\$17.50 per Whistler Blackcomb share), (ii) 3,327,719 Vail Shares and (iii) 418,095 Exchangeco Shares. Each Exchangeco Share is exchangeable by the holder thereof for one Vail Share (subject to customary adjustments for stock splits or other reorganizations). In addition, the Company may require all outstanding Exchangeco Shares to be exchanged into an equal number of Vail Shares upon the occurrence of certain events and at any time following the seventh anniversary of the closing of the acquisition. While outstanding, holders of Exchangeco Shares are entitled to cast votes on matters for which holders of Vail Shares are entitled to vote and are entitled to receive dividends economically equivalent to the dividends declared by the Company with respect to the Vail Shares.

Whistler Blackcomb owns a 75% interest in each of Whistler LP and Blackcomb LP (the "WB Partnerships"), which together operate Whistler Blackcomb Resort, a year round mountain resort in British Columbia, Canada with a comprehensive offering of recreational activities, including both snow sports and summer activities. The remaining 25% limited partnership interest in each of the WB Partnerships is owned by Nippon Cable Co. Ltd. ("Nippon Cable"), an unrelated party to the Company. The WB Partnerships hold land leases and rights-of-way under long-term agreements with the government of the province of British Columbia, Canada within the traditional territory of the Squamish and Lil'wat Nations, which provide for the use of land at Whistler Mountain and Blackcomb Mountain.

The Company executed forward contracts for the underlying Canadian dollar cash consideration to economically hedge the risk associated with the U.S. dollar to Canadian dollar exchange rates. The Company's total cost was \$509.2 million to accumulate C\$673.8 million which was required for the cash component of the purchase consideration. The estimated fair value of the Canadian dollars was approximately \$512.6 million upon settlement. Accordingly, the Company realized a gain of \$3.4 million on foreign currency exchange rate changes during the three months ended October 31, 2016. The gain on foreign currency is a separate transaction as it primarily benefited the Company and therefore the Company recorded this gain within Investment income and other, net in its Consolidated Condensed Statements of Operations. The estimated fair value of \$512.6 million is considered the cash component of the purchase consideration.

The Company held shares of Whistler Blackcomb common stock prior to the acquisition and, as such, the acquisition-date estimated fair value of this previously held investment was a component of the purchase consideration. Based on the acquisition-date estimated fair value of this investment of \$4.3 million, the Company recorded a gain of \$0.8 million within Investment income and other, net in its Consolidated Condensed Statements of Operations during the three months ended October 31, 2016.

Nippon Cable's 25% limited partnership interest is a noncontrolling economic interest containing certain protective rights and no ability to participate in the day to day operations of the WB Partnerships. The WB Partnership agreements provide that distributions made out of the partnerships be made on the basis of 75% to Whistler Blackcomb and 25% to Nippon Cable. In addition, based upon the terms of the WB Partnership agreements, the annual distribution rights are non-transferable and transfer of the limited partnership interest is limited to Nippon Cable's entire interest. Accordingly, the estimate of fair value associated with the noncontrolling interest at the date of acquisition has been determined based on expected underlying cash flows of the WB Partnerships discounted at a rate commensurate with a market participant's expected rate of return for an equity instrument with these associated restrictions.

The following summarizes the purchase consideration and the estimated fair values of the identifiable assets acquired and liabilities assumed at the date the transaction was effective (in thousands, except exchange ratio and share price):

(in thousands, except exchange ratio and share price amounts)	Acquisition Date Estimated Fair Value
Total Whistler Blackcomb shares acquired	38,500
Exchange ratio as of October 14, 2016	0.097294
Total Vail Shares issued to Whistler Blackcomb shareholders	3,746
Vail Resorts closing share price on October 14, 2016	\$ 153.41
Total value of Vail Shares issued	\$ 574,645
Total cash consideration paid at C\$17.50 (\$13.31 on October 17, 2016) per Whistler Blackcomb share	512,558
Total purchase consideration to Whistler Blackcomb shareholders	1,087,203
Estimated fair value of previously held investment in Whistler Blackcomb	4,308
Estimated fair value of Nippon Cable's 25% interest in Whistler Blackcomb	180,803
Total estimated purchase consideration	\$ 1,272,314

Allocation of total estimated purchase consideration:

Estimated fair values of assets acquired:	
Current assets	\$ 36,820
Property, plant and equipment	332,609
Real estate held for sale and investment	8,216
Goodwill	956,459
Identifiable intangibles	150,681
Deferred income taxes, net	7,992
Other assets	1,973
Current liabilities	(74,358)
Assumed long-term debt	(144,922)
Other long-term liabilities	(3,156)
Net assets acquired	\$ 1,272,314

During the three months ended October 31, 2017, the Company recorded adjustments in the measurement period to its purchase price allocation which decreased the estimated fair value of noncontrolling interest and season pass holder relationships intangible asset with a corresponding net decrease to goodwill.

The estimated fair values of definite-lived and indefinite-lived identifiable intangible assets were determined using significant estimates and assumptions. The estimated fair value and estimated useful lives of identifiable intangible assets, where applicable, are as follows.

	Estimated Fair Value	Weighted Average Amortization Period
	(\$ in thousands)	(in years) ⁽¹⁾
Trademarks and trade names	\$ 139,977	n/a
Season pass holder relationships	6,596	5
Property management contracts	4,108	n/a
Total acquired identifiable intangible assets	\$ 150,681	

⁽¹⁾ Trademarks and trade names and property management contracts are indefinite-lived intangible assets.

The excess of the purchase consideration over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected cost efficiencies from the elimination of certain public company costs as well as other select areas of general and administrative functions, synergies (including utilization of the Company's yield management strategies at Whistler Blackcomb and increased season pass sales and visitation across the Company's resort portfolio) the assembled workforce of Whistler Blackcomb and other factors. The goodwill is not expected to be deductible for income tax purposes. The operating results of Whistler Blackcomb, which are primarily recorded in the Mountain segment,

contributed \$0.6 million of net revenue for the three months ended October 31, 2016, prospectively from the acquisition date (acquired on October 17, 2016). The Company recognized \$2.6 million of transaction related expenses in Mountain operating expense in the Consolidated Condensed Statements of Operations for the three months ended October 31, 2016.

Whistler Blackcomb Pro Forma Financial Information

The following presents the unaudited pro forma consolidated financial information of the Company as if the acquisition of Whistler Blackcomb was completed on August 1, 2015. The following unaudited pro forma financial information includes adjustments for (i) depreciation on acquired property, plant and equipment; (ii) amortization of intangible assets recorded at the date of the transactions; (iii) transaction and business integration related costs; (iv) interest expense associated with financing the cash portion of the transaction; and (v) total weighted average shares outstanding related to the acquisition; and excludes the impact of the intercompany loan. This unaudited pro forma financial information is presented for informational purposes only and does not purport to be indicative of the results of future operations or the results that would have occurred had the transaction taken place on August 1, 2015 (in thousands, except per share amounts).

	Three Months Ended October 31, 2016	
Pro forma net revenue	\$	200,929
Pro forma net loss attributable to Vail Resorts, Inc.	\$	(67,678)
Pro forma basic net loss per share attributable to Vail Resorts, Inc.	\$	(1.69)
Pro forma diluted net loss per share attributable to Vail Resorts, Inc.	\$	(1.69)

6. Supplementary Balance Sheet Information

The composition of property, plant and equipment follows (in thousands):

	October 31, 2017		July 31, 2017		October 31, 2016	
Land and land improvements	\$	550,627	\$	553,655	\$	530,634
Buildings and building improvements		1,186,731		1,210,864		1,157,546
Machinery and equipment		985,639		987,080		954,722
Furniture and fixtures		284,815		280,292		291,141
Software		111,440		108,048		106,901
Vehicles		59,600		59,596		64,344
Construction in progress		77,512		49,359		82,895
Gross property, plant and equipment		3,256,364		3,248,894		3,188,183
Accumulated depreciation		(1,561,672)		(1,534,740)		(1,489,096)
Property, plant and equipment, net	\$	1,694,692	\$	1,714,154	\$	1,699,087

The composition of accounts payable and accrued liabilities follows (in thousands):

	October 31, 2017		July 31, 2017		October 31, 2016	
Trade payables	\$	103,540	\$	71,558	\$	90,773
Deferred revenue		407,848		240,096		328,009
Accrued salaries, wages and deferred compensation		19,699		44,869		29,544
Accrued benefits		30,317		32,505		28,564
Deposits		21,017		23,742		18,418
Other liabilities		48,046		54,899		47,615
Total accounts payable and accrued liabilities	\$	630,467	\$	467,669	\$	542,923

The composition of other long-term liabilities follows (in thousands):

	October 31, 2017		July 31, 2017		October 31, 2016
Private club deferred initiation fee revenue	\$ 117,151	\$	118,417	\$	120,546
Unfavorable lease obligation, net	23,922		24,664		27,284
Other long-term liabilities	149,347		158,655		124,479
Total other long-term liabilities	\$ 290,420	\$	301,736	\$	272,309

7. Fair Value Measurements

The FASB issued fair value guidance that establishes how reporting entities should measure fair value for measurement and disclosure purposes. The guidance establishes a common definition of fair value applicable to all assets and liabilities measured at fair value and prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The three levels of the hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities;

Level 2: Inputs include quoted prices for similar assets and liabilities in active and inactive markets or that are observable for the asset or liability either directly or indirectly; and

Level 3: Unobservable inputs which are supported by little or no market activity.

The table below summarizes the Company's cash equivalents, Contingent Consideration and Interest Rate Swap measured at estimated fair value (all other assets and liabilities measured at fair value are immaterial) (in thousands).

Description	Estimated Fair Value Measurement as of October 31, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	\$ 3,010	\$ 3,010	\$ —	\$ —
Commercial Paper	\$ 2,401	\$ —	\$ 2,401	\$ —
Certificates of Deposit	\$ 2,406	\$ —	\$ 2,406	\$ —
Liabilities:				
Contingent Consideration	\$ 23,754	\$ —	\$ —	\$ 23,754

Description	Estimated Fair Value Measurement as of July 31, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	\$ 3,008	\$ 3,008	\$ —	\$ —
Commercial Paper	\$ 2,401	\$ —	\$ 2,401	\$ —
Certificates of Deposit	\$ 2,403	\$ —	\$ 2,403	\$ —
Interest Rate Swap	\$ 236	\$ —	\$ 236	\$ —
Liabilities:				
Contingent Consideration	\$ 27,400	\$ —	\$ —	\$ 27,400

Description	Estimated Fair Value Measurement as of October 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	\$ 3,001	\$ 3,001	\$ —	\$ —
Commercial Paper	\$ 2,401	\$ —	\$ 2,401	\$ —
Certificates of Deposit	\$ 2,403	\$ —	\$ 2,403	\$ —
Liabilities:				
Contingent Consideration	\$ 11,400	\$ —	\$ —	\$ 11,400
Interest Rate Swap	\$ 1,990	\$ —	\$ 1,990	\$ —

The Company's cash equivalents and Interest Rate Swap are measured utilizing quoted market prices or pricing models whereby all significant inputs are either observable or corroborated by observable market data. The Interest Rate Swap was an instrument assumed in the Whistler Blackcomb acquisition that was a C\$125.0 million fixed swap on the floating interest rate for the assumed Whistler Credit Agreement, and was originally set to expire in September 2020. However, the Company settled the Interest Rate Swap in September 2017 and therefore no longer utilized an Interest Rate Swap as of October 31, 2017. Interest Rate Swap settlements and changes in estimated fair value are recognized in interest expense, net on the Consolidated Condensed Statement of Operations.

The changes in Contingent Consideration during the three months ended October 31, 2017 and 2016 were as follows (in thousands):

Balance as of July 31, 2017 and 2016, respectively	\$ 27,400	\$ 11,100
Payments	(3,646)	—
Change in estimated fair value	—	300
Balance as of October, 2017 and 2016, respectively	\$ 23,754	\$ 11,400

The lease for Park City provides for participating contingent payments (the "Contingent Consideration") to the landlord of 42% of the amount by which EBITDA for the Park City resort operations, as calculated under the lease, exceeds approximately \$35 million, as established at the transaction date, with such threshold amount subsequently increased annually by an inflation linked index and a 10% adjustment for any capital improvements or investments made under the lease by the Company. The estimated

fair value of Contingent Consideration includes the future period resort operations of Park City in the calculation of EBITDA on which participating contingent payments are made, which is determined on the basis of estimated subsequent year performance, escalated by an assumed growth factor. The Company estimated the fair value of the Contingent Consideration payments using an option pricing valuation model. Key assumptions included a discount rate of 10.2%, volatility of 16.0% and future period Park City EBITDA and capital expenditures, which are unobservable inputs and thus are considered Level 3 inputs. The Company prepared a sensitivity analysis to evaluate the effect that changes on certain key assumptions would have on the estimated fair value of the Contingent Consideration. A change in the discount rate of 100 basis points or a 5% change in estimated subsequent year performance would result in a change in the estimated fair value within the range of approximately \$4.5 million to \$6.5 million.

Contingent Consideration is classified as a liability, and therefore the liability is remeasured to fair value at each reporting date until the contingency is resolved. During the three months ended October 31, 2017, the Company made a payment to the landlord for Contingent Consideration of approximately \$3.6 million, resulting in an estimated fair value of the Contingent Consideration of approximately \$23.8 million, which is reflected in other long-term liabilities in the Consolidated Condensed Balance Sheet.

8. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances \$6.3 million of bonds issued by Holland Creek Metropolitan District (“HCMD”) through a \$6.4 million letter of credit issued under the Vail Holdings Credit Agreement. HCMD’s bonds were issued and used to build infrastructure associated with the Company’s Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to the Red Sky Ranch Metropolitan District (“RSRMD”) until RSRMD’s revenue streams from property taxes are sufficient to meet debt service requirements under HCMD’s bonds. The Company has recorded a liability of \$2.0 million primarily within other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets, as of October 31, 2017, July 31, 2017 and October 31, 2016, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates it will make capital improvement fee payments under this arrangement through the fiscal year ending July 31, 2031.

Guarantees/Indemnifications

As of October 31, 2017, the Company had various other letters of credit totaling \$65.5 million, consisting of \$53.4 million to support the Employee Housing Bonds and \$12.1 million for workers’ compensation, general liability construction related deductibles and other activities. The Company also had surety bonds of \$9.3 million as of October 31, 2017, primarily to provide collateral for its workers compensation self-insurance programs.

In addition to the guarantees noted above, the Company has entered into contracts in the normal course of business that include certain indemnifications under which it could be required to make payments to third parties upon the occurrence or non-occurrence of certain future events. These indemnities include indemnities related to licensees in connection with third-parties’ use of the Company’s trademarks and logos, liabilities associated with the infringement of other parties’ technology and software products, liabilities associated with the use of easements, liabilities associated with employment of contract workers and the Company’s use of trustees, and liabilities associated with the Company’s use of public lands and environmental matters. The duration of these indemnities generally is indefinite and generally do not limit the future payments the Company could be obligated to make.

As permitted under applicable law, the Company and certain of its subsidiaries have agreed to indemnify their directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company or its subsidiaries in such a capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that should enable the Company to recover a portion of any amounts paid.

Unless otherwise noted, the Company has not recorded any significant liabilities for the letters of credit, indemnities and other guarantees noted above in the accompanying Consolidated Condensed Financial Statements, either because the Company has recorded on its Consolidated Condensed Balance Sheets the underlying liability associated with the guarantee, the guarantee is with respect to the Company’s own performance and is therefore not subject to the measurement requirements as prescribed by GAAP, or because the Company has calculated the estimated fair value of the indemnification or guarantee to be immaterial based on the current facts and circumstances that would trigger a payment under the indemnification clause. In addition, with respect to certain indemnifications, it is not possible to determine the maximum potential amount of liability under these potential obligations due to the unique set of facts and circumstances likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

As noted above, the Company makes certain indemnifications to licensees for their use of the Company's trademarks and logos. The Company does not record any liabilities with respect to these indemnifications.

Self-Insurance

The Company is self-insured for claims under its U.S. health benefit plans and for the majority of workers' compensation claims in the U.S. Workers compensation claims in the U.S. are subject to stop loss policies. The self-insurance liability related to workers' compensation is determined actuarially based on claims filed. The self-insurance liability related to claims under the Company's U.S. health benefit plans is determined based on analysis of actual claims. The amounts related to these claims are included as a component of accrued benefits in accounts payable and accrued liabilities (see Note 6, Supplementary Balance Sheet Information).

Legal

The Company is a party to various lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage and/or has accrued for all loss contingencies for asserted and unasserted matters deemed to be probable losses and estimable. As of October 31, 2017, July 31, 2017 and October 31, 2016, the accruals for the above loss contingencies were not material individually or in the aggregate.

9. Segment Information

The Company has three reportable segments: Mountain, Lodging and Real Estate. The Company refers to "Resort" as the combination of the Mountain and Lodging segments. The Mountain segment includes the operations of the Company's mountain resorts/ski areas and related ancillary activities. The Lodging segment includes the operations of the Company's owned hotels, RockResorts, NPS concessionaire properties, condominium management, CME and mountain resort golf operations. The Real Estate segment owns, develops and sells real estate in and around the Company's resort communities. The Company's reportable segments, although integral to the success of the others, offer distinctly different products and services and require different types of management focus. As such, these segments are managed separately.

The Company reports its segment results using Reported EBITDA (defined as segment net revenue less segment operating expenses, plus or minus segment equity investment income or loss, and for the Real Estate segment, plus gain or loss on sale of real property). The Company reports segment results in a manner consistent with management's internal reporting of operating results to the chief operating decision maker (Chief Executive Officer) for purposes of evaluating segment performance.

Items excluded from Reported EBITDA are significant components in understanding and assessing financial performance. Reported EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income (loss), net change in cash and cash equivalents or other financial statement data presented in the consolidated condensed financial statements as indicators of financial performance or liquidity.

The Company utilizes Reported EBITDA in evaluating the performance of the Company and in allocating resources to its segments. Mountain Reported EBITDA consists of Mountain net revenue less Mountain operating expense plus or minus Mountain equity investment income or loss. Lodging Reported EBITDA consists of Lodging net revenue less Lodging operating expense. Real Estate Reported EBITDA consists of Real Estate net revenue less Real Estate operating expense plus gain or loss on sale of real property. All segment expenses include an allocation of corporate administrative expense. Assets are not allocated between segments, or used to evaluate performance, except as shown in the table below.

The following table presents financial information by reportable segment, which is used by management in evaluating performance and allocating resources (in thousands):

	Three Months Ended October 31,	
	2017	2016
Net revenue:		
Lift	\$ 25,468	\$ 21,426
Ski school	4,438	3,851
Dining	18,302	13,368
Retail/rental	45,407	36,479
Other	54,510	35,643
Total Mountain net revenue	148,125	110,767
Lodging	72,089	67,402
Total Resort net revenue	220,214	178,169
Real Estate	636	96
Total net revenue	\$ 220,850	\$ 178,265
Segment operating expense:		
Mountain	\$ 207,084	\$ 168,253
Lodging	67,734	64,080
Resort	274,818	232,333
Real Estate	1,691	1,485
Total segment operating expense	\$ 276,509	\$ 233,818
Gain on sale of real property	\$ —	\$ 6,466
Mountain equity investment income, net	\$ 522	\$ 832
Reported EBITDA:		
Mountain	\$ (58,437)	\$ (56,654)
Lodging	4,355	3,322
Resort	(54,082)	(53,332)
Real Estate	(1,055)	5,077
Total Reported EBITDA	\$ (55,137)	\$ (48,255)
Real estate held for sale and investment	\$ 102,697	\$ 116,852
Reconciliation to net loss attributable to Vail Resorts, Inc.:		
Total Reported EBITDA	\$ (55,137)	\$ (48,255)
Depreciation and amortization	(48,624)	(40,581)
Change in estimated fair value of contingent consideration	—	(300)
Gain (loss) on disposal of fixed assets, net	567	(550)
Investment income and other, net	383	4,523
Foreign currency loss on intercompany loans	(7,346)	—
Interest expense, net	(15,174)	(11,964)
Loss before benefit from income taxes	(125,331)	(97,127)
Benefit from income taxes	93,404	33,509
Net loss	(31,927)	(63,618)
Net loss attributable to noncontrolling interests	3,542	1,031
Net loss attributable to Vail Resorts, Inc.	\$ (28,385)	\$ (62,587)

10. Share Repurchase Program

On March 9, 2006, the Company's Board of Directors approved a share repurchase program, authorizing the Company to repurchase up to 3,000,000 Vail Shares. On July 16, 2008, the Company's Board of Directors increased the authorization by an additional 3,000,000 Vail Shares, and on December 4, 2015, the Company's Board of Directors increased the authorization by an additional 1,500,000 Vail Shares for a total authorization to repurchase up to 7,500,000 total shares. The Company did not repurchase any Vail Shares during either of the three months ended October 31, 2017 or 2016. Since inception of its share repurchase program through October 31, 2017, the Company has repurchased 5,436,294 Vail Shares for \$247.2 million. As of October 31, 2017, 2,063,706 Vail Shares remained available to repurchase under the existing share repurchase program, which has no expiration date. Vail Shares purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of Vail Shares under the Company's employee share award plan.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Vail Resorts, Inc., together with its subsidiaries, is referred to throughout this Quarterly Report on Form 10-Q for the periods ended October 31, 2017 ("Form 10-Q") as "we," "us," "our" or the "Company."

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended July 31, 2017 ("Form 10-K") and the Consolidated Condensed Financial Statements as of October 31, 2017 and 2016 and for the three months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding our financial position, results of operations and cash flows. To the extent that the following MD&A contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements" below. These risks include, but are not limited to, those discussed in our filings with the Securities and Exchange Commission ("SEC"), including the risks described in Item 1A "Risk Factors" of Part I of our Form 10-K, which was filed on September 28, 2017.

The MD&A includes discussion of financial performance within each of our three segments. We have chosen to specifically include Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment income or loss and for the Real Estate segment, plus gain or loss on sale of real property) and Net Debt (defined as long-term debt, net plus long-term debt due within one year less cash and cash equivalents), in the following discussion because we consider these measurements to be significant indications of our financial performance and available capital resources. Resort Reported EBITDA, Total Reported EBITDA and Net Debt are not measures of financial performance or liquidity under generally accepted accounting principles ("GAAP"). We utilize segment Reported EBITDA in evaluating our performance and in allocating resources to our segments. Refer to the end of the Results of Operations section for a reconciliation of segment Reported EBITDA to net loss attributable to Vail Resorts, Inc. We also believe that Net Debt is an important measurement as it is an indicator of our ability to obtain additional capital resources for our future cash needs. Refer to the end of the Results of Operations section for a reconciliation of Net Debt to long-term debt, net.

Items excluded from Reported EBITDA and Net Debt are significant components in understanding and assessing financial performance or liquidity. Reported EBITDA and Net Debt should not be considered in isolation or as an alternative to, or substitute for, net income (loss), net change in cash and cash equivalents or other financial statement data presented in the Consolidated Condensed Financial Statements as indicators of financial performance or liquidity. Because Resort Reported EBITDA, Total Reported EBITDA and Net Debt are not measurements determined in accordance with GAAP and are thus susceptible to varying calculations, Resort Reported EBITDA, Total Reported EBITDA and Net Debt, as presented herein, may not be comparable to other similarly titled measures of other companies. In addition, our segment Reported EBITDA (i.e. Mountain, Lodging and Real Estate), the measure of segment profit or loss required to be disclosed in accordance with GAAP, may not be comparable to other similarly titled measures of other companies.

Overview

Our operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. We refer to "Resort" as the combination of the Mountain and Lodging segments.

Mountain Segment

The Mountain segment is comprised of the operations of eleven mountain resort properties and three urban ski areas including:

Mountain Resorts:	Location:
1. Vail Mountain Resort (“Vail Mountain”)	Colorado
2. Breckenridge Ski Resort (“Breckenridge”)	Colorado
3. Keystone Resort (“Keystone”)	Colorado
4. Beaver Creek Resort (“Beaver Creek”)	Colorado
5. Park City Resort (“Park City”)	Utah
6. Heavenly Mountain Resort (“Heavenly”)	Lake Tahoe area of Nevada and California
7. Northstar Resort (“Northstar”)	Lake Tahoe area of California
8. Kirkwood Mountain Resort (“Kirkwood”)	Lake Tahoe area of California
9. Perisher Ski Resort (“Perisher”)	New South Wales, Australia
10. Whistler Blackcomb Resort (“Whistler Blackcomb”)	British Columbia, Canada
11. Stowe Mountain Resort (“Stowe”)	Vermont
Urban Ski Areas (“Urban”):	Location:
1. Wilmot Mountain (“Wilmot”)	Wisconsin
2. Afton Alps Ski Area (“Afton Alps”)	Minnesota
3. Mount Brighton Ski Area (“Mt. Brighton”)	Michigan

Additionally, the Company operates ancillary services, primarily including ski school, dining and retail/rental operations, and for Perisher including lodging and transportation operations. Mountain segment revenue is seasonal, with the majority of revenue earned from our North American mountain resorts and ski areas occurring in our second and third fiscal quarters and the majority of revenue earned from Perisher occurring in our first and fourth fiscal quarters. Our North American mountain resorts are typically open for business from mid-November through mid-April, which is the peak operating season for the Mountain segment, and Perisher is typically open for business from June to early October. Consequently, our first fiscal quarter is a seasonally low period as our North American ski operations are generally not open for business until our second fiscal quarter, while the activity of Perisher’s peak season and our North American summer operating results are not sufficient to offset the losses incurred during the seasonally low periods at our North American mountain resorts and ski areas. Revenue of the Mountain segment during the first fiscal quarter is primarily generated from summer and group related visitation at our North American mountain resorts, retail/rental operations and peak season Perisher operations.

Lodging Segment

Operations within the Lodging segment include (i) ownership/management of a group of luxury hotels and condominiums through the RockResorts brand proximate to our Colorado and Utah mountain resorts; (ii) ownership/management of non-RockResorts branded hotels and condominiums proximate to our North American mountain resorts; (iii) National Park Service (“NPS”) concessionaire properties including the Grand Teton Lodge Company (“GTLC”); (iv) Colorado Mountain Express (“CME”), a Colorado resort ground transportation company; and (v) mountain resort golf courses.

Revenue of the lodging segment during our first fiscal quarter is generated primarily by the operations of our NPS concessionaire properties (as their peak operating season generally occurs during the months of June to October), as well as golf operations and seasonally low operations from our other owned and managed properties and businesses. Lodging properties (including managed condominium rooms) at or around our mountain resorts, and CME, are closely aligned with the performance of the Mountain segment and generally experience similar seasonal trends. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursements and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense do not affect our Lodging Reported EBITDA, which we use to evaluate Lodging segment performance.

Real Estate Segment

The principal activities of our Real Estate segment include the sale of land parcels to third-party developers and planning for future real estate development projects, including zoning and acquisition of applicable permits. We continue undertaking preliminary planning and design work on future projects and are pursuing opportunities with third-party developers rather than undertaking

our own significant vertical development projects. Additionally, real estate development projects by third-party developers most often result in the creation of certain resort assets that provide additional benefit to the Mountain segment. We believe that, due to our low carrying cost of real estate land investments, we are well situated to promote future projects by third-party developers while limiting our financial risk. Our revenue from the Real Estate segment and associated expense can fluctuate significantly based upon the timing of closings and the type of real estate being sold, causing volatility in the Real Estate segment's operating results from period to period.

Recent Trends, Risks and Uncertainties

Together with those risk factors we have identified in our Form 10-K, we have identified the following important factors (as well as risks and uncertainties associated with such factors) that could impact our future financial performance or condition:

- The timing and amount of snowfall can have an impact on Mountain and Lodging revenue particularly in regards to skier visits and the duration and frequency of guest visitation. To help mitigate this impact, we sell a variety of pass products prior to the beginning of the ski season resulting in a more stabilized stream of lift revenue. Additionally, our pass products provide a compelling value proposition to our guests, which in turn creates a guest commitment predominately prior to the start of the ski season. Through December 3, 2017, our North American pass sales for the upcoming 2017/2018 North American ski season increased approximately 14% in units and increased approximately 20% in sales dollars, compared to the prior year period ended December 4, 2016, including Whistler Blackcomb and Stowe pass sales in both periods, adjusted to eliminate the impact of foreign currency by applying current period exchange rates to the prior period. We cannot predict the ultimate impact that season pass sales will have on total lift revenue or effective ticket price for the 2017/2018 North American ski season.
- Key U.S. economic indicators have remained steady in 2017, including strong consumer confidence and declines in the unemployment rate. However, the growth in the U.S. economy may be impacted by economic challenges in the U.S. or declining or slowing growth in economies outside of the U.S., accompanied by devaluation of currencies and lower commodity prices. Given these economic uncertainties, we cannot predict what the impact will be on overall travel and leisure spending or more specifically, on our guest visitation, guest spending or other related trends for the upcoming 2017/2018 North American ski season.
- As of October 31, 2017, we had \$234.0 million available under the revolver component of our Seventh Amended and Restated Credit Agreement, dated as of May 1, 2015 (the "Vail Holdings Credit Agreement"), which represents the total commitment of \$400.0 million less outstanding borrowings of \$95.0 million and certain letters of credit outstanding of \$71.0 million. Additionally, under our Whistler Blackcomb credit facility (the "Whistler Credit Agreement"), as of October 31, 2017, we had C\$164.0 million (\$127.1 million) available under the revolver component of the Whistler Credit Agreement (which represents the total commitment of C\$300.0 million (\$232.5 million) less outstanding borrowings of C\$135.0 million (\$104.6 million) and a letter of credit outstanding of C\$1.0 million (\$0.8 million)). During the three months ended October 31, 2017, we exercised our right under the Whistler Credit Agreement, with the consent of the lender parties thereto, to extend the maturity date for the Whistler Credit Agreement from November 12, 2021 to November 12, 2022.

We believe that the terms of our credit agreements allow for sufficient flexibility in our ability to make future acquisitions, investments, distributions to stockholders and incur additional debt. This, combined with the continued positive cash flow from operating activities of our Mountain and Lodging segments less resort capital expenditures, has and is anticipated to continue to provide us with significant liquidity. We believe our liquidity will allow us to consider strategic investments and other forms of returning value to our stockholders including additional share repurchases and the continued payment of a quarterly cash dividend.

RESULTS OF OPERATIONS

Summary

Below is a summary of operating results for the three months ended October 31, 2017, compared to the three months ended October 31, 2016 (in thousands):

	Three Months Ended October 31,	
	2017	2016
Mountain Reported EBITDA	\$ (58,437)	\$ (56,654)
Lodging Reported EBITDA	4,355	3,322
Resort Reported EBITDA	\$ (54,082)	\$ (53,332)
Real Estate Reported EBITDA	\$ (1,055)	\$ 5,077
Loss before benefit from income taxes	\$ (125,331)	\$ (97,127)
Net loss attributable to Vail Resorts, Inc.	\$ (28,385)	\$ (62,587)

A discussion of the segment results and other items can be found below.

Mountain Segment

Three months ended October 31, 2017 compared to the three months ended October 31, 2016

Mountain segment operating results for the three months ended October 31, 2017 and 2016 are presented by category as follows (in thousands, except effective ticket price ("ETP")):

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2017	2016	
Net Mountain revenue:			
Lift	\$ 25,468	\$ 21,426	18.9 %
Ski school	4,438	3,851	15.2 %
Dining	18,302	13,368	36.9 %
Retail/rental	45,407	36,479	24.5 %
Other	54,510	35,643	52.9 %
Total Mountain net revenue	148,125	110,767	33.7 %
Mountain operating expense:			
Labor and labor-related benefits	73,656	57,682	27.7 %
Retail cost of sales	22,941	18,404	24.7 %
General and administrative	49,324	41,984	17.5 %
Other	61,163	50,183	21.9 %
Total Mountain operating expense	207,084	168,253	23.1 %
Mountain equity investment income, net	522	832	(37.3)%
Mountain Reported EBITDA	\$ (58,437)	\$ (56,654)	(3.1)%
Total skier visits	498	429	16.1 %
ETP	\$ 51.14	\$ 49.94	2.4 %

Mountain Reported EBITDA includes \$3.8 million and \$3.9 million of stock-based compensation expense for the three months ended October 31, 2017 and 2016, respectively.

Our first fiscal quarter historically results in negative Mountain Reported EBITDA, as our North American mountain resorts and ski areas generally do not open for ski operations until our second fiscal quarter, which begins in November. The first fiscal quarter generally consists of operating and administrative expenses, summer activities (including dining), retail/rental operations and the operations of Perisher, which has its peak operating season from June through early October. Mountain Reported EBITDA decreased by \$1.8 million, or 3.1%, which includes an operating loss from Stowe (acquired in June 2017) due to no ski operations. Additionally,

we recorded \$0.7 million and \$2.8 million of acquisition and integration related expenses for the three months ended October 31, 2017 and 2016, respectively.

Perisher generated increases of \$4.0 million, or 18.9%, and \$0.6 million, or 15.2%, in lift revenue and ski school revenue, respectively, primarily due to increases in pricing and higher visitation. Dining revenue increased \$4.9 million, or 36.9%, primarily due to incremental revenue from Whistler Blackcomb, reflecting a full quarter of operations as compared to prior year period which included operations from the date of acquisition, October 17, 2016, through October 31, 2016. Additionally, dining revenue benefited from the inclusion of Stowe operations and an increase in dining revenue at Perisher, which was the result of higher visitation.

Retail/rental revenue increased \$8.9 million, or 24.5%, primarily due to an increase in retail sales of \$7.3 million, or 23.2%, and an increase in rental revenue of \$1.6 million, or 32.0%. The increase in retail revenue was primarily attributable to incremental revenue from Whistler Blackcomb and increased sales at our front range stores in Colorado. The increase in rental revenue was primarily attributable to incremental revenue from Whistler Blackcomb as well as increased rental sales at Perisher. Other revenue mainly consists of summer visitation and mountain activities revenue, employee housing revenue, guest services revenue, commercial leasing revenue, marketing and internet advertising revenue, private club revenue (which includes both club dues and amortization of initiation fees), municipal services revenue and other recreation activity revenue. Other revenue is also comprised of Perisher lodging and transportation revenue. Other revenue increased \$18.9 million, or 52.9%, which was primarily attributable to incremental summer activities and events revenue at Whistler Blackcomb and the inclusion of Stowe operations.

Operating expense increased \$38.8 million, or 23.1%, which was primarily due to incremental expenses from Whistler Blackcomb as a result of a full quarter of operations as compared to the prior year period, which included operations from the date of acquisition, October 17, 2016, through October 31, 2016.

Labor and labor-related benefits increased 27.7% primarily due to incremental expense from Whistler Blackcomb and Stowe, normal wage adjustments and increased staffing levels at Perisher during the three months ended October 31, 2017 to support higher visitation. Retail cost of sales increased 24.7%, compared to an increase in retail sales of 23.2%, primarily reflecting incremental retail cost of sales at Whistler Blackcomb. General and administrative expense increased 17.5% due to incremental expense from Whistler Blackcomb and Stowe, as well as increased corporate overhead costs. Other expense increased 21.9% compared to the same period in the prior year due to incremental expense from Whistler Blackcomb, as well as increases in repairs and maintenance expense, property tax expense, food and beverage cost of sales, supplies and rent expense, partially offset by a reduction of acquisition and integration related expenses.

Mountain equity investment income, net primarily includes our share of income from the operations of a real estate brokerage joint venture.

Lodging Segment

Three months ended October 31, 2017 compared to the three months ended October 31, 2016

Lodging segment operating results for the three months ended October 31, 2017 and 2016 are presented by category as follows (in thousands, except average daily rates (“ADR”) and revenue per available room (“RevPAR”)):

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2017	2016	
Lodging net revenue:			
Owned hotel rooms	\$ 19,635	\$ 18,063	8.7 %
Managed condominium rooms	10,171	8,521	19.4 %
Dining	15,880	15,337	3.5 %
Transportation	2,553	2,473	3.2 %
Golf	8,426	8,513	(1.0)%
Other	12,115	11,418	6.1 %
	68,780	64,325	6.9 %
Payroll cost reimbursements	3,309	3,077	7.5 %
Total Lodging net revenue	72,089	67,402	7.0 %
Lodging operating expense:			
Labor and labor-related benefits	32,092	29,877	7.4 %
General and administrative	8,539	8,764	(2.6)%
Other	23,794	22,362	6.4 %
	64,425	61,003	5.6 %
Reimbursed payroll costs	3,309	3,077	7.5 %
Total Lodging operating expense	67,734	64,080	5.7 %
Lodging Reported EBITDA	\$ 4,355	\$ 3,322	31.1 %
Owened hotel statistics:			
ADR	\$ 228.10	\$ 214.83	6.2 %
RevPAR	\$ 163.23	\$ 144.12	13.3 %
Managed condominium statistics:			
ADR	\$ 190.61	\$ 196.78	(3.1)%
RevPAR	\$ 53.72	\$ 47.95	12.0 %
Owened hotel and managed condominium statistics (combined):			
ADR	\$ 210.49	\$ 207.34	1.5 %
RevPAR	\$ 87.38	\$ 80.53	8.5 %

Lodging Reported EBITDA includes \$0.8 million of stock-based compensation expense for both the three months ended October 31, 2017 and 2016.

Lodging Reported EBITDA increased \$1.0 million, or 31.1%, primarily due to increased occupancy at our lodging properties in Colorado.

Revenue from owned hotel rooms increased \$1.6 million, or 8.7%, primarily due an increase in occupancy at Flagg Ranch, which incurred an early closure in the prior year period as a result of a forest fire in Grand Teton National Park, as well as an increase in revenue at GTLC. Revenue from managed condominium rooms increased \$1.7 million, or 19.4%, primarily due to incremental revenue from Whistler Blackcomb and increased revenue at our Colorado managed properties primarily as a result of increased occupancy.

Dining revenue increased \$0.5 million, or 3.5%, primarily due to increased revenue at our Colorado lodging properties and at Park City. Other revenue increased \$0.7 million, or 6.1%, primarily due to increases in ancillary services, conference services and lodging retail, partially offset by the recording of business interruption insurance recovery in the prior year related to the early closure of our Flagg Ranch property in September 2016.

Operating expense (excluding reimbursed payroll costs) increased 5.6%. Labor and labor-related benefits increased 7.4%, primarily resulting from incremental Whistler Blackcomb expense, normal wage increases and higher labor expense for Flagg Ranch, which was closed for a portion of the prior year period. Other expense increased 6.4%, primarily due to increases in variable operating expenses, including food and beverage and retail cost of sales and credit card fees, as well as an increase in property taxes.

Revenue from payroll cost reimbursement and the corresponding reimbursed payroll costs relate to payroll costs at managed hotel properties where we are the employer and all payroll costs are reimbursed by the owners of the properties under contractual arrangements. Since the reimbursements are made based upon the costs incurred with no added margin, the revenue and corresponding expense have no effect on our Lodging Reported EBITDA.

Real Estate Segment

Three months ended October 31, 2017 compared to the three months ended October 31, 2016

Real Estate segment operating results for the three months ended October 31, 2017 and 2016 are presented by category as follows (in thousands):

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2017	2016	
Total Real Estate net revenue	\$ 636	\$ 96	562.5 %
Real Estate operating expense:			
Cost of sales (including sales commission)	511	—	— %
Other	1,180	1,485	(20.5)%
Total Real Estate operating expense	1,691	1,485	13.9 %
Gain on sale of real property	—	6,466	(100.0)%
Real Estate Reported EBITDA	\$ (1,055)	\$ 5,077	(120.8)%

Our Real Estate net revenue is primarily determined by the timing of closings and the mix of real estate sold in any given period. Different types of projects have different revenue and profit margins; therefore, as the real estate inventory mix changes it can greatly impact Real Estate segment net revenue, operating expense and Real Estate Reported EBITDA.

Three months ended October 31, 2017

During the three months ended October 31, 2017, we closed on the sale of one land parcel for \$0.5 million.

Other operating expense of \$1.2 million was primarily comprised of general and administrative costs, such as labor and labor-related benefits and allocated corporate costs.

Three months ended October 31, 2016

Real Estate Reported EBITDA included a gain on sale of real property of \$6.5 million for a land parcel in Breckenridge which sold for \$9.3 million.

Other operating expense of \$1.5 million was primarily comprised of general and administrative costs, which includes marketing expense for the real estate available for sale, carrying costs for units available for sale and overhead costs, such as labor and labor-related benefits and allocated corporate costs.

Other Items

In addition to segment operating results, the following material items contribute to our overall financial position (in thousands).

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2017	2016	
Depreciation and amortization	\$ (48,624)	\$ (40,581)	19.8 %
Investment income and other, net	\$ 383	\$ 4,523	(91.5)%
Foreign currency loss on intercompany loans	\$ (7,346)	\$ —	nm
Interest expense, net	\$ (15,174)	\$ (11,964)	26.8 %
Benefit from income taxes	\$ 93,404	\$ 33,509	178.7 %

Depreciation and amortization. Depreciation and amortization expense for the three months ended October 31, 2017 increased \$8.0 million, compared to the same period in the prior year, primarily due to assets acquired in the Whistler Blackcomb and Stowe acquisitions.

Investment income and other, net. Investment income and other, net for the three months ended October 31, 2016 included a \$3.4 million gain recognized on foreign currency forward contracts that were entered into in conjunction with funding the cash consideration required for the Whistler Blackcomb acquisition and a \$0.8 million non-cash gain recognized on an investment in Whistler Blackcomb shares that we held prior to the acquisition. As a result, investment income and other, net for the three months ended October 31, 2017 decreased \$4.1 million compared to the same period in the prior year.

Foreign currency loss on intercompany loans. Foreign currency loss on intercompany loans for the three months ended October 31, 2017 of \$7.3 million was associated with an intercompany loan from Vail Holdings, Inc. to Whistler Blackcomb in the amount of \$210.0 million that was funded, effective as of November 1, 2016, in connection with the acquisition of Whistler Blackcomb. This intercompany loan requires foreign currency remeasurement to Canadian dollars, the functional currency for Whistler Blackcomb. As a result, foreign currency fluctuations associated with the loan are recorded within our results of operations.

Interest expense, net. Interest expense, net for the three months ended October 31, 2017 increased \$3.2 million compared to the same period in the prior year, primarily due to interest expense associated with incremental term loan borrowings under the Vail Holdings Credit Agreement of \$509.4 million, which was used to fund the cash consideration portion of the Whistler Blackcomb acquisition, as well as the Whistler Credit Agreement, which was assumed as part of the Whistler Blackcomb acquisition and had \$104.6 million (C\$135.0 million) outstanding as of October 31, 2017.

Income taxes. The effective tax rate benefit for the three months ended October 31, 2017 was 74.5% compared to 34.5% for the three months ended October 31, 2016. The interim period effective tax rate is primarily driven by anticipated pre-tax book income for the full fiscal year adjusted for items that are deductible/non-deductible for tax purposes only (i.e., permanent items), excess tax benefits from employee share awards, which are recorded as a discrete item, taxable income generated by state and foreign jurisdictions that varies from anticipated consolidated pre-tax book income (loss) and the amount of net income attributable to noncontrolling interests.

The increase in the effective tax rate benefit during the three months ended October 31, 2017 compared to the three months ended October 31, 2016 is primarily due to excess tax benefits from employee share awards that were exercised (stock appreciation awards) and that vested (restricted stock awards), which were recorded within benefit from income taxes during the three months ended October 31, 2017 as a result of new accounting guidance that was adopted prospectively as of August 1, 2017. The new guidance requires excess tax benefits to be recorded in the period realized as a discrete item within earnings rather than within equity. As a result of adopting this guidance, we recorded \$51.8 million of excess tax benefits within benefit from income taxes on our Consolidated Condensed Statement of Operations for the three months ended October 31, 2017 (or \$1.29 earnings per diluted share).

Reconciliation of Segment Earnings and Net Debt

The following table reconciles from segment Reported EBITDA to net loss attributable to Vail Resorts, Inc. (in thousands):

	Three Months Ended October 31,	
	2017	2016
Mountain Reported EBITDA	\$ (58,437)	\$ (56,654)
Lodging Reported EBITDA	4,355	3,322
Resort Reported EBITDA	(54,082)	(53,332)
Real Estate Reported EBITDA	(1,055)	5,077
Total Reported EBITDA	(55,137)	(48,255)
Depreciation and amortization	(48,624)	(40,581)
Gain (loss) on disposal of fixed assets, net	567	(550)
Change in estimated fair value of contingent consideration	—	(300)
Investment income and other, net	383	4,523
Foreign currency loss on intercompany loans	(7,346)	—
Interest expense, net	(15,174)	(11,964)
Loss before benefit from income taxes	(125,331)	(97,127)
Benefit from income taxes	93,404	33,509
Net loss	(31,927)	(63,618)
Net loss attributable to noncontrolling interests	3,542	1,031
Net loss attributable to Vail Resorts, Inc.	\$ (28,385)	\$ (62,587)

The following table reconciles Net Debt to long-term debt, net (in thousands):

	October 31,	
	2017	2016
Long-term debt, net	\$ 1,262,325	\$ 1,371,779
Long-term debt due within one year	38,422	38,374
Total debt	1,300,747	1,410,153
Less: cash and cash equivalents	140,397	106,751
Net Debt	\$ 1,160,350	\$ 1,303,402

LIQUIDITY AND CAPITAL RESOURCES

Changes in significant sources of cash for the three months ended October 31, 2017 and 2016 are presented by categories as follows (in thousands).

	Three Months Ended October 31,	
	2017	2016
Net cash provided by operating activities	\$ 148,753	\$ 57,027
Net cash used in investing activities	\$ (33,652)	\$ (550,161)
Net cash (used in) provided by financing activities	\$ (88,608)	\$ 531,917

Significant Sources of Cash

Historically, our operations generate seasonally low operating cash flow in the first fiscal quarter given that the first and the prior year's fourth fiscal quarters have limited North American Mountain segment operations. We had \$140.4 million of cash and cash equivalents as of October 31, 2017, compared to \$106.8 million as of October 31, 2016. We currently anticipate that our Mountain

and Lodging segment operating results will continue to provide a significant source of future operating cash flows (primarily those generated in our second and third fiscal quarters).

As of October 31, 2017, we had \$234.0 million available under the revolver component of our Vail Holdings Credit Agreement (which represents the total commitment of \$400.0 million less borrowings of \$95.0 million and certain letters of credit outstanding of \$71.0 million). Also, to further support the liquidity needs of Whistler Blackcomb, we had C\$164.0 million (\$127.1 million) available under the revolver component of our Whistler Credit Agreement (which represents the total commitment of C\$300.0 million (\$232.5 million) less outstanding borrowings of C\$135.0 million (\$104.6 million) and a letter of credit outstanding of C\$1.0 million (\$0.8 million)). We expect that our liquidity needs in the near term will be met by continued use of operating cash flows and borrowings under both the Vail Holdings Credit Agreement and Whistler Credit Agreement, if needed. We believe the Vail Holdings Credit Agreement, which matures in October 2021, provides adequate flexibility and is priced favorably with any new borrowings currently priced at LIBOR plus 1.25%.

Three months ended October 31, 2017 compared to the three months ended October 31, 2016

As a result of the adoption of revised accounting guidance related to employee stock based compensation, we prospectively presented excess tax benefits as operating activities on our Consolidated Condensed Statement of Cash Flows for the three months ended October 31, 2017. Additionally, as of August 1, 2017, we retrospectively presented cash paid to taxing authorities on an employee's behalf as financing activities on our Consolidated Condensed Statements of Cash Flows, which resulted in a \$11.5 million decrease to cash provided by financing activities with a corresponding increase to cash provided by operating activities for the three months ended October 31, 2016, as shown below (in thousands).

	Three Months Ended October 31, 2016		
	Previously Reported (Previous Guidance)	Tax Payments Change	Revised Reported (New Guidance)
Cash flows provided by operating activities	\$ 45,503	\$ 11,524	\$ 57,027
Cash flows used in investing activities (no change)	(550,161)	—	(550,161)
Cash flows provided by financing activities	543,441	(11,524)	531,917
Effect of exchange rate changes (no change)	71	—	71
Net increase in cash and cash equivalents	\$ 38,854	\$ —	\$ 38,854

The adoption of this revised accounting guidance did not have an impact on our total cash flows for the three months ended October 31, 2017 and 2016.

We generated \$148.8 million of cash from operating activities during the three months ended October 31, 2017, an increase of \$91.7 million compared to \$57.0 million of cash generated during the three months ended October 31, 2016. The increase in operating cash flows was primarily a result of an increase in season pass accounts receivable collections combined with increased season pass sales during the three months ended October 31, 2017, compared to the three months ended October 31, 2016, as well as an increase in accounts payable and a decrease in estimated tax payments primarily as a result of an increase in excess tax benefits from employee share awards that vested (restricted stock awards) and were exercised (stock appreciation awards) during the three months ended October 31, 2017. These increases were partially offset by an increase in cash interest payments during the three months ended October 31, 2017, compared to the three months ended October 31, 2016, from incremental term loan borrowings under our Vail Holdings Credit Agreement and borrowings under the Whistler Credit Agreement assumed by us as a result of the acquisition of Whistler Blackcomb in October 2016.

Cash used in investing activities for the three months ended October 31, 2017 decreased by \$516.5 million, primarily due to cash payments related to the acquisition of Whistler Blackcomb during the three months ended October 31, 2016 of \$512.3 million, net of cash acquired, and a decrease in capital expenditures of \$8.6 million during the three months ended October 31, 2017 compared to the three months ended October 31, 2016, partially offset by a reduction in cash received from the sale of real property.

Cash used in financing activities increased \$620.5 million during the three months ended October 31, 2017, compared to the three months ended October 31, 2016, primarily due to the reduction of proceeds from incremental term loan borrowings under our Vail Holdings Credit Agreement of \$509.4 million during the three months ended October 31, 2016, which was used to fund a portion of the cash consideration for the Whistler Blackcomb acquisition, as well as increases in net payments under the Vail Holdings Credit Agreement and Whistler Credit Agreement of \$24.4 million and \$5.2 million, respectively. Additionally, dividends paid increased \$13.2 million during the three months ended October 31, 2017, compared to October 31, 2016, and cash payments for employee taxes related to exercises of share awards increased \$58.0 million. Due to the adoption of revised accounting guidance

as discussed above, there was an elimination of excess tax benefits of \$6.3 million recorded within financing activities, with a corresponding increase in operating activities, which resulted in a decrease of \$6.3 million in financing activities and an increase of \$6.3 million in operating activities during the three months ended October 31, 2017, compared to October 31, 2016.

Significant Uses of Cash

Capital Expenditures

We have historically invested significant amounts of cash in capital expenditures for our resort operations, and we expect to continue to do so subject to operating performance particularly as it relates to discretionary projects. In addition, we may incur capital expenditures for retained ownership interests associated with third-party real estate development projects. Currently planned capital expenditures primarily include investments that will allow us to maintain our high-quality standards, as well as certain incremental discretionary improvements at our mountain resorts and Urban ski areas and throughout our owned hotels. We evaluate additional discretionary capital improvements based on an expected level of return on investment. We currently anticipate we will spend approximately \$103.0 million on resort capital expenditures during calendar year 2017, excluding investments at Whistler Blackcomb, capital expenditures for U.S. summer-related activities and one-time integration capital expenditures at Whistler Blackcomb. This estimated spending includes normal inflation on our capital investments at our resorts. Included in these estimated capital expenditures are approximately \$65.0 million of maintenance capital expenditures (excluding maintenance capital expenditures at Whistler Blackcomb), which are necessary to maintain appearance and level of service appropriate to our resort operations. Discretionary expenditures for calendar year 2017 include, among other projects, upgrading various chairlifts at our resorts, including the Northwoods lift at Vail Mountain (#11), the Peak 10 Falcon Chair at Breckenridge, Drink of Water chair (#5) at Beaver Creek, the Montezuma lift at Keystone and the renovation and expansion of Labonte's restaurant at Keystone. Our capital plan also includes the second phase of a two-year process to revamp our primary websites to a single 'responsive' desktop/mobile platform which will be integrated with our data-based and personalized marketing technology and the first phase of a three year plan to completely revamp and modernize the primary software platform for all of our resort operations. We also expect to invest approximately \$6.0 million in calendar year 2017 for Epic Discovery summer activities, primarily at Breckenridge. At Whistler Blackcomb, we expect to invest approximately \$17.0 million in calendar year 2017 for maintenance and discretionary projects. Additionally, we expect to invest approximately \$17.0 million in capital during calendar year 2017 for the Whistler Blackcomb integration.

Approximately \$87.0 million was spent for capital expenditures in calendar year 2017 as of October 31, 2017, leaving approximately \$56.0 million to spend in the remainder of calendar year 2017, including anticipated investments at Whistler Blackcomb, capital expenditures for U.S. summer related activities and one-time integration capital expenditures at Whistler Blackcomb and excluding capital expenditures for Stowe.

For calendar year 2018, we expect to incur resort capital expenditures of approximately \$150 million, excluding expenditures for the integration of Stowe and summer investments. This estimated spending includes normal inflation on our capital investments at our resorts. We currently plan to utilize cash on hand, borrowings available under our credit agreements and/or cash flow generated from future operations to provide the cash necessary to complete our capital plans.

Debt

Principal payments on the majority of our long-term debt (\$1,160.5 million of the total \$1,304.7 million debt outstanding as of October 31, 2017) are not due until fiscal 2022 and beyond. As of October 31, 2017 and 2016, total long-term debt, net (including long-term debt due within one year) was \$1,300.7 million and \$1,410.2 million, respectively. Net Debt (defined as long-term debt, net plus long-term debt due within one year less cash and cash equivalents) decreased from \$1,303.4 million as of October 31, 2016 to \$1,160.4 million as of October 31, 2017, primarily due to a reduction in the borrowings outstanding under the revolving portion of our credit facilities. In addition, we exercised our right under the Whistler Credit Agreement, with the consent of the lender parties thereto, to extend the maturity date of our Whistler Credit Agreement to November 2022 during the three months ended October 31, 2017. There were no other changes to the terms of the Whistler Credit Agreement.

Our debt service requirements can be impacted by changing interest rates as we had \$964.7 million of variable-rate debt outstanding as of October 31, 2017. A 100-basis point change in our borrowing rates would cause our annual interest payments to change by approximately \$9.6 million. Additionally, the annual payments associated with the financing of the Canyons Resort transaction increase by the greater of CPI less 1%, or 2%. The fluctuation in our debt service requirements, in addition to interest rate and inflation changes, may be impacted by future borrowings under our credit agreements or other alternative financing arrangements we may enter into. Our long term liquidity needs depend upon operating results that impact the borrowing capacity under our credit agreements, which can be mitigated by adjustments to capital expenditures, flexibility of investment activities and the ability to obtain favorable future financing. We can respond to liquidity impacts of changes in the business and economic environment by managing our capital expenditures and the timing of new real estate development activity.

Dividend Payments

In fiscal 2011, our Board of Directors approved the commencement of a regular quarterly cash dividend on our common stock at an annual rate of \$0.60 per share, subject to quarterly declaration. Since the initial commencement of a regular quarterly cash dividend, our Board of Directors has annually approved an increase to our cash dividend on our common stock and on March 9, 2017, our Board of Directors approved a 30% increase to our quarterly cash dividend to \$1.053 per share (or approximately \$42.6 million per quarter based upon shares outstanding as of October 31, 2017). For the three months ended October 31, 2017, we paid cash dividends of \$1.053 per share (\$42.6 million in the aggregate). These dividends were funded through available cash on hand and borrowings under the revolving portion of our Vail Holdings Credit Agreement. Subject to the discretion of our Board of Directors, applicable law and contractual restrictions, we anticipate paying regular quarterly cash dividends on our common stock for the foreseeable future. The amount, if any, of the dividends to be paid in the future will depend on our available cash on hand, anticipated cash needs, overall financial condition, restrictions contained in our Vail Holdings Credit Agreement, future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors.

Share Repurchase Program

Our share repurchase program is conducted under authorizations made from time to time by our Board of Directors. On March 9, 2006, our Board of Directors initially authorized the repurchase of up to 3,000,000 shares of Vail Resorts common stock ("Vail Shares") and later authorized additional repurchases of up to 3,000,000 additional Vail Shares (July 16, 2008) and 1,500,000 shares (December 4, 2015), for a total authorization to repurchase up to 7,500,000 Vail Shares. We did not repurchase any Vail Shares during the three months ended October 31, 2017 or 2016. Since inception of this stock repurchase program through October 31, 2017, we have repurchased 5,436,294 Vail Shares at a cost of approximately \$247.2 million. As of October 31, 2017, 2,063,706 Vail Shares remained available to repurchase under the existing repurchase authorization. Vail Shares purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of shares under our share award plan. Repurchases under the program may be made from time to time at prevailing prices as permitted by applicable laws, and subject to market conditions and other factors. The timing as well as the number of Vail Shares that may be repurchased under the program will depend on several factors, including our future financial performance, our available cash resources and competing uses for cash that may arise in the future, the restrictions in our Vail Holdings Credit Agreement, prevailing prices of Vail Shares and the number of Vail Shares that become available for sale at prices that we believe are attractive. The share repurchase program has no expiration date.

Covenants and Limitations

We must abide by certain restrictive financial covenants under our credit agreements. The most restrictive of those covenants include the following covenants: for the Vail Holdings Credit Agreement, Net Funded Debt to Adjusted EBITDA ratio and the Interest Coverage ratio (each as defined in the Vail Holdings Credit Agreement); and for the Whistler Credit Agreement, Consolidated Total Leverage Ratio and Consolidated Interest Coverage Ratio (each as defined in the Whistler Credit Agreement). In addition, our financing arrangements limit our ability to make certain restricted payments, pay dividends on or redeem or repurchase stock, make certain investments, make certain affiliate transfers and may limit our ability to enter into certain mergers, consolidations or sales of assets and incur certain indebtedness. Our borrowing availability under the Vail Holdings Credit Agreement is primarily determined by the Net Funded Debt to Adjusted EBITDA ratio, which is based on our segment operating performance, as defined in the Vail Holdings Credit Agreement. Our borrowing availability under the Whistler Credit Agreement is primarily determined based on the commitment size of the credit facility and our compliance with the terms of the Whistler Credit Agreement.

We were in compliance with all restrictive financial covenants in our debt instruments as of October 31, 2017. We expect that we will meet all applicable financial maintenance covenants in our credit agreements throughout the fiscal year ending July 31, 2018. However, there can be no assurance we will meet such financial covenants. If such covenants are not met, we would be required to seek a waiver or amendment from the banks participating in the credit agreements. There can be no assurance that such waivers or amendments would be granted, which could have a material adverse impact on our liquidity.

OFF BALANCE SHEET ARRANGEMENTS

We do not have off balance sheet transactions that are expected to have a material effect on our financial condition, revenue, expenses, results of operations, liquidity, capital expenditures or capital resources.

FORWARD-LOOKING STATEMENTS

Except for any historical information contained herein, the matters discussed or incorporated by reference in this Form 10-Q contain certain forward-looking statements within the meaning of the federal securities laws. These statements relate to analyses and other information available as of the date hereof, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our contemplated future prospects, developments and business strategies.

These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases, including references to assumptions. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from our forward-looking statements include, but are not limited to:

- *prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries;*
- *unfavorable weather conditions or the impact of natural disasters;*
- *willingness of our guests to travel due to terrorism, the uncertainty of military conflicts or outbreaks of contagious diseases, and the cost and availability of travel options and changing consumer preferences;*
- *the seasonality of our business combined with adverse events that occur during our peak operating periods;*
- *competition in our mountain and lodging businesses;*
- *high fixed cost structure of our business;*
- *our ability to fund resort capital expenditures;*
- *our reliance on government permits or approvals for our use of public land or to make operational and capital improvements;*
- *risks related to a disruption in our water supply that would impact our snowmaking capabilities and operations;*
- *risks related to federal, state, local and foreign government laws, rules and regulations;*
- *risks related to our reliance on information technology, including our failure to maintain the integrity of our customer or employee data;*
- *our ability to hire and retain a sufficient seasonal workforce;*
- *risks related to our workforce, including increased labor costs;*
- *loss of key personnel;*
- *adverse consequences of current or future legal claims;*
- *a deterioration in the quality or reputation of our brands, including our ability to protect our intellectual property and the risk of accidents at our mountain resorts;*
- *our ability to successfully integrate acquired businesses, or that acquired businesses may fail to perform in accordance with expectations, including Whistler Blackcomb, Stowe or future acquisitions;*
- *our ability to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, with respect to acquired businesses;*
- *risks associated with international operations;*
- *fluctuations in foreign currency exchange rates where the Company has foreign currency exposure, primarily the Canadian and Australian dollars;*
- *changes in accounting and tax estimates and judgments, accounting principles, policies or guidelines or adverse determinations by taxing authorities;*
- *a materially adverse change in our financial condition.*

All forward-looking statements attributable to us or any persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this Form 10-Q, including investors and prospective investors, are cautioned not to place undue reliance on such forward-looking statements. Actual results may differ materially from those suggested by the forward-looking statements that we make for a number of reasons, including those described in this Form 10-Q and in Part I, Item 1A “Risk Factors” of the Form 10-K. All forward-looking statements are made only as of the date hereof. Except as may be required by law, we do not intend to update these forward-looking statements, even if new information, future events or other circumstances have made them incorrect or misleading.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. Our exposure to market risk is limited primarily to the fluctuating interest rates associated with variable rate indebtedness. At October 31, 2017, we had \$964.7 million of variable rate indebtedness, representing approximately 73.9% of our total debt outstanding, at an average interest rate during the three months ended October 31, 2017 of 2.5%. Based on variable-rate borrowings outstanding as of October 31, 2017, a 100-basis point (or 1.0%) change in our borrowing rates would result in our annual interest payments changing by approximately \$9.6 million. Our market risk exposure fluctuates based on changes in underlying interest rates.

Foreign Currency Exchange Rate Risk. We are exposed to currency translation risk because the results of our international entities are reported in local currency, which we then translate to U.S. dollars for inclusion in our consolidated condensed financial statements. As a result, changes between the foreign exchange rates, in particular the Canadian dollar and Australian dollar compared to the U.S. dollar, affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. Additionally, we also have foreign currency transaction exposure from an intercompany loan to Whistler Blackcomb that is not deemed to be permanently invested, which have and could materially change due to fluctuations in the Canadian dollar exchange rate. The results of Whistler Blackcomb and Perisher are reported in Canadian dollars and Australian dollars respectively, which we then translate to U.S. dollars for inclusion in our consolidated condensed financial statements. We do not currently enter into hedging arrangements to minimize the impact of foreign currency fluctuations on our operations.

The following table summarizes the amounts of foreign currency translation adjustments and other, net of tax, representing losses, and foreign currency loss on intercompany loans recognized, in comprehensive income (in thousands).

	Three Months Ended October 31,	
	2017	2016
Foreign currency translation adjustments and other, net of tax	\$ (45,405)	\$ (24,412)
Foreign currency loss on intercompany loans	\$ (7,346)	\$ —

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, under the supervision and with participation of the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of the Company’s disclosure controls and procedures as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Act”) as of the end of the period covered by this report on Form 10-Q.

Based upon their evaluation of the Company’s disclosure controls and procedures, the CEO and the CFO concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

The Company, including its CEO and CFO, does not expect that the Company’s controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In May 2016, Kirkwood received a Notice of Violation (“NOV”) from the State of California Central Valley Regional Water Quality Control Board (the “Regional Water Board”) regarding the disposition of asphalt grindings used in parking lot surfacing in and around Kirkwood Creek. We are cooperating with the Regional Water Board staff and the California Department of Fish and Wildlife (“CDFW”) to satisfactorily resolve the matters identified in the NOV.

In August 2017, Kirkwood executed a Settlement Agreement and Stipulation for Entry of Administrative Liability Order (“Stipulated Order”) with the Regional Water Board and CDFW. The Stipulated Order remains subject to approval by the Regional Water Board, and the 30-day public comment period closed on October 6, 2017. If approved, Kirkwood will be responsible to pay monetary penalties and agency costs totaling approximately \$0.8 million, of which approximately half will be fulfilled by a supplemental environmental project run by the National Fish and Wildlife Foundation. All of these amounts will be paid by third-party insurance. The remaining remediation work required by the Stipulated Order and as may be requested by the agencies will continue into calendar year 2018.

We do not expect the resolution of the above items to have a material impact on our results of operations or cash flows.

We are a party to various lawsuits arising in the ordinary course of business. We believe that we have adequate insurance coverage and/or have accrued for all loss contingencies for asserted and unasserted matters and that, although the ultimate outcome of such claims cannot be ascertained, current pending and threatened claims are not expected, individually or in the aggregate, to have a material adverse impact on our financial position, results of operations and cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K, filed with the SEC on September 28, 2017, as of and for the year ended July 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Exchangeable Shares

As described elsewhere in this report, on October 17, 2016, the Company acquired all of the outstanding common shares of Whistler Blackcomb. Part of the consideration paid to Whistler Blackcomb shareholders consisted of 3,327,719 Vail Shares and 418,095 shares of the Company’s wholly-owned Canadian subsidiary (the “Exchangeco Shares”). Each Exchangeco Share is exchangeable by the holder thereof for one Vail Share (subject to customary adjustments for stock splits or other reorganizations). In addition, the Company may require all outstanding Exchangeco Shares to be exchanged into an equal number of Vail Shares upon the occurrence of certain events and at any time following the seventh anniversary of the closing of the transaction. Exchangeco Shares, while outstanding, are substantially the economic equivalent of the corresponding Vail Shares. As of October 31, 2017, 61,478 Exchangeco Shares had not yet been exchanged into Vail Shares.

The shares issued at closing of the Whistler Blackcomb acquisition were issued in reliance upon Section 3(a)(10) of the Securities Act of 1933, as amended (the “Securities Act”), which exempts from the registration requirements under the Securities Act any securities that are issued in exchange for one or more bona fide outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear, by any court expressly authorized by law to grant such approval. Although exempt from the registration requirements under the Securities Act, such shares are listed and freely tradeable on the New York Stock Exchange.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are either filed or furnished herewith or, if so indicated, incorporated by reference to the documents indicated in parentheses, which have previously been filed or furnished with the Securities and Exchange Commission.

Exhibit Number	Description
10.1*	Vail Resorts, Inc. Management Incentive Plan.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information from the Company's Quarterly Report on Form 10-Q for the three months ended October 31, 2017 formatted in eXtensible Business Reporting Language: (i) Unaudited Consolidated Condensed Balance Sheets as of October 31, 2017, July 31, 2017, and October 31, 2016; (ii) Unaudited Consolidated Condensed Statements of Operations for the three months ended October 31, 2017 and 2016; (iii) Unaudited Consolidated Condensed Statements of Comprehensive Income (Loss) for the three months ended October 31, 2017 and 2016; (iv) Unaudited Consolidated Condensed Statements of Stockholders' Equity for the three months ended October 31, 2017 and 2016; (v) Unaudited Consolidated Condensed Statements of Cash Flows for the three months ended October 31, 2017 and 2016; and (vi) Notes to the Consolidated Condensed Financial Statements.

*Management contracts and compensatory plans and arrangements.

**Vail Resorts
Management Incentive Plan
Grades 33 & Above**

Objective

The purpose of the Management Incentive Plan (the “Plan”) is to reinforce individual employee behaviors that contribute to the mission, values, growth and profitability of Vail Resorts, Inc. and its wholly owned subsidiaries (collectively, the “Company”) by:

Rewarding and recognizing performance in one or more of the following areas:

- **Financial** - Financial results at the end of the fiscal year are compared to EBITDA targets determined at the beginning of the fiscal year. EBITDA (Earnings before Interest, Taxes and Depreciation and Amortization excluding stock based compensation) results are consolidated into various divisions of the Company and are defined in the funding section below.
- **Individual** - Individual employee performance, including adherence to the Company’s mission and values.

Effective Dates

The Plan is effective and will remain in effect until amended or terminated. The Plan Year will run concurrently with the fiscal year under which the employee is governed.

Eligibility

All full-time employees of the Company at grade levels 33 and above as identified in the Company’s compensation grade structures are eligible to participate in the Plan.

Target Percentages

The target bonus percentages for employees are determined by the Compensation Committee in its sole discretion on a yearly basis by the end of the first quarter of each fiscal year and while the attainment of Resort, Mountain, Retail and Lodging EBITDA performance targets are substantially uncertain.

Target Incentives

Each employee’s target bonus incentive is calculated based on the target bonus percentage of his or her annual salary as of the last day of the measurement period the employee was classified in a Grade 33 position, except where proration is needed as defined in the proration of target incentives section.

Funding

The funding at the end of the fiscal year is based on the final EBITDA results or Division Goal Attainment of the Company's business divisions and the eligible employee's incentive target amounts as determined by the Compensation Committee and as defined in Exhibits A and B.

Division Definitions

EBITDA Results for each of the Company's business divisions are defined as follows:

- Resort EBITDA results include the EBITDA results for all Mountain resorts, Lodging divisions and Retail divisions combined.
- Retail EBITDA results include all EBITDA results of the Retail division combined.

The funding is based on the EBITDA results of the division where the employee works, the scope of his or her responsibilities and where his or her salary expense is charged.

For Corporate, Lodging, Mountain and VRDC executives, the Plan is 100% funded based on Resort EBITDA.

For Retail executives, the Plan is 75% funded based on Retail EBITDA and 25% funded based on Resort EBITDA.

The maximum amount that may be earned as an award under the Plan for any Plan year by any one eligible employee shall be \$4,000,000.

Funding Variable

At each fiscal year-end, the funding will be based on the percentage of EBITDA target achieved. The schedule attached hereto as Exhibit A is used to determine the percent of the target incentive funded by Resort, Mountain, Retail and Lodging EBITDA performance. The Compensation Committee will establish the Resort, Mountain, Retail and Lodging EBITDA performance targets and corresponding funding levels and may amend Exhibit A by the end of the first quarter of each fiscal year and while the attainment of such goals is substantially uncertain. EBITDA results are rounded to the nearest whole percentage using simple rounding.

Individual Performance Rating Variable

For all employees excluding the Chief Executive Officer, the target incentive will be influenced based on individual performance. The Chief Executive Officer's total bonus will be equal to, and based solely on, the funded target incentive amount.

Individual performance for all employees participating in the Plan will be determined through the applicable fiscal year performance review process, which will be determined by the Chief Executive Officer. With the exception of promoted employees, the final performance score will determine the incentive payment with higher performing employees receiving larger rewards than their lower performing peers. For those employees promoted into a higher level position, any applicable incentive payments will be calculated by applying the Meets Expectations performance variable to the incentive target for the new position.

Example 1 Payout:

- Grade 33 Corporate employee
- \$200,000 annual salary
- Target incentive % = 42.5%
- **Target incentive \$= \$200,000 x 42.5% = \$85,000**

- Resort EBITDA results are at 101% of target
- **Resort EBITDA funding = 107.5%**

With Resort EBITDA funding 100%, funded incentive = 107.5% x \$85,000 = \$91,375.

- Individual performance rating of "Achieves Expectations"
- "Achieves Expectations" = 100% of funded incentive
- $\$91,375 \times 100\% = \underline{\$91,375 \text{ payout}}$

Example 2 Payout:

- Grade 33 Retail employee
- \$225,000 annual salary
- Target incentive % = 42.5%
- **Target incentive \$ = \$225,000 x 42.5% = \$95,625**

- Resort EBITDA results are at 101% of target
- **Resort EBITDA funding = 107.5%**

- Retail EBITDA results are at 102% of target
- **Retail EBITDA funding = 115%**

Resort EBITDA funding = 25%

Resort Funded incentive = (107.5% x 25%) x 95,625 = \$25,699

Retail EBITDA funding = 75%

Resort Funded incentive = (115% x 75%) x 95,625 = \$82,477

Total Incentive = \$25,699 + \$82,477 = \$108,176

- Individual performance rating of “Achieves Expectations”
- “Exceeds Expectations” = 115% of funded incentive

- \$108,176 x 115% = \$124,402 payout

Individual performance can multiply the incentive payout by 0% to 130% of the target amount as displayed in Exhibit B.

Proration for New Hires

An employee hired into a position eligible for this Plan will receive a prorated incentive for the Plan Year based on the hire date and following schedule. Anyone hired after April 30 will not be eligible to receive an award in that fiscal year, except at the sole discretion of the Compensation Committee.

Month of Hire	Prorate %
<i>August, September, October</i>	100%
<i>November, December, January</i>	67%
<i>February, March, April</i>	33%
<i>May, June, July</i>	0%

Proration for Internal Promotes

The proration calculation for employees who have been promoted into a plan eligible position will be based on number of days in each role and performance rating earned in each position. For the purposes of this plan, a promotion is defined as position change resulting in an increase in grade assignment and individual bonus target percentage.

Example of Prorated Bonus due to Promotion

Role	Base Salary	Target %	Target \$	Funding %	Performance Rating	# of Days In Role	Prorated Payout
SVP	\$250,000	42.5%	\$106,250	100%	100%	92	\$26,781
VP	\$225,000	35.0%	\$78,750	100%	100%	273	\$58,901
Final Amount							\$85,682

Pro-Ration for Leave of Absence

Individual incentive determinations for employees who have a paid or unpaid leave of absence (this does not include vacation) in excess of one month during the Plan Year will be prorated to reflect the time on leave.

Plan Payouts

Individual incentive determinations calculated in accordance with the terms of this Plan will be paid in cash or pursuant to equity awards granted under the Company's equity compensation plan, or a combination thereof, at the discretion of the Compensation Committee, minus applicable deductions and withholding as required by law, by the close of the first quarter following the previous fiscal year end. Payouts will be rounded to the nearest whole dollar amount.

Termination of Employment

Incentive payments under the Plan do not vest until the date Plan payments are made. To be eligible to receive a payment, a participant must be employed by the Company on the date Plan payments are made. Employees whose employment ends prior to the payment date under the Plan for any fiscal year will not be eligible, subject to the discretion of the Compensation Committee. However, if an otherwise eligible employee is not employed as of the date of the payout under the Plan due to death or long-term disability under the Company

long-term disability plan, such employee, if he or she would have otherwise received a payout under the Plan but for his or her death or disability, shall be entitled to receive a pro-rated payment for the portion of the fiscal year the employee was actively employed.

If an employee terminates employment and is subsequently rehired, eligibility under this Plan restarts with the employee's rehire date.

Material Restatement of Financial Results

In the event that the Board determines there has been a material restatement of publicly issued financial results from those previously issued to the public, the Board will review all incentive payments made to executive officers on the basis of having met or exceeded specific performance targets and, if such payments would have been lower had they been calculated based on such restated results, the Board will, to the extent permitted by governing law, seek to recoup for the benefit of our company such payments made in excess of the amount that would have been paid based on the restated results. This will apply to all incentive payments made during the three-year period prior to the restatement, beginning with payments earned for the 2012 fiscal year. For purposes of this policy, the term "executive officers" has the meaning given in Rule 3b-7 under the Securities Exchange Act of 1934, as amended, and the term "incentive payments" means bonuses and awards under the Plan.

Plan Administration, Modification and Discontinuance

This Plan is administered by the Compensation Committee. The Compensation Committee has authority to interpret the Plan and to make, amend, or nullify any rules and procedures deemed necessary for proper Plan administration, including, but not limited to, performance targets, results and extraordinary events. The EBITDA performance targets and corresponding funding levels shall be adjusted for acquisitions, divestitures, or board imposed unbudgeted expenses in the discretion of the Compensation Committee.

Notwithstanding the foregoing, no Plan payouts will be made until and unless the Compensation Committee has certified that the performance goals and all other material terms have been satisfied. The Compensation Committee has the sole discretion to modify the application of this Plan.

Continued Employment

The Plan is not intended to and does not give any employee the right to continued employment with the Company. The Plan does not create a contract of employment with any employee and does not alter the at-will nature of employee's employment with the Company.

Exhibit A - EBITDA Funding Matrix

Percent of the EBITDA Target Obtained for the Division	Percent of Incentive Target Funded- Grade 33+
<80%	0.0%
80%	15.00%
81%	16.00%
82%	17.00%
83%	18.00%
84%	19.00%
85%	20.00%
86%	21.00%
87%	22.00%
88%	23.00%
89%	24.00%
90%	25.00%
91%	30.00%
92%	35.00%
93%	40.00%
94%	45.00%
95%	50.00%
96%	60.00%
97%	70.00%
98%	80.00%
99%	90.00%
100%	100.00%
101%	107.50%
102%	115.00%
103%	122.50%
104%	130.00%
105%	137.50%
106%	145.00%
107%	152.50%
108%	160.00%
109%	167.50%
110%	175.00%
111%	177.50%
112%	180.00%
113%	182.50%
114%	185.00%
115%	187.50%
116%	190.00%
117%	192.50%
118%	195.00%
119%	197.50%
>=120%	200.00%

Exhibit B - Performance Rating Variable

The following table illustrates how an individual's performance rating affects the overall Management Incentive Plan Payout.

Performance Rating Chart	
Performance Rating	% Incentive Influenced
Greatly Exceeds Expectations	130%
Exceeds Expectations	115%
Achieves Expectations	100%
Meets Most Expectations	70%
Meets Some Expectations	0%

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Robert A. Katz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2017

/s/ ROBERT A. KATZ

Robert A. Katz
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Michael Z. Barkin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vail Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 7, 2017

/s/ MICHAEL Z. BARKIN

Michael Z. Barkin
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his capacity as an officer of Vail Resorts, Inc. (the “Company”) that the Company’s Quarterly Report on Form 10-Q for the quarter ended October 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and the results of operations of the Company at the end of and for the periods covered by such Report.

Date: December 7, 2017

/s/ ROBERT A. KATZ

Robert A. Katz
Chief Executive Officer

Date: December 7, 2017

/s/ MICHAEL Z. BARKIN

Michael Z. Barkin
Executive Vice President and Chief Financial Officer

This certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is not a part of the Form 10-Q to which it refers, and is, to the extent permitted by law, provided by each of the above signatories to the extent of his respective knowledge. This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Vail Resorts, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to Vail Resorts, Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.