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, 2021

☐ **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, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**51-0291762**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
390 Interlocken Crescent Broomfield, Colorado	**80021**
(Address of Principal Executive Offices)	(Zip Code)

(303) 404-1800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	**MTN**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 6, 2021, 40,451,209 shares of the registrant's common stock were outstanding.

Table of Contents

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

	October 31, 2021	July 31, 2021	October 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	$ 1,468,380	$ 1,243,962	$ 462,212
Restricted cash	14,482	14,612	10,163
Trade receivables, net	108,988	345,408	208,540
Inventories, net	103,697	80,316	100,879
Other current assets	82,307	61,288	59,821
Total current assets	1,777,854	1,745,586	841,615
Property, plant and equipment, net (Note 6)	2,062,322	2,067,876	2,166,604
Real estate held for sale or investment	98,833	95,615	96,668
Goodwill, net (Note 6)	1,790,531	1,781,047	1,711,870
Intangible assets, net	319,250	319,110	313,445
Operating right-of-use assets	204,476	204,716	218,902
Other assets	37,285	37,106	41,420
Total assets	$ 6,290,551	$ 6,251,056	$ 5,390,524
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	$ 1,109,652	$ 815,472	$ 846,614
Income taxes payable	43,377	48,812	39,909
Long-term debt due within one year (Note 5)	114,795	114,117	63,707
Total current liabilities	1,267,824	978,401	950,230
Long-term debt, net (Note 5)	2,704,583	2,736,175	2,387,861
Operating lease liabilities	192,328	190,561	213,073
Other long-term liabilities (Note 6)	243,307	264,034	253,108
Deferred income taxes, net	216,049	252,817	210,525
Total liabilities	4,624,091	4,421,988	4,014,797
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, 46,610, 46,552 and 46,412 shares issued, respectively	466	466	464
Exchangeable shares, $0.01 par value, 34, 34 and 35 shares issued and outstanding, respectively (Note 4)	—	—	—
Additional paid-in capital	1,192,901	1,196,993	1,130,318
Accumulated other comprehensive income (loss)	44,689	27,799	(52,387)
Retained earnings	598,826	773,752	492,136
Treasury stock, at cost, 6,161 shares (Note 10)	(404,411)	(404,411)	(404,411)
Total Vail Resorts, Inc. stockholders' equity	1,432,471	1,594,599	1,166,120
Noncontrolling interests	233,989	234,469	209,607
Total stockholders' equity	1,666,460	1,829,068	1,375,727
Total liabilities and stockholders' equity	$ 6,290,551	$ 6,251,056	$ 5,390,524

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,	
	2021	2020
Net revenue:		
Mountain and Lodging services and other	$ 121,860	$ 104,274
Mountain and Lodging retail and dining	53,401	27,258
Resort net revenue	175,261	131,532
Real Estate	315	254
Total net revenue	175,576	131,786
Operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain and Lodging operating expense	183,725	154,137
Mountain and Lodging retail and dining cost of products sold	24,229	17,132
General and administrative	77,234	59,029
Resort operating expense	285,188	230,298
Real Estate operating expense	1,470	1,450
Total segment operating expense	286,658	231,748
Other operating (expense) income:		
Depreciation and amortization	(61,489)	(62,628)
Gain on sale of real property	31	—
Change in estimated fair value of contingent consideration (Note 7)	(2,000)	(802)
Gain (loss) on disposal of fixed assets and other, net	8,867	(569)
Loss from operations	(165,673)	(163,961)
Mountain equity investment income, net	1,514	3,986
Investment income and other, net	499	343
Foreign currency gain on intercompany loans (Note 5)	831	540
Interest expense, net	(39,545)	(35,407)
Loss before benefit from income taxes	(202,374)	(194,499)
Benefit from income taxes	59,853	37,478
Net loss	(142,521)	(157,021)
Net loss attributable to noncontrolling interests	3,189	3,255
Net loss attributable to Vail Resorts, Inc.	$ (139,332)	$ (153,766)
Per share amounts (Note 4):		
Basic net loss per share attributable to Vail Resorts, Inc.	$ (3.44)	$ (3.82)
Diluted net loss per share attributable to Vail Resorts, Inc.	$ (3.44)	$ (3.82)
Cash dividends declared per share	$ 0.88	$ —

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

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

	Three Months Ended October 31,	
	2021	**2020**
Net loss	$ (142,521)	$ (157,021)
Foreign currency translation adjustments	15,137	1,773
Change in estimated fair value of hedging instruments, net of tax	4,345	4,655
Comprehensive loss	(123,039)	(150,593)
Comprehensive loss attributable to noncontrolling interests	597	1,277
Comprehensive loss attributable to Vail Resorts, Inc.	$ (122,442)	$ (149,316)

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, 2020	$ 464	$ —	$ 1,131,624	$ (56,837)	$ 645,902	$ (404,411)	$ 1,316,742	$ 214,925	$ 1,531,667
Comprehensive loss:									
Net loss	—	—	—	—	(153,766)	—	(153,766)	(3,255)	(157,021)
Foreign currency translation adjustments	—	—	—	(205)	—	—	(205)	1,978	1,773
Change in estimated fair value of hedging instruments, net of tax	—	—	—	4,655	—	—	4,655	—	4,655
Total comprehensive loss							(149,316)	(1,277)	(150,593)
Stock-based compensation expense	—	—	5,754	—	—	—	5,754	—	5,754
Issuance of shares under share award plans, net of shares withheld for employee taxes	—	—	(7,060)	—	—	—	(7,060)	—	(7,060)
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(4,041)	(4,041)
Balance, October 31, 2020	$ 464	$ —	$ 1,130,318	$ (52,387)	$ 492,136	$ (404,411)	$ 1,166,120	$ 209,607	$ 1,375,727
Balance, July 31, 2021	$ 466	$ —	$ 1,196,993	$ 27,799	$ 773,752	$ (404,411)	$ 1,594,599	$ 234,469	$ 1,829,068
Comprehensive loss:									
Net loss	—	—	—	—	(139,332)	—	(139,332)	(3,189)	(142,521)
Foreign currency translation adjustments	—	—	—	12,545	—	—	12,545	2,592	15,137
Change in estimated fair value of hedging instruments, net of tax	—	—	—	4,345	—	—	4,345	—	4,345
Total comprehensive loss							(122,442)	(597)	(123,039)
Stock-based compensation expense	—	—	6,425	—	—	—	6,425	—	6,425
Issuance of shares under share award plans, net of shares withheld for employee taxes	—	—	(10,517)	—	—	—	(10,517)	—	(10,517)
Dividends (Note 4)	—	—	—	—	(35,594)	—	(35,594)	—	(35,594)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	117	117
Balance, October 31, 2021	$ 466	$ —	$ 1,192,901	$ 44,689	$ 598,826	$ (404,411)	$ 1,432,471	$ 233,989	$ 1,666,460

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,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (142,521)	$ (157,021)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	61,489	62,628
Stock-based compensation expense	6,425	5,754
Deferred income taxes, net	(56,603)	(36,199)
Other non-cash income, net	(2,825)	(3,237)
Changes in assets and liabilities:		
Trade receivables, net	236,748	(102,387)
Inventories, net	(23,105)	745
Accounts payable and accrued liabilities	12,164	43,638
Deferred revenue	286,369	303,308
Income taxes payable - excess tax benefit from share award exercises	(3,250)	(1,279)
Income taxes payable - other	(2,198)	(359)
Other assets and liabilities, net	(23,672)	(3,598)
Net cash provided by operating activities	349,021	111,993
Cash flows from investing activities:		
Capital expenditures	(50,130)	(30,168)
Other investing activities, net	10,273	894
Net cash used in investing activities	(39,857)	(29,274)
Cash flows from financing activities:		
Proceeds from borrowings under Whistler Credit Agreement	—	18,021
Repayments of borrowings under Vail Holdings Credit Agreement	(15,625)	(15,625)
Repayments of borrowings under Whistler Credit Agreement	(23,145)	(3,834)
Employee taxes paid for share award exercises	(10,517)	(7,060)
Dividends paid	(35,594)	—
Other financing activities, net	147	(4,186)
Net cash used in financing activities	(84,734)	(12,684)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(142)	254
Net increase in cash, cash equivalents and restricted cash	224,288	70,289
Cash, cash equivalents and restricted cash:		
Beginning of period	1,258,574	402,086
End of period	$ 1,482,862	$ 472,375
Non-cash investing activities:		
Accrued capital expenditures	$ 8,582	$ 18,132

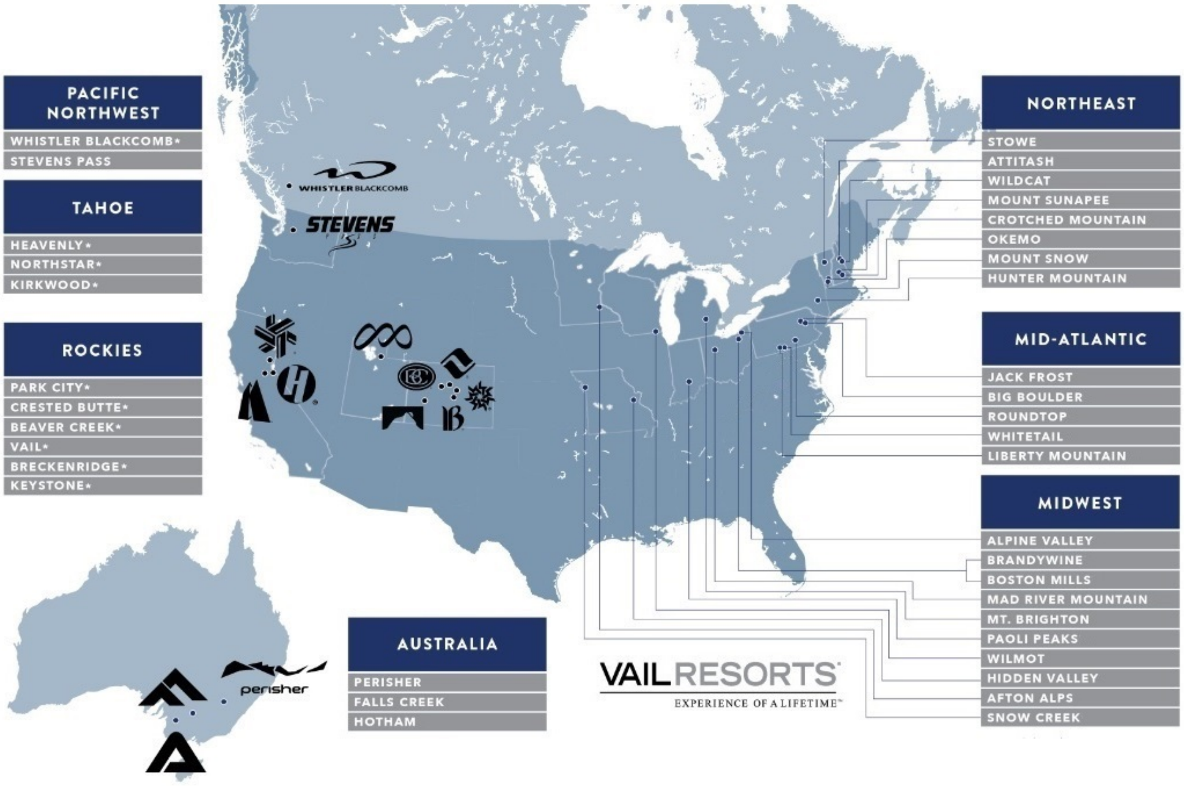
The accompanying Notes are an integral part of these unaudited consolidated condensed financial statements.

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 the following 37 destination mountain resorts and regional ski areas:



**Denotes a destination mountain resort, which generally receives a meaningful portion of skier visits from long-distance travelers, as opposed to the Company’s regional ski areas, which tend to generate skier visits predominantly from their respective local markets.*

Additionally, the Mountain segment includes ancillary services, primarily including ski school, dining and retail/rental operations, and for the Company’s Australian ski areas, including lodging and transportation operations.

In the Lodging segment, the Company owns and/or manages a collection of luxury hotels and condominiums under its RockResorts brand; 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; a Colorado resort ground transportation company and mountain resort golf courses.

Vail Resorts Development Company, 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 peak operating season at the Company's Australian resorts, NPS concessionaire properties and golf courses generally occurs 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, 2021. 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, 2021 was derived from audited financial statements.

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 of Financial Instruments — The recorded amounts for cash and cash equivalents, restricted cash, trade receivables, other current assets, accounts payable and accrued liabilities and the EB-5 Development Notes (as defined in Note 5, Long-Term Debt) approximate fair value due to their short-term nature. The fair value of amounts outstanding under the Company's credit agreements and the Employee Housing Bonds (as defined in Note 5, Long-Term Debt) approximate book value due to the variable nature of the interest rate associated with the debt. The estimated fair values of the 6.25% Notes and the 0.0% Convertible Notes (each as defined in Note 5, Long-Term Debt) are based on quoted market prices (a Level 2 input). The estimated fair value of the EPR Secured Notes (as defined in Note 5, Long-Term Debt) has been estimated using analyses based on current borrowing rates for debt with similar remaining maturities and ratings (a Level 2 input). The carrying values, including any unamortized premium or discount, and estimated fair values of the 6.25% Notes, 0.0% Convertible Notes and EPR Secured Notes as of October 31, 2021 are presented below (in thousands):

	October 31, 2021	
	Carrying Value	Estimated Fair Value
6.25% Notes	$ 600,000	$ 633,516
0.0% Convertible Notes	$ 482,754	$ 630,453
EPR Secured Notes	$ 135,310	$ 208,284

Recently Issued Accounting Standards

Standards Being Evaluated

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The ASU provides optional transition guidance, for a limited time, to companies that have contracts, hedging relationships or other transactions that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate which is expected to be discontinued because of reference rate reform. The amendments provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions if certain criteria are met. The amendments in this update are effective as of March 12, 2020 through December 31, 2022. The amendments in this update may be applied as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. All other amendments should be applied on a prospective basis. The Company is in the process of evaluating the effect that the adoption of this standard will have on its Consolidated Condensed Financial Statements, but does not expect it will have a material effect.

In August 2020, the FASB issued ASU 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” which simplifies the guidance in Accounting Standards Codifications (“ASC”) 470-20, “Debt – Debt with Conversion and Other Options” by reducing the number of accounting separation models for convertible instruments, amending the guidance in ASC 815-40, “Derivatives and Hedging – Contracts in Entity’s Own Equity” for certain contracts in an entity’s own equity that are currently accounted for as derivatives, and requiring entities to use the if-converted method for all convertible instruments in the diluted earnings per share (“EPS”) calculation. This standard will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years (the Company’s first quarter of the fiscal year ending July 31, 2023). Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years (the Company’s first quarter of the fiscal year ending July 31, 2022). This standard allows for a modified retrospective or fully retrospective method of transition. The Company will adopt ASU 2020-06 on August 1, 2022 and expects to use the modified retrospective method, and therefore financial information for periods before August 1, 2022 will remain unchanged. As a result of the adoption of ASU 2020-06, the Company expects that it will reclassify the equity component of its 0.0% Convertible Notes (as defined in Note 5, Long-Term Debt) to long-term debt, net and it will no longer record interest expense related to the amortization of the debt discount.

3. Revenues

Disaggregation of Revenues

The following table presents net revenues disaggregated by segment and major revenue type for the three months ended October 31, 2021 and 2020 (in thousands):

	Three Months Ended October 31,	
	2021	2020 [1]
Mountain net revenue:		
Lift [2]	$ 14,329	$ 33,091
Ski School	1,473	2,044
Dining	12,520	3,068
Retail/Rental	28,376	22,306
Other	52,602	38,970
Total Mountain net revenue	$ 109,300	$ 99,479
Lodging net revenue:		
Owned hotel rooms	$ 21,483	$ 7,365
Managed condominium rooms	13,084	9,329
Dining	10,275	1,093
Golf	5,109	3,689
Other	14,269	9,374
	64,220	30,850
Payroll cost reimbursements	1,741	1,203
Total Lodging net revenue	$ 65,961	$ 32,053
Total Resort net revenue	$ 175,261	$ 131,532
Total Real Estate net revenue	315	254
Total net revenue	$ 175,576	$ 131,786

[1] Segment results for the three months ended October 31, 2020 have been retrospectively adjusted to reflect current period presentation. See Note 9 for additional information.

[2] As a result of the COVID-19 pandemic, the Company closed its North American destination mountain resorts, regional ski areas and retail stores early for the 2019/2020 North American ski season in March 2020 and subsequently announced a credit offer for all existing 2019/2020 North American ski season pass product holders to purchase 2020/2021 North American ski season pass products at a discount (the “Credit Offer”). The Credit Offer represented a separate performance obligation to which the Company allocated a transaction price of approximately $120.9 million, $15.4 million of which was recognized during the three months ended October 31, 2020 for Credit Offer discounts which were not redeemed prior to their expiration.

Contract Balances

Deferred revenue balances of a short-term nature were $743.8 million and $456.5 million as of October 31, 2021 and July 31, 2021, respectively. Deferred revenue balances of a long-term nature, comprised primarily of long-term private club initiation fee revenue, was $121.0 million as of October 31, 2021 and July 31, 2021. For the three months ended October 31, 2021, the Company recognized approximately $45.4 million of revenue that was included in the deferred revenue balance as of July 31, 2021. As of October 31, 2021, the weighted average remaining period over which revenue for unsatisfied performance obligations on long-term private club contracts will be recognized was approximately 16 years. Trade receivable balances were $109.0 million and $345.4 million as of October 31, 2021 and July 31, 2021, respectively.

Costs to Obtain Contracts with Customers

As of October 31, 2021, $18.0 million of costs to obtain contracts with customers were recorded within other current assets on the Company's Consolidated Condensed Balance Sheet. The amounts capitalized are subject to amortization generally beginning in the second quarter of fiscal 2022, commensurate with the revenue recognized for skier visits, and will be recorded within Mountain and Lodging operating expenses on the Company's Consolidated Condensed Statement of Operations.

4. Net Loss per Share

Earnings per Share

Basic 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, 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, 2021 and 2020 (in thousands, except per share amounts):

	Three Months Ended October 31,			
	2021		2020	
	Basic	Diluted	Basic	Diluted
Net loss per share:				
Net loss attributable to Vail Resorts	$ (139,332)	$ (139,332)	$ (153,766)	$ (153,766)
Weighted-average Vail Shares outstanding	40,414	40,414	40,213	40,213
Weighted-average Exchangeco Shares outstanding	34	34	35	35
Total Weighted-average shares outstanding	40,448	40,448	40,248	40,248
Effect of dilutive securities	—	—	—	—
Total shares	40,448	40,448	40,248	40,248
Net loss per share attributable to Vail Resorts	$ (3.44)	$ (3.44)	$ (3.82)	$ (3.82)

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 0.5 million and 0.6 million for the three months ended October 31, 2021 and 2020, respectively.

On December 18, 2020, the Company completed an offering of $575.0 million in aggregate principal amount of 0.0% Convertible Notes (as defined in Note 5, Long-Term Debt). The Company is required to settle the principal amount of the 0.0% Convertible Notes in cash and has the option to settle the conversion spread in cash or shares. The Company uses the treasury method to calculate diluted EPS, and if the conversion value of the 0.0% Convertible Notes exceeds their conversion price of $407.17 per share of common stock, then the Company will calculate its diluted EPS as if all the notes were converted and the Company issued shares of its common stock to settle the excess value over the conversion price. However, if reflecting the 0.0% Convertible Notes in diluted EPS in this manner is anti-dilutive, or if the conversion value of the notes does not exceed their initial conversion amount for a reporting period, then the shares underlying the notes will not be reflected in the Company's calculation of diluted EPS. For the three months ended October 31, 2021, the average price of Vail Shares did not exceed the conversion price and therefore there was no impact to diluted EPS during those periods.

Dividends

The Company paid cash dividends of $0.88 per share ($35.6 million in the aggregate) during the three months ended October 31, 2021. The Company did not pay cash dividends during the three months ended October 31, 2020. On December 8, 2021, the Company's Board of Directors approved a cash dividend of $0.88 per share payable on January 11, 2022 to stockholders of record as of December 28, 2021. Additionally, a Canadian dollar equivalent dividend on the Exchangeco Shares will be payable on January 11, 2022 to shareholders of record on December 28, 2021.

5. Long-Term Debt

Long-term debt, net as of October 31, 2021, July 31, 2021 and October 31, 2020 is summarized as follows (in thousands):

	Maturity	October 31, 2021	July 31, 2021	October 31, 2020
Vail Holdings Credit Agreement term loan (a)	2024	$ 1,125,000	$ 1,140,625	$ 1,187,500
Vail Holdings Credit Agreement revolver (a)	2024	—	—	—
6.25% Notes	2025	600,000	600,000	600,000
0.0% Convertible Notes (b)	2026	575,000	575,000	—
Whistler Credit Agreement revolver (c)	2024	21,794	44,891	72,778
EPR Secured Notes (d)	2034-2036	114,162	114,162	114,162
EB-5 Development Notes	2021	51,500	51,500	51,500
Employee housing bonds	2027-2039	52,575	52,575	52,575
Canyons obligation	2063	353,266	351,820	347,481
Other	2021-2033	17,772	17,941	18,115
Total debt		2,911,069	2,948,514	2,444,111
Less: Unamortized premiums, discounts and debt issuance costs		91,691	98,222	(7,457)
Less: Current maturities (e)		114,795	114,117	63,707
Long-term debt, net		$ 2,704,583	$ 2,736,175	$ 2,387,861

(a) On December 18, 2020, Vail Holdings, Inc. ("VHI"), certain subsidiaries of the Company, as guarantors, Bank of America, N.A. ("Bank of America"), as administrative agent, and certain Lenders entered into a Fourth Amendment to the Vail Holdings Credit Agreement (the "Fourth Amendment"). Pursuant to the Fourth Amendment, among other terms, VHI was exempted from complying with certain financial maintenance covenants for fiscal quarters ending through January 31, 2022 (unless VHI made a one-time irrevocable election to terminate such exemption period prior to such date) (such period, the "Financial Covenants Temporary Waiver Period") and the Company was prohibited from undertaking certain activities during such period. On October 29, 2021, VHI notified Bank of America of its intent to exit the Financial Covenants Temporary Waiver Period effective October 31, 2021. As a result, the Company is required to comply with the financial maintenance covenants in the Vail Holdings Credit Agreement starting with the fiscal quarter ended October 31, 2021 and, upon delivery of a certificate demonstrating compliance with the financial maintenance covenants for such quarter, will no longer be subject to the covenant modifications that were applicable during the temporary waiver period.

As of October 31, 2021, the Vail Holdings Credit Agreement consists of a $500.0 million revolving credit facility and a term loan facility with $1.1 billion outstanding. The term loan facility is subject to quarterly amortization of principal of approximately $15.6 million, in equal installments, for a total of 5% of principal payable in each year and the final payment of all amounts outstanding, plus accrued and unpaid interest due in September 2024. The proceeds of the loans made under the Vail Holdings Credit Agreement may be used to fund the Company's working capital needs, capital expenditures, acquisitions, investments and other general corporate purposes, including the issuance of letters of credit. Borrowings under the Vail Holdings Credit Agreement, including the term loan facility, bear interest annually at LIBOR plus 2.50% as of October 31, 2021 (2.59% as of October 31, 2021). Interest rate margins may fluctuate based upon the ratio of the Company's Net Funded Debt to Adjusted EBITDA on a trailing four-quarter basis. The Vail Holdings Credit Agreement also includes a quarterly unused commitment fee, which is equal to a percentage determined by the Net Funded Debt to Adjusted EBITDA ratio, as each such term is defined in the Vail Holdings Credit Agreement, multiplied by the daily amount by which the Vail Holdings Credit Agreement commitment exceeds the total of outstanding loans and outstanding letters of credit (0.4% as of October 31, 2021).

(b) The Company separately accounts for the liability and equity components of the 0.0% Convertible Notes. The liability component at issuance was recognized at estimated fair value based on the fair value of a similar debt instrument that does not have an embedded convertible feature. As of the issuance date, the estimated liability was determined to be $465.3 million and was recorded within long-term debt, net on the Company's Consolidated Condensed Balance Sheet. The excess of the principal amount of the 0.0% Convertible Notes over the initial fair value of the liability component represented a debt discount of $109.7 million as of the issuance date and is being amortized to interest expense, net over the term. The balance of the unamortized debt discount was $92.2 million as of October 31, 2021.

(c) Whistler Mountain Resort Limited Partnership ("Whistler LP") and Blackcomb Skiing Enterprises Limited Partnership ("Blackcomb LP"), together "The WB Partnerships," are party to a credit agreement, dated as of November 12, 2013 (as amended, the "Whistler Credit Agreement"), by and among Whistler LP, 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. As of October 31, 2021, all borrowings under the Whistler Credit Agreement were made in Canadian dollars and by way of the issuance of bankers' acceptances plus 2.00% (approximately 2.48% as of October 31, 2021). The Whistler Credit Agreement also includes a quarterly unused commitment fee based on the Consolidated Total Leverage Ratio, which as of October 31, 2021 is equal to 0.45% per annum.

(d) On September 24, 2019, in conjunction with the acquisition of Peak Resorts, Inc., the Company assumed various secured borrowings (the "EPR Secured Notes") under the master credit and security agreements and other related agreements, as amended, (collectively, the "EPR Agreements") with EPT Ski Properties, Inc. and its affiliates ("EPR"). The EPR Secured Notes include the following:

i. *The Alpine Valley Secured Note.* The $4.6 million Alpine Valley Secured Note provides for interest payments through its maturity on December 1, 2034. As of October 31, 2021, interest on this note accrued at a rate of 11.38%.

ii. *The Boston Mills/Brandywine Secured Note.* The $23.3 million Boston Mills/Brandywine Secured Note provides for interest payments through its maturity on December 1, 2034. As of October 31, 2021, interest on this note accrued at a rate of 11.07%.

iii. *The Jack Frost/Big Boulder Secured Note.* The $14.3 million Jack Frost/Big Boulder Secured Note provides for interest payments through its maturity on December 1, 2034. As of October 31, 2021, interest on this note accrued at a rate of 11.07%.

iv. *The Mount Snow Secured Note.* The $51.1 million Mount Snow Secured Note provides for interest payments through its maturity on December 1, 2034. As of October 31, 2021, interest on this note accrued at a rate of 11.96%.

v. *The Hunter Mountain Secured Note.* The $21.0 million Hunter Mountain Secured Note provides for interest payments through its maturity on January 5, 2036. As of October 31, 2021, interest on this note accrued at a rate of 8.72%.

In addition, Peak Resorts is required to maintain a debt service reserve account which amounts are applied to fund interest payments and other amounts due and payable to EPR. As of October 31, 2021, the Company had funded the EPR debt service reserve account in an amount equal to approximately $2.1 million, which was included in other current assets in the Company's Consolidated Condensed Balance Sheet.

(e) Current maturities represent principal payments due in the next 12 months.

Aggregate maturities of debt outstanding as of October 31, 2021 reflected by fiscal year (August 1 through July 31) are as follows (in thousands):

	Total
2022 (November 2021 through July 2022)	$ 105,187
2023	63,740
2024	63,798
2025	1,575,677
2026	575,415
Thereafter	527,252
Total debt	$ 2,911,069

The Company recorded gross interest expense of $39.5 million and $35.4 million for the three months ended October 31, 2021 and 2020, respectively, of which $1.4 million and $0.7 million, respectively, was 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 Company's acquisition of Whistler Blackcomb in October 2016, 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 $0.8 million and $0.5 million, respectively, of non-cash foreign currency gains on the intercompany loan to Whistler Blackcomb for the three months ended October 31, 2021 and 2020 on the Company's Consolidated Condensed Statements of Operations.

6. Supplementary Balance Sheet Information

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

	October 31, 2021	July 31, 2021	October 31, 2020
Land and land improvements	$ 757,625	$ 756,517	$ 752,259
Buildings and building improvements	1,492,863	1,496,402	1,475,857
Machinery and equipment	1,422,110	1,417,705	1,363,279
Furniture and fixtures	309,119	308,432	313,815
Software	123,228	122,778	99,077
Vehicles	80,921	80,328	80,552
Construction in progress	113,854	67,710	105,866
Gross property, plant and equipment	4,299,720	4,249,872	4,190,705
Accumulated depreciation	(2,237,398)	(2,181,996)	(2,024,101)
Property, plant and equipment, net	$ 2,062,322	$ 2,067,876	$ 2,166,604

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

	October 31, 2021	July 31, 2021	October 31, 2020
Trade payables	$ 116,501	$ 98,261	$ 74,609
Deferred revenue	743,809	456,457	559,323
Accrued salaries, wages and deferred compensation	43,773	54,286	33,131
Accrued benefits	45,439	47,368	39,625
Deposits	43,875	35,263	20,644
Operating lease liabilities	36,036	34,668	36,185
Other liabilities	80,219	89,169	83,097
Total accounts payable and accrued liabilities	$ 1,109,652	$ 815,472	$ 846,614

The changes in the net carrying amount of goodwill allocated between the Company’s segments for the three months ended October 31, 2021 are as follows (in thousands):

	Mountain	Lodging	Goodwill, net
Balance at July 31, 2021	$ 1,738,836	$ 42,211	$ 1,781,047
Effects of changes in foreign currency exchange rates	9,484	—	9,484
Balance at October 31, 2021	$ 1,748,320	$ 42,211	$ 1,790,531

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, other current assets, Interest Rate Swaps and Contingent Consideration measured at estimated fair value (all other assets and liabilities measured at fair value are immaterial) (in thousands).

	Estimated Fair Value Measurement as of October 31, 2021			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	$ 504,064	$ 504,064	$ —	$ —
Commercial Paper	$ 2,401	$ —	$ 2,401	$ —
Certificates of Deposit	$ 9,984	$ —	$ 9,984	$ —
Liabilities:				
Interest Rate Swaps	$ 5,348	$ —	$ 5,348	$ —
Contingent Consideration	$ 24,100	$ —	$ —	$ 24,100

	Estimated Fair Value Measurement as of July 31, 2021			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	$ 253,782	$ 253,782	$ —	$ —
Commercial Paper	$ 2,401	$ —	$ 2,401	$ —
Certificates of Deposit	$ 259,945	$ —	$ 259,945	$ —
Liabilities:				
Interest Rate Swaps	$ 12,942	$ —	$ 12,942	$ —
Contingent Consideration	$ 29,600	$ —	$ —	$ 29,600

	Estimated Fair Value Measurement as of October 31, 2020			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	$ 204,036	$ 204,036	$ —	$ —
Commercial Paper	$ 2,401	$ —	$ 2,401	$ —
Certificates of Deposit	$ 8,076	$ —	$ 8,076	$ —
Liabilities:				
Interest Rate Swaps	$ 17,855	$ —	$ 17,855	$ —
Contingent Consideration	$ 16,000	$ —	$ —	$ 16,000

The Company's cash equivalents, other current assets and Interest Rate Swaps are measured utilizing quoted market prices or pricing models whereby all significant inputs are either observable or corroborated by observable market data. The estimated fair value of the Interest Rate Swaps are included within other long-term liabilities on the Company's Consolidated Condensed Balance Sheet as of October 31, 2021 and 2020.

The changes in Contingent Consideration during the three months ended October 31, 2021 and 2020 were as follows (in thousands):

Balance as of July 31, 2021 and 2020, respectively	$ 29,600	$ 17,800
Payments	(7,500)	(2,602)
Change in estimated fair value	2,000	802
Balance as of October 31, 2021 and 2020, respectively	$ 24,100	$ 16,000

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 11.0%, volatility of 17.0% and future period Park City EBITDA, 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 $4.0 million to $5.9 million.

Contingent Consideration is classified as a liability, which is remeasured to fair value at each reporting date until the contingency is resolved. During the three months ended October 31, 2021, the Company made a payment to the landlord for Contingent Consideration of approximately $7.5 million and recorded an increase of approximately $2.0 million. These changes resulted in an estimated fair value of the Contingent Consideration of approximately $24.1 million, which is reflected in other long-term liabilities in the Company’s 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 $1.9 million, $2.0 million and $2.1 million primarily within other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets, as of October 31, 2021, July 31, 2021 and October 31, 2020, 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, 2021, the Company had various letters of credit outstanding totaling $77.7 million, consisting of $53.4 million to support the Employee Housing Bonds and $24.3 million primarily for workers’ compensation, a wind energy purchase agreement and insurance-related deductibles. The Company also had surety bonds of $13.2 million as of October 31, 2021, primarily to provide collateral for its U.S. 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.

Additionally, the Company has entered into strategic long-term season pass alliance agreements with third-party mountain resorts in which the Company has committed to pay minimum revenue guarantees over the remaining terms of these agreements.

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 and estimable losses. As of October 31, 2021, July 31, 2021 and October 31, 2020, 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, Colorado resort ground transportation operations 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.

On August 1, 2021, the Company revised its segment reporting to move certain dining and golf operations from the Lodging segment to the Mountain segment. Segment reporting results for the prior year period have been adjusted retrospectively to conform to the current period presentation.

The Company reports its segment results using Reported EBITDA (defined as segment net revenue less segment operating expenses, plus 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 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 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 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,	
	2021	2020 [1]
Net revenue:		
Mountain	$ 109,300	$ 99,479
Lodging	65,961	32,053
Total Resort net revenue	175,261	131,532
Real Estate	315	254
Total net revenue	$ 175,576	$ 131,786
Segment operating expense:		
Mountain	$ 221,778	$ 188,625
Lodging	63,410	41,673
Total Resort operating expense	285,188	230,298
Real Estate	1,470	1,450
Total segment operating expense	$ 286,658	$ 231,748
Gain on sale of real property	$ 31	$ —
Mountain equity investment income, net	$ 1,514	$ 3,986
Reported EBITDA:		
Mountain	$ (110,964)	$ (85,160)
Lodging	2,551	(9,620)
Resort	(108,413)	(94,780)
Real Estate	(1,124)	(1,196)
Total Reported EBITDA	$ (109,537)	$ (95,976)
Real estate held for sale or investment	$ 98,833	$ 96,668
Reconciliation from net loss attributable to Vail Resorts, Inc. to Total Reported EBITDA:		
Net loss attributable to Vail Resorts, Inc.	$ (139,332)	$ (153,766)
Net loss attributable to noncontrolling interests	(3,189)	(3,255)
Net loss	(142,521)	(157,021)
Benefit from income taxes	(59,853)	(37,478)
Loss before benefit from income taxes	(202,374)	(194,499)
Depreciation and amortization	61,489	62,628
Change in estimated fair value of contingent consideration	2,000	802
(Gain) loss on disposal of fixed assets and other, net	(8,867)	569
Investment income and other, net	(499)	(343)
Foreign currency gain on intercompany loans	(831)	(540)
Interest expense, net	39,545	35,407
Total Reported EBITDA	$ (109,537)	$ (95,976)

[1] Segment results for the three months ended October 31, 2020 have been retrospectively adjusted to reflect current period presentation.

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 Vail Shares. The Company did not repurchase any Vail Shares during the three months ended October 31, 2021 and October 31, 2020. Since inception of its share repurchase program through October 31, 2021, the Company has repurchased 6,161,141 Vail Shares for approximately $404.4 million. As of October 31, 2021, 1,338,859 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.

11. Subsequent Event

Acquisition of Seven Springs Mountain Resort, Hidden Valley Ski Resort and Laurel Mountain Ski Area

On December 8, 2021, the Company entered into a purchase agreement to acquire Seven Springs Mountain Resort, Hidden Valley Ski Resort and Laurel Mountain ski area in Pennsylvania from The Nutting Company for a cash purchase price of approximately $125.0 million, subject to certain adjustments. The Company will acquire all of the assets related to the mountain operations of the resorts, including base area skier services (food and beverage, retail and rental, lift ticket offices and ski and snowboard school facilities), as well as a hotel, conference center and related operations. The Company expects to fund the cash purchase price through cash on hand.

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 period ended October 31, 2021 ("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, 2021 ("Form 10-K") and the Consolidated Condensed Financial Statements as of October 31, 2021 and 2020 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 23, 2021.

The MD&A includes discussion of financial performance within each of our three segments. We have chosen to specifically include segment Reported EBITDA (defined as segment net revenue less segment operating expense, plus segment equity investment income or loss and for the Real Estate segment, plus gain or loss on sale of real property) in the following discussion because we consider this measurement to be a significant indication of our financial performance. We utilize segment Reported EBITDA in evaluating our performance and in allocating resources to our segments. Net Debt (defined as long-term debt, net plus long-term debt due within one year less cash and cash equivalents) is included in the following discussion because we consider this measurement to be a significant indication of our available capital resources. 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. Resort Reported EBITDA (defined as the combination of segment Reported EBITDA of our Mountain and Lodging segments), Total Reported EBITDA (which is Resort Reported EBITDA plus segment Reported EBITDA from our Real Estate segment) and Net Debt are not measures of financial performance or liquidity defined under accounting principles generally accepted in the United States ("GAAP"). Refer to the end of the Results of Operations section for a reconciliation of net loss attributable to Vail Resorts, Inc. to Total Reported EBITDA and long-term debt, net to Net Debt.

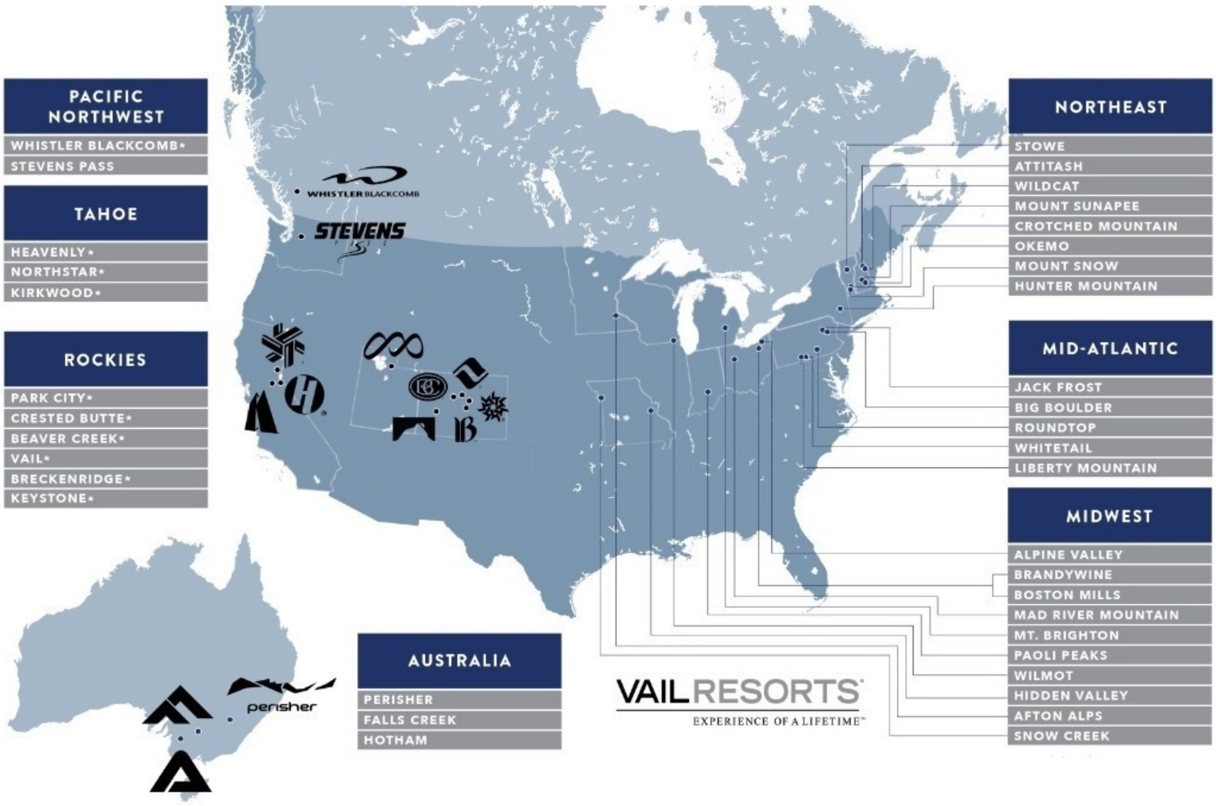
Items excluded from Reported EBITDA and Net Debt are significant components in understanding and assessing financial performance or liquidity. Reported EBITDA and Net Debt should not be considered in isolation or as an alternative to, or substitute for, net loss, net change in cash and cash equivalents 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

In the Mountain segment, the Company operates the following 37 destination mountain resorts and regional ski areas:



**Denotes a destination mountain resort, which generally receives a meaningful portion of skier visits from long-distance travelers, as opposed to our regional ski areas, which tend to generate skier visits predominantly from their respective local markets.*

Additionally, we operate ancillary services, primarily including ski school, dining and retail/rental operations, and for our Australian ski areas, including lodging and transportation operations. Mountain segment revenue is seasonal, with the majority of revenue earned from our North American ski operations occurring in our second and third fiscal quarters and the majority of revenue earned from our Australian ski operations occurring in our first and fourth fiscal quarters. Our North American destination mountain resorts and regional ski areas (collectively, “Resorts”) are typically open for business from mid-November through mid-April, which is the peak operating season for the Mountain segment, and our Australian ski areas are 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 our Australian ski areas’ 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 Resorts. Revenue of the Mountain segment during the first and fourth fiscal quarters is primarily generated from summer and group related visitation at our North American destination mountain resorts, retail/rental operations and peak season Australian ski operations.

The ongoing impacts of COVID-19 resulted in restrictions, limitations, or closures of our Australian ski area operations and North American summer operations for both the three months ended October 31, 2021 and 2020. Our Australian ski areas (Perisher, Mount Hotham and Falls Creek) each experienced periodic closures during their 2021 ski seasons as a result of COVID-19, although they were able to re-open in September 2021 to conclude their seasons. In the prior year, Mount Hotham and Falls Creek were closed for nearly all of their 2020 ski season as a result of COVID-19. These actions, trends, and the COVID-19 pandemic in general, had an adverse impact to our results of operations for both the three months ended October 31, 2021 and 2020, and could continue to have an adverse impact for the remainder of the year ending July 31, 2022 (“Fiscal 2022”).

Lodging Segment

Operations within the Lodging segment include: (i) ownership/management of a group of luxury hotels 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 Resorts; (iii) National Park Service (“NPS”) concessionaire properties, including the Grand Teton Lodge Company (“GTLC”); (iv) 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 our Colorado resort ground transportation company, 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 and as such, the revenue and corresponding expense do not affect our Lodging Reported EBITDA, which we use to evaluate Lodging segment performance.

As discussed above, the ongoing impacts of COVID-19 resulted in restrictions, limitations, or closures of our North American summer operations for both the three months ended October 31, 2021 and 2020. In the prior year, GTLC was particularly impacted by the closures of Jackson Lake Lodge and Jenny Lake Lodge, as well as restrictions on guided activities, in-restaurant dining and the temporary closure of many facilities, among others. Restrictions and limitations continued into the first quarter of Fiscal 2022, although to a lesser degree, and could continue to have an adverse impact for the remainder of Fiscal 2022.

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:

- COVID-19 has led to travel restrictions and other adverse economic impacts in global and local economies. Our operations continue to be negatively impacted by COVID-19 and associated government-mandated restrictions, including vaccination requirements, travel restrictions, and mask and social distancing requirements. Additionally, we may impose our own COVID-19 related restrictions in addition to what is required by state and local governments in the interest of the safety of our guests, employees and resort communities. For example, for the 2021/2022 North American ski season, we announced that we would require face coverings in indoor settings, and guests age 12 and over will be required to show proof of COVID-19 vaccination to access indoor, on-mountain quick-service (cafeteria-style) restaurants. Additionally, the ongoing impacts of COVID-19 and associated regional shutdowns resulted in periodic closures of our Australian ski areas during their 2021 ski season. Although we are uncertain as to the ultimate severity and duration of the COVID-19 pandemic as well as the related global or other travel restrictions and other adverse impacts, we have experienced a negative change in performance and our future performance could also be negatively impacted. In addition, the North American economy may be impacted by economic challenges in North America or declining or slowing growth in economies outside of North America, accompanied by devaluation of currencies, rising inflation, trade tariffs and lower commodity prices. We cannot predict the ultimate impact that the global economic uncertainty as a result of COVID-19 will have on overall travel and leisure spending or more specifically, on our guest visitation, guest spending or other related trends for the 2021/2022 North American ski season.

- The timing and amount of snowfall can have an impact on Mountain and Lodging revenue, particularly with regard 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, which results in a more stabilized stream of lift revenue. Additionally, our pass products provide a compelling value proposition to our guests, which in turn create a guest commitment predominately prior to the start of the ski season. Pass product sales for the 2021/2022 North American ski season increased approximately 47% in units and approximately 21% in sales dollars through December 5, 2021 as compared to the period in the prior year through December 6, 2020, without deducting for the value of any redeemed credits provided to certain North American pass product holders in the prior period. Pass product sales through December 5, 2021 for the 2021/2022 North American ski season increased approximately 76% in units and approximately 45% in sales dollars as compared to sales for the 2019/2020 North American ski season through December 8, 2019, with pass product sales adjusted to include Peak Resorts pass sales in both periods. Pass sales are adjusted to eliminate the impact of foreign currency by applying an exchange rate of $0.78 between the Canadian dollar and U.S. dollar in all periods for Whistler Blackcomb pass sales. We cannot predict the ultimate impact that sales of our pass products will have on total lift revenue or effective ticket price for the 2021/2022 North American ski season.

- Prior to the 2020/2021 North American ski season, we introduced Epic Coverage, which is included with the purchase of all pass products for no additional charge. Epic Coverage provides refunds in the event of certain resort closures and certain qualifying travel restrictions (e.g. for COVID-19), giving pass product holders a refund for any portion of the season that is lost due to qualifying circumstances. Additionally, Epic Coverage provides a refund for qualifying personal circumstances, including eligible injuries, job losses and many other personal events. The estimated amount of refunds reduces the amount of pass product revenue recognized. We believe our estimate of refund amounts are reasonable; however, actual results could vary materially from such estimates, and we could be required to refund significantly higher amounts than estimated.

- As of October 31, 2021, we had $1.5 billion of cash and cash equivalents, as well as $416.6 million available under the revolver component of our Eighth Amended and Restated Credit Agreement, dated as of August 15, 2018 and as amended most recently on December 18, 2020 (the “Vail Holdings Credit Agreement”), which represents the total commitment of $500.0 million less certain letters of credit outstanding of $83.3 million. Additionally, we have a credit facility which supports the liquidity needs of Whistler Blackcomb (the “Whistler Credit Agreement”). As of October 31, 2021, we had C$272.1 million ($219.6 million) available under the revolver component of the Whistler Credit Agreement (which represents the total commitment of C$300.0 million ($242.2 million) less outstanding borrowings of C$27.0 million ($21.8 million) and a letter of credit outstanding of C$0.8 million ($0.7 million)).

We exited the Financial Covenants Temporary Waiver Period under the Vail Holdings Credit Agreement effective October 31, 2021. As a result, we are required to comply with the financial maintenance covenants in the Vail Holdings Credit Agreement starting with the fiscal quarter ended October 31, 2021 and, upon delivery of a certificate demonstrating compliance with the financial maintenance covenants for such quarter, will no longer be subject to the covenant modifications that were applicable during the temporary waiver period.

We believe that our existing cash and cash equivalents, availability under our credit agreements and the expected positive cash flow from operating activities of our Mountain and Lodging segments will continue to provide us with sufficient liquidity to fund our operations.

RESULTS OF OPERATIONS

Summary

Below is a summary of operating results for the three months ended October 31, 2021, compared to the three months ended October 31, 2020 (in thousands):

	Three Months Ended October 31,	
	2021	2020 [1]
Net loss attributable to Vail Resorts, Inc.	$ (139,332)	$ (153,766)
Loss before benefit from income taxes	$ (202,374)	$ (194,499)
Mountain Reported EBITDA	$ (110,964)	$ (85,160)
Lodging Reported EBITDA	2,551	(9,620)
Resort Reported EBITDA	$ (108,413)	$ (94,780)
Real Estate Reported EBITDA	$ (1,124)	$ (1,196)

[1] Segment results for the three months ended October 31, 2020 have been retrospectively adjusted to reflect current period presentation. See Notes to the Consolidated Condensed Financial Statements for additional information.

COVID-19 in general and the associated periodic closures of our Australian ski areas had an adverse impact on our results of operations for both the three months ended October 31, 2021 and 2020, as further described below in our segment results of operations.

Mountain Segment

Three months ended October 31, 2021 compared to the three months ended October 31, 2020

Mountain segment operating results for the three months ended October 31, 2021 and 2020 are presented by category as follows (in thousands, except effective ticket price ("ETP")). ETP is calculated as lift revenue divided by total skier visits for each applicable period presented.

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2021	2020 [1]	
Mountain net revenue:			
Lift	$ 14,329	$ 33,091	(56.7)%
Ski school	1,473	2,044	(27.9)%
Dining	12,520	3,068	308.1 %
Retail/rental	28,376	22,306	27.2 %
Other	52,602	38,970	35.0 %
Total Mountain net revenue	109,300	99,479	9.9 %
Mountain operating expense:			
Labor and labor-related benefits	80,427	66,796	20.4 %
Retail cost of sales	14,623	12,852	13.8 %
General and administrative	64,737	49,961	29.6 %
Other	61,991	59,016	5.0 %
Total Mountain operating expense	221,778	188,625	17.6 %
Mountain equity investment income, net	1,514	3,986	(62.0)%
Mountain Reported EBITDA	$ (110,964)	$ (85,160)	(30.3)%
Total skier visits	218	287	(24.0)%
ETP	$ 65.73	$ 115.30	(43.0)%

[1] Segment results for the three months ended October 31, 2020 have been retrospectively adjusted to reflect current period presentation.

Mountain Reported EBITDA includes $5.4 million and $4.8 million of stock-based compensation expense for the three months ended October 31, 2021 and 2020, 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 our Australian ski areas, for which the winter season generally occurs from June through early October. Our operations during both the three months ended October 31, 2021 and 2020 were negatively impacted by periodic resort closures at our Australian ski areas due to regional lockdowns as a result of COVID-19. In the current year, all of our Australian ski areas experienced periodic closures, while in the prior year Falls Creek and Hotham experienced periodic closures and Perisher was open for the entire quarter.

Mountain Reported EBITDA decreased $25.8 million, or 30.3%, primarily due to the prior year recognition of $15.4 million of revenue related to the expiration of unredeemed credits offered to 2019/2020 North American pass product holders who purchased 2020/2021 pass products, as well as decreased results at our Australian ski areas, primarily due to periodic COVID-19 related closures at Perisher in the current year. Additionally, Mountain Reported EBITDA decreased due to increased general & administrative expenses resulting primarily due to COVID-19 related cost management in the prior year. These decreases were partially offset by an increase in demand for our North American summer business as a result of fewer COVID-19 related limitations and restrictions as compared to the prior year.

Lift revenue decreased $18.8 million, or 56.7%, primarily due to the prior year recognition of $15.4 million of revenue related to the expiration of unredeemed credits offered to 2019/2020 North American pass product holders who purchased 2020/2021 pass products, which also resulted in a decrease in ETP. Lift revenue was also impacted by a decrease in lift revenue from Perisher, which experienced periodic closures in the current year compared to being open for the entire quarter in the prior year.

Dining revenue increased $9.5 million, or 308.1%, and retail/rental revenue increased $6.1 million, or 27.2%, both primarily due to fewer COVID-19 related limitations and restrictions as compared to the prior year.

Other revenue mainly consists of other 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 also includes Australian resort lodging and transportation revenue. Other revenue increased $13.6 million, or 35.0%, primarily due to fewer COVID-19 related limitations and restrictions as compared to the prior year.

Operating expense increased $33.2 million, or 17.6%, which was primarily attributable to cost discipline efforts associated with lower levels of North American summer operations in the prior year, including limitations, restrictions and closures resulting from COVID-19.

Labor and labor-related benefits increased $13.6 million, or 20.4%, primarily due to increased staffing associated with improved North American summer business demand and COVID-19 related cost actions in the prior year including salary reductions, as well as a decrease of $2.3 million in tax credits associated with COVID-19 related legislation in Canada. Retail cost of sales increased $1.8 million, or 13.8%, compared to an increase in retail sales of 27.9%, reflecting increased margins on a lower mix of aged and discounted retail products. General and administrative expense increased $14.8 million, or 29.6%, primarily due to an increase in allocated corporate overhead costs for all corporate functions, which was impacted by prior year COVID-19 related cost management and uncertainty, as well as a decrease in tax credits of approximately $2.6 million associated with COVID-19 related legislation in Canada and Australia. Other expense increased $3.0 million, or 5.0%, primarily due to increases in variable operating expenses associated with increased revenues.

Mountain equity investment income, net primarily includes our share of income from the operations of a real estate brokerage company. Mountain equity investment income from the real estate brokerage company decreased $2.5 million, or 62.0%, for the three months ended October 31, 2021 compared to the same period in the prior year due to a lower number of real estate sales and lower average price of those sales.

Lodging Segment

Three months ended October 31, 2021 compared to the three months ended October 31, 2020

Lodging segment operating results for the three months ended October 31, 2021 and 2020 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)
	2021	2020 [1]	
Lodging net revenue:			
Owned hotel rooms	$ 21,483	$ 7,365	191.7 %
Managed condominium rooms	13,084	9,329	40.3 %
Dining	10,275	1,093	840.1 %
Golf	5,109	3,689	38.5 %
Other	14,269	9,374	52.2 %
	64,220	30,850	108.2 %
Payroll cost reimbursements	1,741	1,203	44.7 %
Total Lodging net revenue	65,961	32,053	105.8 %
Lodging operating expense:			
Labor and labor-related benefits	27,649	18,481	49.6 %
General and administrative	12,497	9,074	37.7 %
Other	21,523	12,915	66.7 %
	61,669	40,470	52.4 %
Reimbursed payroll costs	1,741	1,203	44.7 %
Total Lodging operating expense	63,410	41,673	52.2 %
Lodging Reported EBITDA	$ 2,551	$ (9,620)	126.5 %
Owned hotel statistics [2]:			
ADR	$ 274.51	$ 204.44	34.3 %
RevPAR	$ 168.84	$ 57.33	194.5 %
Managed condominium statistics [2]:			
ADR	$ 233.02	$ 232.11	0.4 %
RevPAR	$ 50.13	$ 29.32	71.0 %
Owned hotel and managed condominium statistics (combined) [2]:			
ADR	$ 252.62	$ 224.59	12.5 %
RevPAR	$ 78.43	$ 35.00	124.1 %

(1) Segment results for the three months ended October 31, 2020 have been retrospectively adjusted to reflect current period presentation.

(2) RevPAR for the three months ended October 31, 2021 increased compared to the prior comparative period primarily due to the greater impact of limitations and restrictions on North American summer operations resulting from COVID-19 in the prior year.

Lodging Reported EBITDA includes $1.0 million and $0.9 million of stock-based compensation expense for the three months ended October 31, 2021 and 2020, respectively. Lodging Reported EBITDA increased $12.2 million, or 126.5%, primarily as a result of fewer COVID-19 capacity-related restrictions and limitations on our North American summer operations compared to the prior year as well as increased demand, partially offset by increased general and administrative expenses primarily due to COVID-19 related cost management in the prior year.

Revenue from owned hotel rooms, managed condominium rooms, dining, golf and other revenue each increased primarily as a result of fewer COVID-19 related limitations and restrictions as compared to the prior year as well as increased demand.

Operating expense (excluding reimbursed payroll costs) increased 52.4%. Labor and labor related benefits increased 49.6%, primarily due to increased staffing associated with improved North American summer business demand in the current year as a result of fewer COVID-19 related limitations and restrictions and increased demand, as well as the impact of salary reductions in the prior year. General and administrative expense increased 37.7% primarily due to higher allocated corporate overhead costs, which was impacted by prior year COVID-19 related cost management and uncertainty. Other expense increased 66.7%, primarily related to higher variable expenses associated with increased revenue.

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

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, gain on sale of real property and Real Estate Reported EBITDA.

Three months ended October 31, 2021 compared to the three months ended October 31, 2020

Real Estate segment operating results for the three months ended October 31, 2021 and 2020 are presented by category as follows (in thousands):

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2021	2020	
Total Real Estate net revenue	$ 315	$ 254	24.0 %
Real Estate operating expense:			
Cost of sales (including sales commission)	244	203	20.2 %
Other	1,226	1,247	(1.7)%
Total Real Estate operating expense	1,470	1,450	1.4 %
Gain on sale of real property	31	—	nm
Real Estate Reported EBITDA	$ (1,124)	$ (1,196)	6.0 %

We did not close on any significant real estate transactions during the three months ended October 31, 2021 and 2020. Other operating expense for both the three months ended October 31, 2021 and 2020 was primarily comprised of general and administrative costs, such as labor and labor-related benefits, professional services and allocated corporate overhead costs.

Other Items

In addition to segment operating results, the following material items contributed to our overall financial results for the three months ended October 31, 2021 and 2020 (in thousands):

	Three Months Ended October 31,		Increase (Decrease)
	2021	2020	
Gain (loss) on disposal of fixed assets and other, net	$ 8,867	$ (569)	1,658.3 %
Interest expense, net	$ (39,545)	$ (35,407)	11.7 %
Benefit from income taxes	$ 59,853	$ 37,478	59.7 %
Effective tax rate	29.6 %	19.3 %	10.3 pts

Gain (loss) on disposal of fixed assets and other, net. Gain (loss) on disposal of fixed assets and other, net for the three months ended October 31, 2021 increased $9.4 million compared to the same period in the prior year, primarily due to proceeds from the NPS related to a partial payment for leasehold surrender interest at GTLC associated with assets that have been fully depreciated by the Company. This payment was made at the request of the NPS.

Interest expense, net. Interest expense, net for the three months ended October 31, 2021 increased $4.1 million compared to the same period in the prior year, primarily due to non-cash interest expense associated with amortization of the debt discount for the 0.0% Convertible Notes, which were issued in December 2020.

Benefit from income taxes. At the end of each interim period, the Company estimates the annual effective tax rate and applies that rate to its ordinary quarterly earnings. The tax expense or benefit related to significant, unusual or extraordinary items that will be separately reported or reported net of their related tax effect are individually computed and recognized in the interim period in which those items occur. In addition, the effects of changes in enacted tax laws or rates or tax status are recognized in the interim period in which the change occurs. The effective tax rate for the three months ended October 31, 2021 was 29.6% compared to 19.3% for the three months ended October 31, 2020.

The increase in the effective tax rate for the three months ended October 31, 2021 compared to the three months ended October 31, 2020 was primarily due to the lesser impact from favorable permanent items and discrete items relative to the higher estimated pre-tax book income for the full fiscal year as compared to the prior year, including excess tax benefits of employee share award exercises and the statute closing on our uncertain tax positions.

Reconciliation of Segment Earnings and Net Debt

The following table reconciles net loss attributable to Vail Resorts, Inc. to Total Reported EBITDA for the three months ended October 31, 2021 and 2020 (in thousands):

	Three Months Ended October 31,	
	2021	2020 [1]
Net loss attributable to Vail Resorts, Inc.	$ (139,332)	$ (153,766)
Net loss attributable to noncontrolling interests	(3,189)	(3,255)
Net loss	(142,521)	(157,021)
Benefit from income taxes	(59,853)	(37,478)
Loss before benefit from income taxes	(202,374)	(194,499)
Depreciation and amortization	61,489	62,628
(Gain) loss on disposal of fixed assets and other, net	(8,867)	569
Change in fair value of contingent consideration	2,000	802
Investment income and other, net	(499)	(343)
Foreign currency gain on intercompany loans	(831)	(540)
Interest expense, net	39,545	35,407
Total Reported EBITDA	$ (109,537)	$ (95,976)
Mountain Reported EBITDA	$ (110,964)	$ (85,160)
Lodging Reported EBITDA	2,551	(9,620)
Resort Reported EBITDA	(108,413)	(94,780)
Real Estate Reported EBITDA	(1,124)	(1,196)
Total Reported EBITDA	$ (109,537)	$ (95,976)

[1] Segment results for the three months ended October 31, 2020 have been retrospectively adjusted to reflect current period presentation. See Notes to the Consolidated Condensed Financial Statements for additional information.

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

	October 31	
	2021	2020
Long-term debt, net	$ 2,704,583	$ 2,387,861
Long-term debt due within one year	114,795	63,707
Total debt	2,819,378	2,451,568
Less: cash and cash equivalents	1,468,380	462,212
Net Debt	$ 1,350,998	$ 1,989,356

LIQUIDITY AND CAPITAL RESOURCES

Changes in significant sources of cash for the three months ended October 31, 2021 and 2020 are presented by categories as follows (in thousands).

	Three Months Ended October 31,	
	2021	2020
Net cash provided by operating activities	$ 349,021	$ 111,993
Net cash used in investing activities	$ (39,857)	$ (29,274)
Net cash used in financing activities	$ (84,734)	$ (12,684)

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.

Three months ended October 31, 2021 compared to the three months ended October 31, 2020

We generated $349.0 million of cash from operating activities during the three months ended October 31, 2021, an increase of $237.0 million compared to $112.0 million generated during the three months ended October 31, 2020. The increase in operating cash flows was primarily a result of an increase in pass product sales and associated accounts receivable collections during the three months ended October 31, 2021 compared to the prior year, which was impacted by the delayed timing of pass purchases and collections associated with COVID-19 in the prior year and the impact of credits offered to 2019/2020 North American pass product holders who purchased 2020/2021 pass products in the prior year. This increase was partially offset by (i) a decrease in accounts payable and accrued liabilities as compared to the beginning of the fiscal year, primarily associated with the lower level of operations as of the beginning of the prior fiscal year resulting from COVID-19, (ii) an increase in inventory purchases during the three months ended October 31, 2021 relative to the prior year and (iii) an increase in credit card fees paid of approximately $15.0 million associated with the increase in pass product sales collections.

Cash used in investing activities for the three months ended October 31, 2021 increased by $10.6 million primarily due to an increase in capital expenditures of approximately $20.0 million as a result of the deferral of discretionary capital projects in the prior year related to the Company's decision to prioritize near-term liquidity. This increase was partially offset by proceeds from the NPS related to a partial payment for leasehold surrender interest at GTLC associated with assets that have been fully depreciated by the Company.

Cash used in financing activities increased by $72.1 million during the three months ended October 31, 2021 compared to the three months ended October 31, 2020, primarily due to an increase in net payments under the revolver component of our Whistler Credit Agreement of $37.3 million and an increase in dividends paid of $35.6 million.

Significant Sources of Cash

We had $1,468.4 million of cash and cash equivalents as of October 31, 2021, compared to $462.2 million as of October 31, 2020. The increase was primarily associated with Mountain and Lodging segment operating cash flows and the issuance of our $575.0 million 0.0% Convertible Notes in December 2020. Although we cannot predict the future impact associated with COVID-19 on our business, 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).

In addition to our $1,468.4 million of cash and cash equivalents at October 31, 2021, we had $416.6 million available under the revolver component of our Vail Holdings Credit Agreement as of October 31, 2021 (which represents the total commitment of $500.0 million less certain letters of credit outstanding of $83.3 million). Additionally, we had C$272.1 million ($219.6 million) available under the revolver component of our Whistler Credit Agreement (which represents the total commitment of C$300.0 million ($242.2 million) less outstanding borrowings of C$27.0 million ($21.8 million) and a letter of credit outstanding of C$0.8 million ($0.7 million). We expect that our liquidity needs in the near term will be met by continued use of our existing cash and cash equivalents, operating cash flows and borrowings under both the Vail Holdings Credit Agreement and Whistler Credit Agreement, if needed. The Vail Holdings Credit Agreement and the Whistler Credit Agreement provide adequate flexibility with any new borrowings currently priced at LIBOR plus 1.50% and Bankers Acceptance Rate plus 1.75%, respectively.

Significant Uses of Cash

<u>Capital Expenditures</u>

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 Resorts, throughout our owned hotels and in technology that can impact the full network. We evaluate additional discretionary capital improvements based on an expected level of return on investment.

We currently anticipate we will spend approximately $115 million to $120 million on resort capital expenditures during calendar year 2021, excluding one-time items associated with integrations of $5 million and $12 million of reimbursable investments, as well as real estate related capital. Including these one-time items, we expect that our total capital plan will be approximately $135 million to $140 million. Included in these estimated capital expenditures are approximately $75 million to $80 million of maintenance capital expenditures, which are necessary to maintain appearance and level of service appropriate to our resort operations. Discretionary expenditures expected for calendar year 2021 include, among other projects, several investments which were previously deferred from calendar year 2020 as a result of COVID-19 and are subject to regulatory approvals, including the 250-acre lift-served terrain expansion in the McCoy Park area of Beaver Creek; a new four-person high speed lift to serve Peak 7 at Breckenridge; replacing the Peru lift at Keystone with a six-person high speed chairlift; replacing the Peachtree lift at Crested Butte with a new three-person fixed-grip lift; and an upgrade of the four-person Quantum lift at Okemo to a six-person high speed chairlift, relocating the existing four-person Quantum lift to replace the Green Ridge three-person fixed-grip chairlift. We also expect to continue to invest in company-wide technology enhancements to support our data driven approach, guest experience and corporate infrastructure which improve our scalability and efficiency as we work to optimize our processes, business analytics and cost discipline across the network, as well as upgrades to the infrastructure of our guest contact centers.

We had spent approximately $98 million for capital expenditures in calendar year 2021 as of October 31, 2021, leaving approximately $37 million to $42 million to spend in the remainder of calendar year 2021, including anticipated investments for integrations and real estate related projects.

We expect our capital plan for calendar year 2022 will be approximately $315 million to $325 million, excluding approximately $3 million of one-time items associated with real estate related capital. This is approximately $150 million above our typical annual capital plan, based on inflation and previous additions for acquisitions, and includes approximately $20 million of incremental spending to complete the one-time capital plans associated with the Peak Resorts and Triple Peaks acquisitions. Including one-time real estate related capital, our total capital plan is expected to be approximately $318 million to $328 million. 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

As of October 31, 2021, principal payments on the majority of our long-term debt ($2.7 billion of the total $2.9 billion debt outstanding as of October 31, 2021) are not due until fiscal year 2025 and beyond. As of October 31, 2021 and 2020, total long-term debt, net (including long-term debt due within one year) was $2.8 billion and $2.5 billion, respectively. Net Debt (defined as long-term debt, net plus long-term debt due within one year less cash and cash equivalents) decreased from $2.0 billion as of October 31, 2020 to $1.4 billion as of October 31, 2021, primarily due to Mountain and Lodging segment operating cash flows.

As of October 31, 2021, the Vail Holdings Credit Agreement provides for (i) a revolving loan facility in an aggregate principal amount of $500.0 million and (ii) a term loan facility of $1.1 billion. We expect that our liquidity needs in the near term will be met by continued use of cash on hand, operating cash flows and borrowings under the 6.25% Notes, the 0.0% Convertible Notes, the Vail Holdings Credit Agreement and the Whistler Credit Agreement.

The Company exited the Financial Covenants Temporary Waiver Period under the Vail Holdings Credit Agreement effective October 31, 2021. As a result, we are required to comply with the financial maintenance covenants in the Vail Holdings Credit Agreement starting with the fiscal quarter ended October 31, 2021 and, upon delivery of a certificate demonstrating compliance with the financial maintenance covenants for such quarter, will no longer be subject to the covenant modifications that were applicable during the temporary waiver period.

Our debt service requirements can be impacted by changing interest rates as we had approximately $0.8 billion of variable-rate debt outstanding as of October 31, 2021. A 100-basis point change in our borrowing rates would cause our annual interest payments to change by approximately $8.0 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 continue to respond to liquidity impacts of changes in the business and economic environment, including the effects of COVID-19, by managing our capital expenditures, variable operating expenses, the timing of new real estate development activity and the payment of cash dividends on our common stock.

Dividend Payments

On December 8, 2021, the Company's Board of Directors approved a cash dividend of $0.88 per share payable on January 11, 2022 to stockholders of record as of December 28, 2021. Additionally, a Canadian dollar equivalent dividend on the Exchangeco Shares will be payable on January 11, 2022 to shareholders of record on December 28, 2021. For the three months ended October 31, 2021, we paid cash dividends of $0.88 per share ($35.6 million in the aggregate). We funded the dividend with available cash on hand. The amount, if any, of 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 Vail Shares (July 16, 2008) and 1,500,000 Vail 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, 2021 and 2020. Since inception of this stock repurchase program through October 31, 2021, we have repurchased 6,161,141 Vail Shares at a cost of approximately $404.4 million. As of October 31, 2021, 1,338,859 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, Secured Net Funded Debt to Adjusted EBITDA ratio and the Interest Coverage ratio (each as defined in the Vail Holdings Credit Agreement); for the Whistler Credit Agreement, Consolidated Total Leverage Ratio and Consolidated Interest Coverage Ratio (each as defined in the Whistler Credit Agreement); and for the EPR Secured Notes, Maximum Leverage Ratio and Consolidated Fixed Charge Ratio (each as defined in the EPR Agreements). In addition, our financing arrangements limit our ability to make certain restricted payments, pay dividends on or redeem or repurchase stock, make certain investments and 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, 2021. We expect that we will meet all applicable financial maintenance covenants in effect in our credit agreements through the next twelve months. 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:

- *the ultimate duration of COVID-19 and its short-term and long-term impacts on consumer behaviors, the economy generally, and our business and results of operations, including the ultimate amount of refunds that we would be required to refund to our pass product holders for qualifying circumstances under our Epic Coverage program;*
- *the willingness of our guests to travel due to terrorism, the uncertainty of military conflicts or outbreaks of contagious diseases (such as the ongoing COVID-19 pandemic), and the cost and availability of travel options and changing consumer preferences or willingness to travel;*
- *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;*
- *risks related to interruptions or disruptions of our information technology systems, data security or cyberattacks;*
- *risks related to our reliance on information technology, including our failure to maintain the integrity of our customer or employee data and our ability to adapt to technological developments or industry trends;*
- *the seasonality of our business combined with adverse events that may occur during our peak operating periods;*
- *competition in our mountain and lodging businesses or with other recreational and leisure activities;*
- *the high fixed cost structure of our business;*
- *our ability to fund resort capital expenditures;*
- *risks related to a disruption in our water supply that would impact our snowmaking capabilities and operations;*
- *our reliance on government permits or approvals for our use of public land or to make operational and capital improvements;*
- *risks related to federal, state, local and foreign government laws, rules and regulations;*
- *risks related to changes in security and privacy laws and regulations which could increase our operating costs and adversely affect our ability to market our products, properties and services effectively;*
- *risks related to our workforce, including increased labor costs, loss of key personnel and our ability to hire and retain a sufficient seasonal workforce;*
- *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;*
- *risks associated with international operations;*
- *fluctuations in foreign currency exchange rates where the Company has foreign currency exposure, primarily the Canadian and Australian dollars, as compared to the U.S. dollar;*
- *changes in tax laws, regulations or interpretations, or adverse determinations by taxing authorities;*
- *risks related to our indebtedness and our ability to satisfy our debt service requirements under our outstanding debt including our unsecured senior notes, which could reduce our ability to use our cash flow to fund our operations, capital expenditures, future business opportunities and other purposes;*
- *a materially adverse change in our financial condition;*
- *adverse consequences of current or future legal claims; and*
- *changes in accounting judgments and estimates, accounting principles, policies or guidelines.*

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 or incorporated by reference 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 above and in Part I, Item 1A. “Risk Factors” of our 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. As of October 31, 2021, we had approximately $0.8 billion of variable rate indebtedness (after taking into consideration $400.0 million in interest rate swaps which converts variable-rate debt to fixed-rate debt), representing approximately 27% of our total debt outstanding, at an average interest rate during the three months ended October 31, 2021 of approximately 2.6%. Based on variable-rate borrowings outstanding as of October 31, 2021, a 100-basis point (or 1.0%) change in our borrowing rates would result in our annual interest payments changing by approximately $8.0 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 has and could materially change due to fluctuations in the Canadian dollar exchange rate. The results of Whistler Blackcomb and our Australian resorts 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, representing gains, and foreign currency gain on intercompany loans recognized in comprehensive loss (in thousands).

	Three Months Ended October 31,	
	2021	**2020**
Foreign currency translation adjustments	$ 15,137	$ 1,773
Foreign currency gain on intercompany loans	$ 831	$ 540

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company, under the supervision and with participation of the Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “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, as amended (the “Act”), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based upon their evaluation of the Company’s disclosure controls and procedures, the CEO and the CFO concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, 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 the 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.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the three months ended October 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 23, 2021, as of and for the year ended July 31, 2021.

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

Exchangeable Shares

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, 2021, 33,697 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.
10.2*	Executive Employment Agreement, between Vail Resorts, Inc. and Kirsten A. Lynch effective November 1, 2021. (Incorporated by reference to Exhibit 10.1 on Form 8-K of Vail Resorts, Inc. filed on November 1, 2021) (File Number 001-09614).
10.3	Form of Indemnification Agreement. (Incorporated by reference to Exhibit 10.1 on Form 8-K of Vail Resorts, Inc. filed on October 13, 2021) (File Number 001-09614)
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.INS	XBRL Instance Document - the instance document does not appear in the interactive data file as its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from this Quarterly Report on Form 10-Q, formatted in inline XBRL.

*Management contracts and compensatory plans and arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		Vail Resorts, Inc.
Date: December 9, 2021	By:	/s/ Michael Z. Barkin
		Michael Z. Barkin Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: December 9, 2021	By:	/s/ Nathan Gronberg
		Nathan Gronberg Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

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 Employee Performance: Includes 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 during measurement period 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 EBITDA performance targets are substantially uncertain.

Target Incentives

Each eligible 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 or above position, except where proration rules apply as defined in the Proration sections.

Funding

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

EBITDA Results for the Company are based on overall Vail Resorts EBITDA which includes all Mountain resorts, Lodging divisions and Retail divisions combined.

For all Vail Resorts Executives, the Plan is 100% 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 overall Vail Resorts EBITDA performance. The Compensation Committee will establish the Resort 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 Achieves Expectations performance variable to the incentive target for the new position.

Example 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%

Accordingly, with the above, the funded incentive = 107.5% x $85,000 = $91,375.

The above employee receives an individual performance rating of "Achieves Expectations."

- "Achieves Expectations" = 100% of funded incentive
- $91,375 x 100% - $91,375 payout.

Individual performance can multiple the incentive payout by 0% to 130% of the target amount as displayed on 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 for that fiscal year, except at the sole discretion of the CEO.

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

Proration for Internal Promotions

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

Grade	Base Salary	Target %	Target $	Funding %	Performance Variable	# of Rounded Months	Prorated Payout
33 SVP	$250,000	42.5%	$106,250	100%	100%	92	$26,781
32 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*

(*Actual funding percentages round to one-hundredth of one percent for achievement percentage and funding percentage)

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%

Percent of the EBITDA Target Obtained for the Division	**Percent of Incentive Target Funded Grade 33+**
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%**

<u>**Exhibit B**</u>

<u>Performance Rating Variable</u>

The following table illustrates how an individual's performance rating will apply to the calculation of the overall Management Incentive Plan Payout.

Performance Rating Chart	
Performance Rating	**% Incentive Influenced**
Greatly Exceeds Expectations	130%
Exceeds Expectations	120%
Achieves Expectations	100%
Meets Most Expectations	50%
Meets Some Expectations	0%

Exhibit 31.1

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

I, Kirsten A. Lynch, 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 9, 2021

/s/ KIRSTEN A. LYNCH

Kirsten A. Lynch
Chief Executive Officer

Exhibit 31.2

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 9, 2021

/s/ MICHAEL Z. BARKIN
Michael Z. Barkin
Executive Vice President and Chief Financial Officer

Exhibit 32

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, 2021 (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 9, 2021

/s/ KIRSTEN A. LYNCH
Kirsten A. Lynch
Chief Executive Officer

Date: December 9, 2021

/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.