

VAIL RESORTS INC
Form 10-Q/A
August 24, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM 10-Q/A
AMENDMENT No. 1**

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

For the quarterly period ended April 30, 2007

or

**“ 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: 1-9614

Vail Resorts, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

51-0291762

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

**390 Interlocken Crescent, Suite 1000,
Broomfield, Colorado**

(Address of Principal Executive Offices)

80021

(Zip Code)

(303) 404-1800

(Registrant's Telephone Number, Including Area
Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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 June 4, 2007, 39,008,077 shares of the registrant's common stock were outstanding.

Explanatory Note

The Company is filing this amendment to its Quarterly Report on Form 10-Q ("Form 10-Q/A") to restate its Consolidated Condensed Statements of Cash Flows for the nine months ended April 30, 2007 and 2006 as described in Note 14, Restatement, of the Notes to Consolidated Condensed Financial Statements. As previously disclosed in the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2007 filed with the United States Securities and Exchange Commission (the "SEC") on June 8, 2007, the Company was in discussion with the staff of the SEC regarding the Company's classification of its Real Estate segment cash inflows and outflows within the operating and investing sections of its Consolidated Condensed Statements of Cash Flows. Following these discussions, the Company concluded to restate its Consolidated Condensed Statements of Cash Flows by reclassifying its cash outflows in investments in real estate, disclosed as a separate line item, from investing activities to operating activities. Consequently, this restatement resulted in a reduction of cash flows provided by operating activities with an equal and off-setting impact to cash flows used in investing activities. This restatement does not impact the Company's previously reported overall net change in cash and cash equivalents in its Consolidated Condensed Statements of Cash Flows for any period presented. Additionally, this restatement does not impact the Company's Consolidated Condensed Balance Sheets or Consolidated Condensed Statements of Operations for any period presented. The Company is also filing amendments to its Annual Report on Form 10-K for the year ended July 31, 2006 and Quarterly Reports on Form 10-Q for the quarters ended October 31, 2006 and January 31, 2007 to reflect this restatement.

For the convenience of the reader, this Form 10-Q/A sets forth the Company's original Form 10-Q as filed with the SEC on June 8, 2007 (the "Original 10-Q") in its entirety, as amended by, and to reflect, the restatement. No attempt has been made in this Form 10-Q/A to update other disclosures presented in the Original 10-Q, except as required to reflect the effects of the restatement. This Form 10-Q/A does not reflect events occurring after the filing of the Original 10-Q or modify or update those disclosures, including the exhibits to the Original 10-Q affected by subsequent events. The following sections of this Form 10-Q/A have been amended to reflect the restatement:

- Part I – Item 1 – Financial Statements (Consolidated Condensed Statements of Cash Flows, Note 13 Guarantor Subsidiaries and Non-Guarantor Subsidiaries – Restated, Note 14 Restatement) and
- Part I – Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations (Liquidity and Capital Resources).

This Form 10-Q/A has been signed as of a current date and all certifications of the Company's Chief Executive Officer and Chief Financial Officer are given as of a current date. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original 10-Q for the nine months ended April 30, 2007, including any amendments to those filings.

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PART I

FINANCIAL INFORMATION

Item 1.

Financial Statements -- Unaudited

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

	April 30, 2007 (Unaudited)	July 31, 2006	April 30, 2006 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 316,439	\$ 191,794	\$ 240,116
Restricted cash	40,408	20,322	32,307
Trade receivables, net	35,258	35,949	35,618
Inventories, net	42,627	42,278	36,830
Other current assets	32,833	35,631	34,744
Total current assets	467,565	325,974	379,615
Property, plant and equipment, net (Note 5)	868,723	851,112	848,984
Real estate held for sale and investment	305,085	259,384	240,615
Goodwill, net	135,939	135,811	135,811
Intangible assets, net	73,199	75,109	76,587
Other assets	44,607	40,253	31,123
Total assets	\$ 1,895,118	\$ 1,687,643	\$ 1,712,735
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses (Note 5)	\$ 237,981	\$ 230,762	\$ 206,471
Income taxes payable	11,739	17,517	1,324
Long-term debt due within one year (Note 4)	401	5,915	4,420
Total current liabilities	250,121	254,194	212,215
Long-term debt (Note 4)	575,162	525,313	516,871
Other long-term liabilities (Note 5)	166,382	158,490	149,881
Deferred income taxes	130,212	73,064	118,846
Commitments and contingencies (Note 11)			
Put option liabilities (Note 9)	--	1,245	113
Minority interest in net assets of consolidated subsidiaries	30,052	32,560	35,224
Stockholders' equity:			
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, zero shares issued and outstanding	--	--	--
Common stock, \$0.01, 100,000,000 shares authorized, 39,630,543 (unaudited), 39,036,282 and 38,876,070 (unaudited) shares issued as of April 30, 2007, July 31, 2006 and April 30, 2006, respectively	396	390	389
Additional paid-in capital	529,199	509,505	504,212
Retained earnings	239,440	143,721	174,984
Treasury stock (Note 12)	(25,846)	(10,839)	--
Total stockholders' equity	743,189	642,777	679,585
Total liabilities and stockholders' equity	\$ 1,895,118	\$ 1,687,643	\$ 1,712,735

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

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

	Three Months Ended	
	April 30,	
	2007	2006
Net revenue:		
Mountain	\$ 308,712	\$ 294,773
Lodging	43,643	39,492
Real estate	17,134	7,124
Total net revenue	369,489	341,389
Segment operating expense:		
Mountain	152,997	149,431
Lodging	31,126	30,515
Real estate	25,261	11,370
Total segment operating expense	209,384	191,316
Other operating expense:		
Depreciation and amortization	(23,513)	(22,942)
Relocation and separation charges (Note 7)	(166)	(3,778)
Loss on disposal of fixed assets, net	(242)	(108)
Income from operations	136,184	123,245
Mountain equity investment income, net	1,660	780
Real estate equity investment loss	--	(20)
Investment income	4,334	3,156
Interest expense, net	(8,039)	(8,849)
Loss on sale of business (Note 8)	(601)	--
Contract dispute charges (Note 11)	(184)	(816)
Gain (loss) on put options, net (Note 9)	690	(113)
Minority interest in income of consolidated subsidiaries, net	(5,343)	(5,355)
Income before provision for income taxes	128,701	112,028
Provision for income taxes	(50,193)	(43,691)
Net income	\$ 78,508	\$ 68,337
Per share amounts (Note 3):		
Basic net income per share	\$ 2.02	\$ 1.78
Diluted net income per share	\$ 1.99	\$ 1.75

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

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

	Nine Months Ended	
	April 30,	
	2007	2006
Net revenue:		
Mountain	\$ 626,902	\$ 581,279
Lodging	116,848	113,321
Real estate	100,272	20,226
Total net revenue	844,022	714,826
Segment operating expense:		
Mountain	392,355	372,387
Lodging	98,233	101,050
Real estate	101,770	23,823
Total segment operating expense	592,358	497,260
Other operating (expense) income:		
Depreciation and amortization	(66,857)	(63,296)
Relocation and separation charges (Note 7)	(1,401)	(3,778)
Asset impairment charge	--	(136)
Mold remediation credit (Note 11)	--	852
Loss on disposal of fixed assets, net	(332)	(835)
Income from operations	183,074	150,373
Mountain equity investment income, net	3,990	3,085
Real estate equity investment income	--	79
Investment income	8,815	5,390
Interest expense, net	(24,885)	(27,788)
(Loss) gain on sale of businesses, net (Note 8)	(601)	4,625
Contract dispute charges (Note 11)	(4,460)	(816)
Gain (loss) on put options, net (Note 9)	690	(79)
Other income, net	--	50
Minority interest in income of consolidated subsidiaries, net	(9,707)	(8,660)
Income before provision for income taxes	156,916	126,259
Provision for income taxes	(61,197)	(49,240)
Net income	\$ 95,719	\$ 77,019
Per share amounts (Note 3):		
Basic net income per share	\$ 2.47	\$ 2.05
Diluted net income per share	\$ 2.44	\$ 2.01

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

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

	Nine Months Ended	
	April 30,	
	2007	2006
	(as restated, see Note 14)	(as restated, see Note 14)
Net cash provided by operating activities	\$ 164,311	\$ 89,352
Cash flows from investing activities:		
Capital expenditures	(82,012)	(63,683)
Proceeds from sale of businesses	3,544	30,712
Purchase of minority interest	(8,387)	--
Other investing activities, net	453	(4,419)
Net cash used in investing activities	(86,402)	(37,390)
Cash flows from financing activities:		
Repurchases of common stock	(15,007)	--
Proceeds from borrowings under Non-Recourse Real Estate Financings	56,413	9,596
Payments of Non-Recourse Real Estate Financings	(1,493)	--
Proceeds from borrowings under other long-term debt	56,587	26,470
Payments of other long-term debt	(67,171)	(36,781)
Proceeds from exercise of stock options	9,594	44,036
Other financing activities, net	7,813	8,253
Net cash provided by financing activities	46,736	51,574
Net increase in cash and cash equivalents	124,645	103,536
Cash and cash equivalents:		
Beginning of period	191,794	136,580
End of period	\$ 316,439	\$ 240,116

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

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

1. Organization and Business

Vail Resorts, Inc. ("Vail Resorts" or the "Parent Company") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in three business segments: Mountain, Lodging and Real Estate. In the Mountain segment, the Company owns and operates five world-class ski resorts and related ancillary businesses at Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado and the Heavenly Ski Resort ("Heavenly") in the Lake Tahoe area of California and Nevada. These resorts use federal land under the terms of Special Use Permits granted by the USDA Forest Service (the "Forest Service"). The Company also holds a 69.3% interest in SSI Venture, LLC ("SSV"), a retail/rental company. In the Lodging segment, the Company owns and operates various hotels, as well as RockResorts International, LLC ("RockResorts"), a luxury hotel management company, and Grand Teton Lodge Company ("GTLC"), which operates three resorts within Grand Teton National Park (under a National Park Service concessionaire contract), and the Jackson Hole Golf & Tennis Club ("JHG&TC") in Wyoming. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary, conducts the operations of the Company's Real Estate segment. The Company's Mountain business and its Lodging properties at or around the Company's ski resorts are seasonal in nature with peak operating seasons from mid-November through mid-April. The Company's operations at GTLC generally run from mid-May through mid-October. The Company also has non-majority owned investments in various other entities, some of which are consolidated (see Note 6, Variable Interest Entities).

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, except for the restatement discussed in Note 14. Results for interim periods are not indicative of the results for the entire year. 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/A for the year ended July 31, 2006. 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 United States of America ("GAAP") have been condensed or omitted. The July 31, 2006 Consolidated Condensed Balance Sheet was derived from audited financial statements.

2. Summary of Significant Accounting Policies

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Net Income Per Common Share

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" ("EPS"), establishes standards for computing and presenting EPS. SFAS No. 128 requires the dual presentation of basic and diluted EPS on the face of the Consolidated Condensed Statements of Operations and requires a reconciliation of numerators (net income/loss) and denominators (weighted-average shares outstanding) for both basic and diluted EPS in the footnotes. Basic EPS excludes dilution and is computed by dividing net income/loss available to common stockholders by the weighted-average shares outstanding. 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

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share in the earnings of the Company. Presented below is basic and diluted EPS for the three months ended April 30, 2007 and 2006 (in thousands, except per share amounts):

	Three Months Ended April 30,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	\$ 78,508	\$ 78,508	\$ 68,337	\$ 68,337
Weighted-average shares outstanding	38,897	38,897	38,365	38,365
Effect of dilutive securities	--	532	--	659
Total shares	38,897	39,429	38,365	39,024
Net income per share	\$ 2.02	\$ 1.99	\$ 1.78	\$ 1.75

The number of shares issuable on the exercise of stock based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled zero and 268,000 for the three months ended April 30, 2007 and 2006, respectively.

Presented below is basic and diluted EPS for the nine months ended April 30, 2007 and 2006 (in thousands, except per share amount):

	Nine Months Ended April 30,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income	\$ 95,719	\$ 95,719	\$ 77,019	\$ 77,019
Weighted-average shares outstanding	38,787	38,787	37,535	37,535
Effect of dilutive securities	--	502	--	822
Total shares	38,787	39,289	37,535	38,357
Net income per share	\$ 2.47	\$ 2.44	\$ 2.05	\$ 2.01

The number of shares issuable on the exercise of stock based awards that were excluded from the calculation of diluted net income per share because the effect of their inclusion would have been anti-dilutive totaled 33,000 and 248,000 for the nine months ended April 30, 2007 and 2006, respectively.

4. Long-Term Debt

Long-term debt as of April 30, 2007, July 31, 2006 and April 30, 2006 is summarized as follows (in thousands):