VAIL RESORTS INC
Form 10-Q
December 09, 2016

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

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2016

¨ 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)

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. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No
As of December 6, 2016, 39,955,039 shares of the registrant’s common stock were outstanding.

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

	October 31, 2016	July 31, 2016	October 31, 2015
Assets			
Current assets:			
Cash and cash equivalents	$106,751	$67,897	$39,606
Restricted cash	13,203	6,046	5,562
Trade receivables, net	59,445	147,113	52,389
Inventories, net	112,792	74,589	95,001
Other current assets	40,172	27,220	61,762
Total current assets	332,363	322,865	254,320
Property, plant and equipment, net (Note 6)	1,699,087	1,363,814	1,388,565
Real estate held for sale and investment	116,852	111,088	120,769
Goodwill, net (Note 6)	1,454,943	509,037	499,607
Intangible assets, net	286,360	140,007	142,687
Other assets	34,514	35,207	37,129
Total assets	$3,924,119	$2,482,018	$2,443,077
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	$542,923	$397,488	$438,837
Income taxes payable	73,739	95,639	54,312
Long-term debt due within one year (Note 4)	38,374	13,354	13,319
Total current liabilities	655,036	506,481	506,468
Long-term debt (Note 4)	1,371,779	686,909	814,797
Other long-term liabilities (Note 6)	272,309	270,168	254,251
Deferred income taxes	98,192	129,994	110,912
Total liabilities	2,397,316	1,593,552	1,686,428
Commitments and contingencies (Note 8)			
Stockholders' equity:			
Preferred stock, $0.01 par value, 25,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 45,060,893, 41,614,432 and 41,566,094 shares issued, respectively	451	416	416
Exchangeable shares, $0.01 par value, 418,095, zero and zero shares issued and outstanding, respectively (Note 5)	4	—	—
Additional paid-in capital	1,209,935	635,986	624,274
Accumulated other comprehensive loss	(19,784)	(1,550)	(7,321)
Retained earnings	394,690	486,667	358,507
Treasury stock, at cost, 5,434,977, 5,434,977, and 5,326,941 shares, respectively (Note 10)	(246,979)	(246,979)	(233,192)
Total Vail Resorts, Inc. stockholders' equity	1,338,317	874,540	742,684
Noncontrolling interests	188,486	13,926	13,965
Total stockholders' equity	1,526,803	888,466	756,649
Total liabilities and stockholders' equity	$3,924,119	$2,482,018	$2,443,077

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

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

	Three Months Ended October 31,	
	2016	2015
Net revenue:		
Mountain	$110,767	$100,933
Lodging	67,402	64,286
Real estate	96	9,348
Total net revenue	178,265	174,567
Segment operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain	168,253	151,158
Lodging	64,080	61,437
Real estate	1,485	9,341
Total segment operating expense	233,818	221,936
Other operating (expense) income:		
Depreciation and amortization	(40,581)	(38,700)
Gain on sale of real property	6,466	1,159
Change in estimated fair value of contingent consideration (Note 7)	(300)	—
Loss on disposal of fixed assets and other, net	(550)	(1,779)
Loss from operations	(90,518)	(86,689)
Mountain equity investment income, net	832	842
Investment income and other, net	4,523	198
Interest expense	(11,964)	(10,595)
Loss before benefit from income taxes	(97,127)	(96,244)
Benefit from income taxes	33,509	36,574
Net loss	(63,618)	(59,670)
Net loss attributable to noncontrolling interests	1,031	83
Net loss attributable to Vail Resorts, Inc.	$(62,587)	$(59,587)
Per share amounts (Note 3):		
Basic net loss per share attributable to Vail Resorts, Inc.	$(1.70)	$(1.63)
Diluted net loss per share attributable to Vail Resorts, Inc.	$(1.70)	$(1.63)
Cash dividends declared per share	$0.81	$0.6225

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

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

	Three Months Ended October 31,	
	2016	2015
Net loss	$(63,618)	$(59,670)
Foreign currency translation adjustments, net of tax	(24,412)	(2,408)
Comprehensive loss	(88,030)	(62,078)
Comprehensive loss attributable to noncontrolling interests	7,209	83
Comprehensive loss attributable to Vail Resorts, Inc.	$(80,821)	$(61,995)

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	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Vail Resorts, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Vail Resorts	Exchangeable							
Balance, July 31, 2015	$ 415	$ —	$ 623,510	$ 440,748	$ (193,192)	$ (4,913)	$ 866,568	$ 14,018	$ 880,586
Comprehensive loss:									
Net loss	—	—	—	(59,587)	—	—	(59,587)	(83)	(59,670)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(2,408)	(2,408)	—	(2,408)
Total comprehensive loss							(61,995)	(83)	(62,078)
Stock-based compensation expense	—	—	4,090	—	—	—	4,090	—	4,090
Issuance of shares under share award plans, net of shares withheld for taxes	1	—	(6,001)	—	—	—	(6,000)	—	(6,000)
Tax benefit from share award plans	—	—	2,675	—	—	—	2,675	—	2,675
Repurchase of common stock (Note 10)	—	—	—	—	(40,000)	—	(40,000)		(40,000)
Dividends (Note 3)	—	—	—	(22,654)	—	—	(22,654)	—	(22,654)
Contributions from noncontrolling interests, net	—	—	—	—	—	—	—	30	30
Balance, October 31, 2015	$ 416	$ —	$ 624,274	$ 358,507	$ (233,192)	$ (7,321)	$ 742,684	$ 13,965	$ 756,649
Balance, July 31, 2016	$ 416	$ —	$ 635,986	$ 486,667	$ (246,979)	$ (1,550)	$ 874,540	$ 13,926	$ 888,466
Comprehensive loss:									
Net loss	—	—	—	(62,587)	—	—	(62,587)	(1,031)	(63,618)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(18,234)	(18,234)	(6,178)	(24,412)

Total comprehensive loss							(80,821)	(7,209)	(88,030)
Stock-based compensation expense	—	—	4,577	—	—	—	4,577	—	4,577
Shares issued for acquisition (Note 5)	33	4	574,608	—	—	—	574,645	—	574,645
Issuance of shares under share award plans, net of shares withheld for taxes	2	—	(11,526)	—	—	—	(11,524)	—	(11,524)
Tax benefit from share award plans	—	—	6,290	—	—	—	6,290	—	6,290
Dividends (Note 3)	—	—	—	(29,390)	—	—	(29,390)	—	(29,390)
Acquisition of noncontrolling interest (Note 5)	—	—	—	—	—	—	—	181,818	181,818
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(49)	(49)
Balance, October 31, 2016	$451	$ 4	$1,209,935	$394,690	$(246,979)	$(19,784)	$1,338,317	$188,486	$1,526,803

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, 2016	2015
Cash flows from operating activities:		
Net loss	$(63,618)	$(59,670)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	40,581	38,700
Cost of real estate sales	—	6,940
Stock-based compensation expense	4,577	4,090
Deferred income taxes, net	(33,509)	(36,574)
Gain on sale of real property	(6,466)	(1,159)
Other non-cash income, net	(5,879)	(703)
Changes in assets and liabilities:		
Restricted cash	(1,111)	7,450
Trade receivables, net	90,431	62,174
Inventories, net	(22,490)	(21,612)
Accounts payable and accrued liabilities	74,681	83,805
Income taxes payable	(24,405)	(2,795)
Other assets and liabilities, net	(7,289)	(6,075)
Net cash provided by operating activities	45,503	74,571
Cash flows from investing activities:		
Capital expenditures	(46,043)	(25,077)
Acquisition of business, net of cash acquired	(512,348)	—
Cash received from the sale of real property	7,692	2,842
Other investing activities, net	538	181
Net cash used in investing activities	(550,161)	(22,054)
Cash flows from financing activities:		
Proceeds from borrowings under Vail Holdings Credit Agreement term loan	509,375	—
Proceeds from borrowings under Vail Holdings Credit Agreement revolver	110,000	70,000
Repayments of borrowings under Vail Holdings Credit Agreement revolver	(50,000)	(57,500)
Dividends paid	(29,390)	(22,654)
Repurchases of common stock	—	(40,000)
Other financing activities, net	3,456	2,576
Net cash provided by (used in) financing activities	543,441	(47,578)
Effect of exchange rate changes on cash and cash equivalents	71	(792)
Net increase in cash and cash equivalents	38,854	4,147
Cash and cash equivalents:		
Beginning of period	67,897	35,459
End of period	$106,751	$39,606
Non-cash investing and financing activities:		
Accrued capital expenditures	$17,546	$24,631

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.

In the Mountain segment, the Company operates ten world-class mountain resort properties including Vail, Breckenridge, Keystone and Beaver Creek mountain resorts in Colorado; Park City mountain resort in Utah (“Park City”); Heavenly, Northstar and Kirkwood mountain resorts in the Lake Tahoe area of California and Nevada; Whistler Blackcomb Resort (“Whistler Blackcomb,” acquired in October 2016) in British Columbia, Canada; Perisher Ski Resort (“Perisher”) in New South Wales, Australia; and the ski areas of Wilmot Mountain in Wisconsin (“Wilmot,” acquired in January 2016), Afton Alps in Minnesota and Mount Brighton in Michigan (together “Urban” ski areas); as well as ancillary services, primarily including ski school, dining and retail/rental operations, and for Perisher including lodging and transportation operations. The resorts located in the United States (“U.S.”), except for Northstar, Park City and the Urban ski areas, operate primarily on federal land under the terms of Special Use Permits granted by the United States Department of Agriculture Forest Service (the “Forest Service”). The operations of Whistler Blackcomb are conducted on land owned by the government of the province of British Columbia, Canada within the traditional territory of the Squamish and Lil’wat nations. The operations of Perisher are conducted pursuant to a long-term lease and license on land owned by the government of New South Wales, Australia.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

Consolidated Condensed Financial Statements— In the opinion of the Company, the accompanying Consolidated Condensed Financial Statements reflect all adjustments necessary to state fairly the Company’s financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire fiscal year, particularly given the significant seasonality to the Company’s operating cycle. The accompanying Consolidated Condensed Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended July 31, 2016. 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, 2016 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 Instruments— The recorded amounts for cash and cash equivalents, receivables, other current assets, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts outstanding under the Vail Holdings Credit Agreement revolver and term loan, Whistler Credit Agreement revolver and the Employee Housing Bonds (all as defined in Note 4, Long-Term Debt) approximate book value due to the variable nature of the interest rate associated with the debt.

Recently Issued Accounting Standards
Adopted Standards
In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends the consolidation requirements in ASC 810, "Consolidation." This ASU affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception for certain entities. The standard was effective for the first interim period within fiscal years beginning after December 15, 2015 (the Company's first quarter of fiscal 2017). The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company has adopted this standard as of August 1, 2016 which did not have a material impact on the Company's financial position or results of operations and cash flows. In October 2016, the FASB issued ASU 2016-17, "Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control," which changes how a single decision maker will consider its indirect interests when performing the primary beneficiary analysis under the VIE model. Under the new guidance, the single decision maker will consider that indirect interest on a proportionate basis. The Company does not have any VIEs under common control and therefore this standard will not have a material impact on the Company's financial position or results of operations and cash flows.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The standard provides guidance about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for as an acquisition of a software license. If a cloud computing arrangement does not include a software license, it should be accounted for as a service contract. The standard was effective for the first interim period within fiscal years beginning after December 15, 2015 (the Company's first quarter of fiscal 2017) and may be adopted either retrospectively or prospectively. The Company adopted this standard retrospectively as of August 1, 2016 which did not have a material impact on the Company's financial position or results of operations and cash flows.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." The standard changes how deferred taxes are classified on an entity's balance sheets. The standard eliminates the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent, on a jurisdiction by jurisdiction basis. The standard is effective for financial statements issued for annual periods beginning after December 15, 2016 (the Company's first quarter of fiscal 2018), with early adoption permitted, and may be applied prospectively or retrospectively. The Company adopted this new accounting standard as of July 31, 2016 which amended presentation requirements, but did not affect the Company's overall financial position or results of operations and cash flows. The Company adopted this standard on a prospective basis, which reclassified the current deferred income tax asset to the noncurrent deferred income tax liability. Accordingly, the Consolidated Condensed Balance Sheet as of October 31, 2015 has not been retrospectively adjusted.

Standards Being Evaluated

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, "Revenue Recognition." This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of the new revenue standard by one year, and would allow entities the option to early adopt the new revenue standard as of the original effective date. This standard will be effective for the first interim period within fiscal years beginning after December 15, 2017 (the Company’s first quarter of fiscal 2019 if it does not early adopt), using one of two retrospective application methods. The Company is evaluating the impacts, if any, the adoption of this accounting standard will have on the Company’s financial position or results of operations and cash flows and related disclosures and is determining the appropriate transition method.

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

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The new guidance requires entities to record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement when the awards vest or are settled. The guidance also requires entities to present excess tax benefits as an operating activity and cash paid to a taxing authority to satisfy statutory withholding as a financing activity on the statement of cash flows. Additionally, the guidance allows entities to make a policy election to account for forfeitures either upon occurrence or by estimating forfeitures. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2016 (the Company’s first quarter of fiscal 2018), with early adoption permitted. The Company is currently evaluating the impacts the adoption of this accounting standard will have on the Company’s financial position or results of operations and cash flows.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” The standard provides guidance for eight targeted changes with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2017 (the Company’s first quarter of fiscal 2019), with early adoption permitted. The Company is currently evaluating the impacts the adoption of this accounting standard will have on the Company’s cash flows.

3. Net Loss Per Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net loss attributable to Vail Resorts stockholders by the total 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 participate in the earnings of Vail Resorts. Presented below is basic and diluted EPS for the three months ended October 31, 2016 and 2015 (in thousands, except per share amounts):

	Three Months Ended October 31,	
	2016	2015

	Basic	Diluted	Basic	Diluted
Net loss per share:				
Net loss attributable to Vail Resorts	$(62,587)	$(62,587)	$(59,587)	$(59,587)
Weighted-average Vail Resorts shares outstanding	36,766	36,766	36,471	36,471
Weighted-average Exchangeco shares outstanding	68	68	—	—
Total Weighted-average shares outstanding	36,834	36,834	36,471	36,471
Effect of dilutive securities	—	—	—	—
Total shares	36,834	36,834	36,471	36,471
Net loss per share attributable to Vail Resorts	$(1.70)	$(1.70)	$(1.63)	$(1.63)

In connection with the Company's acquisition of Whistler Blackcomb in October 2016 (see Note 5, Acquisitions), the Company issued consideration in the form of shares of Vail Resorts common stock, par value $0.01 per share (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"). The Company's calculation of weighted-average shares outstanding includes Vail Shares as well as 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 the corresponding Vail Shares and are exchangeable, at any time prior to the seventh anniversary of the closing, into Vail Shares. Holders of Exchangeco Shares are entitled to cast votes on matters for which holders of Vail Shares are entitled to vote and will be entitled to receive dividends economically equivalent to the dividends declared by Vail Resorts with respect to the Vail Shares.

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 on the exercise of share based awards excluded from the calculation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive totaled 1.7 million and 1.6 million for the three months ended October 31, 2016 and 2015, respectively.

The Company paid cash dividends of $0.81 and $0.6225 per Vail Resorts share ($29.4 million and $22.7 million in the aggregate) during the three months ended October 31, 2016 and 2015 respectively.

On December 8, 2016, the Company's Board of Directors declared a quarterly cash dividend of $0.81 per share, for both Vail Resorts shares and Exchangeco shares, payable on January 12, 2017 to stockholders of record as of December 28, 2016.

4. Long-Term Debt

Long-term debt as of October 31, 2016, July 31, 2016 and October 31, 2015 is summarized as follows (in thousands):

	Maturity	October 31, 2016	July 31, 2016	October 31, 2015
Vail Holdings Credit Agreement term loan (a)	2021	$750,000	$240,625	$250,000
Vail Holdings Credit Agreement revolver (a)	2021	135,000	75,000	197,500
Whistler Credit Agreement revolver (b)	2021	142,103	—	—
Employee housing bonds	2027-2039	52,575	52,575	52,575
Canyons obligation	2063	324,521	323,099	318,866
Other	2017-2028	10,617	11,021	11,436
Total debt		1,414,816	702,320	830,377
Less: Unamortized debt issuance costs (c)		4,663	2,057	2,261
Less: Current maturities (d)		38,374	13,354	13,319
Long-term debt		$1,371,779	$686,909	$814,797

(a) On October 14, 2016, in order to finance the cash portion of the consideration and payment of associated fees and expenses of the Whistler Blackcomb acquisition (see Note 5, Acquisitions), the Company's wholly owned subsidiary, Vail Holdings, Inc., entered into the Second Amendment to Seventh Amended and Restated Credit Agreement, dated as of May 1, 2015 (the "Vail Holdings Credit Agreement"), with Bank of America, N.A., as administrative agent, and other lenders names therein, through which such lenders provided an additional $509.4 million in incremental term loans, and agreed on behalf of all lenders to extend the maturity date for the outstanding term loans and revolver facility under the Vail Holdings Credit Agreement to October 14, 2021 (the "Amendment"). The Vail Holdings Credit Agreement, as amended by the Amendment, consists of a $400.0 million revolving credit facility and a term loan facility in the amount of $750.0 million. Borrowings under the Vail Holdings Credit Agreement, including the term loan facility, bear interest at approximately 1.7% as of October 31,

2016. The other material terms of the Vail Holdings Credit Agreement, including those disclosed in the Company’s Annual Report on Form 10-K filed on September 26, 2016, were not altered by the Amendment. The term loan facility is subject to quarterly amortization of principal, which begins on January 31, 2017, in equal installments, with five percent payable in each year and the final payment of all amounts outstanding, plus accrued and unpaid interest due October 2021.

(b) The WB Partnerships (as defined in Note 5, Acquisitions) are party to a credit agreement, dated as of November 12, 2013 (as amended, the “Whistler Credit Agreement”), by and among Whistler Mountain Resort Limited Partnership (“Whistler LP”), Blackcomb Skiing Enterprises Limited Partnership (“Blackcomb LP”), certain subsidiaries of Whistler LP and Blackcomb LP party thereto as guarantors (the “Whistler Subsidiary Guarantors”), the financial institutions party thereto as lenders and The Toronto-Dominion Bank, as administrative agent. The Whistler Credit Agreement consists of a C$300.0 million revolving credit facility which matures on November 12, 2021. The WB Partnerships' obligations under the Whistler Credit Agreement are guaranteed by the Whistler Subsidiary Guarantors and are collateralized by a pledge of the capital stock of the Whistler Subsidiary Guarantors and a pledge of substantially all of the assets of Whistler LP, Blackcomb LP and the Whistler Subsidiary Guarantors. In addition, pursuant to the terms of the Whistler Credit Agreement, the WB Partnerships have the ability to increase the commitment amount by up to C$75.0 million. Borrowings under the Whistler Credit Agreement are available in Canadian or U.S. Dollars and bear interest annually, subject to an applicable margin based on the WB Partnerships' Consolidated Total Leverage Ratio (as defined in the Whistler Credit Agreement), with pricing as of October 31, 2016, in the case of borrowings (i) in Canadian Dollars, at the WB Partnerships' option, either (a) at the Canadian Prime Rate plus 1.0% per annum or (b) by way of the issuance of bankers' acceptances at a stamping fee of 2.00% per annum; and (ii) in U.S. Dollars, at the WB Partnerships option, either at (a) the U.S. Base Rate plus 0.75% per annum or (b) Banker's Acceptance Rate plus 1.75% per annum (approximately 2.7% as of October 31, 2016). The Whistler Credit Agreement also includes a quarterly unused commitment fee based on the Consolidated Total Leverage Ratio, which as of October 31, 2016 is equal to 0.3937% per annum. The Whistler Credit Agreement provides for affirmative and negative covenants that restrict, among other things, the WB Partnerships' ability to incur indebtedness and liens, dispose of assets, make capital expenditures, make distributions and make investments. In addition, the Whistler Credit Agreement includes the restrictive financial covenants (leverage ratios and interest coverage ratios) customary for facilities of this type. In connection with the Whistler Blackcomb transaction, the WB Partnerships obtained an amendment to the Whistler Credit Agreement to waive the change of control provision that otherwise would have required repayment in full of the facility as a result of the closing of the Whistler Blackcomb acquisition and to extend the maturity to November 12, 2021.

(c) The Company adopted ASU 2015-03 and ASU 2015-15 as of July 31, 2016 which alters the presentation of debt issuance costs. As a result, approximately $2.3 million of debt issuance costs have been reclassified to Long-term debt as of October 31, 2015.

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

Aggregate maturities for debt outstanding as of October 31, 2016 reflected by fiscal year (August through July) are as follows (in thousands):

	Total
2017 (November 2016 through July 2017)	$28,576
2018	38,397
2019	38,455
2020	38,516
2021	38,580
Thereafter	1,232,292
Total debt	$1,414,816

The Company incurred gross interest expense of $12.0 million and $10.6 million for the three months ended October 31, 2016 and 2015, respectively, of which $0.2 million was amortization of deferred financing costs in both periods.

5. Acquisitions

Whistler Blackcomb

On August 5, 2016, the Company entered into an Arrangement Agreement (the "Arrangement Agreement") to acquire 100% of the outstanding common shares of Whistler Blackcomb (the "Arrangement"). On October 17, 2016, the Company, through Exchangeco, acquired all of the outstanding common shares of Whistler Blackcomb, for aggregate purchase consideration paid to Whistler Blackcomb shareholders of $1.09 billion. The consideration paid consisted of (i) approximately C$673.8 million ($512.6 million) in cash (or C$17.50 per Whistler Blackcomb share), (ii) 3,327,719 Vail Shares and (iii) 418,095 Exchangeco Shares. Each Exchangeco Share is exchangeable by the holder thereof for one Vail Share (subject to customary adjustments for stock splits or other reorganizations). In addition, the Company may require all outstanding Exchangeco Shares to be exchanged into an equal number of Vail Shares upon the occurrence of certain events and at any time following the seventh anniversary of the closing of the Arrangement. While outstanding, holders of Exchangeco Shares will be entitled to cast votes on matters for which holders of Vail Shares are entitled to vote and will be entitled to receive dividends economically equivalent to the dividends declared by the Company with respect to the Vail Shares.`

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

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

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

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

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

(in thousands, except exchange ratio and share price amounts)	Acquisition Date Estimated Fair Value
Total Whistler Blackcomb shares acquired	38,500
Exchange ratio as of October 14, 2016	0.097294
Total Vail Resorts shares issued to Whistler Blackcomb shareholders	3,746
Vail Resorts closing share price on October 14, 2016	$153.41
Total value of Vail Resorts shares issued	$574,645
Total cash consideration paid at C$17.50 ($13.31 on October 17, 2016) per Whistler Blackcomb share	512,558
Total purchase consideration to Whistler Blackcomb shareholders	1,087,203
Estimated fair value of previously held investment in Whistler Blackcomb	4,308
Estimated fair value of Nippon Cable’s 25% interest in Whistler Blackcomb	181,818
Total estimated purchase consideration	$1,273,329
Allocation of total estimated purchase consideration:	
Estimated fair values of assets acquired:	
Current assets	$35,969
Property, plant and equipment	334,384
Real estate held for sale and investment	8,216
Goodwill	964,606
Identifiable intangibles	150,514
Other assets	3,113
Current liabilities	(74,466)
Assumed long-term debt	(144,922)
Deferred income taxes	(1,665)
Other long-term liabilities	(2,420)
Net assets acquired	$1,273,329

The estimated fair values of assets acquired and liabilities assumed in the acquisition of Whistler Blackcomb are preliminary and are based on the information that was available as of the acquisition date. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed; however the Company is obtaining additional information necessary to finalize those estimated fair values. Therefore, the preliminary measurements of estimated fair values reflected are subject to change. The Company expects to finalize the valuation and complete the purchase consideration allocation no later than one year from the acquisition date.

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

	Estimated Fair Value ($ in thousands)	Weighted Average Amortization Period (in years) [1]

Trademarks and trade names	$ 139,977	n/a
Season pass holder relationships	7,417	5
Property management contracts	3,120	n/a
Total acquired identifiable intangible assets	$ 150,514	

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

The excess of the purchase consideration over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected cost efficiencies from the elimination of certain public company costs as well as other select areas of general and administrative functions, synergies, including utilization of the

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Company’s yield management strategies at Whistler Blackcomb and increased season pass sales and visitation across the Company’s resort portfolio, the assembled workforce of Whistler Blackcomb and other factors. The goodwill is not expected to be deductible for income tax purposes. The operating results of Whistler Blackcomb, which are primarily recorded in the Mountain segment, contributed