

January 14, 2019



## Market Commentary: Recent Performance of Vail Resorts, Inc.

Ron Baron, Chief Investment Officer and Chief Executive Officer of Baron Capital, discusses recent volatility in the stock price of Vail Resorts, Inc. and his outlook for the company.

Shares of Vail Resorts, Inc. fell sharply on Friday after the ski resort operator reported season-to-date results. Total lift ticket revenue was up 12.2% from a year ago, ski school revenue rose 9.5%, dining revenue was up 14.8%, and the number of skiers increased 16.9%. Nonetheless, the preholiday season from December 1 to December 21 saw lower destination visitation which led to weaker-than-expected early season lift ticket window sales and on-mountain spend.

Vail revised guidance for its fiscal year EBITDA to be “slightly below the low end” of its previously provided guidance range. Previous guidance already included a \$15 million “investment” in employee compensation at a time of 1.5% unemployment in Colorado.

We have been investors in Vail since 1997 because we believe in its management, competitive advantage, and long-term growth opportunity. In recent years, Vail has been among our strongest stocks. Even after Friday’s decline, Vail’s stock price has more than doubled in the past four years and more than tripled in the past six. And after all these years, its current double-digit season pass and revenue growth remains attractive in our view.

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\*Based on EV/EBITDA multiple for fiscal year 2020.

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Just like Baron, Vail takes a long-term approach to investing in its business. It is continuing to invest in property and digital marketing, which we believe will lead to continued growth. The multi-resort season pass (Epic) locks in revenue before the season starts. It also gives skiers the opportunity to go where the snow is, whether it’s the Rocky Mountains, the Northeast, Tahoe, Canada, or Australia.

While a new multi-resort season pass (Ikon) has caused some observers to opine that competition will have a material impact on Vail’s growth, Vail’s management does not expect that to be the case. Despite this recent competition, Epic pass sales grew by double digits.

Over my long career, I have often witnessed even our most successful investments fall sharply in the short term before recovering. With the rise in algorithmic trading based on current news, short-term price swings have become even more pronounced.

As long-term investors, we do not view short-term price changes as necessarily reflecting changed business fundamentals. With Vail’s 3% dividend and 11.5x forward multiple\*, we believe Vail has a good chance of again doubling earnings in five to seven years and well over doubling its share price in that same time frame. Of course, there can be no guarantees.

Baron Capital | January 14, 2019

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Portfolio holdings as a percentage of total investments as of December 31, 2018 for securities mentioned are as follows:

**Vail Resorts, Inc.** – Baron Asset Fund (4.4%), Baron Focused Growth Fund (14.1%), Baron Growth Fund (8.1%), Baron Partners Fund (7.6%\*).

\*Percent of long positions.

Portfolio holdings are subject to change. Current and future portfolio holdings are subject to risk.

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