VAIL RESORTS INC
Form 10-Q
June 08, 2017

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 April 30, 2017

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

For the transition period from to

Commission File Number: 001-09614

Vail Resorts, 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, 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 ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 ý No

As of June 5, 2017, 40,007,604 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)

	April 30, 2017	July 31, 2016	April 30, 2016
Assets			
Current assets:			
Cash and cash equivalents	$195,818	$67,897	$68,565
Restricted cash	8,648	6,046	5,934
Trade receivables, net	174,433	147,113	145,483
Inventories, net	77,332	74,589	68,882
Other current assets	42,488	27,220	57,455
Total current assets	498,719	322,865	346,319
Property, plant and equipment, net (Note 6)	1,647,004	1,363,814	1,370,374
Real estate held for sale and investment	108,217	111,088	116,874
Goodwill, net (Note 6)	1,430,008	509,037	509,083
Intangible assets, net	280,516	140,007	141,222
Other assets	44,403	35,207	35,303
Total assets	$4,008,867	$2,482,018	$2,519,175
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	$403,285	$397,488	$338,089
Income taxes payable	48,702	95,639	20,059
Long-term debt due within one year (Note 4)	38,386	13,354	13,349
Total current liabilities	490,373	506,481	371,497
Long-term debt (Note 4)	1,168,210	686,909	613,704
Other long-term liabilities (Note 6)	280,203	270,168	249,298
Deferred income taxes	281,813	129,994	305,134
Total liabilities	2,220,599	1,593,552	1,539,633
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, 45,443,310, 41,614,432 and 41,595,420 shares issued, respectively	454	416	416
Exchangeable shares, $0.01 par value, 70,149, zero and zero shares issued and outstanding, respectively (Note 5)	1	—	—
Additional paid-in capital	1,217,820	635,986	632,148
Accumulated other comprehensive loss	(44,677)	(1,550)	(1,167)
Retained earnings	650,331	486,667	581,245
Treasury stock, at cost, 5,436,294, 5,434,977, and 5,434,977 shares, respectively (Note 10)	(247,189)	(246,979)	(246,979)
Total Vail Resorts, Inc. stockholders' equity	1,576,740	874,540	965,663
Noncontrolling interests	211,528	13,926	13,879
Total stockholders' equity	1,788,268	888,466	979,542
Total liabilities and stockholders' equity	$4,008,867	$2,482,018	$2,519,175

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 April 30,		Nine Months Ended April 30,	
	2017	2016	2017	2016
Net revenue:				
Mountain	$721,160	$572,805	$1,486,026	$1,206,610
Lodging	68,601	72,933	201,887	200,026
Real estate	4,870	1,734	10,181	14,766
Total net revenue	794,631	647,472	1,698,094	1,421,402
Segment operating expense (exclusive of depreciation and amortization shown separately below):				
Mountain	340,390	281,968	863,882	729,382
Lodging	57,897	57,422	181,660	176,170
Real estate	9,818	3,085	17,144	17,043
Total segment operating expense	408,105	342,475	1,062,686	922,595
Other operating (expense) income:				
Depreciation and amortization	(50,029)	(41,472)	(140,236)	(120,713)
Gain on sale of real property	—	19	6,466	1,810
Change in estimated fair value of contingent consideration (Note 7)	(14,500)	—	(15,100)	—
Loss on disposal of fixed assets and other, net	(1,924)	(164)	(4,705)	(3,149)
Income from operations	320,073	263,380	481,833	376,755
Mountain equity investment income, net	521	211	1,510	992
Investment income and other, net	210	150	5,881	509
Interest expense and other, net	(23,313)	(10,400)	(44,325)	(31,905)
Income before provision for income taxes	297,491	253,341	444,899	346,351
Provision for income taxes	(100,635)	(95,804)	(151,933)	(131,613)
Net income	196,856	157,537	292,966	214,738
Net (income) loss attributable to noncontrolling interests	(15,749)	95	(25,267)	289
Net income attributable to Vail Resorts, Inc.	$181,107	$157,632	$267,699	$215,027
Per share amounts (Note 3):				
Basic net income per share attributable to Vail Resorts, Inc.	$4.52	$4.35	$6.87	$5.92
Diluted net income per share attributable to Vail Resorts, Inc.	$4.40	$4.23	$6.68	$5.76
Cash dividends declared per share	$1.053	$0.81	$2.673	$2.055

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 Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2016	2017	2016
Net income	$196,856	$157,537	$292,966	$214,738
Foreign currency translation adjustments, net of tax	(48,690)	6,540	(47,452)	3,746
Comprehensive income	148,166	164,077	245,514	218,484
Comprehensive (income) loss attributable to noncontrolling interests	(10,822)	95	(20,942)	289
Comprehensive income attributable to Vail Resorts, Inc.	$137,344	$164,172	$224,572	$218,773

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	Retained Earnings	Treasury Stock	Total Vail Resorts, Inc. Stockholders Equity	Noncontrolling Interests	Total Stockholders’ Equity
	Vail Resorts	Exchangeable							
Balance, July 31, 2015	$415	$ —	$623,510	$(4,913)	$440,748	$(193,192)	$866,568	$14,018	$880,586
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	215,027	—	215,027	(289)	214,738
Foreign currency translation adjustments, net of tax	—	—	—	3,746	—	—	3,746	—	3,746
Total comprehensive income (loss)							218,773	(289)	218,484
Stock-based compensation expense	—	—	12,665	—	—	—	12,665	—	12,665
Issuance of shares under share award plans, net of shares withheld for taxes	1	—	(8,521)	—	—	—	(8,520)	—	(8,520)
Tax benefit from share award plans	—	—	4,494	—	—	—	4,494	—	4,494
Repurchase of common stock (Note 10)	—	—	—	—	—	(53,787)	(53,787)	—	(53,787)
Dividends (Note 3)	—	—	—	—	(74,530)	—	(74,530)	—	(74,530)
Contributions from noncontrolling interests, net	—	—	—	—	—	—	—	150	150
Balance, April 30, 2016	$416	$ —	$632,148	$(1,167)	$581,245	$(246,979)	$965,663	$13,879	$979,542
Balance, July 31, 2016	$416	$ —	$635,986	$(1,550)	$486,667	$(246,979)	$874,540	$13,926	$888,466
Comprehensive income:									
Net income	—	—	—	—	267,699	—	267,699	25,267	292,966
Foreign currency translation adjustments, net of	—	—	—	(43,127)	—	—	(43,127)	(4,325)	(47,452)

tax									
Total comprehensive income							224,572	20,942	245,514
Stock-based compensation expense	—	—	13,588	—	—	—	13,588	—	13,588
Shares issued for acquisition (Note 5)	33	4	574,608	—	—	—	574,645	—	574,645
Exchangeable share transfers	3	(3)	—	—	—	—	—	—	—
Issuance of shares under share award plans, net of shares withheld for taxes	2	—	(15,886)	—	—	—	(15,884)	—	(15,884)
Tax benefit from share award plans	—	—	9,524	—	—	—	9,524	—	9,524
Repurchase of common stock (Note 10)	—	—	—	—	—	(210)	(210)	—	(210)
Dividends (Note 3)	—	—	—	—	(104,035)	—	(104,035)	—	(104,035)
Acquisition of noncontrolling interest (Note 5)	—	—	—	—	—	—	—	182,579	182,579
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(5,919)	(5,919)
Balance, April 30, 2017	$454	$ 1	$1,217,820	$ (44,677)	$650,331	$(247,189)	$1,576,740	$ 211,528	$1,788,268

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 Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended April 30,				
	2017			2016	
Cash flows from operating activities:					
Net income	$	292,966		$	214,738
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	140,236			120,713	
Cost of real estate sales	8,017			10,508	
Stock-based compensation expense	13,588			12,665	
Deferred income taxes, net	151,933			131,741	
Change in fair value of contingent consideration	15,100			—	
Gain on sale of real property	(6,466	)		(1,810	)
Other non-cash income, net	(3,741	)		(1,037	)
Changes in assets and liabilities:					
Restricted cash	3,557			7,078	
Trade receivables, net	(26,375	)		(27,973	)
Inventories, net	13,648			4,857	
Accounts payable and accrued liabilities	(66,999	)		(4,641	)
Income taxes payable	(56,128	)		(19,083	)
Other assets and liabilities, net	(1,023	)		7,671	
Net cash provided by operating activities	478,313			455,427	
Cash flows from investing activities:					
Capital expenditures	(111,836	)		(88,307	)
Acquisition of businesses, net of cash acquired	(512,348	)		(20,245	)
	7,692			3,722	

Cash received from the sale of real property				
Other investing activities, net	6,543		(2,842	)
Net cash used in investing activities	(609,949	)	(107,672	)
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		135,000	
Proceeds from borrowings under Whistler Credit Agreement revolver	2,229		—	
Repayments of borrowings under Vail Holdings Credit Agreement term loan	(18,750	)	(6,250	)
Repayments of borrowings under Vail Holdings Credit Agreement revolver	(185,000	)	(320,000	)
Repayments of borrowings under Whistler Credit Agreement revolver	(53,889	)	—	
Dividends paid	(104,035	)	(74,530	)
Repurchases of common stock	(210	)	(53,787	)
Other financing activities, net	917		4,499	
Net cash provided by (used in) financing activities	260,637		(315,068	)
Effect of exchange rate changes on cash and cash equivalents	(1,080	)	419	
Net increase in cash and cash equivalents	127,921		33,106	
Cash and cash equivalents:				
Beginning of period	67,897		35,459	
End of period	$ 195,818		$ 68,565	

Non-cash investing activities:		
Accrued capital expenditures	$ 9,127	$ 5,801

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 and three urban ski areas including:

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

Additionally, the Company operates ancillary services, primarily including ski school, dining and retail/rental operations, and for Perisher including lodging and transportation operations. 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 U.S. Department of Agriculture Forest Service. The operations of Whistler Blackcomb are conducted on land owned by the government of the Province of British Columbia, Canada within the traditional territory of the Squamish and Lil'wat Nations. The operations of Perisher are conducted pursuant to a long-term lease and license on land owned by the government of New South Wales, Australia.

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 of the Company, conducts the operations of the Real Estate segment, which owns, develops and sells real estate in and around the Company's resort communities.

The Company's mountain business and lodging properties at or around the Company's mountain resorts are seasonal in nature with peak operating seasons primarily from mid-November through mid-April in North America. The Company's operating season at Perisher, its NPS concessionaire properties and its golf courses generally 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, 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 April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. 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 Company adopted this new accounting standard as of July 31, 2016, which amended presentation and disclosure requirements concerning debt issuance costs but did not affect the Company’s overall financial position or results of operations and cash flows. As a result, approximately $2.1 million of debt issuance costs have been reclassified to Long-term debt as of April 30, 2016.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.” The standard eliminates the current requirement for companies to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, companies 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 April 30, 2016 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 605, “Revenue Recognition.” This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. 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 companies to record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement when the awards vest or are settled. The guidance also requires companies 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 companies 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.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard simplifies interim and annual goodwill impairment testing by eliminating step two, a hypothetical purchase price allocation, from the goodwill impairment test and leaving step one unchanged. Under the new guidance, companies will continue to complete step one by comparing the estimated fair value of their reporting units with their respective carrying amounts, and will recognize an impairment charge, if any, for the amount by which the carrying amount exceeds the reporting unit's estimated fair value. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2019 (the Company's first quarter of fiscal 2021), with early adoption permitted. The Company is currently analyzing provisions of the standard to determine if early adoption is warranted for purposes of simplification.

3. Net Income per Share

Earnings per Share

Basic earnings per share (“EPS”) is computed by dividing net income 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.

In connection with the Company’s acquisition of Whistler Blackcomb in October 2016 (see Note 5, Acquisitions), the Company issued consideration in the form of shares of Vail Resorts common stock (the “Vail Shares”), and shares of the Company’s wholly-owned Canadian subsidiary (“Exchangeco”). Whistler Blackcomb shareholders elected to receive 3,327,719 Vail Shares and 418,095 shares of Exchangeco (the “Exchangeco Shares”). Both Vail Shares and Exchangeco Shares have a par value of $0.01 per share and Exchangeco Shares, while outstanding, are substantially the economic equivalent of the 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. The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period.

Presented below is basic and diluted EPS for the three months ended April 30, 2017 and 2016 (in thousands, except per share amounts):

	Three Months Ended April 30,			
	2017		2016	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income attributable to Vail Resorts	$181,107	$181,107	$157,632	$157,632
Weighted-average Vail Resorts shares outstanding	39,996	39,996	36,217	36,217
Weighted-average Exchangeco shares outstanding	72	72	—	—
Total Weighted-average shares outstanding	40,068	40,068	36,217	36,217
Effect of dilutive securities	—	1,113	—	1,051
Total shares	40,068	41,181	36,217	37,268
Net income per share attributable to Vail Resorts	$4.52	$4.40	$4.35	$4.23

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 12,000 and 24,000 for the three months ended April 30, 2017 and 2016, respectively.

Presented below is basic and diluted EPS for the nine months ended April 30, 2017 and 2016 (in thousands, except per share amounts):

	Nine Months Ended April 30,			
	2017		2016	
	Basic	Diluted	Basic	Diluted
Net income per share:				
Net income attributable to Vail Resorts	$267,699	$267,699	$215,027	$215,027
Weighted-average Vail Resorts shares outstanding	38,871	38,871	36,312	36,312
Weighted-average Exchangeco shares outstanding	101	101	—	—
Total Weighted-average shares outstanding	38,972	38,972	36,312	36,312
Effect of dilutive securities	—	1,097	—	1,016
Total shares	38,972	40,069	36,312	37,328
Net income per share attributable to Vail Resorts	$6.87	$6.68	$5.92	$5.76

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 4,000 and 13,000 for the nine months ended April 30, 2017 and 2016, respectively.

Dividends

During the three and nine months ended April 30, 2017, the Company paid cash dividends of $1.053 and $2.673 per share ($42.3 million and $104.0 million, respectively, in the aggregate). During the three and nine months ended April 30, 2016, the Company paid cash dividends of $0.81 and $2.055 per share ($29.3 million and $74.5 million, respectively, in the aggregate). On June 7, 2017, the Company’s Board of Directors declared a quarterly cash dividend of $1.053 per share, for Vail Shares, payable on July 13, 2017 to stockholders of record as of June 28, 2017. Additionally, a Canadian dollar equivalent dividend on the Exchangeco Shares will be payable on July 13, 2017 to the shareholders of record on June 28, 2017.

4. Long-Term Debt

Long-term debt as of April 30, 2017, July 31, 2016 and April 30, 2016 is summarized as follows (in thousands):

	Maturity	April 30, 2017	July 31, 2016	April 30, 2016
Vail Holdings Credit Agreement term loan (a)	2021	$731,250	$240,625	$243,750
Vail Holdings Credit Agreement revolver (a)	2021	—	75,000	—
Whistler Credit Agreement revolver (b)	2021	89,379	—	—
Employee housing bonds	2027-2039	52,575	52,575	52,575
Canyons obligation	2063	327,364	323,099	321,688
Other	2017-2028	10,316	11,021	11,165
Total debt		1,210,884	702,320	629,178
Less: Unamortized debt issuance costs (c)		4,288	2,057	2,125
Less: Current maturities (d)		38,386	13,354	13,349
Long-term debt		$1,168,210	$686,909	$613,704

(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 the Seventh Amended and Restated Credit Agreement, dated as of May 1, 2015 (the "Vail Holdings Credit Agreement"), with Bank of America, N.A., as administrative agent, and other lenders named therein, through which these lenders provided an additional $509.4 million in incremental term loans and agreed, on behalf of all lenders, to extend the maturity date for the outstanding term loans and revolver facility under the Vail Holdings Credit Agreement to October 14, 2021 (the "Amendment"). The Vail Holdings Credit Agreement consists of a $400.0 million revolving credit facility and a $750.0 million term loan facility. The other material terms of the Vail Holdings Credit Agreement, including those disclosed in the Company's Annual Report on Form 10-K filed on September 26, 2016, were not altered by the Amendment. Borrowings under the Vail Holdings Credit Agreement, including the term loan facility, bear interest at approximately 2.2%, as of April 30, 2017, and interest payments are due monthly. Additionally, the term loan facility is subject to quarterly principal payments of approximately $9.4 million, which began on January 31, 2017. Final payment of the remaining principle outstanding plus accrued and unpaid interest is due upon maturity in 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 subject to lender approval. Borrowings under the Whistler Credit Agreement are available in Canadian or U.S. dollars and bear interest annually, subject to an applicable margin based on the WB Partnerships' Consolidated Total Leverage Ratio (as defined in the Whistler Credit Agreement), with pricing as of April 30, 2017, in the case of borrowings (i) in Canadian dollars, at the WB Partnerships' option, either (a) at the Canadian Prime Rate plus 0.75% per annum or (b) by way of the issuance of bankers' acceptances plus 1.75% per annum; and (ii) in U.S. dollars, at the WB Partnerships option, either at (a) the U.S. Base Rate plus 0.75% per annum or (b) Bankers Acceptance Rate plus 1.75% per annum. As of April 30, 2017 all borrowings under the Whistler Credit Agreement were made in Canadian dollars and by way of the issuance of bankers' acceptances plus 1.75% (approximately 2.67%). The Whistler Credit Agreement also includes a quarterly unused commitment fee based on the Consolidated Total Leverage Ratio, which as of April 30, 2017 is equal to 0.3937% per annum. The Whistler Credit Agreement provides for affirmative and negative covenants that restrict, among other things, the WB Partnerships' ability to incur indebtedness and liens, dispose of assets, make capital expenditures, make distributions and make investments. In addition, the Whistler Credit Agreement includes the restrictive financial covenants (leverage ratios and interest coverage ratios) customary for facilities of this type. 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 $2.1 million of debt issuance costs have been reclassified to Long-term debt as of April 30, 2016.
(d) Current maturities represent principal payments due in the next 12 months.

Aggregate maturities of debt outstanding as of April 30, 2017 reflected by fiscal year (August through July) are as follows (in thousands):

	Total
2017 (May 2017 through July 2017)	$9,525
2018	38,397
2019	38,455
2020	38,516
2021	38,580
Thereafter	1,047,411
Total debt	$1,210,884

The Company incurred gross interest expense of $14.2 million and $10.4 million for the three months ended April 30, 2017 and 2016, respectively, of which $0.3 million and $0.2 million, respectively, were amortization of deferred financing costs. The Company incurred gross interest expense of $40.4 million and $31.9 million for the nine months ended April 30, 2017 and 2016, respectively, of which $0.8 million and $0.7 million, respectively, were amortization of deferred financing costs.

In connection with the acquisition of Whistler Blackcomb, Vail Holdings, Inc. funded a portion of the purchase price through an intercompany loan to Whistler Blackcomb of $210.0 million requiring 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 $9.1 million and $3.9 million, respectively, in foreign currency losses on the intercompany loan to Whistler Blackcomb for the three months and nine months ended April 30, 2017 within interest expense and other, net on the Company’s Consolidated Condensed Statements of Operations.

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 are entitled to cast votes on matters for which holders of Vail Shares are entitled to vote and are entitled to receive dividends economically equivalent to the dividends declared by the Company with respect to the Vail Shares.`

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

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

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

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

The following summarizes the purchase consideration and the 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	182,579
Total estimated purchase consideration	$1,274,090
Allocation of total estimated purchase consideration:	
Estimated fair values of assets acquired:	
Current assets	$37,567
Property, plant and equipment	332,609
Real estate held for sale and investment	8,216

Goodwill	956,876
Identifiable intangibles	152,035
Deferred income taxes, net	8,138
Other assets	1,907
Current liabilities	(75,175)
Assumed long-term debt	(144,922)
Other long-term liabilities	(3,161)
Net assets acquired	$1,274,090

During the nine months ended April 30, 2017, the Company recorded adjustments in the measurement period to its purchase price allocation of $7.7 million, net, which primarily increased the deferred income taxes, net asset with a corresponding decrease to goodwill.

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	7,950	5
Property management contracts	4,108	n/a
Total acquired identifiable intangible assets	$ 152,035	

[1] Trademarks and trade names and property management contracts are indefinite-lived intangible assets.

The excess of the purchase consideration over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected cost efficiencies from the elimination of certain public company costs as well as other select areas of general and administrative functions, synergies, including utilization of the Company's yield management strategies at Whistler Blackcomb and increased season pass sales and visitation across the Company's resort portfolio, the assembled workforce of Whistler Blackcomb and other factors. The goodwill is not expected to be deductible for income tax purposes. The operating results of Whistler Blackcomb, which are primarily recorded in the Mountain segment, contributed $229.7 million of net revenue for the nine months ended April 30, 2017, prospectively from the acquisition date of October 17, 2016. The Company recognized $0.2 million and $3.2 million of Whistler Blackcomb transaction related expenses in Mountain operating expense in the Consolidated Condensed Statements of Operations for the three and nine months ended April 30, 2017, respectively.

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

	Three Months Ended April 30, 2016
Pro forma net revenue	$752,462
Pro forma net income attributable to Vail Resorts, Inc.	$184,064

Pro forma basic net income per share attributable to Vail Resorts, Inc.	$4.61
Pro forma diluted net income per share attributable to Vail Resorts, Inc.	$4.49

	Nine Months Ended April 30,	
	2017	2016
Pro forma net revenue	$1,720,758	$1,631,813
Pro forma net income attributable to Vail Resorts, Inc.	$270,418	