VAIL RESORTS INC
Form 10-Q
December 07, 2018

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, 2018
¨ 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). 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	¨	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 December 3, 2018, 40,349,123 shares of the registrant's common stock were outstanding.

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

	October 31, 2018	July 31, 2018	October 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	$141,031	$178,145	$140,397
Restricted cash	12,005	6,895	16,609
Trade receivables, net	74,240	230,829	84,571
Inventories, net	114,984	85,588	108,081
Other current assets	50,752	37,279	46,045
Total current assets	393,012	538,736	395,703
Property, plant and equipment, net (Note 7)	1,825,982	1,627,219	1,694,692
Real estate held for sale and investment	101,743	99,385	102,697
Goodwill, net (Note 7)	1,543,941	1,475,686	1,484,335
Intangible assets, net	307,268	280,572	287,093
Other assets	43,976	43,386	44,096
Total assets	$4,215,922	$4,064,984	$4,008,616
Liabilities and Stockholders’ Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 7)	$703,633	$504,533	$630,467
Income taxes payable	38,303	50,632	40,707
Long-term debt due within one year (Note 5)	48,482	38,455	38,422
Total current liabilities	790,418	593,620	709,596
Long-term debt, net (Note 5)	1,486,968	1,234,277	1,262,325
Other long-term liabilities (Note 7)	273,566	291,506	290,420
Deferred income taxes, net	115,169	133,918	136,863
Total liabilities	2,666,121	2,253,321	2,399,204
Commitments and contingencies (Note 9)			
Stockholders’ equity:			
Preferred stock, $0.01 par value, 25,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, $0.01 par value, 100,000 shares authorized, 46,097, 46,021 and 45,842 shares issued, respectively	461	460	458
Exchangeable shares, $0.01 par value, 57, 58 and 61 shares issued and outstanding, respectively (Note 4)	1	1	1
Additional paid-in capital	1,130,855	1,137,467	1,157,547
Accumulated other comprehensive (loss) income	(20,596)	(2,227)	10,591
Retained earnings	551,863	726,722	479,997
Treasury stock, at cost, 5,750, 5,552, and 5,436 shares, respectively (Note 11)	(322,989)	(272,989)	(247,189)
Total Vail Resorts, Inc. stockholders’ equity	1,339,595	1,589,434	1,401,405
Noncontrolling interests	210,206	222,229	208,007
Total stockholders’ equity	1,549,801	1,811,663	1,609,412
Total liabilities and stockholders’ equity	$4,215,922	$4,064,984	$4,008,616

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,	
	2018	2017
Net revenue:		
Mountain and Lodging services and other	$144,022	$143,348
Mountain and Lodging retail and dining	75,884	76,866
Resort net revenue	219,906	220,214
Real Estate	98	636
Total net revenue	220,004	220,850
Operating expense (exclusive of depreciation and amortization shown separately below):		
Mountain and Lodging operating expense	194,112	181,276
Mountain and Lodging retail and dining cost of products sold	34,876	35,679
General and administrative	64,379	57,863
Resort operating expense	293,367	274,818
Real Estate	1,370	1,691
Total segment operating expense	294,737	276,509
Other operating (expense) income:		
Depreciation and amortization	(51,043)	(48,624)
Change in estimated fair value of contingent consideration (Note 8)	(1,200)	—
(Loss) gain on disposal of fixed assets and other, net	(619)	567
Loss from operations	(127,595)	(103,716)
Mountain equity investment income, net	950	522
Investment income and other, net	463	383
Foreign currency loss on intercompany loans (Note 5)	(2,311)	(7,346)
Interest expense, net	(18,638)	(15,174)
Loss before benefit from income taxes	(147,131)	(125,331)
Benefit from income taxes	36,405	93,404
Net loss	(110,726)	(31,927)
Net loss attributable to noncontrolling interests	2,931	3,542
Net loss attributable to Vail Resorts, Inc.	$(107,795)	$(28,385)
Per share amounts (Note 4):		
Basic net loss per share attributable to Vail Resorts, Inc.	$(2.66)	$(0.71)
Diluted net loss per share attributable to Vail Resorts, Inc.	$(2.66)	$(0.71)
Cash dividends declared per share	$1.47	$1.053

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

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

	Three Months Ended October 31,	
	2018	2017
Net loss	$(110,726)	$(31,927)
Foreign currency translation adjustments, net of tax	(22,636)	(45,405)
Comprehensive loss	(133,362)	(77,332)
Comprehensive loss attributable to noncontrolling interests	7,198	15,143
Comprehensive loss attributable to Vail Resorts, Inc.	$(126,164)	$(62,189)

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

Vail Resorts, Inc.
Consolidated Condensed Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Total Vail Resorts, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Vail Resorts	Exchangeable							
Balance, July 31, 2017	$454	$ 1	$1,222,510	$ 44,395	$550,985	$(247,189)	$1,571,156	$ 227,803	$1,798,959
Comprehensive loss:									
Net loss	—	—	—	—	(28,385)	—	(28,385)	(3,542)	(31,927)
Foreign currency translation adjustments, net of tax	—	—	—	(33,804)	—	—	(33,804)	(11,601)	(45,405)
Total comprehensive loss							(62,189)	(15,143)	(77,332)
Stock-based compensation expense	—	—	4,521	—	—	—	4,521	—	4,521
Measurement period adjustment	—	—	—	—	—	—	—	(1,776)	(1,776)
Issuance of shares under share award plans, net of shares withheld for employee taxes	4	—	(69,484)	—	—	—	(69,480)	—	(69,480)
Dividends (Note 4)	—	—	—	—	(42,603)	—	(42,603)	—	(42,603)
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(2,877)	(2,877)
Balance, October 31, 2017	$458	$ 1	$1,157,547	$ 10,591	$479,997	$(247,189)	$1,401,405	$ 208,007	$1,609,412
Balance, July 31, 2018	$460	$ 1	$1,137,467	$ (2,227)	$726,722	$(272,989)	$1,589,434	$ 222,229	$1,811,663
Comprehensive loss:									
Net loss	—	—	—	—	(107,795)	—	(107,795)	(2,931)	(110,726)
Foreign currency translation adjustments, net of tax	—	—	—	(18,369)	—	—	(18,369)	(4,267)	(22,636)
							(126,164)	(7,198)	(133,362)

Total comprehensive loss									
Stock-based compensation expense	—	—	4,753	—	—	—	4,753	—	4,753
Cumulative effect for adoption of revenue standard (Notes 2 & 3)	—	—	—	—	(7,517)	—	(7,517)	—	(7,517)
Issuance of shares under share award plans, net of shares withheld for employee taxes	1	—	(11,365)	—	—	—	(11,364)	—	(11,364)
Repurchase of common stock (Note 11)	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
Dividends (Note 4)	—	—	—	—	(59,547)	—	(59,547)	—	(59,547)
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(4,825)	(4,825)
Balance, October 31, 2018	$461	$ 1	$1,130,855	$ (20,596)	$551,863	$(322,989)	$1,339,595	$210,206	$1,549,801

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)

	Three Months Ended October 31, 2018	2017
Cash flows from operating activities:		
Net loss	$(110,726)	$(31,927)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	51,043	48,624
Stock-based compensation expense	4,753	4,521
Deferred income taxes, net	(31,823)	(41,600)
Change in fair value of contingent consideration	1,200	—
Other non-cash expense, net	80	4,885
Changes in assets and liabilities:		
Trade receivables, net	157,759	101,642
Inventories, net	(26,011)	(23,208)
Accounts payable and accrued liabilities	(14,599)	(7,543)
Deferred revenue	167,727	167,752
Income taxes payable - excess tax benefit from share award exercises	(4,582)	(51,804)
Income taxes payable - other	(7,421)	(5,603)
Other assets and liabilities, net	(10,319)	(10,332)
Net cash provided by operating activities	177,081	155,407
Cash flows from investing activities:		
Capital expenditures	(47,881)	(37,449)
Acquisition of businesses, net of cash acquired	(292,878)	(1,356)
Other investing activities, net	96	5,153
Net cash used in investing activities	(340,663)	(33,652)
Cash flows from financing activities:		
Proceeds from borrowings under Vail Holdings Credit Agreement	335,625	95,000
Proceeds from borrowings under Whistler Credit Agreement	7,667	11,920
Repayments of borrowings under Vail Holdings Credit Agreement	(80,000)	(59,375)
Repayments of borrowings under Whistler Credit Agreement	—	(17,081)
Employee taxes paid for share award exercises	(11,364)	(69,480)
Dividends paid	(59,547)	(42,603)
Repurchases of common stock	(50,000)	—
Other financing activities, net	(6,486)	(6,989)
Net cash provided by (used in) financing activities	135,895	(88,608)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(4,317)	(3,803)
Net (decrease) increase in cash, cash equivalents and restricted cash	(32,004)	29,344
Cash, cash equivalents and restricted cash:		
Beginning of period	185,040	127,662
End of period	$153,036	$157,006
Non-cash investing activities:		
Accrued capital expenditures	$33,051	$25,314

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

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

1. Organization and Business

Vail Resorts, Inc. (“Vail Resorts”) is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the “Company”) operate in three business segments: Mountain, Lodging and Real Estate. The Company refers to “Resort” as the combination of the Mountain and Lodging segments.

In the Mountain segment, the Company operates the following fifteen world-class mountain resort properties and three urban ski areas:

Mountain Resorts:	Location:
1. Vail Mountain Resort (“Vail Mountain”)	Colorado
2. Breckenridge Ski Resort (“Breckenridge”)	Colorado
3. Keystone Resort (“Keystone”)	Colorado
4. Beaver Creek Resort (“Beaver Creek”)	Colorado
5. Crested Butte Mountain Resort (“Crested Butte”)	Colorado
6. Heavenly Mountain Resort (“Heavenly”)	Lake Tahoe area of Nevada and California
7. Northstar Resort (“Northstar”)	Lake Tahoe area of California
8. Kirkwood Mountain Resort (“Kirkwood”)	Lake Tahoe area of California
9. Mount Sunapee Mountain Resort (“Mount Sunapee”)	New Hampshire
10. Park City Resort (“Park City”)	Utah
11. Stowe Mountain Resort (“Stowe”)	Vermont
12. Okemo Mountain Resort (“Okemo”)	Vermont
13. Stevens Pass Mountain Resort (“Stevens Pass”)	Washington
14. Whistler Blackcomb Resort (“Whistler Blackcomb”)	British Columbia, Canada
15. Perisher Ski Resort (“Perisher”)	New South Wales, Australia
Urban Ski Areas:	Location:
1. Afton Alps Ski Area (“Afton Alps”)	Minnesota
2. Mount Brighton Ski Area (“Mt. Brighton”)	Michigan
3. Wilmot Mountain (“Wilmot”)	Wisconsin

Additionally, the Mountain segment includes ancillary services, primarily including ski school, dining and retail/rental operations, and for Perisher, including lodging and transportation operations. Several of the resorts located in the United States (“U.S.”) 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. Okemo, Mount Sunapee and Stowe operate on land we lease from the respective states in which the resorts are located and on land owned by the Company.

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, 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 season 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, 2018. 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, 2018 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.

Revenue Recognition— The Company recognizes revenues from contracts with customers when or as control of goods or services promised in the contracts is transferred in an amount that reflects consideration to which it expects to be entitled to in exchange for those goods or services. The Company determines the appropriate revenue recognition for contracts with customers by analyzing the type, terms and conditions of contracts or arrangements with customers. Certain contracts with customers contain multiple performance obligations in which case revenue is allocated to each distinct and separate performance obligation based on its relative standalone selling price. See Note 3, Revenues, for more information.

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 5, Long-Term Debt) approximate book value due to the variable nature of the interest rate, which is a market rate, associated with the debt.

Recently Issued Accounting Standards

Adopted Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in Topic 605. 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. Subsequent to the issuance of ASU 2014-09, the FASB issued several amendments, which did not change the core principle of the guidance and were intended to clarify and improve understanding of certain topics included within the revenue standard. On August 1, 2018, the Company adopted this standard using the modified retrospective transition method for contracts which were not completed as of August 1, 2018. In accordance with this transition method, results for reporting periods beginning after August 1, 2018 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. On August 1, 2018, as a result of adopting the standard, the Company recorded an approximate $7.5 million reduction of retained earnings with a corresponding increase in accounts payable and accrued liabilities, which was primarily associated with the measurement of the loyalty reward programs under the new standard at an estimated fair value of underlying products or services expected to be delivered to satisfy the Company’s obligations associated with such loyalty programs. The application of this standard had an immaterial impact on total net revenue and net loss attributable to Vail Resorts, Inc. for the three months ended October 31, 2018.

In accordance with the new revenue recognition standard disclosure requirements, the impact of adoption of Topic 606 on the Consolidated Condensed Balance Sheet as of October 31, 2018 was as follows (in thousands):

	As of October 31, 2018		
Balance Sheet	Balances Without Adoption of Topic 606	Adjustments	As Reported (Under Topic 606)
Liabilities			
Accounts payable and accrued liabilities	$696,116	$ 7,517	$703,633
Stockholders' equity			
Retained earnings	$559,380	$ (7,517)	$551,863

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." This 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 Company adopted this accounting standard on August 1, 2018, which did not have an impact on its consolidated condensed financial statements.

In November 2016, the FASB issued ASU No. 2016-18, "Restricted Cash," which requires that a statement of cash flows present the change during a period for the total of cash, cash equivalents and restricted cash. Historically, under previous guidance, changes in restricted cash have been included within operating, investing or financing activities, which were eliminated under the new standard. The Company adopted this standard as of August 1, 2018, which required retrospective application to all periods presented. As a result, cash provided by operating activities during the three months ended October 31, 2017 increased by $6.7 million under the new guidance as compared to what was reported under the previously required guidance. Additionally, due to the inclusion of restricted cash in the beginning and end of period balances, cash, cash equivalents and restricted cash as of October 31, 2017 and July 31, 2017 increased $16.6 million and $10.3 million, respectively, as compared to what was reported under the previously required guidance.

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 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 and has selected an information system application that will centralize the Company's lease information and be utilized for accounting under the new standard.

3. Revenues

Revenue Recognition

The following provides information about the Company’s composition of revenue recognized from contracts with customers and other revenues, the performance obligations under those contracts, and the significant judgments made in accounting for those contracts:

- Mountain revenue is derived from a wide variety of sources, including, among other things: lift revenue, which includes sales of lift tickets and season passes; ski school revenue, which includes the revenue derived from ski school operations; dining revenue, which includes both casual and fine dining on-mountain operations; retail sales and equipment rentals; and other on-mountain revenue, which includes private ski club revenue (which includes both club dues and amortization of initiation fees), marketing and internet advertising revenue, municipal services and lodging and transportation

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operations at Perisher. Revenue is recognized over time as performance obligations are satisfied as control of the good or service (e.g. access to ski areas, provision of ski school services, etc.) is transferred to the customer, except for our retail sales and dining operations revenues which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer. The Company records deferred revenue primarily related to the sale of season passes. Deferred revenue is recognized throughout the ski season as the Company's performance obligations are satisfied as control of the service (e.g. access to ski areas throughout the ski season) is transferred to the customer. Transfer of control is based on an estimated number of season pass holder visits relative to total expected visits. Total expected visits is estimated based on historical data. The Company believes this estimate provides a faithful depiction of its customers' season pass usage. When sufficient historical data to determine usage patterns is not available, deferred revenue is recognized on a straight-line basis throughout the ski season. The Company also includes other sources of revenue, mostly related to commercial leasing, and employee housing leasing arrangements within other mountain revenue.

- Lodging revenue is derived from a wide variety of sources, including, among other things: revenue from owned hotel rooms and managed hotel rooms; revenue from hotel dining operations; transportation revenue which relates to the Company's Colorado resort ground transportation operations; and other lodging revenue which includes property management services, managed properties other costs reimbursements, private golf club revenue (which includes both club dues and amortization of initiation fees), and golf course fees. Lodging revenue also includes managed hotel property payroll cost reimbursements, related to payroll costs at managed properties where the Company is the employer which are reimbursed by the owner with no added margin, therefore, these revenues and corresponding expenses have no net effect on the Company's operating income or net income. Other than revenue from dining operations, lodging revenue is mostly recognized over time as performance obligations are satisfied as control of the service (e.g. nightly hotel room access) is transferred to the customer.

- Real estate revenue primarily relates to the sale of land parcels. Real estate revenue is generally recognized at a point in time when performance obligations have been satisfied, which is usually upon closing of the sales transaction and in an amount that reflects the consideration to which the Company expects to be entitled.

For certain contracts that have an original term length of one year or less, the Company uses the practical expedient applicable to such contracts and does not consider the time value of money. For contracts with an expected term in excess of one year, the Company has considered the provisions of Topic 606 in determining whether contracts contain a financing component.
The Company presents revenues in the accompanying consolidated condensed statements of operations, net of taxes, when collected from its customers that are remitted or payable to government taxing authorities, except when products are inclusive of taxes where applicable.

Disaggregation of Revenues

The following table presents net revenues disaggregated by segment and major revenue type (in thousands):

	Three Months Ended October 31,	
	2018	2017
Mountain net revenue:		
Lift	$24,685	$25,468
Ski School	4,272	4,438
Dining	18,292	18,302
Retail/Rental	43,342	45,407
Other	54,415	54,510
Total Mountain net revenue	$145,006	$148,125
Lodging net revenue:		
Owned hotel rooms	$19,599	$19,635
Managed condominium rooms	11,118	10,171
Dining	16,129	15,880
Transportation	2,474	2,553
Golf	9,150	8,426
Other	12,777	12,115
	71,247	68,780
Payroll cost reimbursements	3,653	3,309
Total Lodging net revenue	$74,900	$72,089
Total Resort net revenue	$219,906	$220,214
Total Real Estate net revenue	98	636
Total net revenue	$220,004	$220,850

Arrangements with Multiple Performance Obligations

Several of the Company’s contracts with customers include multiple performance obligations, primarily related to bundled services such as ski school packages, lodging packages and events (e.g. weddings and conferences). For such contracts, revenue is allocated to each distinct and separate performance obligation based on its relative standalone selling price. The standalone selling prices are generally based on observable prices charged to customers or estimated based on historical experience and information.

Contract Balances

Contract liabilities are recorded as deferred revenues when payments are received or due in advance of the Company’s performance, including amounts which may be refundable. The deferred revenue balance is primarily related to accounts receivable or cash payments received in advance of satisfying our performance obligations related to sales of season passes prior to the start of the ski season, private club initiation fees and other related advance purchase products, including advance purchase lift tickets, multiple-day lift tickets, ski school lessons, equipment rentals and lodging advance deposits. Due to the seasonality of the Company’s operations, its largest deferred revenue balances occur during the season pass selling window, which generally begins in the fourth quarter of its fiscal year and ends in the first quarter of the subsequent fiscal year. Deferred revenue balances were $450.3 million and $282.1 million as of October 31, 2018, and July 31, 2018, respectively (see Note 7, Supplementary Balance Sheet Information). For the three months ended October 31, 2018, the Company recognized approximately $26.5 million of revenue that was included in the deferred revenue balance as of July 31, 2018.

Contract assets are recorded as trade receivables when the right to consideration is unconditional. Trade receivable balances were $74.2 million and $230.8 million as of October 31, 2018 and July 31, 2018, respectively. Payments from customers are based on billing terms established in the contracts with customers, which vary by the type of customer, the location and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, contracts require payment before the products are delivered or services are provided to the customer. Impairment losses related to contract assets are recognized through the Company’s allowance for doubtful accounts analysis. Contract asset write-offs are evaluated on an individual basis.

Costs to Obtain Contracts with Customers

The Company expects that credit card fees and sales commissions paid in order to obtain season ski pass products contracts are recoverable. Accordingly, the Company recognizes these amounts as assets when they are paid prior to the start of the ski season. Deferred credit card fees and sales commissions are amortized commensurate with the recognition of season ski pass revenue. As of October 31, 2018, $8.7 million of costs to obtain contracts with customers were recorded within other current assets on the Company's Consolidated Condensed Balance Sheet. The amounts capitalized will be subject to amortization beginning in the second quarter of fiscal 2019, commensurate with the revenue recognized for skier visits, and will be recorded within Mountain and Lodging operating expenses on the Company's Consolidated Condensed Statement of Operations.

Utilizing the practical expedient provided for under Topic 606, the Company has elected to expense credit card fees and sales commissions as incurred, as the amortization period is generally one year or less for the time between customer purchase and utilization. These fees are related to obtaining contracts with customers for all non-season ski pass products and services and are recorded within Mountain and Lodging operating expenses on the Company's Consolidated Condensed Statements of Operations.

4. Net Loss per Share

Earnings per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net loss attributable to Vail Resorts stockholders by the weighted-average shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings of Vail Resorts.

In connection with the Company's acquisition of Whistler Blackcomb in October 2016, the Company issued consideration in the form of shares of Vail Resorts common stock (the "Vail Shares") and shares of the Company's wholly-owned Canadian subsidiary ("Exchangeco"). Whistler Blackcomb shareholders elected to receive 3,327,719 Vail Shares and 418,095 shares of Exchangeco (the "Exchangeco Shares"). Both Vail Shares and Exchangeco Shares have a par value of $0.01 per share, and Exchangeco Shares, while outstanding, are substantially the economic equivalent of Vail Shares and are exchangeable, at any time prior to the seventh anniversary of the closing of the acquisition, into Vail Shares. The Company's calculation of weighted-average shares outstanding includes the Exchangeco Shares.

Presented below is basic and diluted EPS for the three months ended October 31, 2018 and 2017 (in thousands, except per share amounts):

	Three Months Ended October 31,			
	2018		2017	
	Basic	Diluted	Basic	Diluted
Net loss per share:				
Net loss attributable to Vail Resorts	$(107,795)	$(107,795)	$(28,385)	$(28,385)
Weighted-average Vail Shares outstanding	40,447	40,447	40,147	40,147
Weighted-average Exchangeco Shares outstanding	58	58	64	64
Total Weighted-average shares outstanding	40,505	40,505	40,211	40,211
Effect of dilutive securities	—	—	—	—
Total shares	40,505	40,505	40,211	40,211
Net loss per share attributable to Vail Resorts	$(2.66)	$(2.66)	$(0.71)	$(0.71)

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. The number of shares issuable upon the exercise of share based awards excluded from the calculation of diluted EPS because the effect of their inclusion would have been anti-dilutive totaled approximately 1.0 million and 1.3 million for the three months ended October 31, 2018 and 2017, respectively.

Dividends
The Company paid cash dividends of $1.47 and $1.053 per share ($59.5 million and $42.6 million in the aggregate) during the three months ended October 31, 2018 and 2017, respectively. On December 5, 2018, the Company's Board of Directors declared a quarterly cash dividend of $1.47 per share, for Vail Shares, payable on January 10, 2019 to stockholders of record as of December 27, 2018. Additionally, a Canadian dollar equivalent dividend on the Exchangeco Shares will be payable on January 10, 2019 to the shareholders of record on December 27, 2018.

5. Long-Term Debt
Long-term debt, net as of October 31, 2018, July 31, 2018 and October 31, 2017 is summarized as follows (in thousands):

	Maturity	October 31, 2018	July 31, 2018	October 31, 2017
Vail Holdings Credit Agreement term loan (a)	2023	$950,000	$684,375	$712,500
Vail Holdings Credit Agreement revolver (a)	2023	120,000	130,000	95,000
Whistler Credit Agreement revolver (b)	2022	72,170	65,353	104,625
Employee housing bonds	2027-2039	52,575	52,575	52,575
Canyons obligation	2063	335,947	334,509	330,217
Other	2024-2028	8,821	9,270	9,743
Total debt		1,539,513	1,276,082	1,304,660
Less: Unamortized debt issuance costs		4,063	3,350	3,913
Less: Current maturities (c)		48,482	38,455	38,422
Long-term debt, net		$1,486,968	$1,234,277	$1,262,325

(a) On August 15, 2018, in order to fund the Stevens Pass and Triple Peaks acquisitions (see Note 6, Acquisitions), the Company's wholly owned subsidiary, Vail Holdings, Inc. ("VHI"), entered into the Eighth Amended and Restated Credit Agreement (the "Vail Holdings Credit Agreement"), with Bank of America, N.A., as administrative agent, and other lenders named therein, through which these lenders agreed to provide an additional $265.6 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 August 15, 2023. The Vail Holdings Credit Agreement consists of a $400.0 million revolving credit facility and a $950.0 million term loan facility. VHI's obligations under the Vail Holdings Credit Agreement are guaranteed by the Company and certain of its subsidiaries and are collateralized by a pledge of all the capital stock of VHI and substantially all of its subsidiaries (with certain additional exceptions for the pledge of the capital stock of foreign subsidiaries). In addition, pursuant to the terms of the Vail Holdings Credit Agreement, VHI has the ability to increase availability (under the revolver or in the form of term loans) to an aggregate principal amount not to exceed the greater of (i) $1.2 billion and (ii) the product of 2.75 and the trailing twelve-month Adjusted EBITDA, as defined in the Vail Holdings Credit Agreement. The term loan facility is subject to quarterly amortization of principal of approximately $11.9 million, which will begin on January 31, 2019, in equal installments, with five percent payable in each year and the final payment of all amounts outstanding, plus accrued and unpaid interest due in August 2023. The proceeds of the loans made under the Vail Holdings Credit Agreement may be used to fund the Company's working capital needs, capital expenditures, acquisitions, investments and other general corporate purposes, including the issuance of letters of credit. Borrowings under the Vail Holdings Credit Agreement, including the term loan facility, bear interest annually at LIBOR plus 1.25% as of October 31, 2018 (3.55% as of October 31, 2018). Interest rate margins may fluctuate based upon the ratio of the Company's Net Funded Debt to Adjusted EBITDA on a trailing four-quarter basis. The Vail Holdings Credit Agreement also includes a quarterly unused commitment fee, which is equal to a percentage determined by the Net Funded Debt to Adjusted EBITDA ratio, as each such term is defined in the Vail Holdings Credit Agreement, multiplied by the daily amount by which the Vail Holdings Credit Agreement commitment exceeds the total of outstanding loans and outstanding letters of credit (0.25% as of October 31, 2018). The unused amounts are accessible to the extent that the Net Funded Debt to Adjusted EBITDA ratio does not exceed the maximum ratio allowed at quarter-ends and the ratio of Adjusted EBITDA to interest on Funded Debt (as defined in the Vail Holdings Credit Agreement) does not fall below the minimum ratio allowed at quarter-ends. The Vail Holdings Credit Agreement provides for affirmative and negative covenants that restrict, among other things, the Company’s ability to incur indebtedness, dispose of assets, make capital expenditures, make distributions and make investments. In addition, the Vail Holdings Credit Agreement includes the following restrictive financial covenants: Net Funded Debt to Adjusted EBITDA ratio and Adjusted EBITDA to interest on Funded Debt ratio.

(b) Whistler Mountain Resort Limited Partnership (“Whistler LP”) and Blackcomb Skiing Enterprises Limited Partnership (“Blackcomb LP”), together “The WB Partnerships,” are party to a credit agreement, dated as of November 12, 2013 (as

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amended, the “Whistler Credit Agreement”), by and among Whistler LP, Blackcomb LP, certain subsidiaries of Whistler LP and Blackcomb LP party thereto as guarantors (the “Whistler Subsidiary Guarantors”), the financial institutions party thereto as lenders and The Toronto-Dominion Bank, as administrative agent. The Whistler Credit Agreement consists of a C$300.0 million revolving credit facility which matures on November 12, 2022. 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 October 31, 2018, 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 October 31, 2018, 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 3.87%). The Whistler Credit Agreement also includes a quarterly unused commitment fee based on the Consolidated Total Leverage Ratio, which as of October 31, 2018 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.

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

Aggregate maturities of debt outstanding as of October 31, 2018 reflected by fiscal year (August 1 through July 31) are as follows (in thousands):

	Total
2019 (November 2018 through July 2019)	$36,131
2020	48,516
2021	48,580
2022	48,648
2023	120,889
Thereafter	1,236,749
Total debt	$1,539,513

The Company recorded gross interest expense of $18.6 million and $15.2 million for the three months ended October 31, 2018 and 2017, respectively, of which $0.3 million was amortization of deferred financing costs in both periods. The Company was in compliance with all of its financial and operating covenants required to be maintained under its debt instruments for all periods presented.

In connection with the acquisition of Whistler Blackcomb in October 2016, VHI funded a portion of the purchase price through an intercompany loan to Whistler Blackcomb of $210.0 million, which was effective as of November 1, 2016, and requires foreign currency remeasurement to Canadian dollars, the functional currency for Whistler Blackcomb. As a result, foreign currency fluctuations associated with the loan are recorded within the Company’s results of operations. The Company recognized approximately $2.3 million and $7.3 million, respectively, of non-cash foreign currency losses on the intercompany loan to Whistler Blackcomb for the three months ended October 31, 2018 and 2017 on the Company’s Consolidated Condensed Statements of Operations.

6. Acquisitions

Stevens Pass Resort

On August 15, 2018, the Company, through a wholly-owned subsidiary, acquired Stevens Pass Resort in the State of Washington from Ski Resort Holdings, LLC, an affiliate of Oz Real Estate (“Ski Resort Holdings”), for total cash consideration of $64.0 million, after adjustments for certain agreed-upon terms. The Company borrowed $70.0 million on August 15, 2018 under its Vail Holdings Credit Agreement term loan (see Note 5, Long-Term Debt) to fund the transaction and associated acquisition related expenses. The acquisition included the mountain operations of the resorts, including base area skier services (food and beverage, retail and rental, lift ticket offices and ski and snowboard school facilities).

The following summarizes the purchase consideration and the preliminary purchase price allocation to estimated fair values of the identifiable assets acquired and liabilities assumed at the date the transaction was effective (in thousands):

	Acquisition Date Estimated Fair Value
Current assets	$ 752
Property, plant and equipment	34,865
Goodwill	28,878
Identifiable intangible assets	2,680
Deferred income taxes, net	886
Liabilities	(4,026)
Net assets acquired	$ 64,035

The excess of the purchase price over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected synergies, the assembled workforce of Stevens Pass and other factors, and is expected to be deductible for income tax purposes. The Company recognized $1.2 million of acquisition related expenses associated with the transaction within Mountain and Lodging operating expense in its Consolidated Condensed Statement of Operations for the three months ended October 31, 2018. The operating results of Stevens Pass are reported within the Mountain segment prospectively from the date of acquisition.

Okemo Mountain Resort, Crested Butte Resort and Mount Sunapee Resort

On September 27, 2018, the Company, through a wholly-owned subsidiary, acquired Triple Peaks, LLC ("Triple Peaks"), the parent company of Okemo Mountain Resort in Vermont, Crested Butte Mountain Resort in Colorado, and Mount Sunapee Resort in New Hampshire, for a cash purchase price of approximately $74.4 million, after adjustments for certain agreed-upon terms. In addition, contemporaneous with the closing of the transaction, Triple Peaks paid $155.0 million to pay the remaining obligations of the leases that all three resorts had with Ski Resort Holdings, with funds provided by the Company. Accordingly, the total purchase price, including the repayment of lease obligations, was $229.4 million, for which the Company utilized cash on hand and borrowed $195.6 million under the Vail Holdings Credit Agreement term loan (see Note 5, Long-Term Debt) to fund the transaction and associated acquisition related expenses. The Company obtained a new Special Use Permit from the U.S. Forest Service for Crested Butte, and assumed the state land leases for Okemo and Mount Sunapee. The acquisition included the mountain operations of the resorts, including base area skier services (food and beverage, retail and rental, lift ticket offices and ski and snowboard school facilities).

The following summarizes the purchase consideration and the preliminary purchase price allocation to estimated fair values of the identifiable assets acquired and liabilities assumed at the date the transaction was effective (in thousands):

	Acquisition Date Estimated Fair Value
Current assets	$ 5,225
Property, plant and equipment	159,799

Goodwill	52,392
Identifiable intangible assets	27,661
Deferred income taxes, net	3,522
Liabilities	(19,238)
Net assets acquired	$ 229,361

Identifiable intangible assets acquired in the transaction were primarily related to property management contracts and trade names. The excess of the purchase price over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected synergies, the assembled workforce of the resorts and other factors, and is expected to be deductible for income tax purposes. The Company recognized $2.8 million of acquisition related expenses associated with the transaction within Mountain and Lodging operating expense in its Consolidated Condensed

Statement of Operations for the three months ended October 31, 2018. The operating results of Triple Peaks are reported within the Mountain and Lodging segments prospectively from the date of acquisition.

The estimated fair values of assets acquired and liabilities assumed in the acquisitions of Stevens Pass and Triple Peaks are preliminary and are based on the information that was available as of the respective acquisition dates. The Company believes that this 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.

Pro Forma Financial Information

The following presents the unaudited pro forma consolidated financial information of the Company as if the acquisitions of Stevens Pass and Triple Peaks were completed on August 1, 2017, the beginning of the fiscal year preceding the fiscal year in which the acquisitions occurred. 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) lease expenses incurred by the prior owners which the Company will not be subject to; (iv) transaction and business integration related costs; and (v) interest expense associated with financing the transactions. 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, 2017 (in thousands, except per share amounts).

	Three Months Ended October 31,	
	2018	2017
Pro forma net revenue	$227,529	$235,238
Pro forma net loss attributable to Vail Resorts, Inc.	$(108,620)	$(35,721)
Pro forma basic net loss per share attributable to Vail Resorts, Inc.	$(2.68)	$(0.89)
Pro forma diluted net loss per share attributable to Vail Resorts, Inc.	$(2.68)	$(0.89)

7. Supplementary Balance Sheet Information

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

	October 31, 2018	July 31, 2018	October 31, 2017
Land and land improvements	$611,155	$552,271	$550,627
Buildings and building improvements	1,271,375	1,193,528	1,186,731
Machinery and equipment	1,054,610	1,007,250	985,639
Furniture and fixtures	295,128	283,694	284,815
Software	113,901	113,699	111,440
Vehicles	63,346	60,697	59,600
Construction in progress	106,378	59,579	77,512
Gross property, plant and equipment	3,515,893	3,270,718	3,256,364
Accumulated depreciation	(1,689,911)	(1,643,499)	(1,561,672)
Property, plant and equipment, net	$1,825,982	$1,627,219	$1,694,692

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

	October 31, 2018	July 31, 2018	October 31, 2017
Trade payables	$118,648	$80,793	$103,540
Deferred revenue	450,300	282,103	407,848

Accrued salaries, wages and deferred compensation	20,961	40,034	19,699
Accrued benefits	30,712	33,963	30,317
Deposits	34,479	26,646	21,017
Other liabilities	48,533	40,994	48,046
Total accounts payable and accrued liabilities	$703,633	$504,533	$630,467

The composition of other long-term liabilities follows (in thousands):

	October 31, 2018	July 31, 2018	October 31, 2017
Private club deferred initiation fee revenue	$112,669	$114,319	$117,151
Unfavorable lease obligation, net	21,100	21,839	23,922
Other long-term liabilities	139,797	155,348	149,347
Total other long-term liabilities	$273,566	$291,506	$290,420

The changes in the net carrying amount of goodwill allocated between the Company's segments for the three months ended October 31, 2018 are as follows (in thousands):

	Mountain	Lodging	Goodwill, net
Balance at July 31, 2018	$1,407,787	$67,899	$1,475,686
Acquisitions	81,270	—	81,270
Effects of changes in foreign currency exchange rates	(13,015)	—	(13,015)
Balance at October 31, 2018	$1,476,042	$67,899	$1,543,941

8. Fair Value Measurements

The FASB issued fair value guidance that establishes how reporting entities should measure fair value for measurement and disclosure purposes. The guidance establishes a common definition of fair value applicable to all assets and liabilities measured at fair value and prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The three levels of the hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities;

Level 2: Inputs include quoted prices for similar assets and liabilities in active and inactive markets or that are observable for the asset or liability either directly or indirectly; and

Level 3: Unobservable inputs which are supported by little or no market activity.

The table below summarizes the Company’s cash equivalents and Contingent Consideration measured at estimated fair value (all other assets and liabilities measured at fair value are immaterial) (in thousands).

	Estimated Fair Value Measurement as of October 31, 2018			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	$3,026	$3,026	$—	$—
Commercial Paper	$2,401	$—	$2,401	$—
Certificates of Deposit	$10,836	$—	$10,836	$—
Liabilities:				
Contingent Consideration	$23,033	$—	$—	$23,033

	Estimated Fair Value Measurement as of July 31, 2018			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	$3,021	$3,021	$—	$—
Commercial Paper	$2,401	$—	$2,401	$—
Certificates of Deposit	$11,249	$—	$11,249	$—
Liabilities:				
Contingent Consideration	$21,900	$—	$—	$21,900

	Estimated Fair Value Measurement as of October 31, 2017			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money Market	$3,010	$3,010	$—	$—
Commercial Paper	$2,401	$—	$2,401	$—
Certificates of Deposit	$2,406	$—	$2,406	$—
Liabilities:				
Contingent Consideration	$23,754	$—	$—	$23,754

The Company’s cash equivalents are measured utilizing quoted market prices or pricing models whereby all significant inputs are either observable or corroborated by observable market data.

The changes in Contingent Consideration during the three months ended October 31, 2018 and 2017 were as follows (in thousands):

Balance as of July 31, 2018 and 2017, respectively	$21,900	$27,400
Payments	(67)	(3,646)
Change in estimated fair value	1,200	—
Balance as of October 31, 2018 and 2017, respectively	$23,033	$23,754

The lease for Park City provides for participating contingent payments (the “Contingent Consideration”) to the landlord of 42% of the amount by which EBITDA for the Park City resort operations, as calculated under the lease, exceeds approximately $35 million, as established at the transaction date, with such threshold amount subsequently increased annually by an inflation linked index and a 10% adjustment for any capital improvements or investments made under the lease by the Company. The estimated fair value of Contingent Consideration includes the future period resort operations of Park City in the calculation of EBITDA on which participating contingent payments are made, which is determined on the basis of estimated subsequent year performance, escalated by an assumed growth factor. The Company estimated the fair value of the Contingent Consideration payments using an option pricing valuation model. Key assumptions included a discount rate of 11.3%, volatility of 17.5% and future period Park City EBITDA and capital expenditures, which are unobservable inputs and thus are considered Level 3 inputs. The Company prepared a sensitivity analysis to evaluate the effect that changes on certain key assumptions would have on the estimated fair value of the Contingent Consideration. A change in the discount rate of 100 basis points or a 5% change in estimated subsequent year performance would result in a change in the estimated fair value within the range of approximately $4.0 million to $5.6 million.

Contingent Consideration is classified as a liability, which is remeasured to fair value at each reporting date until the contingency is resolved. During the three months ended October 31, 2018, the Company made a payment to the landlord for Contingent Consideration of approximately $0.1 million and recorded an increase of approximately $1.2 million primarily related to the estimated Contingent Consideration payment for the fiscal year ending July 31, 2019. These changes resulted in an estimated fair value of the Contingent Consideration of approximately $23.0 million, which is reflected in other long-term liabilities in the Consolidated Condensed Balance Sheet.

9. Commitments and Contingencies

Metropolitan Districts

The Company credit-enhances $6.3 million of bonds issued by Holland Creek Metropolitan District ("HCMD") through a $6.4 million letter of credit issued under the Vail Holdings Credit Agreement. HCMD's bonds were issued and used to build infrastructure associated with the Company's Red Sky Ranch residential development. The Company has agreed to pay capital improvement fees to the Red Sky Ranch Metropolitan District ("RSRMD") until RSRMD's revenue streams from property taxes are sufficient to meet debt service requirements under HCMD's bonds. The Company has recorded a liability of $2.0 million primarily within other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets, as of October 31, 2018, July 31, 2018 and October 31, 2017, respectively, with respect to the estimated present value of future RSRMD capital improvement fees. The Company estimates it will make capital improvement fee payments under this arrangement through the fiscal year ending July 31, 2031.

Guarantees/Indemnifications

As of October 31, 2018, the Company had various letters of credit outstanding totaling $68.3 million, consisting of $53.4 million to support the Employee Housing Bonds, $9.9 million primarily for workers' compensation and insurance-related deductibles, and $5.0 million related to the Stevens Pass acquisition. The Company also had surety bonds of $10.4 million as of October 31, 2018, primarily to provide collateral for its U.S. workers compensation self-insurance programs.

In addition to the guarantees noted above, the Company has entered into contracts in the normal course of business that include certain indemnifications under which it could be required to make payments to third parties upon the occurrence or non-occurrence of certain future events. These indemnities include indemnities related to licensees in connection with third-parties' use of the Company's trademarks and logos, liabilities associated with the infringement of other parties' technology and software products, liabilities associated with the use of easements, liabilities associated with employment of contract workers and the Company's use of trustees, and liabilities associated with the Company's use of public lands and environmental matters. The duration of these indemnities generally is indefinite and generally do not limit the future payments the Company could be obligated to make.

As permitted under applicable law, the Company and certain of its subsidiaries have agreed to indemnify their directors and officers over their lifetimes for certain events or occurrences while the officer or director is, or was, serving the Company or its subsidiaries in such a capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that should enable the Company to recover a portion of any amounts paid.

Unless otherwise noted, the Company has not recorded any significant liabilities for the letters of credit, indemnities and other guarantees noted above in the accompanying Consolidated Condensed Financial Statements, either because the Company has recorded on its Consolidated Condensed Balance Sheets the underlying liability associated with the guarantee, the guarantee is with respect to the Company's own performance and is therefore not subject to the measurement requirements as prescribed by GAAP, or because the Company has calculated the estimated fair value of the indemnification or guarantee to be immaterial based on the current facts and circumstances that would trigger a payment under the indemnification clause. In addition, with respect to certain indemnifications, it is not possible to determine the maximum potential amount of liability under these potential obligations due to the unique set of facts and circumstances likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

As noted above, the Company makes certain indemnifications to licensees for their use of the Company’s trademarks and logos. The Company does not record any liabilities with respect to these indemnifications.

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

Self-Insurance

The Company is self-insured for claims under its U.S. health benefit plans and for the majority of workers' compensation claims in the U.S. Workers compensation claims in the U.S. are subject to stop loss policies. The self-insurance liability related to workers' compensation is determined actuarially based on claims filed. The self-insurance liability related to claims under the Company's U.S. health benefit plans is determined based on analysis of actual claims. The amounts related to these claims are included as a component of accrued benefits in accounts payable and accrued liabilities (see Note 7, Supplementary Balance Sheet Information).

Legal

The Company is a party to various lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage and/or has accrued for all loss contingencies for asserted and unasserted matters deemed to be probable losses and estimable. As of October 31, 2018, July 31, 2018 and October 31, 2017, the accruals for the above loss contingencies were not material individually or in the aggregate.

10. Segment Information

The Company has three reportable segments: Mountain, Lodging and Real Estate. The Company refers to "Resort" as the combination of the Mountain and Lodging segments. The Mountain segment includes the operations of the Company's mountain resorts/ski areas and related ancillary activities. The Lodging segment includes the operations of the Company's owned hotels, RockResorts, NPS concessionaire properties, condominium management, Colorado resort ground transportation operations and mountain resort golf operations. The Real Estate segment owns, develops and sells real estate in and around the Company's resort communities. The Company's reportable segments, although integral to the success of the others, offer distinctly different products and services and require different types of management focus. As such, these segments are managed separately.

The Company reports its segment results using Reported EBITDA (defined as segment net revenue less segment operating expenses, plus or minus segment equity investment income or loss, and for the Real Estate segment, plus gain or loss on sale of real property). The Company reports segment results in a manner consistent with management's internal reporting of operating results to the chief operating decision maker (Chief Executive Officer) for purposes of evaluating segment performance.

Items excluded from Reported EBITDA are significant components in understanding and assessing financial performance. Reported EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, net change in cash and cash equivalents or other financial statement data presented in the consolidated condensed financial statements as indicators of financial performance or liquidity.

The Company utilizes Reported EBITDA in evaluating the performance of the Company and in allocating resources to its segments. Mountain Reported EBITDA consists of Mountain net revenue less Mountain operating expense plus or minus Mountain equity investment income or loss. Lodging Reported EBITDA consists of Lodging net revenue less Lodging operating expense. Real Estate Reported EBITDA consists of Real Estate net revenue less Real Estate operating expense plus gain or loss on sale of real property. All segment expenses include an allocation of corporate administrative expense. Assets are not allocated between segments, or used to evaluate performance, except as shown in the table below.

The following table presents financial information by reportable segment, which is used by management in evaluating performance and allocating resources (in thousands):

	Three Months Ended October 31,	
	2018	2017
Net revenue:		
Lift	$24,685	$25,468
Ski school	4,272	4,438
Dining	18,292	18,302
Retail/rental	43,342	45,407
Other	54,415	54,510
Total Mountain net revenue	145,006	148,125
Lodging	74,900	72,089
Total Resort net revenue	219,906	220,214
Real Estate	98	636
Total net revenue	$220,004	$220,850
Segment operating expense:		
Mountain	$222,363	$207,084
Lodging	71,004	67,734
Resort	293,367	274,818
Real Estate, net	1,370	1,691
Total segment operating expense	$294,737	$276,509
Mountain equity investment income, net	$950	$522
Reported EBITDA:		
Mountain	$(76,407)	$(58,437)
Lodging	3,896	4,355
Resort	(72,511)	(54,082)
Real Estate	(1,272)	(1,055)
Total Reported EBITDA	$(73,783)	$(55,137)
Real estate held for sale and investment	$101,743	$102,697
Reconciliation to net loss attributable to Vail Resorts, Inc.:		
Total Reported EBITDA	$(73,783)	$(55,137)
Depreciation and amortization	(51,043)	(48,624)
Change in estimated fair value of contingent consideration	(1,200)	—
(Loss) gain on disposal of fixed assets and other, net	(619)	567
Investment income and other, net	463	383
Foreign currency loss on intercompany loans	(2,311)	(7,346)
Interest expense, net	(18,638)	(15,174)
Loss before benefit from income taxes	(147,131)	(125,331)
Benefit from income taxes	36,405	93,404
Net loss	(110,726)	(31,927)
Net loss attributable to noncontrolling interests	2,931	3,542
Net loss attributable to Vail Resorts, Inc.	$(107,795)	$(28,385)

11. Share Repurchase Program

On March 9, 2006, the Company's Board of Directors approved a share repurchase program, authorizing the Company to repurchase up to 3,000,000 Vail Shares. On July 16, 2008, the Company's Board of Directors increased the authorization by an additional 3,000,000 Vail Shares, and on December 4, 2015, the Company's Board of Directors increased the authorization by an additional 1,500,000 Vail Shares for a total authorization to repurchase up to 7,500,000 Vail Shares. The Company repurchased 197,896 Vail Shares (at a total cost of approximately $50.0 million) during the three months ended October 31, 2018. The Company did not repurchase any Vail Shares during the three months ended October 31, 2017. Since inception of its share repurchase program through October 31, 2018, the Company has repurchased 5,749,612 Vail Shares for approximately $323.0 million. As of October 31, 2018, 1,750,388 Vail Shares remained available to repurchase under the existing share repurchase program, which has no expiration date. Vail Shares purchased pursuant to the repurchase program will be held as treasury shares and may be used for the issuance of Vail Shares under the Company's employee share award plan.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Vail Resorts, Inc., together with its subsidiaries, is referred to throughout this Quarterly Report on Form 10-Q for the period ended October 31, 2018 ("Form 10-Q") as "we," "us," "our" or the "Company."

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 ("Form 10-K") and the Consolidated Condensed Financial Statements as of October 31, 2018 and 2017 and for the three months then ended, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding our financial position, results of operations and cash flows. To the extent that the following MD&A contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements" below. These risks include, but are not limited to, those discussed in our filings with the Securities and Exchange Commission ("SEC"), including the risks described in Item 1A "Risk Factors" of Part I of our Form 10-K, which was filed on September 28, 2018.

The MD&A includes discussion of financial performance within each of our three segments. We have chosen to specifically include Reported EBITDA (defined as segment net revenue less segment operating expense, plus or minus segment equity investment income or loss and for the Real Estate segment, plus gain or loss on sale of real property) and Net Debt (defined as long-term debt, net plus long-term debt due within one year less cash and cash equivalents), in the following discussion because we consider these measurements to be significant indications of our financial performance and available capital resources. Resort Reported EBITDA, Total Reported EBITDA and Net Debt are not measures of financial performance or liquidity under generally accepted accounting principles ("GAAP"). We utilize segment Reported EBITDA in evaluating our performance and in allocating resources to our segments. We also believe that Net Debt is an important measurement as it is an indicator of our ability to obtain additional capital resources for our future cash needs. Refer to the end of the Results of Operations section for a reconciliation of Reported EBITDA to net loss attributable to Vail Resorts, Inc. and Net Debt to long-term debt, net.

Items excluded from Reported EBITDA and Net Debt are significant components in understanding and assessing financial performance or liquidity. Reported EBITDA and Net Debt should not be considered in isolation or as an alternative to, or substitute for, net income (loss), net change in cash and cash equivalents or other financial statement data presented in the Consolidated Condensed Financial Statements as indicators of financial performance or liquidity. Because Resort Reported EBITDA, Total Reported EBITDA and Net Debt are not measurements determined in accordance with GAAP and are thus susceptible to varying calculations, Resort Reported EBITDA, Total Reported EBITDA and Net Debt, as presented herein, may not be comparable to other similarly titled measures of other companies. In addition, our segment Reported EBITDA (i.e. Mountain, Lodging and Real Estate), the measure of segment profit or loss required to be disclosed in accordance with GAAP, may not be comparable to other similarly titled measures of other companies.

Overview

Our operations are grouped into three integrated and interdependent segments: Mountain, Lodging and Real Estate. We refer to “Resort” as the combination of the Mountain and Lodging segments.

Mountain Segment

The Mountain segment is comprised of the operations of the following fifteen mountain resort properties and three urban ski areas:

Mountain Resorts:	Location:
1. Vail Mountain Resort (“Vail Mountain”)	Colorado
2. Breckenridge Ski Resort (“Breckenridge”)	Colorado
3. Keystone Resort (“Keystone”)	Colorado
4. Beaver Creek Resort (“Beaver Creek”)	Colorado
5. Crested Butte Mountain Resort (“Crested Butte”)	Colorado
6. Heavenly Mountain Resort (“Heavenly”)	Lake Tahoe area of Nevada and California
7. Northstar Resort (“Northstar”)	Lake Tahoe area of California
8. Kirkwood Mountain Resort (“Kirkwood”)	Lake Tahoe area of California
9. Mount Sunapee Mountain Resort (“Mount Sunapee”)	New Hampshire
10. Park City Resort (“Park City”)	Utah
11. Stowe Mountain Resort (“Stowe”)	Vermont
12. Okemo Mountain Resort (“Okemo”)	Vermont
13. Stevens Pass Mountain Resort (“Stevens Pass”)	Washington
14. Whistler Blackcomb Resort (“Whistler Blackcomb”)	British Columbia, Canada
15. Perisher Ski Resort (“Perisher”)	New South Wales, Australia
Urban Ski Areas:	Location:
1. Afton Alps Ski Area (“Afton Alps”)	Minnesota
2. Mount Brighton Ski Area (“Mt. Brighton”)	Michigan
3. Wilmot Mountain (“Wilmot”)	Wisconsin

Additionally, we operate ancillary services, primarily including ski school, dining and retail/rental operations, and for Perisher, including lodging and transportation operations. Mountain segment revenue is seasonal, with the majority of revenue earned from our North American mountain resorts and ski areas occurring in our second and third fiscal quarters and the majority of revenue earned from Perisher occurring in our first and fourth fiscal quarters. Our North American mountain resorts are typically open for business from mid-November through mid-April, which is the peak operating season for the Mountain segment, and Perisher is typically open for business from June to early October. Consequently, our first fiscal quarter is a seasonally low period as our North American ski operations are generally not open for business until our second fiscal quarter, while the activity of Perisher’s peak season and our North American summer operating results are not sufficient to offset the losses incurred during the seasonally low periods at our North American mountain resorts and ski areas. Revenue of the Mountain segment during the first fiscal quarter is primarily generated from summer and group related visitation at our North American mountain resorts, retail/rental operations and winter season Perisher operations.

Lodging Segment

Operations within the Lodging segment include: (i) ownership/management of a group of luxury hotels through the RockResorts brand proximate to our Colorado and Utah mountain resorts; (ii) ownership/management of non-RockResorts branded hotels and condominiums proximate to our North American mountain resorts; (iii) National Park Service (“NPS”) concessionaire properties including the Grand Teton Lodge Company (“GTLC”); (iv) a Colorado resort ground transportation company; and (v) mountain resort golf courses.

Revenue of the lodging segment during our first fiscal quarter is generated primarily by the operations of our NPS concessionaire properties (as their peak operating season generally occurs during the months of June to October), as well as golf operations and seasonally low operations from our other owned and managed properties and businesses. Lodging properties (including managed condominium rooms) at or around our mountain resorts, and our Colorado resort ground transportation company, are closely aligned with the performance of the Mountain segment and generally experience similar seasonal trends. Management primarily focuses on Lodging net revenue excluding payroll cost reimbursements and Lodging operating expense excluding reimbursed payroll costs (which are not measures of financial performance under GAAP) as the reimbursements are made based upon the costs incurred with no added margin, as such the revenue and corresponding expense do not affect our Lodging Reported EBITDA, which we use to evaluate Lodging segment performance.

Real Estate Segment

The principal activities of our Real Estate segment include the sale of land parcels to third-party developers and planning for future real estate development projects, including zoning and acquisition of applicable permits. We continue undertaking preliminary planning and design work on future projects and are pursuing opportunities with third-party developers rather than undertaking our own significant vertical development projects. Additionally, real estate development projects by third-party developers most often result in the creation of certain resort assets that provide additional benefit to the Mountain segment. We believe that, due to our low carrying cost of real estate land investments, we are well situated to promote future projects by third-party developers while limiting our financial risk. Our revenue from the Real Estate segment and associated expense can fluctuate significantly based upon the timing of closings and the type of real estate being sold, causing volatility in the Real Estate segment's operating results from period to period.

Recent Trends, Risks and Uncertainties

Together with those risk factors we have identified in our Form 10-K, we have identified the following important factors (as well as risks and uncertainties associated with such factors) that could impact our future financial performance or condition:

- The timing and amount of snowfall can have an impact on Mountain and Lodging revenue, particularly in regards to skier visits and the duration and frequency of guest visitation. To help mitigate this impact, we sell a variety of pass products prior to the beginning of the ski season resulting in a more stabilized stream of lift revenue. Additionally, our pass products provide a compelling value proposition to our guests, which in turn create a guest commitment predominately prior to the start of the ski season. Through December 2, 2018, North American ski season pass sales increased approximately 21% in units and 13% in sales dollars as compared to the prior year period ended December 3, 2017, including all military pass sales and pass sales from Stevens Pass and Triple Peaks in both periods and adjusted to eliminate the impact of foreign currency by applying an exchange rate of \$0.77 between the Canadian dollar and U.S. dollar to the current period and prior period for Whistler Blackcomb pass sales. Growth in our total season pass sales dollars was lower than our unit growth, given the inclusion of the new Military Epic Pass, which is available at a substantial discount to our Epic Pass. The average price increase on all non-military passes was approximately 3.3%. Excluding sales of military passes to new purchasers who were not pass holders last year, season pass sales increased approximately 8% in units and 10% in sales dollars over the comparable prior year period. We cannot predict the ultimate impact that season pass sales will have on total lift revenue or effective ticket price for the 2018/2019 North American ski season.

- Key North American economic indicators have remained steady into 2018, including strong consumer confidence and declines in the unemployment rate. However, the growth in the North American economy may be impacted by economic challenges in North America or declining or slowing growth in economies outside of North America, accompanied by devaluation of currencies, rising inflation, trade tariffs and lower commodity prices. Given these economic uncertainties, we cannot predict what the impact of the overall North American or global economy will be on overall travel and leisure spending or more specifically, on our guest visitation, guest spending or other related trends for the upcoming 2018/2019 North American ski season.

- As of October 31, 2018, we had \$206.0 million available under the revolver component of our Eighth Amended and Restated Credit Agreement, dated as of August 15, 2018 (the "Vail Holdings Credit Agreement"), which represents the total commitment of \$400.0 million less outstanding borrowings of \$120.0 million and certain letters of credit outstanding of \$74.0 million. Additionally, we have a credit facility which supports the liquidity needs of Whistler Blackcomb (the "Whistler Credit Agreement"). As of October 31, 2018 we had C\$204.1 million (\$155.1 million) available under the revolver component of the Whistler Credit Agreement (which represents the total commitment of C\$300.0 million (\$227.9 million) less outstanding borrowings of C\$95.0 million (\$72.1 million) and a letter of credit outstanding of C\$0.9 million (\$0.7 million)).

We believe that the terms of our credit agreements allow for sufficient flexibility in our ability to make future acquisitions, investments, distributions to stockholders and incur additional debt. This, combined with the continued positive cash flow from operating activities of our Mountain and Lodging segments less resort capital expenditures, has and is anticipated to continue to provide us with significant liquidity. We believe our liquidity will allow us to consider strategic investments and other forms of returning value to our stockholders including additional share repurchases and the continued payment of a quarterly cash dividend.

- On August 15, 2018, through a wholly-owned subsidiary, we acquired Stevens Pass Resort in the State of Washington ("Stevens Pass") from Ski Resort Holdings, LLC, an affiliate of Oz Real Estate ("Ski Resort Holdings"), for a total purchase price of $64.0 million. We borrowed $70.0 million on August 15, 2018 under the term loan of our Vail Holdings Credit Agreement primarily to fund the acquisition of Stevens Pass. Additionally, on September 27, 2018, we acquired

Triple Peaks, LLC ("Triple Peaks"), the parent company of Okemo Mountain Resort in Vermont, Crested Butte Mountain Resort in Colorado, and Mount Sunapee Resort in New Hampshire, for a cash purchase price of approximately $74.4 million, after adjustments for certain agreed-upon terms. In addition, contemporaneous with the closing of the transaction, Triple Peaks paid $155.0 million to pay the remaining obligations for the leases that all three resorts had with Ski Resort Holdings, with funds provided by the Company. Accordingly, the total purchase price, including the repayment of lease obligations, was $229.4 million, for which we utilized cash on hand and borrowed $195.6 million under the term loan of our Vail Holdings Credit Agreement to fund the transaction and associated acquisition related expenses. We expect that the acquisitions of Stevens Pass and Triple Peaks will positively contribute to our results of operations; however, we cannot predict whether we will realize all of the synergies expected from the operations of Stevens Pass and Triple Peaks and the ultimate impact the new resorts will have on our future results of operations.

RESULTS OF OPERATIONS

Summary

Below is a summary of operating results for the three months ended October 31, 2018, compared to the three months ended October 31, 2017 (in thousands):

	Three Months Ended October 31,	
	2018	2017
Mountain Reported EBITDA	$(76,407)	$(58,437)
Lodging Reported EBITDA	3,896	4,355
Resort Reported EBITDA	$(72,511)	$(54,082)
Real Estate Reported EBITDA	$(1,272)	$(1,055)
Loss before benefit from income taxes	$(147,131)	$(125,331)
Net loss attributable to Vail Resorts, Inc.	$(107,795)	$(28,385)

Net loss attributable to Vail Resorts, Inc. increased by approximately $79.4 million for the three months ended October 31, 2018 compared to the prior year primarily due to excess tax benefits of $51.8 million recognized during the three months ended October 31, 2017, which resulted from employee exercises of in-the-money stock appreciation rights, a decrease in the U.S. federal income tax rate as a result of recent tax reform legislation and a reduction in Resort Reported EBITDA, as outlined below in the discussion of segment results and other items. The consolidated condensed results of operations include the operations of Stevens Pass and Triple Peaks prospectively from the dates of acquisition of August 15, 2018 and September 27, 2018, respectively, including any consolidated financial metrics pertaining thereto.

Mountain Segment

Three months ended October 31, 2018 compared to the three months ended October 31, 2017
Mountain segment operating results for the three months ended October 31, 2018 and 2017 are presented by category as follows (in thousands, except effective ticket price ("ETP")):

	Three Months Ended October 31,		Percentage Increase (Decrease)
	2018	2017	
Net Mountain revenue:			
Lift	$24,685	$25,468	(3.1)%
Ski school	4,272	4,438	(3.7)%
Dining	18,292	18,302	(0.1)%
Retail/rental	43,342	45,407	(4.5)%
Other	54,415	54,510	(0.2)%
Total Mountain net revenue	145,006	148,125	(2.1)%
Mountain operating expense:			
Labor and labor-related benefits	76,250		