costs and premium charges they have within their industry as it created an avenue for its competitors in taking some of their market share. Their lodging and real estate problems created some problems for Return on Equity, and their equipment seems to be underutilized as it is attributed to projects in development and having too many assets and their seasonality. Their equity is less than their liabilities which is not a good sign to creditors. The influx of negative trends will cause Vail to have trouble in acquiring investors.

Operations Ratios

Sales Mix ***(Division or Department Revenue / Total Division or Department Revenue)***

2008 FY	2009 FY	Industry Median	Industry Standard
Mountain	Mountain		
685,533 / 1,152,156 = 59.5%	614,597 / 976,988 = 62.9%		
Lodging	Lodging		
170,057 / 1,152,156 = 14.76%	176,241 / 976,988 = 18.03%		
Real Estate	Real Estate		
296,566 / 1,152,156 = 25.74%	186,150 / 976,988 = 19.05%		

Although not as successful as the previous year, Lodging made both a numerical and percentage leap in revenue at 18%. Mountain was higher in percent at 62.9% but numerically lower in revenue. Real Estate was lower in both arenas compared to FY 2008.

ADR ***(Room Revenue / Number of Rooms Sold)***

- Posted on 10K report only for Lodging division
  - $183.59 for owned hotel
  - $273.38 for managed condominium
  - $225.12 for combination of both

RevPar *(Paid Occupancy % * ADR)*

- Posted on 10K report only for Lodging division
  - $107.06 for owned hotel
  - 84.50 for managed condominium
  - $93.10 for combination of both

Average Food Service Check- N/A

Food Cost Percentage- N/A

Beverage Cost Percentage- N/A

- The three above are posted as non-applicable due to inadequate information

Labor Cost- N/A, for Real Estate Division

- Adequate information for Mountain and Lodging Division is stated

Mountain Labor Cost % *(Labor Cost By Department / Department Revenue)*

2008 FY	2009 FY	Industry Median	Industry Standard
175,674 / 685,533 = 25.62%	165,550 / 614,597 = 26.93%		

The 2009 FY is unsatisfactory to management and owners because even though they generated less revenue, the cost of labor is numerically and percentage similar to the past year in which more profit was generated; there was a 1.3% increase. Management has to deal with this issue before it gets too costly and problematic.

Lodging Labor Cost % ***(Labor Cost By Department / Department Revenue)***

2008 FY	2009 FY	Industry Median	Industry Standard
75,746 / 170,057 = 44.54%	81,290 / 176,241 = 46.12%		

The Lodging situation (which is similar to the Mountain Division), follows an even worse trend as the labor cost has increased to 46%. Both of these issues affect the bottom line.

Operating Analysis

Ratio	**FY 2008**	**FY 2009**
Sales Mix		
Mountain	59.5%	62.9%
Lodging	14.76%	18.03%
Real Estate	25.74%	19.05%
Labor Cost		
Mountain	25.62%	26.93%
Lodging	44.54%	46.12%

The Mountain Division is the strongest sector amongst the trio and it is wise that the company look into more ways to strengthen and create variety within the brand. The problems lie with both Real Estate and Lodging; Lodging has an unusually high labor cost compared to Mountain and this helps reduce the contribution margin. Lodging has the least contribution margin of the trio and this high labor cost is definitely a management issue that needs to be addressed.

Final Analysis

Vail Resorts motto and ambitious agenda of its current and projected activities are noteworthy. However, upon assessing their ratios, there are multiple warning signs which will delay and minimize the scope of some of their projects. I believe that the economic climate is the catalysts which unmasked many strengths and weaknesses about their operation. Primarily, I feel that their liquidity and profitability position is ill equipped to self fund their existing $210 million projects as well as their future $1.5 billion EVER VAIL project. (Ever Vail, 2007) (Hoovers, 2009m)

Within their liquidity analysis, their Operating Cash Flow fell from $0.63 to $0.43 and the Quick Ratio deteriorated from $0.73 to $.052 (roughly half of the industry standard). Without selling off some of their properties or borrowing money, it is hard to fathom the claim of generating cash and executing these projects, totaling $1.75 billion, when they can't meet short term liabilities currently. Their cash flow to cover liabilities is substandard and they seem a bit overleveraged with accumulated debt. (Hoovers, 2009t)

Even though their retained earnings and paid-in capital stand at approximately $765.2 million, most of their long term debt (due mostly in 2014) stands at $491.6 million (which is a

difference of ($273.6 million) and there are other deferred payables which other creditors and agencies will eventually demand. Understanding their situation, they are persisting to venture on these projects with little help as possible, as their stakeholders may be pressuring them despite the credit allowance of up to $304.7 million they have available to use from their credit facility. If combining the difference of the debt and the allocated credit it amounts to $578.3 million, still less than half of what is needed to fund their total future projects. (Hoovers, 2009s,t,u,v)

Their profit margin is diminishing and can partially be attributed to elasticity of demand. Their trouble lies in their premium pricing and high operational costs. They understand the market enough to distinguish the value orientation between their in state clients versus their destination guests and need to make an aggressive maneuver to capture this price sensitive local market which will improve its profit as it stands beneath acceptable industry standards. However, they have instituted value packages such as the Season Pass and other inclusive packages such as 'The Adventure Sessions', aimed at recapturing and bolstering its client base. The real estate is their weak spot, which ultimately affects their asset turnover ratio as it went from .60 to .51. Having so much investment and reneged deals on the properties has the cash flow in a bind which can be used for more important activities; this has had a profound effect on the profit margin, operating efficiency, return on assets and equity. (Hoovers, 2009p,s)

Their operations revealed startling figures within Lodging and the labor cost related to it. Profits will continue to diminish if they cannot control operational expenses. Judging from the lodging division, it may be more beneficial if they functioned as a management company of their RockResorts chain because the contribution margin and revenue is the smallest of the three. Ironically, their labor cost is too high. However, other operational concerns are offset by their self-imposed 10% salary reduction on all employees and their energy layoff.

Conclusion

As with many companies, Vail has felt the harmful effects of the recession, particularly in the Hospitality industry. These distinct periods usually separate the strong from the frail and highlights weaknesses. They expected revenues to decline. However, their negative working capital, excess assets not yielding favorable turnover, inefficient usage of labor and mounting debt will create an arduous challenge for the company to overcome. Both owners and management are not pleased with overall utilization and the yield.

The company is not a poor performer but they need to realign assets and strategies as well as reduce their scale of activities which only yield miniscule return after so much investment. As their return on assets, equity and cash flow decreased, this sent an alarm to its creditors and lenders. They do show some ability to pay off their debt but may either default or fail to live up to their obligations in a timely manner; they will decrease their solvency. Despite some hazards, they remained appealing to investors due to a slight increase in the additional paid-in capital

Management's performance is rather ambiguous; on one hand they are seeking cost cutting measures to retain as many of its loyal employees yet they have invested too much money in slumping assets and have divisions which offer marginal benefits. When the economic decline ceases, Vail needs to focus on less risky operations and maximize their full capability of its assets if they persist on continuous investment of properties in hopes to garner more patronage.