Economic Analysis Results:
A Quick Overview of the 2013-14 Season

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The 2013-14 Economic Analysis results have been tabulated, documenting that the overall industry performed well financially, but with significant regional variations. As might be expected, the regions with the most difficult seasons from a snowsports visit perspective—the Pacific North and Pacific South—also struggled financially. Other regions posted better results, including the Southeast, Midwest, Rocky Mountain, and Northeast regions.

Some overall summary information from the fiscal year includes:

- The average gross revenue per resort increased to $26.4 million per resort (up 3.3 percent).
- Operating profit margins and pretax profit margins were within the range of typical recent results, though each metric was down about half a percentage point from the 2012-13 season.
- Total revenue per visit was $90.46, an increase of 3.4 percent. Ticket revenue per visit increased by 3 percent to $42.92. Ticket yield ratio declined to 58.7 percent.
- Critical ratios were mixed from the year prior, including stability in Health, increase in revenue per employee, and decline in return on assets.

A total of 108 ski areas across the country submitted surveys for both the 2012-13 and 2013-14 seasons. The results of the study are presented in six geographic regions and in four different size groups, as well as in 17 distinct region/size breakouts. This level of detail allows ski areas to benchmark their own performance against their closest peer group, making the report an invaluable resource to ski area managers, CFOs, lenders, appraisers, and other interested parties.

Some highlights from the study, available from NSAA, include the following.

Revenues and Expenses

Increase in Average Gross Revenue. Average resort revenues increased by 3.3 percent to $26.4 million per resort, up from $25.6 million. Regional variations existed, with increases seen in the Northeast, Southeast, Midwest, and Rocky Mountain regions, and declines in the two Pacific regions, the Pacific South and Pacific North.

Increases in Departmental Revenue. Average revenue for all major departments rose from 2012-13, with the strongest increase for retail stores (up 15.6 percent), followed by lessons (up 7.7 percent), tickets (up 2.9 percent), snowplay (up 2.5 percent), and food and beverage (up 1.3 percent). Only rental shops (down 2.4 percent) and accommodations/lodging (down 0.4 percent) posted declines in average revenue.

Summer Revenue. Ski areas are increasingly offering summer activities, leveraging summer visitors and traffic to fill hotel beds, utilize base lodges and conference space, and run chairlifts and trams. Nationally, 72 percent of ski areas in the study report at least some revenue from summer operations. Of those with summer operations, total summer revenue averaged $3.8 million. The average resort with summer operations was open 107 days, employed 211 people, and contributed 12.9 percent of annual revenue from summer operations.

Expenses Increased. Total expenses (including post-EBITDA charges) were up 4 percent from a year ago to an average of $24.3 million per ski area nationally. Most major expense categories increased, including direct labor (up 5 percent), interest (up 27.3 percent), other direct (up 4.5 percent), general and administrative (up 3.3 percent), cost of goods (up 2.5 percent), payroll taxes (up 3.1 percent), and electric power/fuel (up 10.6 percent). The only major expense categories to decline were depreciation (down 1.4 percent) and marketing/advertising (down 1.1 percent).

Profit Margins

Profit Margins Declined. Industry-wide, operating profit margin was down .5 percentage points to 26.7 percent nationally (see chart, page 23). Operating profit margin increased in the Southeast, Midwest, and Rocky Mountain regions, while it fell in the Northeast, Pacific South, and Pacific North. Pre-tax profit margin declined to 8.1 percent from 8.8 percent, down .7 percentage points. Pre-tax profit margin fell in four of the six regions and in three of the four size categories.

Financial Metrics and Critical Ratios

Increase in Total Revenue per Visit. An important metric in the ski resort industry is total revenue per visit, which characterizes the extent to which ski areas derive revenue from a variety of sources per visitor. Total revenue per visit was up to $90.46, a 3.4 percent increase versus the $87.50 per visit reported the year prior (see chart below). Average ticket revenue per visit increased by 3 percent to $42.92, and average non-ticket revenue per visit grew by a somewhat greater 3.7 percent to $47.54. Total revenue per visit was up in five of the six geographic regions (only down in the Southeast) and among all four size groups of ski areas.

Decline in Ticket Yield. The percentage yield on tickets is the ratio of ticket revenue per visit to the reported adult weekend lift ticket price. In 2013-14, ticket yield averaged 58.7 percent, down .6 percentage points from 59.3 percent in 2012-13.

Stability in "Health." Health (debt to cash flow) is a rough measure of the number of years that would be required, in theory, at current levels of cash flow to retire current levels of long-term and subordinated debt. In 2013-14, the ratio was stable at 1.6. However, significant variability is seen in Health by region, with the lowest ratio in the Rocky Mountains (.2) and the highest in the Pacific South (151.7).

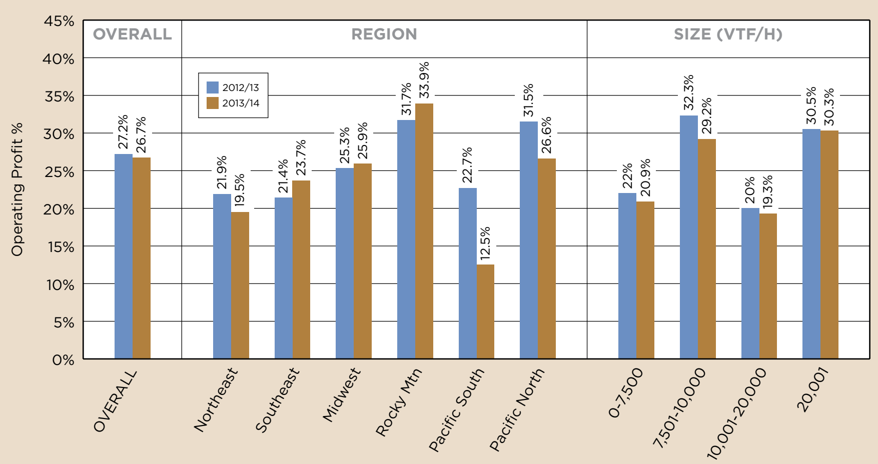
Decline in Operating Profit on Gross Fixed Assets. Nationally, operating profit on GFA slipped to 12.7 percent from 13.4 percent the year prior (operating profit increased by 1.5 percent and gross fixed assets increased by 7.3 percent, resulting in a decline in the return on assets ratio). Operating return on GFA fell in four of the six geographic regions and at all four size groups.

Increase in Revenue per Employee. This ratio measures the effectiveness with which resorts can generate revenue with the employee base, and allows for a comparison between resorts of different size and in different regions of the country. With gross revenue levels up and the number of total employees down slightly, this ratio increased by 4.1 percent to $33,507, indicating that ski areas were able to generate a higher level of top-line revenue with a similar number of employees, increasing the overall efficiency of their operations.

The results of the Economic Analysis reveal a variable business operating environment during the 2013-14 season.

The variation of the results by region and by size of the resort highlights the need to fully understand the specific performance of each region and size group, which will be covered fully in the *2013-14 NSAA Economic Analysis of US Ski Areas* report. To obtain the full report, visit nsaa.org. ■

OPERATING PROFIT MARGIN, 2013-14 vs. 2012-13



AVERAGE TOTAL REVENUE PER SKIER VISIT, 2013-14 vs. 2012-13