

Letter from Vail Resorts CEO to U.S. Employees on COVID-19 Business Impacts

Vail Resorts CEO Rob Katz today shared the following note with U.S. employees regarding difficult business decisions as a result of the ongoing impacts of COVID-19, including some that unfortunately affect the Company's U.S. employees:

We continue to find ourselves living through an unprecedented time as the situation with COVID-19 grows more challenging, with everyone across our planet now dealing with very real and significant health risks and impacts. This crisis has hit the travel industry particularly hard. Currently, all of our mountains, lodging, retail, and transportation businesses are shut down and it is becoming less clear when things will start to reopen again. We [reported](#) two weeks ago that the early closure of our North American operations will cost the Company at least \$180 million to \$200 million in lost profitability in our third quarter ending April.

I am very hopeful that both the economy and travel will return to normal by the time our North American winter season opens eight months from now. However, we also need to remember that we have substantial business operations set to open over the next few months - our Australian winter season, Grand Teton Lodge Company, as well as our lodging, retail, and summer mountain operations at our North American resorts, which collectively represent more than 20% of our total revenue. With the very real possibility that the global stay-at-home orders could be extended, and travel reduced regardless, our business in May through October is at risk. We will work hard to reopen as soon as practical, but much of this is now outside of our control.

Because of these realities and to ensure that we can navigate the financial challenges ahead, we are taking certain measures, including some that will unfortunately affect each of our U.S. employees:

- We are furloughing nearly all of our U.S. year-round hourly employees as of April 4, 2020, for at least the next one to two months, without pay, but with full healthcare coverage for any impacted employee currently enrolled (the Company will pay all premiums).
- We are implementing a six-month salary reduction for all U.S. salaried employees that starts at 5% for those up to Grade 27, 7.5% for Grades 28/29, 10% for Grades 30/31, and then rises up to a 25% reduction for our most senior executives.
- I am giving up 100% of my salary during the next six months.
- We are eliminating 100% of the cash compensation for members of our Board of Directors for six months.
- We are suspending the Company's 401(k) match for the next six months.
- We are reducing our capital expenditures by \$80-\$85 million, with the intention to defer all new chair lifts, terrain expansions and other mountain improvements, while protecting the vast majority of our maintenance capital spending.
- We are eliminating our June and September dividends to shareholders, saving the Company more than \$140 million.

I recognize this is very disappointing news to be receiving and I had hoped we would not have to take this action. But with each passing week, the financial consequences have become more apparent. To our year-round hourly employees, I am so disappointed that the vast majority of you have not been able to work these past three weeks and I assure you we will end the furlough as soon as possible once we have clarity on our business reopening. To our year-round salaried employees, who are working from home, in many cases harder than ever, I truly am sorry to have to ask you to give even more by accepting a salary reduction - we are asking everyone to accept some sacrifice so that we weather this storm together and are ready to come back strong for next winter. For those of you with questions, your leader will be reaching out to discuss the situation with you over the coming days.

I am sure many of you are wondering if these actions will be enough. Will there be more changes coming? Once

again, if I am honest with myself, I have to give the toughest answer for any CEO - I really don't know. It's possible that things could quickly improve. But it's also possible these challenges may force us to materially delay or cancel our upcoming summer season. In that case, more measures might be needed.

I have made decisions over the last few weeks that I never could have anticipated in my nearly 30 years working in the ski business. I recognize the impact of today's decisions on you, and I do not take them lightly. I am humbled and grateful for your passion and dedication to each other, our communities and our industry - it's what makes our sport and this Company so special. Please know, I am fully committed to help steward our Company and our entire industry forward so we can all continue to thrive in the mountains for years to come. During this challenging time, please continue to prioritize your health, safety and wellbeing.

Rob

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