



Vail Resorts, Inc.: Time to Take Profits or Let Them Ride?

Description

Good stock pickers make money from 60% of their investments. Some investors make a little less, some a bit more; the important thing is that those that go up do so at a much higher rate than those that go down. Math pretty much takes care of the rest.

We in the media who write about stocks and don't have the cash to buy everything we see and like sometimes have to settle for the satisfaction that comes with being on the right side of a recommendation.

That's how I feel about **Vail Resorts, Inc.** ([NYSE:MTN](#)), the Colorado-based holding company that acquired Whistler Blackcomb for \$1.4 billion in October 2016 and is now the world's biggest mountain resort operator.

Last summer, I [recommended](#) that investors buy shares in the public company that owned 75% of both Whistler and Blackcomb. At the time, I felt the stock was a good buy for both income and capital gain investors.

So too did Fool.ca's Joseph Solitro, a value investor, who included Whistler Blackcomb in a June [article](#) about cheap stocks to buy a good six weeks before my article hit the site. Way to go, Joe!

Timing is everything

Neither of us had any idea Vail Resorts would swoop in and make a slam-dunk cash and stock offer only weeks later, but that's what happened. Of course, I was kicking myself for not acting on my recommendation, but that's life, I guess.

Anyway, for every 1,000 shares owned, investors got \$17,500 in cash and almost 100 shares of Vail Resorts stock.

I made a second recommendation that Whistler Blackcomb investors hang on to their MTN shares because the combination of the two companies was one of those rare examples where one plus one equals three.

If you did hang on to your shares from the day the deal was completed on October 17, 2016, you'd have a 35% gain (47% annualized) through July 20, not including dividends.

The road ahead

Your 100 shares today are worth US\$20,611, or \$25,948 in Canadian dollars. On October 17, 2016, they were worth US\$15,319, or \$20,111 in Canadian dollars — a slightly less healthy return of 29%, or 39% on an annualized basis.

As the Canadian dollar continues to move higher, the first decision you need to make is if now is the best time to sell. Economist David Rosenberg said in his July 18th article in the *Globe and Mail* that he sees the dollar headed to 82 cents, perhaps as early as the end of the year, before running out of steam and falling back into the 70s sometime in 2018.

So, if you need the \$26,000 for some personal project or grand vacation, you might want to sell now.

Bottom line

However, if the currency isn't an issue either because you have a U.S. dollar chequing account and don't convert between the two currencies or are prepared to weather the currency volatility, I believe you should continue to hold its stock.

The company recently acquired Stowe Mountain Resort in Vermont, bringing its well-oiled machine to the eastern half of North America for the first time; investors can expect more acquisitions on the east coast in the future.

Vail Resorts CEO Robert Katz, who's been in the role for over a decade yet is still only 49, owns 1.4 million shares, or 3.8% of the company. Since he became CEO in February 2006, MTN stock has achieved an annual return of 18% not including dividends — almost double the **S&P 500**.

As long as he's in charge, let it ride.

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