YAHOO! FINANCE

2011/12 Ski Season Outlook: Smooth Trails Ahead

PR Newswire

Press Release: Condor Capital – Wed, Nov 16, 2011 10:47 AM EST

MARTINSVILLE, N.J. , Nov. 16, 2011 /PRNewswire/ -- With an improving economy and snowfall totals that were 27% above average at ski resorts nationally, the 2010/11 ski season drew the most skier visits on record at 60.54 million, according to the National Ski Areas Association (NSAA). Looking forward, Condor Capital's Ken Schapiro discusses whether the snow sports industry will build off last year's momentum or succumb to a sluggish economy.

If last year taught the snow sports industry anything, it is that good snow heals all wounds, and if early forecasts hold true, the industry could be in store for another strong year. The U.S. is predicted to experience a rare second straight La Nina weather pattern, which typically results in a colder and more precipitous winter in the northern U.S. Although it is too early to tell, a record-breaking October snowstorm in the Northeast and early openings at some western resorts may be a sign that the all-important snow outlook may be bright once again this year.

Aside from the weather, another important consideration revolves around the consumer's willingness and ability to make discretionary purchases. Though the overall labor market remains challenging for many Americans, retail sales trends suggest that higher-income consumers are faring comparatively better. The high-end has also proved to be an area of strength in the broader lodging industry. While overall revenue per available room (RevPar) is up 7.9% so far this year, through 10/29/11, luxury hotels have posted a much stronger 11.4% gain. Due to the relatively high cost to participate in winter sports, we feel that the industry will trend similarly to high-end retailers and defy the weakness in consumer confidence readings.

After heavy discounting in recent years, consumers could begin to see price increases this season on everything from lift tickets to equipment and apparel. While this may not be welcomed news for shoppers, we view this trend positively as it indicates that businesses have become more confident in their customers' ability to withstand higher prices. If history is any indication, winter sports retailers may be in store for a strong year thanks to record skier days last year according to Ray Fallon , owner of N.J.-based retailer Ski Barn. He notes that a strong prior year not only boosts consumers' overall motivation and enthusiasm about the sport, but makes them feel as though they have gotten good use/value out of their current equipment, increasing the likelihood that they will upgrade. Fallon also notes that conservative ordering trends in prior years has led to low carryover inventory, translating into larger orders in advance of what he foresees will be a solid year. With that being said, Finland -based Amer Sports recently reported a 20% jump in quarterly revenue amid strength in its winter sports brands such as Atomic, Salomon, and Arc'teryx. Management also commented that pre-orders by retailers were strong and began 3-4 weeks earlier than normal.

However, "destination" skiers may be deterred by higher lodging and airline rates, as a survey by the Global Business Travel Association predicts a 3-5% increase in such rates next year. In addition, increased baggage fees will make it more expensive for travelers to bring their personal equipment with them, though that may allow resorts to rent more high-performance equipment to skiers/riders looking to avoid these fees. While it is still very early, preliminary gauges indicate a positive start to the year. American Express Travel has noted that lodging bookings for ski vacations between January and March are 18% higher year-over-year and ski-related airline bookings are up 10% for the same period. Anecdotal evidence also suggests that the ultra high-end space of the industry, heli-skiing, is also experiencing low double digit gains in bookings.

To capitalize on improving fundamentals, many resorts are increasingly attempting to differentiate themselves and improve the visitor experience. In an encouraging sign of confidence, ski areas nationwide are committing significant capital for improvements to lifts, lodges, and terrain. In fact, Vail Resorts alone plans to spend $90 million on such projects across its portfolio of ski areas. In addition to physical improvements, Vail has also sought to entice customers by appealing to their increasing appetite for technology. After introducing its Epic Mix mobile app and website last year, which allows participants to track and share information about their skier days, it is slated to add a photo component to the offering this year. The new feature will allow pictures taken by the user or mountain photographers to be automatically uploaded to their Epic Mix account, where they can either purchase prints or share the photos for free via social media websites.

Overall, early readings for the season have been positive and it appears that last year's momentum has carried over. While higher costs may act as a small headwind, the weather, as always, will play the trump card. Against this backdrop, we expect the ski industry to have another solid year and skier visits to increase in the low single digits.

Condor Capital

Founded in 1988, Condor Capital is an employee-owned, SEC-registered investment advisor based in Martinsville, N.J. employing 15 professional and support staff. Since Condor is a fee-only investment management firm, its fees are based on portfolio size, not sales commissions or number of trades. For more information on Condor Capital, please visit www.condorcapital.com or call 732-356-7323.

Contact: Ken Schapiro , info@condorcapital.com, 732-356-7323