

VIAD CORP
Form 10-Q
May 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-11015

Viad Corp

(Exact name of registrant as specified in its charter)

Edgar Filing: VIAD CORP - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

36-1169950
(I.R.S. Employer
Identification No.)

1850 North Central Avenue, Suite 1900

Phoenix, Arizona
(Address of principal executive offices)

85004-4565
(Zip Code)

(602) 207-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Small reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2013, there were 20,324,644 shares of common stock (\$1.50 par value) outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2013	December 31, 2012
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,727	\$ 114,171
Accounts receivable, net of allowance for doubtful accounts of \$1,467 and \$1,150, respectively	84,927	62,756
Inventories	33,956	35,656
Deferred income taxes	22,043	26,301
Other current assets	18,813	15,534
Total current assets	255,466	254,418
Property and equipment, net	192,639	197,298
Other investments and assets	31,681	32,416
Deferred income taxes	27,157	26,104
Goodwill	135,411	137,820
Other intangible assets, net	5,274	2,521
Total Assets	\$ 647,628	\$ 650,577
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 66,720	\$ 57,995
Other current liabilities	94,625	107,684
Current portion of long-term debt and capital lease obligations	1,410	1,347
Total current liabilities	162,755	167,026
Long-term debt and capital lease obligations	1,045	879
Pension and postretirement benefits	37,641	37,812
Other deferred items and liabilities	48,569	47,828
Total liabilities	250,010	253,545
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Viad Corp stockholders' equity:		
Common stock, \$1.50 par value, 200,000,000 shares authorized, 24,934,981 shares issued	37,402	37,402
Additional capital	588,061	593,862
Retained deficit	(7,003)	(13,034)
Unearned employee benefits and other	(1,050)	(1,301)
Accumulated other comprehensive income (loss):		
Unrealized gains on investments	336	275
Cumulative foreign currency translation adjustments	36,030	42,158
Unrecognized net actuarial loss and prior service credit, net	(14,927)	(14,968)
Common stock in treasury, at cost, 4,607,279 and 4,694,468 shares, respectively	(249,927)	(256,333)
Total Viad Corp stockholders' equity	388,922	388,061

Edgar Filing: VIAD CORP - Form 10-Q

Noncontrolling interest	8,696	8,971
Total stockholders' equity	397,618	397,032
Total Liabilities and Stockholders' Equity	\$ 647,628	\$ 650,577

See Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31,	
	2013	2012
	(in thousands, except per share data)	
Revenues:		
Exhibition and event services	\$ 234,163	\$ 215,888
Exhibits and environments	42,598	46,156
Travel and recreation services	8,402	6,728
Total revenues	285,163	268,772
Costs and expenses:		
Costs of services	231,497	222,109
Costs of products sold	40,839	41,130
Corporate activities	806	1,777
Interest income	(138)	(169)
Interest expense	296	358
Restructuring charges	720	2,225
Total costs and expenses	274,020	267,430
Income before income taxes	11,143	1,342
Income tax expense	3,353	527
Net income	7,790	815
Net loss attributable to noncontrolling interest	275	212
Net income attributable to Viad	\$ 8,065	\$ 1,027
Diluted income per common share		
Net income attributable to Viad common stockholders	\$ 0.40	\$ 0.05
Weighted-average outstanding and potentially dilutive common shares	20,193	19,917
Basic income per common share		
Net income attributable to Viad common stockholders	\$ 0.40	\$ 0.05
Weighted-average outstanding common shares	19,790	19,645
Dividends declared per common share	\$ 0.10	\$ 0.04

See Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended March 31,	
	2013	2012
	(in thousands)	
Net income	\$ 7,790	\$ 815
Other comprehensive income (loss):		
Unrealized gains on investments, net of tax	61	93
Unrealized foreign currency translation adjustments, net of tax	(6,128)	4,386
Amortization of net actuarial loss, net of tax	181	175
Amortization of prior service credit, net of tax	(140)	(172)
Total other comprehensive income (loss)	(6,026)	4,482
Comprehensive income	1,764	5,297
Comprehensive loss attributable to noncontrolling interest	275	212
Comprehensive income attributable to Viad	\$ 2,039	\$ 5,509

See Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31,	
	2013	2012
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 7,790	\$ 815
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,015	6,959
Deferred income taxes	3,275	5,558
Restructuring charges	720	2,225
Gains on disposition of property and other assets	(152)	(3)
Share-based compensation expense	1,819	1,217
Excess tax benefit from share-based compensation arrangements	(378)	(269)
Other non-cash items, net	1,641	1,375
Change in operating assets and liabilities (excluding the impact of acquisitions):		
Receivables	(22,612)	(16,313)
Inventories	1,700	(2,151)
Accounts payable	12,368	16,925
Restructuring liabilities	(1,443)	(809)
Accrued compensation	(11,035)	(6,438)
Customer deposits	(8,414)	(5,405)
Income taxes payable	(84)	496
Other assets and liabilities, net	2,215	(1,397)
Net cash provided by (used in) operating activities	(5,575)	2,785
Cash flows from investing activities:		
Capital expenditures	(8,320)	(7,548)
Acquisition of businesses, net of cash acquired	(647)	(23,546)
Proceeds from dispositions of property and other assets	173	9
Net cash used in investing activities	(8,794)	(31,085)
Cash flows from financing activities:		
Payments on debt and capital lease obligations	(483)	(669)
Dividends paid on common stock	(2,034)	(813)
Common stock purchased for treasury	(1,187)	(1,000)
Excess tax benefit from share-based compensation arrangements	378	269
Proceeds from exercise of stock options	535	89
Net cash used in financing activities	(2,791)	(2,124)
Effect of exchange rate changes on cash and cash equivalents	(1,284)	1,655
Net change in cash and cash equivalents	(18,444)	(28,769)
Cash and cash equivalents, beginning of year	114,171	100,376
Cash and cash equivalents, end of period	\$ 95,727	\$ 71,607
Supplemental disclosure of cash flow information		
Cash paid for income taxes	\$ 2,181	\$ 1,809

Edgar Filing: VIAD CORP - Form 10-Q

Cash paid for interest	\$	234	\$	286
Equipment acquired under capital leases	\$	393	\$	186

See Notes to Condensed Consolidated Financial Statements.

VIAD CORP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Preparation and Principles of Consolidation

The accompanying unaudited, condensed consolidated financial statements of Viad Corp (Viad or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 2012, included in the Company s Form 10-K (File No. 001-11015), filed with the Securities and Exchange Commission on March 11, 2013.

The condensed consolidated financial statements include the accounts of Viad and all of its subsidiaries. All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation. Viad s reporting segments consist of Marketing & Events U.S., Marketing & Events International and the Travel & Recreation Group.

The Marketing & Events Group, comprised of Global Experience Specialists, Inc. and affiliates (GES), specializes in all aspects of the design, planning and production of face-to-face events, immersive environments and brand-based experiences for clients, including show organizers, corporate brand marketers and retail shopping centers. In addition, the Marketing & Events Group provides a variety of immersive, entertaining attractions and brand-based experiences, sponsored events, mobile marketing and other branded entertainment and face-to-face marketing solutions for clients and venues, including shopping malls, movie studios, museums and leading consumer brands.

The Travel & Recreation Group segment consists of Brewster Inc. (Brewster), Glacier Park, Inc. (Glacier Park) and Alaskan Park Properties, Inc. (Alaska Denali Travel). Brewster provides tourism services in the Canadian Rockies in Alberta and in other parts of Western Canada. Brewster s operations include the Banff Gondola, Columbia Icefield Glacier Adventure, motorcoach services, charter and sightseeing services, tour boat operations, inbound package tour operations and hotel operations. Glacier Park operates five lodges, three motor inns and one four-season resort hotel and provides food and beverage operations, retail operations and tour and transportation services in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada. Glacier Park is an 80 percent owned subsidiary of Viad. Alaska Denali Travel operates Denali Backcountry Lodge and Denali Cabins. In addition to lodging, Alaska Denali Travel also provides food and beverage operations and package tour and transportation services in and around Denali National Park and Preserve.

Note 2. Share-Based Compensation

The following table summarizes share-based compensation expense for the three months ended March 31:

	2013	2012
	(in thousands)	
Performance unit incentive plan (PUP)	\$ 863	\$ 238
Restricted stock	773	747
Stock options	95	145
Restricted stock units	88	87
Total share-based compensation before income tax benefit	1,819	1,217
Income tax benefit	(654)	(436)
Total share-based compensation, net of income tax benefit	\$ 1,165	\$ 781

The following table summarizes the activity of the outstanding share-based compensation awards:

	Restricted Stock		Restricted Stock Units		PUP Awards	
	Shares	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value
Balance at January 1, 2013	516,351	\$ 21.25	40,500	\$ 20.82	210,600	\$ 21.70
Granted	99,400	27.35	8,600	27.35	93,100	27.35
Vested	(145,506)	20.71	(11,300)	19.10		
Forfeited	(636)	20.53				
Balance at March 31, 2013	469,609	22.71	37,800	22.82	303,700	23.43

The unamortized cost of all outstanding restricted stock awards as of March 31, 2013 was \$5.9 million, which Viad expects to recognize in the consolidated financial statements over a weighted-average period of approximately 2.2 years. During the three months ended March 31, 2013 and 2012, the Company repurchased 44,606 shares for \$1.2 million and 50,894 shares for \$1.0 million, respectively, related to tax withholding requirements on vested share-based awards. As of March 31, 2013, there were 1,001,609 total shares available for future grant.

As of March 31, 2013 and December 31, 2012, Viad had liabilities recorded of \$421,000 and \$633,000, respectively, related to restricted stock unit liability awards. A portion of the 2009 performance-based restricted stock unit awards vested effective December 31, 2009 and cash payouts of \$35,000 were distributed in January 2012. Similarly, portions of the 2009 and 2010 restricted stock unit awards vested in February 2013 and February 2012 and cash payouts of \$300,000 and \$257,000 were distributed in February 2013 and 2012, respectively.

As of March 31, 2013 and December 31, 2012, Viad had liabilities recorded of \$4.6 million and \$3.7 million, respectively, related to PUP awards. There were no PUP awards which vested during the three months ended March 31, 2013 or 2012. Furthermore, there were no cash settlements of PUP awards during the three months ended March 31, 2013 or 2012.

The following table summarizes stock option activity:

	Shares	Weighted-Average Exercise Price	Options Exercisable
Options outstanding at January 1, 2013	363,896	\$ 22.03	276,009
Exercised	(47,343)	19.48	
Forfeited or expired	(27,086)	28.28	

Edgar Filing: VIAD CORP - Form 10-Q

Options outstanding at March 31, 2013	289,467	21.87	287,467
---------------------------------------	---------	-------	---------

The total unrecognized cost related to non-vested stock option awards was \$10,000 as of March 31, 2013, which Viad expects to recognize in the consolidated financial statements over a weighted-average period of approximately less than one year. No stock options were granted during the three months ended March 31, 2013.

Note 3. Acquisition of Businesses

On February 19, 2013, Viad acquired the assets of Resource Creative Limited (RCL) for \$647,000 in cash, subject to certain adjustments, plus a deferred payment of up to approximately \$278,000, which is contingent upon RCL s performance. RCL is a United Kingdom-based company specializing in providing creative graphic services to the exhibition, events and retail markets throughout the United Kingdom and continental Europe.

The preliminary amounts assigned to the assets of RCL as of the acquisition date included: property and equipment of \$72,000, goodwill of \$158,000 and other intangible assets of \$695,000. In addition, a liability of \$278,000 was recorded as of the acquisition date related to the contingent consideration. The primary factor that contributed to a purchase price resulting in the recognition of goodwill relates to future growth opportunities. The goodwill is deductible for tax purposes over a period of 15 years. The amounts assigned to other intangible assets included: \$564,000 of customer relationships and \$131,000 of noncompete agreements. The weighted-average amortization period related to the other intangible assets was 4.5 years. The transaction costs related to the acquisition were insignificant. The results of operations of RCL have been included in Viad s consolidated financial statements from the date of acquisition.

On March 7, 2012, Viad acquired the Banff International Hotel and related assets for \$23.6 million in cash. The Banff International Hotel is a 162-guest room hotel located in downtown Banff, Alberta, Canada and is operated by Brewster within the Travel & Recreation Group. The following information represents the final amounts assigned to the assets and liabilities of the Banff International Hotel as of the date of acquisition:

	(in thousands)
Cash and cash equivalents	\$ 10
Accounts receivable	23
Other current assets	33
Property and equipment	20,408
Goodwill	1,890
Other intangible assets	1,323
Total assets acquired	23,687
Customer deposits	(64)
Other current liabilities	(67)
Total liabilities acquired	(131)
Purchase price	\$ 23,556

The goodwill recorded in connection with the transaction is included in the Travel & Recreation Group. The primary factor that contributed to a purchase price resulting in the recognition of goodwill relates to future growth opportunities. The goodwill is deductible for tax purposes pursuant to regulations in Canada. The amount assigned to other intangible assets relates to an operating contract and customer relationships. The weighted-average amortization period related to the other intangible assets was 7.7 years. The transaction costs related to the acquisition were insignificant. The results of operations of the Banff International Hotel have been included in Viad s consolidated financial statements from the date of acquisition.

The following table summarizes the unaudited pro forma results of operations attributable to Viad for the three months ended March 31 assuming that the acquisitions above had each been completed at the beginning of each period:

	2013	2012
	(in thousands, except per share data)	
Revenue	\$ 285,410	\$ 269,439
Depreciation and amortization	7,056	7,229
Segment operating income	12,841	5,389
Net income attributable to Viad	8,074	938

Edgar Filing: VIAD CORP - Form 10-Q

Diluted net income per share	0.40	0.05
Basic net income per share	0.40	0.05

Page 8

Note 4. Inventories

The components of inventories were as follows:

	March 31, 2013	December 31, 2012
	(in thousands)	
Raw materials	\$ 15,765	\$ 16,422
Work in process	18,191	19,234
Inventories	\$ 33,956	\$ 35,656

Note 5. Property and Equipment

Property and equipment consisted of the following:

	March 31, 2013	December 31, 2012
	(in thousands)	
Land and land interests	\$ 25,879	\$ 26,124
Buildings and leasehold improvements	136,497	137,293
Equipment and other	307,800	310,448
	470,176	473,865
Accumulated depreciation	(277,537)	(276,567)
Property and equipment, net	\$ 192,639	\$ 197,298

Depreciation expense for the three months ended March 31, 2013 and 2012 was \$6.7 million and \$6.8 million, respectively.

Note 6. Other Investments and Assets

Other investments and assets consisted of the following:

	March 31, 2013	December 31, 2012
	(in thousands)	
Cash surrender value of life insurance	\$ 19,183	\$ 19,142
Workers' compensation insurance security deposits	3,350	3,350
Other	9,148	9,924
Total other investments and assets	\$ 31,681	\$ 32,416

Note 7. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2013 were as follows:

Edgar Filing: VIAD CORP - Form 10-Q

	Marketing & Events U.S.	Marketing & Events International	Travel & Recreation Group	Total
	(in thousands)			
Balance at January 1, 2013	\$ 62,686	\$ 23,054	\$ 52,080	\$ 137,820
Business acquisition		158		158
Foreign currency translation adjustments		(1,374)	(1,193)	(2,567)
Balance at March 31, 2013	\$ 62,686	\$ 21,838	\$ 50,887	\$ 135,411

The following table summarizes goodwill by reporting unit and segment:

	March 31, 2013	December 31, 2012
	(in thousands)	
Marketing & Events Group:		
Marketing & Events U.S.	\$ 62,686	\$ 62,686
Marketing & Events International:		
GES United Kingdom	12,890	13,894
GES Canada	8,948	9,160
Total Marketing & Events Group	84,524	85,740
Travel & Recreation Group:		
Brewster	43,242	44,435
Glacier Park	4,461	4,461
Alaska Denali Travel	3,184	3,184
Total Travel & Recreation Group	50,887	52,080
Total goodwill	\$ 135,411	\$ 137,820

A summary of other intangible assets as of March 31, 2013 is presented below:

	Gross Carrying Value	Accumulated Amortization (in thousands)	Net Carrying Value
Amortized intangible assets:			
Contracts and customer relationships	\$ 6,342	\$ (2,582)	\$ 3,760
Other	1,192	(138)	1,054
	7,534	(2,720)	4,814
Unamortized intangible assets:			
Business licenses	460		460
Total	\$ 7,994	\$ (2,720)	\$ 5,274

A summary of other intangible assets as of December 31, 2012 is presented below:

	Gross Carrying Value	Accumulated Amortization (in thousands)	Net Carrying Value
Amortized intangible assets:			
Contracts and customer relationships	\$ 3,594	\$ (2,384)	\$ 1,210
Other	959	(108)	851
	4,553	(2,492)	2,061
Unamortized intangible assets:			
Business licenses	460		460
Total	\$ 5,013	\$ (2,492)	\$ 2,521

Edgar Filing: VIAD CORP - Form 10-Q

During the three months ended March 31, 2013, Viad recorded a contract-related intangible asset of \$2.1 million in connection with a preferred supplier agreement. Intangible asset amortization expense for the three months ended March 31, 2013 and 2012 was \$292,000 and \$135,000, respectively. Estimated amortization expense related to amortized intangible assets for future periods is expected to be as follows:

	(in thousands)
2013	\$ 953
2014	963
2015	763
2016	644
2017	861
Thereafter	630

Note 8. Accrued Liabilities and Other

Other current liabilities consisted of the following:

	March 31, 2013	December 31, 2012
	(in thousands)	
Continuing operations:		
Customer deposits	\$ 41,758	\$ 50,172
Accrued compensation	16,796	25,067
Self-insured liability accrual	7,716	8,501
Accrued employee benefit costs	5,093	3,132
Accrued sales and use taxes	3,218	3,179
Accrued restructuring	2,723	4,084
Accrued dividends	2,063	2,053
Other	13,868	10,026
	93,235	106,214
Discontinued operations:		
Self-insured liability accrual	696	527
Environmental remediation liabilities	499	571
Other	195	372
	1,390	1,470
Total other current liabilities	\$ 94,625	\$ 107,684

Other deferred items and liabilities consisted of the following:

	March 31, 2013	December 31, 2012
	(in thousands)	
Continuing operations:		
Self-insured liability accrual	\$ 16,055	\$ 15,579
Accrued compensation	6,248	8,061
Accrued restructuring	3,778	3,140
Foreign deferred tax liability	2,031	2,024
Other	8,143	6,734
	36,255	35,538
Discontinued operations:		
Self-insured liability accrual	5,036	5,188
Environmental remediation liabilities	4,762	4,745
Accrued income taxes	1,061	1,053
Other	1,455	1,304
	12,314	12,290
Total other deferred items and liabilities	\$ 48,569	\$ 47,828

Note 9. Debt

Edgar Filing: VIAD CORP - Form 10-Q

In May 2011, Viad entered into an amended and restated revolving credit agreement (the Credit Facility). The Credit Facility provides for a \$130 million revolving line of credit, which may be increased up to an additional \$50 million under certain circumstances. The term of the Credit Facility is five years (expiring on May 18, 2016) and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to \$50 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries. As of March 31, 2013, Viad's total debt of \$2.5 million consisted entirely of capital lease obligations. As of March 31, 2013, Viad had \$128.2 million of capacity remaining under the Credit Facility reflecting outstanding letters of credit of \$1.8 million.

Borrowings under the Credit Facility (of which GES is a guarantor) are indexed to the prime rate or the London Interbank Offered Rate, plus appropriate spreads tied to Viad's leverage ratio. Commitment fees and letters of credit fees are also tied to Viad's leverage ratio. The fees on the unused portion of the Credit Facility are currently 0.35 percent annually.

The Credit Facility contains various affirmative and negative covenants that are customary for facilities of this type, including a fixed-charge coverage ratio, leverage ratio, minimum cash balance, dividend limits and share repurchase restrictions. Significant other covenants include limitations on: investments, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers and liens on property. As of March 31, 2013, Viad was in compliance with all covenants.

Effective December 12, 2012, the Credit Facility was amended to remove the limitation on share repurchases of \$10 million in the aggregate per calendar year pursuant to certain conditions. The amendment allows share repurchases unless the Company's leverage ratio, as defined in the Credit Facility, is greater than 1.50 to 1.00 or a default or an unmatured default, as defined in the Credit Facility, exists. The amendment also allows dividends to be declared and paid in excess of \$10 million in the aggregate per calendar year, as well as distributions on its capital stock, as defined in the Credit Facility, unless the Company's leverage ratio, as defined in the Credit Facility, is greater than 1.50 to 1.00 or a default or an unmatured default, as defined in the Credit Facility, exists.

The estimated fair value of total debt was \$2.4 million and \$2.1 million as of March 31, 2013 and December 31, 2012, respectively. The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity.

Note 10. Stockholders' Equity

The following represents a reconciliation of the carrying amounts of stockholders' equity attributable to Viad and the noncontrolling interest for the three months ended March 31, 2013:

	Total Viad Stockholders Equity	Noncontrolling Interest (in thousands)	Total Stockholders Equity
Balance at January 1, 2013	\$ 388,061	\$ 8,971	\$ 397,032
Net income (loss)	8,065	(275)	7,790
Dividends on common stock	(2,034)		(2,034)
Common stock purchased for treasury	(1,187)		(1,187)
Employee benefit plans	1,792		1,792
Unrealized foreign currency translation adjustment	(6,128)		(6,128)
Unrealized gain on investments	61		61
Prior service credit and net actuarial loss	41		41
ESOP allocation adjustment	250		250
Other	1		1
Balance at March 31, 2013	\$ 388,922	\$ 8,696	\$ 397,618

The following represents a reconciliation of the carrying amounts of stockholders' equity attributable to Viad and the noncontrolling interest for the three months ended March 31, 2012:

	Total Viad Stockholders Equity	Noncontrolling Interest (in thousands)	Total Stockholders Equity
Balance at January 1, 2012	\$ 377,894	\$ 8,285	\$ 386,179
Net income (loss)	1,027	(212)	815
Dividends on common stock	(813)		(813)
Common stock purchased for treasury	(1,000)		(1,000)
Employee benefit plans	1,080		1,080
Unrealized foreign currency translation adjustment	4,386		4,386
Unrealized gain on investments	93		93
Prior service credit and net actuarial loss	3		3
ESOP allocation adjustment	250		250
Other	(2)	(1)	(3)
Balance at March 31, 2012	\$ 382,918	\$ 8,072	\$ 390,990

Edgar Filing: VIAD CORP - Form 10-Q

In December 2012, Viad announced its intent to repurchase up to an additional one million shares of the Company's common stock from time to time at prevailing market prices. At the time of the announcement, there were 30,438 shares available for repurchase pursuant to previously announced authorizations. Under these authorizations, no shares were repurchased during the three months ended March 31, 2013 or 2012. As of March 31, 2013, 1,030,438 shares remain available for repurchase. Additionally, during the three months ended March 31, 2013 and 2012, the Company repurchased 44,606 shares for \$1.2 million and 50,894 shares for \$1.0 million, respectively, related to tax withholding requirements on share-based awards.

Changes in accumulated other comprehensive income (AOCI) by component were as follows:

	Unrealized Gains on Investments	Cumulative Foreign Currency Translation Adjustments	Unrecognized Net Actuarial Loss and Prior Service Credit (in thousands)	Accumulated Other Comprehensive Income
Balance at January 1, 2013	\$ 275	\$ 42,158	\$ (14,968)	\$ 27,465
Other comprehensive income before reclassifications	79	(6,128)		(6,049)
Amounts reclassified from AOCI, net of tax	(18)		41	23
Net other comprehensive income (loss)	61	(6,128)	41	(6,026)
Balance at March 31, 2013	\$ 336	\$ 36,030	\$ (14,927)	\$ 21,439

The following table presents information about reclassification adjustments out of AOCI for the three months ended March 31:

	2013		2012	Affected Line Item in the Statement Where Net Income is Presented
	(in thousands)			
Unrealized gains on investments	\$ (27)	\$ (48)		Interest income
	9	18		Income tax expense
	\$ (18)	\$ (30)		Net of tax
Recognized net actuarial loss	\$ 290	\$ 284		See (1) below
Amortization of prior service credit	(225)	(278)		See (1) below
	(24)	(3)		Income tax benefit
	\$ 41	\$ 3		Net of tax

(1) Amount is included in pension expense. See Note 14 for additional information.

Note 11. Fair Value Measurements

The fair value of an asset or liability is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value guidance requires an entity to maximize the use of quoted prices and other observable inputs and minimize the use of unobservable inputs when measuring fair value, and also establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Edgar Filing: VIAD CORP - Form 10-Q

Level 3 Unobservable inputs to the valuation methodology that are significant to the measurement of fair value. Viad measures its money market mutual funds and certain other mutual fund investments at fair value on a recurring basis using Level 1 inputs. The fair value information related to these assets is summarized in the following table:

Description	March 31, 2013	Fair Value Measurements at March 31, 2013 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserved Inputs (Level 3)
		(in thousands)		
Money market funds	\$ 679	\$ 679	\$	\$
Other mutual funds	1,289	1,289		
Total	\$ 1,968	\$ 1,968	\$	\$

As of March 31, 2013 and December 31, 2012, Viad had investments in money market mutual funds of \$679,000 and \$10.2 million, respectively, which are included in the consolidated balance sheets under the caption Cash and cash equivalents. These investments were classified as available-for-sale and were recorded at fair value. There have been no realized or unrealized gains or losses related to these investments and the Company has not experienced any redemption restrictions with respect to any of the money market mutual funds.

As of March 31, 2013 and December 31, 2012, Viad had investments in other mutual funds of \$1.3 million and \$1.2 million, respectively, which are classified in the consolidated balance sheets under the caption Other investments and assets. These investments were classified as available-for-sale and were recorded at fair value. As of March 31, 2013 and December 31, 2012, there were unrealized gains on the investments of \$550,000 (\$336,000 after-tax) and \$450,000 (\$275,000 after-tax), respectively, which were included in the consolidated balance sheets under the caption Accumulated other comprehensive income (loss).

The carrying values of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The estimated fair value of debt obligations is disclosed in Note 9.

Note 12. Income Per Share

The following is a reconciliation of the numerators and denominators of basic and diluted per share computations for net income attributable to Viad for the three months ended March 31:

	2013	2012
	(in thousands, except per share data)	
Basic net income per share		
Numerator:		
Net income attributable to Viad	\$ 8,065	\$ 1,027
Less: Allocation to non-vested shares	(198)	(28)
Net income allocated to Viad common stockholders	\$ 7,867	\$ 999
Denominator:		
Weighted-average outstanding common shares	19,790	19,645
Net income attributable to Viad common stockholders	\$ 0.40	\$ 0.05
Diluted net income per share		
Numerator:		
Net income attributable to Viad	\$ 8,065	\$ 1,027
Denominator:		
Weighted-average outstanding common shares	19,790	19,645
Additional dilutive shares related to share-based compensation	403	272
Weighted-average outstanding and potentially dilutive shares	20,193	19,917
Net income attributable to Viad common stockholders ⁽¹⁾	\$ 0.40	\$ 0.05

⁽¹⁾ Diluted income per share cannot exceed basic income per share.

Options to purchase 54,000 and 267,000 shares of common stock were outstanding during the three months ended March 31, 2013 and 2012, respectively, but were not included in the computation of dilutive shares outstanding because the effect would be anti-dilutive. Additionally, 403,000 and 272,000 share-based compensation awards were considered dilutive and included in the computation of diluted income per share during the three months ended March 31, 2013 and 2012, respectively.

Note 13. Income Taxes

Edgar Filing: VIAD CORP - Form 10-Q

The effective tax rates for the three months ended March 31, 2013 and 2012 were 30.1 percent and 39.3 percent, respectively. The income tax provision for the three months ended March 31, 2013 was computed based on the Company's estimated effective tax rate and forecasted income by jurisdiction expected to be applicable for the full fiscal year, including the impact of any unusual or infrequent items. The relatively low effective tax rate for the three months ended March 31, 2013 as compared to the federal statutory rate of 35 percent was primarily due to foreign income which is taxed at lower rates.

Viad is required to estimate and record provisions for income taxes in each of the jurisdictions in which the Company operates. Accordingly, the Company must estimate its actual current income tax liability and assess temporary differences arising from the treatment of items for tax purposes as compared to the treatment for accounting purposes. These differences result in deferred tax assets and liabilities which are included in Viad's consolidated balance sheets. As of March 31, 2013 and December 31, 2012, Viad had gross deferred tax assets of \$73.3 million and \$77.2 million, respectively. These deferred tax assets reflect the expected future tax benefits to be realized upon reversal of deductible temporary differences and the utilization of net operating loss and tax credit carryforwards.

The Company considered all available positive and negative evidence regarding the future recoverability of its deferred tax assets, including the Company's recent operating history, taxpaying history and future reversals of deferred tax liabilities. The Company also evaluated its ability to utilize its foreign tax credits, given its recent utilization history. These tax credits are subject to a 10-year carryforward period and begin to expire in 2019. Based on the Company's assessment, it was determined during the fourth quarter of 2012 that the weight of the evidence indicated that certain deferred tax assets associated with foreign tax credit carryforwards no longer met the more-likely-than-not test regarding the realization of those assets. As of March 31, 2013 and December 31, 2012, Viad had a valuation allowance of \$14.7 million and \$14.6 million, respectively, related to certain federal, state and foreign deferred tax assets. With respect to all other deferred tax assets, management believes that recovery from future taxable income is more-likely-than-not.

As noted above, Viad uses considerable judgment in forming a conclusion regarding the recoverability of its deferred tax assets. As a result, there are inherent uncertainties regarding the ultimate realization of these assets, which is primarily dependent upon Viad's ability to generate sufficient taxable income in future periods. In future periods, it is reasonably possible that the relative weight of positive and negative evidence regarding the recoverability of Viad's deferred tax assets may change, which could result in a material increase in the Company's valuation allowance. If such an increase in the valuation allowance were to occur, it would result in increased income tax expense in the period the assessment was made.

Viad had accrued gross liabilities associated with uncertain tax positions for discontinued operations of \$636,000 as of both March 31, 2013 and December 31, 2012. In addition, as of March 31, 2013 and December 31, 2012, Viad had accrued interest and penalties related to uncertain tax positions for discontinued operations of \$426,000 and \$418,000, respectively. Future tax resolutions or settlements that may occur related to these uncertain tax positions would be recorded through discontinued operations (net of federal tax effects, if applicable). Viad does not expect any of the unrecognized tax benefits to be recognized during the next 12 months. As of both March 31, 2013 and December 31, 2012, liabilities associated with uncertain tax positions (including interest and penalties) of \$1.1 million were classified as non-current liabilities.

Note 14. Pension and Postretirement Benefits

The net periodic benefit cost of Viad's pension and postretirement benefit plans for the three months ended March 31 included the following components:

	Domestic Plans				Foreign	
	Pension Plans		Postretirement Benefit Plans		Pension Plans	
	2013	2012	2013	2012	2013	2012
	(in thousands)					
Service cost	\$ 30	\$ 27	\$ 46	\$ 37	\$ 137	\$ 122
Interest cost	261	297	173	197	181	184
Expected return on plan assets	(100)	(151)		(22)	(180)	(156)
Amortization of prior service credit			(225)	(278)		
Recognized net actuarial loss	149	130	141	154	10	6
Net periodic benefit cost	\$ 340	\$ 303	\$ 135	\$ 88	\$ 148	\$ 156

Viad expects to contribute \$2.0 million to its funded pension plans, \$1.1 million to its unfunded pension plans and \$400,000 to its postretirement benefit plans in 2013. During the three months ended March 31, 2013, Viad contributed \$721,000 to its funded pension plans and \$227,000 to its unfunded pension plans. However, due to timing of the fundings, Viad made no contributions to its postretirement benefit plans during the three months ended March 31, 2013.

Note 15. Restructuring Charges

During the three months ended March 31, 2013, Viad recorded net restructuring charges of \$720,000 primarily related to facility consolidations and the elimination of certain positions in the Marketing & Events Group. The amounts included in the restructuring liability as of March 31, 2013 related to future lease obligations which will be paid over the remaining lease terms, and severance and employee benefits that are expected to be paid by the end of 2013. The table below represents a reconciliation of Viad's restructuring liability by major restructuring activity:

	Marketing & Events Group Consolidation		Other Restructurings		Total
	Severance & Employee Benefits	Facilities	Severance & Employee Benefits (in thousands)	Facilities	
Balance at January 1, 2013	\$ 720	\$ 5,571	\$	\$ 933	\$ 7,224
Restructuring charges	1,049	350	13	(692)	720
Cash payments	(446)	(743)	(13)	(241)	(1,443)
Balance at March 31, 2013	\$ 1,323	\$ 5,178	\$	\$	\$ 6,501

Note 16. Litigation, Claims, Contingencies and Other

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims, some of which involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability as of March 31, 2013, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, including insurance coverage, will not have a material impact on the Company's business, financial position or results of operations.

Viad is subject to various U.S. federal, state and foreign laws and regulations governing the prevention of pollution and the protection of the environment in the jurisdictions in which Viad has or had operations. If the Company has failed to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and Viad could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, Viad also faces exposure to actual or potential claims and lawsuits involving environmental matters relating to its past operations. Although it is a party to certain environmental disputes, Viad believes that any resulting liabilities, after taking into consideration amounts already provided for, including insurance coverage, will not have a material effect on the Company's financial position or results of operations. As of March 31, 2013, there was a remaining environmental remediation liability of \$5.3 million related to previously sold operations of which \$499,000 was included in the consolidated balance sheets under the caption "Other current liabilities" and \$4.8 million under the caption "Other deferred items and liabilities."

As of March 31, 2013, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and relate to leased facilities entered into by Viad's subsidiary operations. The Company would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing as of March 31, 2013 would be \$19.0 million. These guarantees relate to leased facilities expiring through October 2017. There are no recourse provisions that would enable Viad to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements whereby Viad could recover payments.

Viad's businesses contribute to various multi-employer pension plans based on obligations arising under collective-bargaining agreements covering its union-represented employees. Based upon the information available to Viad from plan administrators, management believes that several of these multi-employer plans are underfunded. The Pension Protection Act of 2006 requires pension plans underfunded at certain levels to reduce, over defined time periods, the underfunded status. In addition, under current laws, the termination of a plan, or a voluntary withdrawal from a plan by Viad, or a shrinking contribution base to a plan as a result of the insolvency or withdrawal of other contributing employers to such plan, would require Viad to make payments to such plan for its proportionate share of the plan's unfunded vested liabilities. As of March 31, 2013, the amount of additional funding, if any, that Viad would be required to make related to multi-employer pension plans is not ascertainable.

Glacier Park operates the concession portion of its business under a concession contract with the U.S. National Park Service (the Park Service) for Glacier National Park. Glacier Park's original 25-year concession contract with the Park Service that was to expire on December 31, 2005 has been extended for eight one-year periods and now expires on December 31, 2013. Glacier Park generated approximately 49 percent of its 2012 revenues through its concession contract for services provided within Glacier National Park.

On December 14, 2012, the Park Service issued a prospectus soliciting proposals from prospective bidders, including Glacier Park, for the award of a 16-year concession contract beginning on January 1, 2014. Glacier Park submitted its bid for the contract on April 16, 2013. Although Viad believes that Glacier Park is well-positioned to win the new contract, if the Park Service selects a new concessionaire, Glacier Park would be entitled to \$25 million for its possessory interest, which generally means the value of the structures acquired or constructed, fixtures installed and improvements made to the concession property at Glacier National Park during the term of the concession contract, plus an additional estimated \$5 million to \$6 million for the personal property Glacier Park uses at the facilities covered by the concession contract.

If a new concessionaire is selected by the Park Service, Glacier Park would continue to generate revenue from the four properties it owns outside of Glacier National Park: Glacier Park Lodge in East Glacier, Montana; Grouse Mountain Lodge in Whitefish, Montana; St. Mary Lodge & Resort in St. Mary, Montana and the Prince of Wales Hotel in Waterton Lakes National Park, Alberta, which Glacier Park owns and operates under a 42-year ground lease with the Canadian government running through January 31, 2052. Glacier Park generated 24 percent of the Travel & Recreation Group's 2012 segment operating income.

Note 17. Segment Information

Viad measures profit and performance of its operations on the basis of segment operating income which excludes restructuring charges and recoveries and impairment charges and recoveries. For the purpose of discussing segment operations, Viad refers to segment operating income as calculated by subtracting segment direct expenses from segment revenues. Overhead and shared expenses, including share-based compensation costs, are not allocated to segment operations; they are reported in the caption Corporate activities. Similarly, references to operating margin regarding segment operations mean segment operating income divided by segment revenues. Intersegment sales are eliminated in consolidation and intersegment transfers are not significant. Corporate activities include expenses not allocated to operations. Depreciation and amortization and share-based compensation expense are the only significant non-cash items for the reportable segments.

Edgar Filing: VIAD CORP - Form 10-Q

Disclosures regarding Viad's reportable segments for the three months ended March 31 with reconciliations to consolidated totals are as follows:

	2013	2012
	(in thousands)	
Revenues:		
Marketing & Events Group:		
U.S.	\$ 218,341	\$ 206,874
International	60,048	57,778
Intersegment eliminations	(1,628)	(2,608)
	276,761	262,044
Travel & Recreation Group	8,402	6,728
	\$ 285,163	\$ 268,772
Segment operating income (loss):		
Marketing & Events Group:		
U.S.	\$ 14,115	\$ 7,248
International	4,392	3,857
	18,507	11,105
Travel & Recreation Group	(5,680)	(5,572)
	12,827	5,533
Corporate activities	(806)	(1,777)
	12,021	3,756
Interest income	138	169
Interest expense	(296)	(358)
Restructuring charges:		
Marketing & Events U.S.	194	(2,003)
Marketing & Events International	(901)	(222)
Travel & Recreation Group	(13)	
Income before income taxes	\$ 11,143	\$ 1,342
	March 31,	December 31,
	2013	2012
	(in thousands)	
Assets:		
Marketing & Events U.S.	\$ 210,242	\$ 203,145
Marketing & Events International	111,085	100,387
Travel & Recreation Group	215,529	223,199
Corporate and other	110,772	123,846
	\$ 647,628	\$ 650,577

Note 18. Impact of Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board issued new guidance related to the reporting of amounts reclassified out of accumulated other comprehensive income, which is codified in Accounting Standards Codification Topic 220. The new guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present significant amounts reclassified out of other comprehensive income by the respective line items of net income in certain circumstances, or otherwise cross-reference amounts to other disclosures. The adoption of this new guidance did not have an impact on Viad's financial condition or results of operations. See Note 10 for required disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with Viad Corp's condensed consolidated financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Viad Corp's actual results could differ materially from those anticipated due to various factors discussed under "Forward-Looking Statements" and elsewhere in this quarterly report.

Overview:

Viad Corp ("Viad" or the "Company") operates in three reportable business segments: Marketing & Events U.S., Marketing & Events International and Travel & Recreation Group.

The Marketing & Events Group, comprised of Global Experience Specialists, Inc. and affiliates ("GES"), specializes in all aspects of the design, planning and production of face-to-face events, immersive environments and brand-based experiences for clients, including show organizers, corporate brand marketers and retail shopping centers. In addition, the Marketing & Events Group provides a variety of immersive, entertaining attractions and brand-based experiences, sponsored events, mobile marketing and other branded entertainment and face-to-face marketing solutions for clients and venues, including shopping malls, movie studios, museums and leading consumer brands.

The Travel & Recreation Group segment consists of Brewster Inc. ("Brewster"), Glacier Park, Inc. ("Glacier Park") and Alaskan Park Properties, Inc. ("Alaska Denali Travel"). Brewster provides tourism services in the Canadian Rockies in Alberta and in other parts of Western Canada. Brewster's operations include the Banff Gondola, Columbia Icefield Glacier Adventure, motorcoach services, charter and sightseeing services, tour boat operations, inbound package tour operations and hotel operations. Brewster also operates the Banff International Hotel acquired on March 7, 2012. The Banff International Hotel is a 162-guest room hotel located in downtown Banff, Alberta, Canada. Glacier Park operates five lodges, three motor inns and one four-season resort hotel and provides food and beverage operations, retail operations and tour and transportation services in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada. Glacier Park is an 80 percent owned subsidiary of Viad. Alaska Denali Travel operates Denali Backcountry Lodge and Denali Cabins. In addition to lodging, Alaska Denali Travel also provides food and beverage operations and package tour and transportation services in and around Denali National Park and Preserve.

The following are financial highlights of the first quarter of 2013 presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"):

Viad Corp (Consolidated)

Total revenues of \$285.2 million, as compared to \$268.8 million in the first quarter of 2012

Net income attributable to Viad of \$8.1 million, as compared to \$1.0 million in the first quarter of 2012

Diluted income per share of \$0.40, as compared to \$0.05 in the first quarter of 2012

Cash and cash equivalents totaled \$95.7 million as of March 31, 2013

Debt was \$2.5 million as of March 31, 2013

Marketing & Events U.S.

Revenues of \$218.3 million, an increase of 5.5 percent from the first quarter of 2012

Edgar Filing: VIAD CORP - Form 10-Q

Segment operating income of \$14.1 million, as compared to \$7.2 million in the first quarter of 2012

Marketing & Events International

Revenues of \$60.0 million, an increase of 3.9 percent from the first quarter of 2012

Segment operating income of \$4.4 million, as compared to \$3.9 million in the first quarter of 2012

Travel & Recreation Group

Revenues of \$8.4 million, an increase of 24.9 percent from the first quarter of 2012

Segment operating loss of \$5.7 million, as compared to a loss of \$5.6 million in the first quarter of 2012

Non-GAAP Measure:

The following discussion includes a presentation of Adjusted EBITDA which is utilized by management to measure the profit and performance of Viad's operations and to facilitate period-to-period comparisons. Adjusted EBITDA is defined by Viad as net income attributable to Viad before interest expense, income taxes, depreciation and amortization, impairment losses and recoveries, changes in accounting principles and the effects of discontinued operations. The presentation of Adjusted EBITDA is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA is considered a useful operating metric as potential variations arising from taxes, depreciation, debt service costs, impairment losses and recoveries, changes in accounting principles and the effects of discontinued operations are eliminated, thus resulting in an additional measure considered to be indicative of Viad's ongoing operations. This non-GAAP measure should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.

Management believes that the presentation of Adjusted EBITDA provides useful information to investors regarding Viad's results of operations for trending, analyzing and benchmarking the performance and value of Viad's business. Management uses Adjusted EBITDA primarily as a performance measure and believes that the GAAP financial measure most directly comparable to Adjusted EBITDA is net income attributable to Viad. Although Adjusted EBITDA is used as a financial measure to assess the performance of the business, the use of Adjusted EBITDA is limited because it does not consider material costs, expenses and other items necessary to operate the business. These items include debt service costs, non-cash depreciation and amortization expense associated with long-lived assets, expenses related to U.S. federal, state, local and foreign income taxes, impairment losses or recoveries and the effects of accounting changes and discontinued operations. Because Adjusted EBITDA does not consider the above items, a user of Viad's financial information should consider net income attributable to Viad as an important measure of financial performance because it provides a more complete measure of the Company's performance.

A reconciliation of net income attributable to Viad to Adjusted EBITDA is as follows:

	Three months ended March 31,	
	2013	2012
	(in thousands)	
Net income attributable to Viad	\$ 8,065	\$ 1,027
Interest expense	296	358
Income tax expense	3,353	527
Depreciation and amortization	7,015	6,959
Adjusted EBITDA	\$ 18,729	\$ 8,871

The increase in Adjusted EBITDA of \$9.9 million for the first quarter of 2013, as compared to the first quarter of 2012, was primarily driven by higher segment operating results at the Marketing & Events Group and lower restructuring charges and corporate costs than in 2012. See Results of Operations below for a discussion of fluctuations.

Results of Operations:**Comparison of First Quarter of 2013 to the First Quarter of 2012**

Revenues for the first quarter of 2013 increased 6.1 percent to \$285.2 million, as compared to \$268.8 million in the first quarter of 2012. Viad's income before income taxes was \$11.1 million for the first quarter of 2013, as compared to \$1.3 million in the first quarter of 2012. These increases were primarily due to a continued focus on operating efficiencies, positive show rotation revenues and continued same-show growth at Viad's Marketing & Events Group, as well as expanded revenues at the Company's Travel & Recreation Group.

Net income attributable to Viad for the first quarter of 2013 was \$8.1 million, or \$0.40 per diluted share, as compared to \$1.0 million, or \$0.05 per diluted share, in the first quarter of 2012.

During the first quarter of 2013, foreign exchange rate variances had an unfavorable impact of \$1.4 million on revenues and \$205,000 on segment operating results, as compared to the first quarter of 2012. Viad conducts its foreign operations primarily in Canada, the United Kingdom, Germany and to a lesser extent in certain other countries.

The following table summarizes the effect of foreign exchange rate variances on revenues and segment operating results from Viad's significant international operations for the first quarter:

	Revenues			Segment Operating Results		
	Weighted-Average Exchange Rates		Effect of Rate Variance	Weighted-Average Exchange Rates		Effect of Rate Variance
	2013	2012	(thousands)	2013	2012	(thousands)
Marketing & Events Group:						
Canada	\$ 0.98	\$ 1.00	\$ (374)	\$ 0.95	\$ 1.01	\$ (84)
United Kingdom	\$ 1.55	\$ 1.59	\$ (933)	\$ 1.54	\$ 1.60	\$ (117)
Germany	\$ 1.31	\$ 1.33	\$ (25)	\$ 1.33	\$ 1.29	\$ (9)
Travel & Recreation Group:						