

VIAD CORP
Form 10-Q
August 07, 2009

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**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 June 30, 2009

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)

Delaware

36-1169950

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

**1850 North Central Avenue, Suite 800
Phoenix, Arizona**

85004-4545

(Address of principal executive offices)

(Zip Code)

(602) 207-4000

(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 Small reporting company
(Do not check if a smaller 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 July 31, 2009, 20,585,843 shares of common stock (\$1.50 par value) were outstanding.

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VIAD CORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2009	December 31, 2008
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 109,918	\$ 148,040
Accounts receivable, net of allowance for doubtful accounts of \$1,875 and \$2,556, respectively	73,065	53,541
Inventories	40,348	52,311
Deferred income taxes	17,883	19,695
Other current assets	14,468	14,453
Total current assets	255,682	288,040
Property and equipment, net	173,512	165,415
Other investments and assets	26,568	26,560
Deferred income taxes	14,847	18,996
Goodwill	217,984	212,461
Other intangible assets, net	17,601	17,932
Total Assets	\$ 706,194	\$ 729,404
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 52,989	\$ 57,702
Other current liabilities	74,398	109,059
Current portion of long-term debt and capital lease obligations	3,002	2,556
Total current liabilities	130,389	169,317
Long-term debt and capital lease obligations	10,915	10,087
Pension and postretirement benefits	25,222	25,121
Other deferred items and liabilities	56,953	57,790
Total liabilities	223,479	262,315
Commitments and contingencies (Note 15)		
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	602,322	623,781
Retained earnings	96,834	91,558
Unearned employee benefits and other	(7,430)	(7,881)

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Accumulated other comprehensive income (loss):		
Unrealized loss on investments	(1)	(62)
Cumulative foreign currency translation adjustments	16,657	6,233
Unrecognized net actuarial loss and prior service credit	(3,958)	(3,673)
Common stock in treasury, at cost, 4,357,423 and 4,655,956 shares, respectively	(265,418)	(286,803)
Total Viad Corp stockholders' equity	476,408	460,555
Noncontrolling interest	6,307	6,534
Total stockholders' equity	482,715	467,089
Total Liabilities and Stockholders' Equity	\$ 706,194	\$ 729,404

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June		Six months ended June 30,	
	2009	30, 2008	2009	2008
	(in thousands, except per share data)			
Revenues:				
Convention and event services	\$ 154,721	\$ 187,691	\$ 351,617	\$ 456,572
Exhibits and environments	40,638	65,693	79,804	126,405
Travel and recreation services	18,206	23,828	23,093	29,680
Total revenues	213,565	277,212	454,514	612,657
Costs and expenses:				
Costs of services	161,984	194,305	351,267	436,092
Costs of products sold	41,773	61,828	86,772	126,906
Corporate activities	703	2,219	2,206	4,653
Interest income	(132)	(653)	(393)	(1,753)
Interest expense	425	415	845	878
Restructuring charges	198		2,930	
Total costs and expenses	204,951	258,114	443,627	566,776
Income from continuing operations before income taxes				
	8,614	19,098	10,887	45,881
Income tax expense	3,311	6,107	4,212	16,297
Income from continuing operations	5,303	12,991	6,675	29,584
Loss from discontinued operations		(210)		(210)
Net income	5,303	12,781	6,675	29,374
Net loss attributable to noncontrolling interest	96	92	227	244
Net income attributable to Viad	\$ 5,399	\$ 12,873	\$ 6,902	\$ 29,618
Diluted income per common share				
Income from continuing operations attributable to Viad common stockholders	\$ 0.26	\$ 0.63	\$ 0.34	\$ 1.44
Loss from discontinued operations attributable to Viad common stockholders		(0.01)		(0.01)
Net income attributable to Viad common stockholders	\$ 0.26	\$ 0.62	\$ 0.34	\$ 1.43

Weighted-average outstanding and potentially dilutive common shares	20,170	20,666	20,167	20,678
Basic income per common share				
Income from continuing operations attributable to Viad common stockholders	\$ 0.26	\$ 0.63	\$ 0.34	\$ 1.44
Loss from discontinued operations attributable to Viad common stockholders		(0.01)		(0.01)
Net income attributable to Viad common stockholders	\$ 0.26	\$ 0.62	\$ 0.34	\$ 1.43
Weighted-average outstanding common shares	19,977	20,268	19,935	20,232
Dividends declared per common share	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.08
Amounts attributable to Viad common stockholders				
Income from continuing operations	\$ 5,399	\$ 13,083	\$ 6,902	\$ 29,828
Loss from discontinued operations		(210)		(210)
Net income	\$ 5,399	\$ 12,873	\$ 6,902	\$ 29,618

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June		Six months ended June 30,	
	2009	30, 2008	2009	2008
	(in thousands)			
Net income	\$ 5,303	\$ 12,781	\$ 6,675	\$ 29,374
Other comprehensive income (loss):				
Unrealized gains (losses) on investments:				
Holding gains (losses) arising during the period, net of tax	118	(14)	61	(144)
Unrealized foreign currency translation adjustments	15,504	(839)	10,424	(2,942)
Pension and postretirement benefit plans:				
Amortization of net actuarial loss, net of tax	22	72	95	143
Amortization of prior service credit, net of tax	(190)	(205)	(380)	(411)
Total other comprehensive income (loss)	15,454	(986)	10,200	(3,354)
Comprehensive income	20,757	11,795	16,875	26,020
Comprehensive loss attributable to noncontrolling interest	96	92	227	244
Comprehensive income attributable to Viad	\$ 20,853	\$ 11,887	\$ 17,102	\$ 26,264

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2009	2008
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 6,675	\$ 29,374
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	13,535	13,844
Deferred income taxes	5,739	4,747
Loss from discontinued operations		210
Restructuring charges	2,930	
Gains on dispositions of property and other assets	(14)	(89)
Share-based compensation expense	1,215	3,868
Tax benefit from share-based compensation arrangements		338
Excess tax benefit from share-based compensation arrangements		(287)
Other non-cash items, net	2,171	2,466
Change in operating assets and liabilities:		
Receivables	(20,213)	(34,191)
Inventories	11,963	(2,987)
Accounts payable	(3,758)	4,110
Restructuring liabilities	(2,668)	(963)
Accrued compensation	(15,605)	(11,422)
Customer deposits	(10,699)	(1,654)
Other assets and liabilities, net	(11,915)	(14,131)
Net cash used in operating activities	(20,644)	(6,767)
Cash flows from investing activities:		
Capital expenditures	(14,780)	(25,516)
Acquisition of business, net of cash acquired		(23,334)
Proceeds from sale of short-term investments		3,980
Proceeds from dispositions of property and other assets	28	520
Net cash used in investing activities	(14,752)	(44,350)
Cash flows from financing activities:		
Payments on debt and capital lease obligations	(1,606)	(1,325)
Dividends paid on common stock	(1,648)	(1,657)
Common stock purchased for treasury	(1,162)	(1,632)
Excess tax benefit from share-based compensation arrangements		287
Proceeds from exercise of stock options		1,621
Net cash used in financing activities	(4,416)	(2,706)
Effect of exchange rate changes on cash and cash equivalents	1,690	315

Net decrease in cash and cash equivalents	(38,122)	(53,508)
Cash and cash equivalents, beginning of year	148,040	165,069
Cash and cash equivalents, end of period	\$ 109,918	\$ 111,561
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes	\$ 6,727	\$ 13,179
Interest	\$ 475	\$ 697
Equipment acquired under capital leases	\$ 2,776	\$ 606

See Notes to Condensed Consolidated Financial Statements.

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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 and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Viad has performed an evaluation of subsequent events through August 6, 2009, and the financial statements were issued on August 7, 2009.

For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 2008, included in the Company s Form 10-K (File No. 001-11015), filed with the Securities and Exchange Commission on February 27, 2009.

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 GES Exposition Services, Inc. (GES), Experiential Marketing Services and Travel & Recreation Group. The Experiential Marketing Services segment consists of Exhibitgroup/Giltspur and The Becker Group, Ltd. (Becker Group). The Travel & Recreation Group segment consists of Brewster Inc. (Brewster) and Glacier Park, Inc. (Glacier Park). Glacier Park is an 80 percent owned subsidiary of Viad. In July 2009, Viad announced a strategic reorganization to align its brands and operations into two business units: the Marketing & Events Group (which includes Viad s GES and Experiential Marketing Services segments) and the Travel & Recreation Group (which includes Brewster and Glacier Park).

Note 2. Share-Based Compensation

Viad grants share-based compensation awards to officers, directors and certain key employees pursuant to the 2007 Viad Corp Omnibus Incentive Plan (the 2007 Plan). The 2007 Plan has a ten-year life and provides for the following types of awards: (a) incentive and non-qualified stock options; (b) restricted stock and restricted stock units; (c) performance units or performance shares; (d) stock appreciation rights; (e) cash-based awards and (f) certain other stock-based awards. The number of shares of common stock available for grant under the 2007 Plan is limited to 1,700,000 shares plus shares awarded under the 1997 Viad Corp Omnibus Incentive Plan (which terminated in May 2007) that subsequently cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent the shares are exercised for, or settled in, vested and non-forfeited shares) up to an aggregate maximum of 1,500,000 shares. Viad issues shares related to its share-based compensation awards from shares held in treasury.

Total share-based compensation expense recognized in the consolidated financial statements during the three months ended June 30, 2009 and 2008 was \$982,000 and \$1.2 million, respectively, and \$1.2 million and \$3.9 million during the six months ended June 30, 2009 and 2008, respectively. The total tax benefits related to such costs were \$359,000 and \$436,000 for the three months ended June 30, 2009 and 2008, respectively, and \$420,000 and \$1.5 million for the six months ended June 30, 2009 and 2008, respectively. No share-based compensation costs were capitalized during the six months ended June 30, 2009 or 2008.

Restricted stock and performance-based restricted stock (PBRS) awards were granted during the six months ended June 30, 2009 and 2008. Restricted stock awards vest between three and five years from the date of grant and share-based compensation expense for all awards granted prior to 2009 is recognized using the straight-line method over the requisite service period. Shares of restricted stock granted in 2009 with a five year vesting period are subject to a graded vesting schedule whereby 40 percent of the shares vest on the third anniversary of the grant and the remaining shares vest in 30 percent increments over the subsequent two anniversary dates. Share-based compensation expense of these awards is recognized based on an accelerated multiple-award approach over the requisite service

period, which is approximately five years. All other restricted stock awards granted in 2009 are recognized using the straight-line method over the requisite service period, which is approximately three years.

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PBRS awards vest based on the extent to which certain incentive performance targets established in the year of grant are achieved. PBRS is subject to a graded vesting schedule whereby one third of the earned shares vest after the first year and the remaining earned shares vest in one-third increments each year over the next two years on the first business day in January.

Share-based compensation expense of restricted stock and PBRS for the three months ended June 30, 2009 and 2008 was \$868,000 and \$1.3 million, respectively, and \$2.0 million and \$2.5 million during the six months ended June 30, 2009 and 2008. Viad expects to recognize the unamortized cost of all outstanding restricted stock and PBRS awards in the consolidated financial statements over weighted-average periods of approximately 2.2 years and 1.1 years, respectively. During the six months ended June 30, 2009 and 2008, the Company repurchased 68,715 shares for \$1.2 million and 50,061 shares for \$1.6 million, respectively, related to tax withholding requirements on vested share-based awards.

The following table summarizes restricted stock and PBRS activity during the six months ended June 30, 2009:

	Restricted Stock		PBRS	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Balance at January 1, 2009	358,285	\$ 34.25	94,828	\$ 34.56
Granted	220,133	15.36	162,600	15.36
Vested	(176,312)	31.05	(46,701)	34.21
Forfeited	(11,096)	27.55	(4,500)	19.46
Balance at June 30, 2009	391,010	25.24	206,227	19.83

In addition to the awards in the table above, during the six months ended June 30, 2009, Viad granted 13,700 restricted stock units and 13,900 PBRS units to key employees at certain of the Company's Canadian operations. These awards will be settled in cash based on the market price of Viad's common stock. The aggregate liability is recorded at estimated fair value and is remeasured on each balance sheet date until the time of cash settlement. As of June 30, 2009, Viad had a liability recorded of \$50,000 related to these awards.

During the six months ended June 30, 2008, Viad granted awards totaling 101,940 units to key employees under the performance unit incentive plan (PUP) pursuant to the 2007 Plan. PUP awards are earned based on the level of achievement of predefined performance goals over a three-year performance period. As of June 30, 2009 and December 31, 2008, Viad had liabilities recorded of \$34,000 and \$2.9 million related to the PUP awards, respectively. Share-based compensation expense attributable to PUP awards (recognized ratably over the requisite service period of approximately three years) for the six months ended June 30, 2009 and 2008 was a credit of \$1.1 million and expense of \$813,000, respectively. The PUP awards for the 2006-2008 and 2005-2007 periods vested December 31, 2008 and 2007, respectively, and payouts of \$998,000 and \$6.7 million were distributed in March 2009 and 2008, respectively. No PUP awards vested during the six months ended June 30, 2009 or 2008 nor were there any additional cash settlements of PUP awards or any other share-based compensation awards during those periods. Viad did not grant any PUP awards during the six months ended June 30, 2009.

The following table summarizes stock option activity during the six months ended June 30, 2009:

	Shares	Weighted-Average Exercise Price	Options
			Exercisable
Options outstanding at January 1, 2009	606,660	\$ 25.86	459,612
Forfeited	(45,756)	27.84	

Options outstanding at June 30, 2009	560,904	25.70	474,508
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The following table summarizes information concerning stock options outstanding and exercisable as of June 30, 2009:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$18.40 to \$20.77	74,945	3.4 years	\$ 19.58	74,945	\$ 19.58
\$22.29 to \$24.05	100,677	1.5 years	23.88	100,677	23.88
\$24.22 to \$26.07	161,707	2.5 years	25.13	151,707	25.14
\$26.31 to \$26.49	150,750	2.6 years	26.34	118,404	26.34
\$30.82 to \$38.44	72,825	4.7 years	34.48	28,775	34.13
\$18.40 to \$38.44	560,904	2.7 years	25.70	474,508	24.84

In addition to the above, Viad had stock options outstanding which were granted to employees of MoneyGram International, Inc. (MoneyGram) prior to the spin-off of that company in 2004. As of June 30, 2009, there were 49,089 of such options outstanding and exercisable, both with exercise prices ranging from \$17.74 to \$26.31. The weighted-average remaining contractual life of these options outstanding was approximately 1.9 years. During the six months ended June 30, 2009, there were no options exercised by MoneyGram employees.

The stock options outstanding as of June 30, 2009 had no intrinsic value based on the weighted-average exercise price and Viad's closing stock price of \$17.22 as of June 30, 2009. The total intrinsic value of stock option awards exercised during the six months ended June 30, 2008 was \$1.6 million. During the six months ended June 30, 2008, Viad received cash proceeds from the exercise of stock options of \$1.6 million. Share-based compensation expense related to stock option awards was \$105,000 and \$267,000 for the three months ended June 30, 2009 and 2008, respectively, and \$312,000 and \$546,000 for the six months ended June 30, 2009 and 2008, respectively. No stock options were exercised during the six months ended June 30, 2009. The fair value of stock options that vested during the six months ended June 30, 2009 and 2008 was \$599,000 and \$575,000. The tax benefit realized for the tax deductions related to the exercise of stock options and vesting of share-based awards for the six months ended June 30, 2008 was \$338,000.

Note 3. Acquisition of Business

On January 4, 2008, Viad completed the acquisition of Becker Group. In connection with the acquisition, the Company paid \$24.3 million in cash and incurred \$325,000 of direct acquisition costs, which were capitalized in the purchase price. Viad's consolidated financial statements include the results of operations of Becker Group from the date of acquisition. The Company initially recorded \$11.6 million of goodwill in connection with the transaction, which was included in the Experiential Marketing Services reporting segment. The primary factors that contributed to a purchase price resulting in the recognition of goodwill include Becker Group's strong presence and reputation in its established markets, future growth opportunities and its experienced management team. The goodwill related to the Becker Group acquisition is not deductible for tax purposes. The amounts initially assigned to other intangible assets included \$3.7 million of non-amortizable trademarks and trade names and \$11.3 million of intangible assets subject to amortization. In the fourth quarter of 2008, Viad recorded a goodwill impairment loss of \$6.5 million, other intangible asset impairment losses of \$1.1 million and a long-lived asset impairment loss of \$1.0 million related to Becker Group.

Note 4. Inventories

The components of inventories were as follows:

June 30, 2009	December 31, 2008
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	(in thousands)	
Raw materials	\$ 28,887	\$ 30,683
Work in process	11,461	21,628
Inventories	\$ 40,348	\$ 52,311

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Property and equipment consisted of the following:

	June 30, 2009	December 31, 2008
	(in thousands)	
Land	\$ 24,418	\$ 23,623
Buildings and leasehold improvements	91,968	88,999
Equipment and other	285,427	267,175
	401,813	379,797
Accumulated depreciation	(228,301)	(214,382)
Property and equipment, net	\$ 173,512	\$ 165,415

Depreciation expense for the three months ended June 30, 2009 and 2008 was \$6.7 million and \$6.5 million, respectively, and for the six months ended June 30, 2009 and 2008 was \$12.6 million and \$12.3 million, respectively.

Note 6. Goodwill and Other Intangible Assets

During the six months ended June 30, 2009, Viad completed interim impairment evaluations of goodwill and other intangible assets, primarily as a result of the current recessionary environment and its impact on the exhibition and events industry. During the six months ended June 30, 2009, there were further reductions in the Company's full-year 2009 operating forecasts due to substantial uncertainties in the marketplace and lower expected customer spending for its goods and services. Viad's interim impairment testing of goodwill and other intangible assets did not result in any impairment losses during the six months ended June 30, 2009. However, the Company continues to experience a further narrowing of the margin between the estimated fair values of its reporting units and their related net book values under step one of the impairment test. Due to the substantial uncertainties in the current economic environment, a further reduction in the Company's 2009 expected revenue, operating income or cash flow forecasts, or an increase in reporting unit cost of capital, could trigger additional interim impairment testing, which may result in impairment losses. Furthermore, management continues to monitor the market capitalization of the Company as declines in market capitalization could be indicative of possible goodwill impairment. An ongoing decline in market capitalization could result in future impairment charges.

The changes in the carrying amount of goodwill for the six months ended June 30, 2009 were as follows:

	GES	Experiential Marketing	Travel and Recreation	Total
	(in thousands)			
Balance at January 1, 2009	\$ 174,018	\$ 5,063	\$ 33,380	\$ 212,461
Foreign currency translation adjustments	3,650		1,873	5,523
Balance at June 30, 2009	\$ 177,668	\$ 5,063	\$ 35,253	\$ 217,984

A summary of other intangible assets as of June 30, 2009 is presented below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in thousands)		
Amortized intangible assets:			
Customer contracts and relationships	\$ 8,713	\$ (1,503)	\$ 7,210

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Design libraries	2,020	(339)	1,681
Non-compete agreements	1,790	(1,654)	136
Proprietary technology	763	(421)	342
Other	115	(47)	68
	13,401	(3,964)	9,437
Unamortized intangible assets:			
Trademarks and trade names	8,134		8,134
Other	30		30
	8,164		8,164
Total	\$ 21,565	\$ (3,964)	\$ 17,601

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A summary of other intangible assets as of December 31, 2008 is presented below:

	Gross Carrying Value	Accumulated Amortization (in thousands)	Net Carrying Value
Amortized intangible assets:			
Customer contracts and relationships	\$ 8,634	\$ (901)	\$ 7,733
Design libraries	2,020	(226)	1,794
Non-compete agreements	1,933	(1,634)	299
Proprietary technology	735	(293)	442
Other	79	(35)	44
	13,401	(3,089)	10,312
Unamortized intangible assets:			
Trademarks and trade names	7,590		7,590
Other	30		30
	7,620		7,620
Total	\$ 21,021	\$ (3,089)	\$ 17,932

Intangible asset amortization expense for the three months ended June 30, 2009 and 2008 was \$513,000 and \$758,000, respectively, and \$981,000 and \$1.6 million for the six months ended June 30, 2009 and 2008, respectively. Estimated amortization expense related to amortized intangible assets for future periods is expected to be as follows:

	(in thousands)
2009	\$ 1,072
2010	\$ 1,935
2011	\$ 1,581
2012	\$ 1,192
2013 and thereafter	\$ 3,657

Note 7. Accrued Liabilities and Other

Other current liabilities consisted of the following:

	June 30, 2009	December 31, 2008
	(in thousands)	
Continuing operations:		
Customer deposits	\$ 32,312	\$ 43,011
Accrued compensation	13,888	29,048
Self-insured liability accrual	8,470	8,258
Accrued sales and use taxes	3,766	3,473
Accrued restructuring	2,086	2,337
Accrued dividends	846	840
Accrued income taxes	250	5,199

Other	10,103	13,427
	71,721	105,593
Discontinued operations:		
Environmental remediation liabilities	1,750	2,208
Self-insured liability accrual	682	461
Other	245	797
	2,677	3,466
Total other current liabilities	\$ 74,398	\$ 109,059

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Other deferred items and liabilities consisted of the following:

	June 30, 2009	December 31, 2008
	(in thousands)	
Continuing operations:		
Self-insured liability accrual	\$ 13,975	\$ 14,387
Accrued income taxes	5,579	5,462
Accrued compensation	4,749	5,194
Accrued restructuring	4,564	4,207
Foreign deferred tax liability	3,428	3,340
Deferred gain on sale of property	1,129	1,612
Other	5,626	5,296
	39,050	39,498
Discontinued operations:		
Self-insured liability accrual	9,087	9,435
Environmental remediation liabilities	5,163	5,516
Accrued income taxes	929	909
Other	2,724	2,432
	17,903	18,292
Total other deferred items and liabilities	\$ 56,953	\$ 57,790

Note 8. Debt

As of June 30, 2009, Viad's total debt of \$13.9 million consisted of \$6.2 million of capital lease obligations and a \$7.7 million borrowing under the Company's secured revolving credit agreement (the "Credit Facility"). The Credit Facility provides for a \$150 million revolving line of credit, which may be increased up to an additional \$75 million under certain circumstances. The term of the Credit Facility is five years (expiring on June 15, 2011) and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to \$75 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.

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 0.15 percent annually. As of June 30, 2009, Viad had \$135.8 million of capacity remaining under its Credit Facility reflecting an outstanding borrowing of \$7.7 million and outstanding letters of credit of \$6.5 million. Financial covenants include a fixed-charge coverage ratio of not less than 1.25 to 1, a leverage ratio of not greater than 2.75 to 1 and a minimum consolidated net worth requirement. Viad's consolidated net worth must not be less than \$344.6 million plus 50 percent of positive quarterly net income attributable to Viad earned in each fiscal quarter beginning with the quarter ended June 30, 2006, plus net cash proceeds from all issuances of capital stock minus the amount of capital stock repurchased (\$357.9 million as of June 30, 2009). As of June 30, 2009, the fixed-charge coverage and leverage ratios were 1.62 to 1 and 0.37 to 1, respectively, and Viad's consolidated net worth was \$482.7 million. Significant other covenants include limitations on: investments, common stock dividends, stock repurchases, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers and liens on property. The terms of the Credit Facility restrict Viad from paying more than \$10 million in dividends in the

aggregate in any calendar year. As of June 30, 2009, Viad was in compliance with all covenants. The estimated fair value of total debt was \$13.9 million and \$12.6 million as of June 30, 2009 and December 31, 2008, 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.

Table of Contents**Note 9. Stockholders Equity**

The following represents a reconciliation of the carrying amounts of stockholders equity attributable to Viad and the noncontrolling interest for the six months ended June 30, 2009:

	Total Viad Stockholders Equity	Noncontrolling Interest (in thousands)	Total Stockholders Equity
Balance at January 1, 2009	\$ 460,555	\$ 6,534	\$ 467,089
Net income (loss)	6,902	(227)	6,675
Dividends on common stock	(1,648)		(1,648)
Common stock purchased for treasury	(1,162)		(1,162)
Employee benefit plans	1,039		1,039
Unrealized foreign currency translation adjustment	10,424		10,424
Unrealized loss on investments	61		61
Amortization of prior service cost and net actuarial loss	(285)		(285)
ESOP allocation adjustment	500		500
Other	22		22
Balance at June 30, 2009	\$ 476,408	\$ 6,307	\$ 482,715

The following represents a reconciliation of the carrying amounts of stockholders equity attributable to Viad and the noncontrolling interest for the six months ended June 30, 2008:

	Total Viad Stockholders Equity	Noncontrolling Interest (in thousands)	Total Stockholders Equity
Balance at January 1, 2008	\$ 469,845	\$ 5,984	\$ 475,829
Net income (loss)	29,618	(244)	29,374
Dividends on common stock	(1,657)		(1,657)
Common stock purchased for treasury	(1,632)		(1,632)
Employee benefit plans	5,011		5,011
Unrealized foreign currency translation adjustment	(2,942)		(2,942)
Unrealized loss on investments	(144)		(144)
Amortization of prior service cost and net actuarial loss	(268)		(268)
ESOP allocation adjustment	500		500
Other	(7)	(1)	(8)
Balance at June 30, 2008	\$ 498,324	\$ 5,739	\$ 504,063

Note 10. 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.
- Level 3 Unobservable inputs to the valuation methodology that are significant to the measurement of fair value.

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Viad measures its money market mutual funds and certain other mutual fund investments at fair value on a recurring basis using Level 1 inputs. Viad's money market mutual funds are included under the caption "Cash and cash equivalents" in the consolidated balance sheets and its other mutual fund investments are included under the caption "Other investments and assets" in the consolidated balance sheets. The fair value information related to these assets is summarized in the following table:

	Fair Value Measurements at June 30, 2009			
	Using			
	June 30,	Quoted	Significant	Significant
	2009	Prices	Other	Unobserved
		in Active	Observable	
		Markets for	Inputs	Inputs
		Identical	(Level 2)	(Level 3)
		Assets	(in thousands)	
		(Level 1)		
Assets:				
Money market funds	\$ 21,365	\$ 21,365	\$	\$
Other mutual funds	1,705	1,705		
Total	\$ 23,070	\$ 23,070	\$	\$

As of June 30, 2009 and December 31, 2008, Viad had investments in money market mutual funds of \$21.4 million and \$82.3 million, respectively, which were 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 both June 30, 2009 and December 31, 2008, Viad had investments in other mutual funds of \$1.7 million which were 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 June 30, 2009 and December 31, 2008, there were unrealized losses on the investments of \$2,000 (\$1,000 after-tax) and \$101,000 (\$62,000 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 8.

Table of Contents**Note 11. Income Per Share**

A reconciliation of the numerators and denominators of diluted and basic per share computations for net income attributable to Viad is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share data)			
Basic net income per share				
Numerator:				
Net income attributable to Viad	\$ 5,399	\$ 12,873	\$ 6,902	\$ 29,618
Less: Allocation to nonvested shares	(164)	(283)	(188)	(640)
Net income allocated to Viad common stockholders	\$ 5,235	\$ 12,590	\$ 6,714	\$ 28,978
Denominator:				
Weighted-average outstanding common shares	19,977	20,268	19,935	20,232
Net income attributable to Viad common stockholders	\$ 0.26	\$ 0.62	\$ 0.34	\$ 1.43
Diluted net income per share				
Numerator:				
Net income attributable to Viad	\$ 5,399	\$ 12,873	\$ 6,902	\$ 29,618
Denominator:				
Weighted-average outstanding shares	19,977	20,268	19,935	20,232
Additional dilutive shares related to share-based compensation	193	398	232	446
Weighted-average outstanding and potentially dilutive shares	20,170	20,666	20,167	20,678
Net income attributable to Viad common stockholders ⁽¹⁾	\$ 0.26	\$ 0.62	\$ 0.34	\$ 1.43

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

All outstanding options to purchase shares of common stock during the six months ended June 30, 2009 were not included in the computation of diluted income per share because the effect would be anti-dilutive. Options to purchase 39,962 shares of common stock were outstanding during the six months ended June 30, 2008 but were not included in the computation of diluted income per share because the effect would be anti-dilutive.

Note 12. Income Taxes

The following represents a reconciliation of income tax expense and the amount that would be computed using the statutory federal income tax rates for the six months ended June 30:

	2009		2008	
	(in thousands)			
Computed income tax expense at statutory federal income tax rate of 35%	\$ 3,810	35.0%	\$ 16,058	35.0%
State income taxes, net of federal benefit	339	3.1%	1,641	3.6%
Tax resolutions, net		0.0%	(853)	(1.9%)
Other, net	63	0.6%	(549)	(1.2%)
Income tax expense	\$ 4,212	38.7%	\$ 16,297	35.5%

Viad is subject to regular and recurring audits by the taxing authorities in the jurisdictions in which the Company conducts or had previously conducted operations. These include U.S. federal and most state jurisdictions, and certain foreign jurisdictions including Canada, the United Kingdom and Germany.

Viad exercises judgment in determining its income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain. As of both June 30, 2009 and December 31, 2008, Viad had accrued gross liabilities associated with uncertain tax positions for continuing operations of \$3.5 million. In addition, as of June 30, 2009 and December 31, 2008, Viad had accrued interest and penalties related to uncertain tax positions for continuing operations of \$2.3 million and \$2.2 million, respectively. Viad classifies interest and penalties related to income tax liabilities as a component of income tax expense. During the three months ended June 30, 2009 and 2008, Viad recorded tax-related interest expense of \$52,000 and \$313,000, respectively. During the six months ended June 30, 2009 and 2008, Viad recorded tax-related interest expense of \$116,000 and \$605,000, respectively.

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Viad also had accrued gross liabilities associated with uncertain tax positions for discontinued operations of \$636,000 as of both June 30, 2009 and December 31, 2008. In addition, as of June 30, 2009 and December 31, 2008, Viad had accrued interest and penalties related to uncertain tax positions for discontinued operations of \$294,000 and \$273,000, 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).

As of June 30, 2009, the amount of unrecognized tax benefits for continuing operations of \$2.4 million (including federal income tax effects of \$1.1 million) would favorably affect Viad's effective tax rate, if recognized, as the related uncertain tax positions are permanent in nature. However, if amounts accrued are less than amounts ultimately assessed by the taxing authorities, Viad would record additional income tax expense. To the extent that the Company has favorable tax settlements, or determines that accrued amounts are no longer needed due to a lapse in the applicable statute of limitations or other reasons, such liabilities would be reversed as a reduction of income tax expense (net of federal tax effects, if applicable) in the period such determination is made.

The Company had been subject to certain foreign tax audits in multiple Canadian jurisdictions related to the 2001 through 2005 tax years. As a result of such audits, certain issues had been raised regarding the tax treatment of specific intercompany debt transactions. These uncertain tax positions had been accrued as tax liabilities, as the Company had not previously recognized any tax benefits associated with those transactions in its income tax provision. During the fourth quarter of 2008, Viad reached a joint settlement agreement with the Canadian taxing jurisdictions pertaining to the 2001 through 2005 tax audits. The settlement agreement resulted in gross tax reassessments of \$4.9 million (consisting of \$3.5 million of tax due and \$1.4 million of related interest). Viad paid the reassessments of \$4.9 million during the six months ended June 30, 2009. In addition, the joint settlement agreement also resulted in certain tax reassessments for which the Company would receive aggregate tax refunds of \$1.9 million. The Company received these refunds during the six months ended June 30, 2009.

The Company has uncertain tax positions in U.S. federal and various state jurisdictions for which the unrecognized tax benefits may significantly decrease due to effective settlements or a lapse in the applicable statute of limitations. These tax positions primarily relate to the deductibility of certain expenses and the method of filing for combined and separate entities. Accordingly, the Company believes that it is reasonably possible that approximately \$3.1 million (excluding federal income tax effects of \$1.0 million) of its uncertain tax positions and approximately \$1.7 million of related interest and penalties (excluding federal income tax effects of \$422,000) could be resolved or settled within the next 12 months, which would reduce the amount of accrued income taxes payable. If such tax resolutions or settlements occur, they could result in cash payments, the recognition of additional income tax expense, or the reversal of accrued income taxes, which may impact Viad's effective tax rate in future periods.

Viad's 2005 through 2008 U.S. federal tax years and various state tax years from 2002 through 2008 remain subject to income tax examinations by tax authorities. In addition, tax years from 2004 through 2008 related to Viad's foreign taxing jurisdictions also remain subject to examination.

Viad classifies liabilities associated with uncertain tax positions as non-current liabilities in its consolidated balance sheets unless they are expected to be paid within the next year. As of June 30, 2009 and December 31, 2008, liabilities associated with uncertain tax positions (including interest and penalties) of \$6.5 million and \$6.4 million, respectively, were classified as non-current liabilities.

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Note 13. Pension and Postretirement Benefits

The net periodic benefit cost of Viad's pension and postretirement benefit plans for the three months ended June 30 included the following components: