**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, 2018**

**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 | | | (I.R.S. Employer |
| incorporation or organization | | | Identification No.) |
| **1850 North Central Avenue, Suite 1900** | | |  |
| **Phoenix, Arizona** | | | **85004-4565** |
| (Address of principal executive offices) | | | (Zip Code) |
| **(602) 207-1000** | |  |  |
| (Registrant’s telephone number, including area code) | | |  |
|  | **Not Applicable** | |  |
| (Former name, former address, and former fiscal year, if changed since last report) | | |  |



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 Website, 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 registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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) | Smaller reporting company | ☐ |
|  |  | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒ As of May 7, 2018, there were 20,479,453 shares of Common Stock ($1.50 par value) outstanding.



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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In this report, for periods presented, “we,” “us,” “our,” “the Company,” and “Viad Corp” refer to Viad Corp and its subsidiaries and affiliates.



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**PART I - FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**VIAD CORP**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **December 31,** | |
| *(in thousands, except share data)* |  | **2018** |  |  |  | **2017** |  |
| **Assets** |  |  |  |  |  |  |  |
| **Current assets** |  |  |  |  |  |  |  |
| Cash and cash equivalents | $ | 42,340 |  | $ | | 53,723 |  |
| Accounts receivable, net of allowances for doubtful accounts of $1,953 and $2,023, |  |  |  |  |  |  |  |
| respectively |  | 118,284 |  |  |  | 104,811 |  |
| Inventories |  | 17,514 |  |  |  | 17,550 |  |
| Current contract costs |  | 22,620 |  |  |  | 13,436 |  |
| Other current assets |  | 23,077 |  |  |  | 19,741 |  |
| **Total current assets** |  | 223,835 |  |  |  | 209,261 |  |
| Property and equipment, net |  | 316,879 |  |  |  | 305,571 |  |
| Other investments and assets |  | 48,789 |  |  |  | 48,187 |  |
| Deferred income taxes |  | 28,055 |  |  |  | 23,548 |  |
| Goodwill |  | 269,794 |  |  |  | 270,551 |  |
| Other intangible assets, net |  | 60,795 |  |  |  | 62,781 |  |
| **Total Assets** | $ | 948,147 |  |  | $ | 919,899 |  |
| **Liabilities and Stockholders’ Equity** |  |  |  |  |  |  |  |
| **Current liabilities** |  |  |  |  |  |  |  |
| Accounts payable | $ | 82,019 |  | $ | | 77,380 |  |
| Contract liabilities |  | 51,891 |  |  |  | 31,981 |  |
| Accrued compensation |  | 18,734 |  |  |  | 30,614 |  |
| Other current liabilities |  | 50,817 |  |  |  | 40,154 |  |
| Current portion of debt and capital lease obligations |  | 178,252 |  |  |  | 152,599 |  |
| **Total current liabilities** |  | 381,713 |  |  |  | 332,728 |  |
| Long-term debt and capital lease obligations |  | 53,066 |  |  |  | 56,593 |  |
| Pension and postretirement benefits |  | 28,153 |  |  |  | 28,135 |  |
| Other deferred items and liabilities |  | 48,786 |  |  |  | 52,858 |  |
| **Total liabilities** |  | 511,718 |  |  |  | 470,314 |  |
| Commitments and contingencies |  |  |  |  |  |  |  |
| Redeemable noncontrolling interest |  | 6,950 |  |  |  | 6,648 |  |
| **Stockholders’ equity** |  |  |  |  |  |  |  |
| Viad Corp stockholders’ equity: |  |  |  |  |  |  |  |
| Common stock, $1.50 par value, 200,000,000 shares authorized, 24,934,981 shares |  |  |  |  |  |  |  |
| issued and outstanding |  | 37,402 |  |  |  | 37,402 |  |
| Additional capital |  | 573,223 |  |  |  | 574,458 |  |
| Retained earnings |  | 55,000 |  |  |  | 65,836 |  |
| Unearned employee benefits and other |  | 207 |  |  |  | 218 |  |
| Accumulated other comprehensive loss |  | (25,848) | |  |  | (22,568) | |
| Common stock in treasury, at cost, 4,468,334 and 4,518,099 shares, respectively |  | (223,947) | |  |  | (226,215) | |
| **Total Viad stockholders’ equity** |  | 416,037 |  |  |  | 429,131 |  |
| **Non-redeemable noncontrolling interest** |  | 13,442 |  |  |  | 13,806 |  |
| **Total stockholders’ equity** |  | 429,479 |  |  |  | 442,937 |  |
| **Total Liabilities and Stockholders’ Equity** | $ | 948,147 |  |  | $ | 919,899 |  |
|  |  |  |  |  |  |  |  |

Refer to Notes to Condensed Consolidated Financial Statements.

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**VIAD CORP**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands, except per share data)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| **Revenue:** |  |  |  |  |  |  |  |  |
| Services | $ | 245,548 |  | $ | | 290,643 |  |  |
| Products |  | 31,880 |  |  |  | 35,164 |  |  |
| **Total revenue** |  | 277,428 |  |  |  | 325,807 |  |  |
| **Costs and expenses:** |  |  |  |  |  |  |  |  |
| Costs of services |  | 257,295 |  |  |  | 280,638 |  |  |
| Costs of products |  | 31,122 |  |  |  | 32,102 |  |  |
| Business interruption gain |  | (190) | |  |  | (53) | |  |
| Corporate activities |  | 2,217 |  |  |  | 2,541 |  |  |
| Interest income |  | (84) | |  |  | (58) | |  |
| Interest expense |  | 2,069 |  |  |  | 2,105 |  |  |
| Other expense |  | 238 |  |  |  | 452 |  |  |
| Restructuring charges |  | 162 |  |  |  | 394 |  |  |
| Impairment recoveries |  | — | |  |  | (2,384) | |  |
| **Total costs and expenses** |  | 292,829 |  |  |  | 315,737 |  |  |
| **Income (loss) from continuing operations before income taxes** |  | (15,401) |  |  |  | 10,070 |  |  |
| Income tax expense (benefit) |  | (4,638) | |  |  | 2,741 |  |  |
| **Income (loss) from continuing operations** |  | (10,763) |  |  |  | 7,329 |  |  |
| Income (loss) from discontinued operations |  | 928 |  |  |  | (816) | |  |
| **Net income (loss)** |  | (9,835) |  |  |  | 6,513 |  |  |
| Net loss attributable to non-redeemable noncontrolling interest |  | 364 |  |  |  | 264 |  |  |
| Net loss attributable to redeemable noncontrolling interest |  | 84 |  |  |  | — | |  |
| **Net income (loss) attributable to Viad** | $ | (9,387) |  |  | $ | 6,777 |  |  |
| **Diluted income (loss) per common share:** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Continuing operations attributable to Viad common stockholders | $ | (0.51) | | $ | | 0.37 |  |  |
| Discontinued operations attributable to Viad common stockholders |  | 0.04 |  |  |  | (0.04) | |  |
| **Net income (loss) attributable to Viad common stockholders** | $ | (0.47) |  |  | $ | 0.33 |  |  |
| Weighted-average outstanding and potentially dilutive common |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| shares |  | 20,207 |  |  |  | 20,346 |  |  |
| **Basic income (loss) per common share:** |  |  |  |  |  |  |  |  |
| Continuing operations attributable to Viad common stockholders | $ | (0.51) | | $ | | 0.37 |  |  |
| Discontinued operations attributable to Viad common stockholders |  | 0.04 |  |  |  | (0.04) | |  |
| **Net income (loss) attributable to Viad common stockholders** | $ | (0.47) |  |  | $ | 0.33 |  |  |
| Weighted-average outstanding common shares |  | 20,207 |  |  |  | 20,083 |  |  |
| Dividends declared per common share |  |  |  |  | |  |  |  |
| $ | 0.10 |  |  | $ | 0.10 |  |  |
| **Amounts attributable to Viad common stockholders** |  |  |  |  |  |  |  |  |
| Income (loss) from continuing operations | $ | (10,315) | | $ | | 7,593 |  |  |
| Loss from discontinued operations |  | 928 |  |  |  | (816) | |  |
| **Net income (loss)** | $ | (9,387) |  |  | $ | 6,777 |  |  |
|  |  |  |  |  |  |  |  |  |

Refer to Notes to Condensed Consolidated Financial Statements.

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**VIAD CORP**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| **Net income (loss)** | $ | (9,835) |  |  | $ | 6,513 |  |  |
| **Other comprehensive income (loss):** |  |  |  |  |  |  |  |  |
| Unrealized gains (losses) on investments, net of tax(1) |  | — | |  |  | 62 |  |  |
| Unrealized foreign currency translation adjustments, net of tax(1) |  | (3,109) | |  |  | 2,345 |  |  |
| Change in net actuarial gain, net of tax(1) |  | 629 |  |  |  | 111 |  |  |
| Change in prior service cost, net of tax(1) |  | (184) | |  |  | (78) | |  |
| Adoption of ASU 2016-01 |  | (616) | |  |  | — | |  |
| **Comprehensive income (loss)** |  | (13,115) |  |  |  | 8,953 |  |  |
| **Comprehensive loss attributable to non-redeemable noncontrolling interest** |  | 364 |  |  |  | 264 |  |  |
| **Comprehensive loss attributable to redeemable noncontrolling interest** |  | 84 |  |  |  | — | |  |
| **Comprehensive income (loss) attributable to Viad** | $ | (12,667) |  |  | $ | 9,217 |  |  |
|  |  |  |  |  |  |  |  |  |

(1) The tax effect on other comprehensive income (loss) is not significant.

Refer to Notes to Condensed Consolidated Financial Statements.

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**VIAD CORP**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| **Cash flows from operating activities** |  |  |  |  |  |  |  |  |
| Net income (loss) | $ | (9,835) | | $ | | 6,513 |  |  |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  | 13,063 |  |  |  | 12,144 |  |  |
| Deferred income taxes |  | (4,507) | |  |  | 374 |  |  |
| Loss (income) from discontinued operations |  | (928) | |  |  | 816 |  |  |
| Restructuring charges |  | 162 |  |  |  | 394 |  |  |
| Impairment recoveries |  | — | |  |  | (2,384) | |  |
| Gains on dispositions of property and other assets |  | (73) | |  |  | (50) | |  |
| Share-based compensation expense |  | 717 |  |  |  | 1,999 |  |  |
| Other non-cash items, net |  | 1,803 |  |  |  | 1,287 |  |  |
| Change in operating assets and liabilities (excluding the impact of acquisitions): |  |  |  |  |  |  |  |  |
| Receivables |  | (13,255) | |  |  | (26,219) | |  |
| Inventories |  | 70 |  |  |  | (770) | |  |
| Current contract costs |  | (9,211) | |  |  | (3,739) | |  |
| Accounts payable |  | 5,354 |  |  |  | 29,437 |  |  |
| Restructuring liabilities |  | (359) | |  |  | (1,137) | |  |
| Accrued compensation |  | (16,149) | |  |  | (16,027) | |  |
| Contract liabilities |  | 20,888 |  |  |  | 13,505 |  |  |
| Income taxes payable |  | (7,475) | |  |  | (3,206) | |  |
| Other assets and liabilities, net |  | 16,316 |  |  |  | 19,301 |  |  |
| **Net cash provided by (used in) operating activities** |  | (3,419) |  |  |  | 32,238 |  |  |
| **Cash flows from investing activities** |  |  |  |  |  |  |  |  |
| Capital expenditures |  | (26,586) | |  |  | (14,662) | |  |
| Proceeds from insurance |  | — | |  |  | 4,583 |  |  |
| Cash paid for acquired businesses, net |  | — | |  |  | (1,661) | |  |
| Proceeds from dispositions of property and other assets |  | 1,139 |  |  |  | 550 |  |  |
| **Net cash used in investing activities** |  | (25,447) |  |  |  | (11,190) |  |  |
| **Cash flows from financing activities** |  |  |  |  |  |  |  |  |
| Proceeds from borrowings |  | 36,038 |  |  |  | 17,574 |  |  |
| Payments on debt and capital lease obligations |  | (15,348) | |  |  | (30,985) | |  |
| Dividends paid on common stock |  | (2,046) | |  |  | (2,038) | |  |
| Common stock purchased for treasury |  | (868) | |  |  | (1,204) | |  |
| Proceeds from exercise of stock options |  | 84 |  |  |  | — | |  |
| **Net cash provided by (used in) financing activities** |  | 17,860 |  |  |  | (16,653) |  |  |
| Effect of exchange rate changes on cash and cash equivalents |  | (377) |  |  |  | 139 |  |  |
| **Net change in cash and cash equivalents** |  | (11,383) |  |  |  | 4,534 |  |  |
| **Cash and cash equivalents, beginning of year** |  | 53,723 |  |  |  | 20,900 |  |  |
| **Cash and cash equivalents, end of period** | $ | 42,340 |  |  | $ | 25,434 |  |  |
|  |  |  |  |  |  |  |  |  |

Refer to Notes to Condensed Consolidated Financial Statements.

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**VIAD CORP**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Overview and Basis of Presentation**

**Nature of Business**

We are an international experiential services company with operations principally in the United States, Canada, the United Kingdom, continental Europe, and the United Arab Emirates. We are committed to providing unforgettable experiences to our clients and guests. We operate through three reportable business segments: GES U.S., GES International (collectively, “GES”), and Pursuit.

***GES***

GES is a global, full-service provider for live events. GES’ clients include event organizers and corporate brand marketers. Event organizers schedule and run the event from start to finish. Corporate brand marketers include exhibitors and domestic and international corporations that want to promote their brands, services and innovations, feature new products, and build business relationships. GES serves corporate brand marketers when they exhibit at shows and when GES is engaged to manage their global exhibit program or produce their proprietary corporate events.

*Services and Products Offered*

GES offers a full suite of services and products for event organizers and corporate brand marketers through three main lines of business:

* **Core Services.** GES provides official contracting services and products, including the design and production of experiences to material handling,rigging, electrical, and other on-site services.
* **Audio-Visual.** GES offers a variety of high-impact multi-media services and technology, including video and lighting production, digital studioservices, entertainment services and talent coordination, projection mapping, and computer rental and support.
* **Event Technology.** GES offers a comprehensive range of event technology services, including event accommodation solutions, registration anddata analytics, and event management tools.

*Markets Served*

GES provides the above services and products across four live event markets: Exhibitions, Conferences, Corporate Events, and Consumer Events (collectively, “Live Events”).

* **Exhibitions** facilitate business-to-business and business-to-consumer sales and marketing.
* **Conferences** facilitate attendee education and may also include an expo or trade show to further facilitate attendee education and to facilitatebusiness-to-business and business-to-consumer sales and marketing.
* **Corporate events** facilitate attendee education of the sponsoring company’s products or product ecosystem.
* **Consumer events** entertain, educate, or create an experience, typically around a specific genre.

***Pursuit***

Pursuit is a collection of iconic natural and cultural destination travel experiences that enjoy perennial demand. Pursuit offers guests distinctive and world renowned experiences through its collection of unique hotels, lodges, recreational attractions, and transportation services.

*Services and Products Offered*

Pursuit is comprised of four lines of business: Hospitality, including food and beverage services and retail operations; Attractions, including food and beverage services and retail operations; Transportation, and Travel Planning. Services offered to these lines of business (or a subset of these) include accommodations, admissions, transportation, and travel planning. Products offered include food and beverage and retail.

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*Markets Served*

Pursuit provides the above services and products across the following geographic markets:

* **Banff Jasper Collection**. The Banff Jasper Collection is a leading travel and tourism provider in the Canadian Rockies in Alberta, Canada withtwo lodging properties in Banff National Park, one lodging property in Jasper National Park, five world-class recreational attractions, food and beverage services, retail operations, sightseeing and transportation services.
* **Alaska Collection.** The Alaska Collection is a leading travel and tourism provider in Alaska with two lodging properties and a sightseeingexcursion in Denali National Park and Preserve, a lodge in Talkeetna, Alaska’s top-rated wildlife and glacier cruise, and two lodging properties located near Kenai Fjords National Park. The Alaska Collection also provides food and beverage services and retail operations.
* **Glacier Park Collection.** The Glacier Park Collection is an operator of seven lodging properties, 12 retail shops, and 11 dining outlets in andaround Glacier National Park in Montana, and Waterton Lakes National Park in Alberta, Canada, with a leading share of rooms in that market.
* **FlyOver.**
* FlyOver Canada, located in Vancouver, British Columbia, is a recreational attraction that provides a virtual flight ride experience that combines motion seating, spectacular media, and visual effects including wind, scents, and mist to give the unforgettable experience of flying across Canada.
* FlyOver Iceland is a recreational attraction under construction in Reykjavik, Iceland that will provide a virtual flight ride experience over some of Iceland’s most spectacular scenery and natural wonders with the same effects as FlyOver Canada. The new attraction is expected to open in 2019.

**Basis of Presentation**

Viad’s accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information required by GAAP or SEC rules and regulations for complete financial statements. These financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. We have recast certain prior period amounts to conform to the current period presentation due to the adoption of new accounting standards. These unaudited condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 28, 2018 (“2017 Form 10-K”).

The condensed consolidated financial statements include the accounts of Viad and its subsidiaries. All significant intercompany account balances and transactions have been eliminated in consolidation.

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**Impact of Recent Accounting Pronouncements**

The following table provides a brief description of recent accounting pronouncements:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Date of** |  |  |
| **Standard** | | **Description** |  | **adoption** |  | **Effect on the financial statements** |
| **Standards Not Yet Adopted** | | |  |  |  |  |
| **ASU 2016-02**,*Leases* | | The amendment requires lessees to recognize on their | January 1, We are currently evaluating the potential impact the adoption of this new | | | |
| *(Topic 842)* | | balance sheet a right-of-use asset and a lease liability for | 2019 | | guidance will have on our financial position or results of operations | |
|  |  | leases with lease terms greater than one year. The |  |  | including analyzing our existing operating leases. Based on our current | |
|  |  | amendment requires additional disclosures about leasing |  |  | assessment, the adoption of this standard will have a material impact on | |
|  |  | arrangements, and requires a modified retrospective |  |  | our Consolidated Balance Sheets as we will be required to record right-of- | |
|  |  | approach to adoption. Early adoption is permitted. |  |  | use assets and lease liabilities for our leases. Our Consolidated Statement | |
|  |  |  |  |  | of Operations is not expected to be materially impacted. We expect the | |
|  |  |  |  |  | most significant impact will relate to facility and equipment leases, which | |
|  |  |  |  |  | are currently recorded as operating leases. We are continuing our | |
|  |  |  |  |  | assessment, which may identify other impacts. We will adopt the standard | |
|  |  |  |  |  |  | on January 1, 2019. |
| **ASU 2018-02**,*Income* |  | The amendment addresses the effect of the Tax Cuts and | January 1, We are currently evaluating the impact of the adoption of this new | | | |
| *Statement—Reporting* | | Jobs Act (the “Tax Act”) on items within accumulated | 2019 | | guidance on our consolidated financial statements and related disclosures. | |
| *Comprehensive Income* | | other comprehensive income (“AOCI”). Under current |  |  | Refer to Note 16 – Income Taxes for additional information. | |
| *(Topic 220):* | | GAAP, the effects of changes in tax rates and laws on |  |  |  |  |
| *Reclassification of* | | deferred tax balances are recorded as a component of |  |  |  |  |
| *Certain Tax Effects from* | | income tax expense in the period in which the law was |  |  |  |  |
| *Accumulated Other* | | enacted. When deferred tax balances related to items |  |  |  |  |
| *Comprehensive Income* | | originally recorded in AOCI are adjusted, certain tax |  |  |  |  |
|  |  | effects become stranded in AOCI. This amendment |  |  |  |  |
|  |  | allows a reclassification from AOCI to retained earnings |  |  |  |  |
|  |  | for stranded tax effects. Early adoption is permitted. |  |  |  |  |

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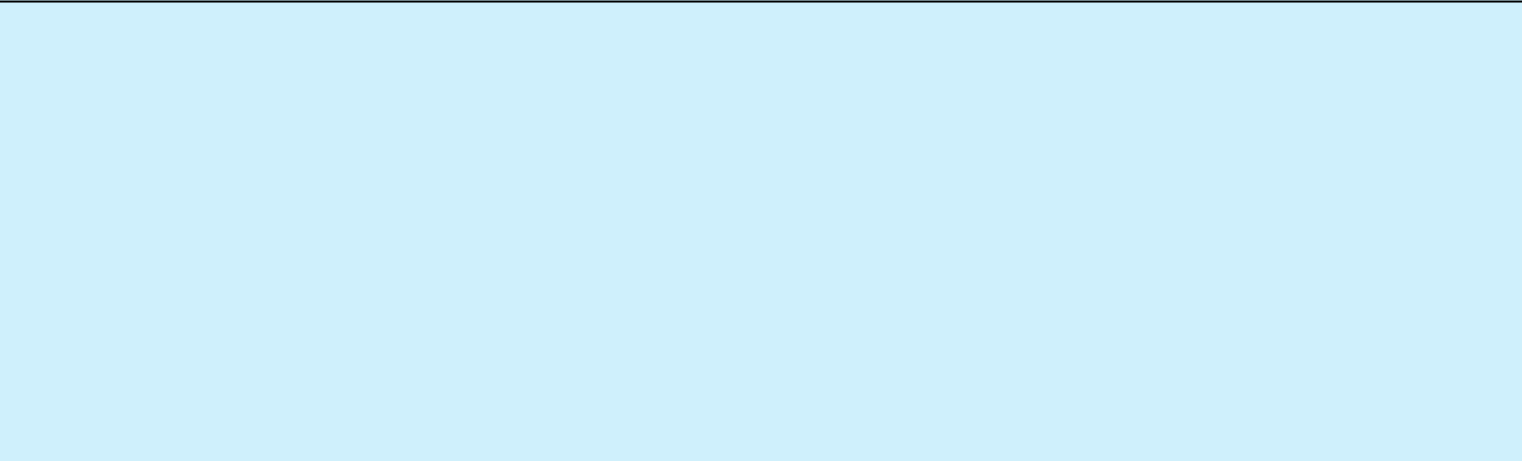


**Date of**

**Standard** **Description** **adoption** **Effect on the financial statements**



**Standards Recently Adopted**



**ASU 2014-09**,*Revenue**from Contracts with Customers (Topic 606)*



**ASU 2016-01**,*Financial**Instruments–Overall:*

*Recognition and Measurement of Financial Assets and Financial Liabilities*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| The standard established a new recognition model that | January 1, | | | We adopted ASU 2014-09 and its related amendments (collectively, “Topic |
| requires revenue to be recognized in a manner to depict | 2018 | |  | 606”) on January 1, 2018 using the modified retrospective transition |
| the transfer of goods or services to a customer at an |  |  |  | method. The cumulative effect of initially applying the new standard as an |
| amount that reflects the consideration expected to be |  |  |  | adjustment to the opening balance of retained earnings was determined to |
| received in exchange for those goods or services. |  |  |  | be immaterial (less than $0.2 million) and, therefore, no adjustment was |
|  |  |  |  | made. |
|  |  |  |  | The adoption of this standard did not have a material impact on our |
|  |  |  |  | consolidated financial statements. The impact primarily related to the |
|  |  |  |  | deferral of certain commissions which were previously expensed as |
|  |  |  |  | incurred but are now capitalized and amortized over the period of contract |
|  |  |  |  | performance, and the deferral of certain costs incurred in connection with |
|  |  |  |  | trade shows which were previously expensed as incurred but are now |
|  |  |  |  | capitalized and expensed upon the completion of the show. The new |
|  |  |  |  | guidance resulted in expanded disclosures and processes to identify |
|  |  |  |  | performance obligations. Refer to Note 2 – Revenue and Related Contract |
|  |  |  |  | Costs and Contract Liabilities for additional transition disclosures. |
| The amendment includes a requirement for equity | January 1, | | | We adopted this guidance prospectively in the first quarter of 2018 and |
| investments (except those accounted for under the equity | 2018 | |  | recorded a cumulative-effect adjustment of $0.6 million to beginning |
| method of accounting or those that result in consolidation |  |  |  | retained earnings. |
| of the investee) to be measured at fair value with changes |  |  |  |  |
| in fair value recognized in net income. |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
| **ASU 2017-04**, |  | The amendment eliminates the requirement to estimate | January 1, | | We early adopted this new guidance on January 1, 2018 on a prospective | |
| *Intangibles - Goodwill* | | the implied fair value of goodwill if it is determined that | 2018 | | basis. As a result, we expect the adoption to reduce the complexity | |
| *and Other (Topic 350) -* | | the carrying amount of a reporting unit exceeds its fair |  |  | surrounding the analysis of goodwill impairment during our annual | |
| *Simplifying the Test for* | | value. Goodwill impairment will now be recognized by |  |  | goodwill impairment tests as of October 31, 2018, or if an event occurs or | |
| *Goodwill Impairment* | | the amount by which a reporting unit’s carrying value |  |  | circumstances change that would more-likely-than-not reduce the fair | |
|  |  | exceeds its fair value, not to exceed the carrying amount |  |  | value of a reporting unit below its carrying value. | |
|  |  | of goodwill. The amendment should be applied |  |  |  |  |
|  |  | prospectively and is effective for annual or any interim |  |  |  |  |
|  |  | goodwill impairment tests in fiscal years beginning after |  |  |  |  |
|  |  | December 15, 2019. Early adoption is permitted for |  |  |  |  |
|  |  | interim or annual goodwill impairment tests performed |  |  |  |  |
|  |  | on testing dates after January 1, 2017. |  |  |  |  |
| **ASU 2017-07**, |  | The amendment requires an employer to disaggregate the | January 1, | | We adopted this new standard retrospectively. As a result, we recorded the | |
| *Compensation -* | | service cost components from the other components of | 2018 | | nonservice cost component of net periodic benefit cost within other | |
| *Retirement Benefits* | | net benefit cost. The service cost components are |  |  | expense and $0.5 million was reclassified from operating expenses to other | |
| *(Topic 715) - Improving* | | required to be presented in operating income and the |  |  | expense for the three months ended March 31, 2017, to conform to current | |
| *the Presentation of Net* | | other components of net benefit cost are required to be |  |  | period presentation. See below for additional details on the impact of this | |
| *Periodic Pension* | | presented outside of operating income. |  |  | adoption on our results of operations. | |
| *Cost and Net Periodic* | |  |  |  |  |  |
| *Postretirement Benefit* | |  |  |  |  |  |
| *Cost* |  |  |  |  |  |  |
| **ASU 2018-05**,*Income* |  | This amends ASC 740 to incorporate the requirements of | Upon | | We recognized the provisional tax impacts of the Tax Act in the fourth | |
| *Taxes (Topic 740)—* | | SEC Staff Accounting Bulletin No. 118, which provides | issuance | | quarter of 2017. During the first quarter of 2018, we did not receive any | |
| *Amendments to SEC* | | guidance on accounting for the tax effects of the Tax Act |  |  | additional information regarding these provisional calculations. As a result, | |
| *paragraphs pursuant to* | | for SEC registrants who do not have the necessary |  |  | we continue to anticipate finalizing our analysis in connection with the | |
| *SEC Staff Accounting* | | information available, prepared, or analyzed in |  |  | completion of our tax return for 2017 to be filed in 2018. Refer to Note 16 | |
| *Bulletin No. 118* | | reasonable detail to complete the accounting for certain |  |  | – Income Taxes for additional information. | |
|  |  | income tax effects of the Tax Act. |  |  |  |  |

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Prior to January 1, 2018, we presented revenue in our Condensed Consolidated Statements of Operations in three separate line items as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *(in thousands)* |  |  | **Three Months Ended** | |  |
|  |  | **March 31, 2017** | |  |
| **Revenue:** |  |  |  |  |  |
| Exhibition and event services | $ | | 275,948 |  |  |
| Exhibits and environments |  |  | 41,923 |  |  |
| Pursuit services |  |  | 7,936 |  |  |
| **Total revenue** |  | $ | 325,807 |  |  |
|  |  |  |  |  |  |

In connection with the adoption of Topic 606, we changed the presentation of revenue in our Condensed Consolidated Statements of Operations and now present total services revenue and total products revenue. As a result, we changed the prior reporting period to conform to the current period presentation as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *(in thousands)* |  | **Three Months Ended** | |  |
|  | **March 31, 2017** | |  |
| **Revenue:** |  |  |  |  |
| Services | $ | 290,643 |  |  |
| Products |  | 35,164 |  |  |
| **Total revenue** | $ | 325,807 |  |  |
|  |  |  |  |  |

As a result of the change in presentation of revenue in the Condensed Consolidated Statements of Operations, we also made the following conforming changes to the presentation of cost of services and cost of products. The following table also summarizes the impact of adopting ASU 2017-07 on our Condensed Consolidated Statements of Operations:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended March 31, 2017** | | | | |  |  |  |  |
|  |  |  |  |  | **Reclassifications** | | |  |  |  |  |  |  |  |
|  |  |  | **As Previously** |  | **to Conform with** | | |  |  |  |  | **As Newly** | |  |
| *(in thousands)* |  |  |  |  | **Revenue** | |  | **ASU 2017-07** | |  |  |
|  |  | **Reported** |  |  | **Presentation** | |  |  | **Reported** | |  |
| Cost of services |  | $ | 273,609 |  | $ | 7,412 |  | $ | (383) |  | $ | 280,638 |  |  |
| Cost of products | $ | | 39,514 | $ | | (7,412) | | $ | — | | $ | 32,102 |  |  |
| Corporate activities | $ | | 2,610 | $ | | — | | $ | (69) | | $ | 2,541 |  |  |
| Other expense | $ | | — | $ | | — | | $ | 452 |  | $ | 452 |  |  |

**Significant Accounting Policies**

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates and assumptions are used in accounting for, among other things, the fair value of our reporting units used to perform annual impairment testing of recorded goodwill; allowances for uncollectible accounts receivable; provisions for income taxes, including uncertain tax positions; valuation allowances related to deferred tax assets; liabilities for losses related to self-insured liability claims; liabilities for losses related to environmental remediation obligations; sublease income associated with restructuring liabilities; assumptions used to measure pension and postretirement benefit costs and obligations; assumptions used to determine share-based compensation costs under the fair value method; assumptions in the redemption value of redeemable noncontrolling interests; and allocation of purchase price of acquired businesses. Actual results could differ from these and other estimates.

***Revenue Recognition***

Beginning January 1, 2018, revenue is measured based on a specified amount of consideration in a contract with a customer, net of commissions paid to customers and amounts collected on behalf of third parties. We recognize revenue when a performance obligation is satisfied by transferring control of a product or service to a customer.

GES’ service revenue is primarily derived through its comprehensive range of services to event organizers and corporate brand marketers including Core Services, Audio-Visual, and Event Technology. GES’ service revenue is recognized when we have a right to

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invoice, net of commissions paid to customers, at the close of the event. GES’ product revenue is derived from the build of exhibits and environments and graphics. GES’ product revenue from the build of exhibits is recognized upon delivery of the product while graphics is recognized at the close of the event when we have the right to invoice. GES’ service revenue and graphics product revenue are recognized over time as they are considered part of a single performance obligation satisfied over time. GES’ product revenue from the build of exhibits is recognized at a point in time.

Pursuit’s service revenue is derived through its accommodations, admissions, transportation, and travel planning services. Pursuit’s product revenue is derived through food and beverage and retail sales. Pursuit’s revenue is recognized at the time services are performed or upon delivery of the product. Pursuit’s service revenue is recognized over time as the customer simultaneously receives and consumes the benefits. Pursuit’s product revenue is recognized at a point in time.

The following table summarizes the impact of adopting Topic 606 on our unaudited Condensed Consolidated Statement of Operations for the three months ended March 31, 2018:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31, 2018** | | | | | | |  |  |  |
|  |  |  | **Balances without** | |  |  |  |  |  |  |  |  |
| *(in thousands)* |  |  | **Adoption of** | |  | **Effect of Change** | |  |  | **As Reported** | |  |
|  |  | **Topic 606** | |  |  |  |  |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |  |  |
| GES services | $ | | 237,793 |  | $ | - |  | $ | | 237,793 |  |  |
| GES products | $ | | 29,913 |  | $ | - |  | $ | | 29,913 |  |  |
| Pursuit services | $ | | 7,755 |  | $ | - |  | $ | | 7,755 |  |  |
| Pursuit products | $ | | 1,967 |  | $ | - |  | $ | | 1,967 |  |  |
| **Costs and expenses:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Costs of services | $ | | 258,142 |  | $ | (847) | | $ | | 257,295 |  |  |
| Costs of products | $ | | 31,122 |  | $ | - |  | $ | | 31,122 |  |  |
| Income tax benefit | $ | | (4,852) | | $ | 214 |  | $ | | (4,638) | |  |
| **Net loss** | $ | | (10,468) | | $ | (633) | | $ | | (9,835) | |  |

***Noncontrolling Interests***

Non-redeemable noncontrolling interest represents the portion of equity in a subsidiary that is not attributable, directly or indirectly, to us. Our non-redeemable noncontrolling interest relates to the 20% equity ownership interest that we do not own in Glacier Park, Inc. We report non-redeemable noncontrolling interest within stockholders’ equity in the Condensed Consolidated Balance Sheets. The amount of consolidated net income attributable to Viad and the non-redeemable noncontrolling interest is presented in the Condensed Consolidated Statements of Operations.

Noncontrolling interests with redemption features that are not solely within our control are considered redeemable noncontrolling interests. The Esja Attractions ehf. (“Esja”) purchase agreement contains a put option that gives the minority Esja shareholders the right to sell (or “put”) their Esja shares to us based on a calculated formula within a predefined term. This redeemable noncontrolling interest is considered temporary equity and we report it between liabilities and stockholders’ equity in the Condensed Consolidated Balance Sheets. The amount of the net income or loss attributable to redeemable noncontrolling interests is recorded in the Condensed Consolidated Statements of Operations and the accretion of the redemption value is recorded as an adjustment to retained earnings and is included in our earnings (loss) per share. Refer to Note 20 – Redeemable Noncontrolling Interest for additional information.

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***Insurance Recoveries***

Receipts from insurance up to the amount of the recognized losses are considered recoveries and are accounted for when they are probable of receipt. Anticipated proceeds in excess of the recognized loss are considered a gain contingency. A contingency gain for anticipated insurance proceeds in excess of losses already recognized is not recognized until all contingencies relating to the insurance claim have been resolved.

Insurance proceeds allocated to business interruption gains are reported as cash flows from operating activities, and proceeds allocated to impairment recoveries are reported as cash flows from investing activities. Insurance proceeds used for capitalizable costs are classified as cash flows from investing activities, and proceeds used for non-capitalizable costs are classified as operating activities.

**Note 2. Revenue and Related Contract Costs and Contract Liabilities**

GES’ performance obligations consist of services or product(s) outlined in a contract. While multi-year contracts are often signed for recurring events, the obligations for each occurrence are well defined and conclude upon the occurrence of each event. The obligations are typically the provision of services or sale of a product in connection with an exhibition, conference or other event. Revenue for services is recognized when we have a right to invoice, generally at the close of the exhibition, conference, or corporate event, which typically lasts one to three days. Revenue for consumer events is recognized over the duration of the event. Revenue for products is recognized upon delivery or when we have the right to invoice, generally at the close of the exhibition, conference, or corporate event. Payment terms are generally within 30-60 days and contain no significant financing components.

Pursuit’s performance obligations are short-term in nature. They include the provision of a hotel room, an attraction admission, a chartered or ticketed bus or van ride, the fulfillment of travel planning itineraries, and/or the sale of food, beverage or retail products. Revenue is recognized when the service has been provided or the product has been delivered. When credit is extended, payment terms are generally within 30 days and contain no significant financing components.

Customer deposits are typically received by GES and Pursuit prior to transferring the related product or service to the customer. These deposits are recorded as a contract liability and recognized as revenue upon satisfaction of the related contract performance obligation(s). GES also provides customer rebates and volume discounts to certain event organizers that are recorded as contract liabilities and are recognized as a reduction of revenue. These amounts are included in the Condensed Consolidated Balance Sheets under the caption “Contract liabilities”.

GES capitalizes certain incremental costs incurred in obtaining and fulfilling contracts. Capitalized costs principally relate to direct costs of materials and services incurred in fulfilling services of future exhibitions, conferences, and events, and also include incentives and commissions incurred upon contract signing. Costs associated with preliminary contract activities (i.e. proposal activities) are expensed as incurred. Capitalized contract costs are expensed upon the transfer of the related goods or services and are included in cost of services or cost of products sold, as applicable. The deferred incremental costs of obtaining and fulfilling contracts are included in the Condensed Consolidated Balance Sheets under the captions “Current contract costs” and “Other investments and assets.” These amounts were previously reported in inventories under “Work in process.”

We elected to apply the following practical expedients related to performance obligations:

Not to disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when we expect to recognize that amount as revenue as of December 31, 2017 and not to disclose the value of unsatisfied performance obligations for contracts with an original duration of one year or less because the vast majority of our contract liabilities relate to future exhibitions and events that will occur within the next 12 months.

**Contract Liabilities**

Changes to contract liabilities are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *(in thousands)* |  |  |  |  |  |  |
| **Balance at January 1, 2018** | $ | | 31,981 |  |  |  |
| Cash additions |  |  | 38,241 |  |  |  |
| Revenue recognized |  |  | (18,526) | |  |  |
| Foreign exchange translation adjustment |  |  | 195 |  |  |  |
| **Balance at March 31, 2018** |  | $ | 51,891 |  |  |  |
|  | 11 |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |



**Contract Costs**

Capitalized contract costs were $27.2 million as of March 31, 2018 and $16.9 million as of December 31, 2017. The contract costs as of March 31, 2018 consisted of $3.7 million to obtain contracts and $23.5 million to fulfill contracts. During the three months ended March 31, 2018, $8.6 million of the December 31, 2017 balance was recognized in cost of services or products and $18.6 million of costs remained deferred. We did not recognize an impairment loss with respect to capitalized contract costs.

**Disaggregation of Revenue**

The following tables disaggregate revenue of GES and Pursuit by major product line, timing of revenue recognition, and markets served:

**GES**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended March 31, 2018** | | | | |  |  |  |  |  |
| *(in thousands)* |  |  | **GES U.S.** |  | **GES International** | | |  | **Intersegment** | |  | **Total** | |  |  |
|  |  |  |  | **Eliminations** | |  |  |  |
| **Services:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Core services | $ | | 163,367 | $ | | 46,213 |  | $ | — | | $ | 209,580 |  |  |  |
| Audio-visual |  |  | 17,084 |  |  | 3,168 |  |  | — | |  | 20,252 |  |  |  |
| Event technology |  |  | 8,035 |  |  | 3,274 |  |  | — | |  | 11,309 |  |  |  |
| Intersegment eliminations |  |  | — |  |  | — | |  | (3,348) | |  | (3,348) | |  |  |
| Total services |  |  | 188,486 |  |  | 52,655 |  |  | (3,348) |  |  | 237,793 |  |  |  |
| **Products:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Core products |  |  | 15,382 |  |  | 14,531 |  |  | — | |  | 29,913 |  |  |  |
| **Total revenue** |  | $ | 203,868 |  | $ | 67,186 |  | $ | (3,348) |  | $ | 267,706 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Timing of revenue recognition:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Services transferred over time | $ | | 188,486 | $ | | 52,654 |  | $ | — | | $ | 241,140 |  |  |  |
| Products transferred over time |  |  | 10,592 |  |  | 4,107 |  |  | — | |  | 14,699 |  |  |  |
| Products transferred at a point in time |  |  | 4,790 |  |  | 10,425 |  |  | — | |  | 15,215 |  |  |  |
| Intersegment eliminations |  |  | — |  |  | — | |  | (3,348) | |  | (3,348) | |  |  |
| **Total revenue** |  | $ | 203,868 |  | $ | 67,186 |  | $ | (3,348) |  | $ | 267,706 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Markets:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Exhibitions | $ | | 130,494 | $ | | 55,330 |  | $ | — | | $ | 185,824 |  |  |  |
| Conferences |  |  | 37,816 |  |  | 6,661 |  |  | — | |  | 44,477 |  |  |  |
| Corporate events |  |  | 29,444 |  |  | 4,860 |  |  | — | |  | 34,304 |  |  |  |
| Consumer events |  |  | 6,114 |  |  | 335 |  |  | — | |  | 6,449 |  |  |  |
| Intersegment eliminations |  |  | — |  |  | — | |  | (3,348) | |  | (3,348) | |  |  |
| **Total revenue** |  | $ | 203,868 |  | $ | 67,186 |  | $ | (3,348) |  | $ | 267,706 |  |  |  |
|  | 12 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**Pursuit**

*(in thousands)*

**Services:**



Accommodations

Admissions



Transportation

Travel planning



Intersegment eliminations

Total services revenue



**Products:**

Food and beverage



Retail operations

Total products revenue



**Total revenue**

**Timing of revenue recognition:**



Services transferred over time



Products transferred at a point in time

**Total revenue**



**Markets:**



Banff Jasper Collection

Alaska Collection



Glacier Park Collection

FlyOver



**Total revenue**

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|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Three Months Ended** | |
|  |  | **March 31, 2018** |  |
| $ | | 1,705 |  |
|  |  | 3,579 |  |
|  |  | 2,369 |  |
|  |  | 308 |  |
|  |  | (206) | |
|  |  | 7,755 |  |
|  |  | 1,219 |  |
|  |  | 748 |  |
|  |  | 1,967 |  |
|  | $ | 9,722 |  |
|  |  |  |  |
| $ | | 7,755 |  |
|  |  | 1,967 |  |
|  | $ | 9,722 |  |
|  |  |  |  |
| $ | | 7,089 |  |
|  |  | 213 |  |
|  |  | 626 |  |
|  |  | 1,794 |  |
|  | $ | 9,722 |  |
|  |  |  |  |

**Balance Sheet Reclassifications**

In connection with the adoption of Topic 606, we made the following reclassifications to separately present contract costs and contract liabilities on the

Condensed Consolidated Balance Sheet as of December 31, 2017:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **December 31, 2017** | |  |  |  |  |
| *(in thousands)* |  |  | **As Previously** |  | **Reclassifications** | |  | **As Adjusted** | |  |
|  |  | **Reported** |  |  |  |
| Cash and cash equivalents |  | $ | 53,723 |  | — |  | $ | 53,723 |  |  |
| Accounts receivable, net |  |  | 104,811 |  | — | |  | 104,811 |  |  |
| Inventories (1) |  |  | 30,372 | (12,822) | | |  | 17,550 |  |  |
| Current contract costs (1) |  |  | — | 13,436 | |  |  | 13,436 |  |  |
| Other current assets (1) |  |  | 21,030 | (1,289) | | |  | 19,741 |  |  |
| Property and equipment, net |  |  | 305,571 |  | — | |  | 305,571 |  |  |
| Other investments and assets (1) |  |  | 47,512 | 675 | |  |  | 48,187 |  |  |
| Deferred income taxes |  |  | 23,548 |  | — | |  | 23,548 |  |  |
| Goodwill |  |  | 270,551 |  | — | |  | 270,551 |  |  |
| Other intangible assets, net |  |  | 62,781 |  | — | |  | 62,781 |  |  |
| Total assets |  | $ | 919,899 |  | — | | $ | 919,899 |  |  |
| Accounts payable |  | |  |  | — | |  |  |  |  |
|  | $ | 77,380 |  | $ | 77,380 |  |  |
| Customer deposits (2) |  |  | 33,415 | (33,415) | | |  | — | |  |
| Contract liabilities (2) |  |  | — | 31,981 | |  |  | 31,981 |  |  |
| Accrued compensation |  |  | 30,614 |  | — | |  | 30,614 |  |  |
| Other current liabilities (2) |  |  | 38,720 | 1,434 | |  |  | 40,154 |  |  |
| Debt and capital lease obligations, current and long-term |  |  | 209,192 |  | — | |  | 209,192 |  |  |
| Pension and postretirement benefits |  |  | 28,135 |  | — | |  | 28,135 |  |  |
| Other deferred items and liabilities |  |  | 52,858 |  | — | |  | 52,858 |  |  |
| Total liabilities |  |  | 470,314 |  | — | |  | 470,314 |  |  |
| Redeemable noncontrolling interest |  |  | 6,648 |  | — | |  | 6,648 |  |  |
| Total stockholders' equity (3) |  |  | 442,937 |  | — | |  | 442,937 |  |  |
| Total liabilities and stockholders' equity |  | $ | 919,899 |  | — | | $ | 919,899 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

1. Contract costs primarily consist of deferred core services costs (including labor and vendor purchases) required to service future exhibitions, conferences and other events, and commission expenses incurred to obtain contracts. All such costs were previously included in “Inventories” and in other certain assets. As a result of the changes noted above, deferred core services costs related to exhibitions and events that are scheduled to occur longer than one year in the future are currently included in “Other investments and assets”. The impact of this change reduced total current assets at December 31, 2017 by $0.7 million. The amount of deferred core services costs included in “Other investments and assets” at March 31, 2018 was $4.6 million.
2. In connection with the adoption of Topic 606, we elected to more prominently present contract liabilities on the Consolidated Balance Sheets. Consequently, customer deposits of $33.4 million as of December 31, 2017, have been reclassified to “Contract liabilities” and to other certain current liabilities to conform to the current period presentation.
3. The cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of retained earnings was determined to be immaterial and therefore no adjustment was made.

**Note 3. Share-Based Compensation**

The following table summarizes share-based compensation expense:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | | |  |  |  |  |
| *(in thousands)* |  |  | **March 31,** | | | |  |  |  |  |
|  |  | **2018** |  |  |  | **2017** |  |  |  |
| Performance unit incentive plan (“PUP”) |  | $ | 194 |  |  | $ | 1,316 |  |  |  |
| Restricted stock |  |  | 503 |  |  |  | 623 |  |  |  |
| Restricted stock units |  |  | 20 |  |  |  | 60 |  |  |  |
| **Share-based compensation before income tax benefit** |  |  | 717 |  |  |  | 1,999 |  |  |  |
| Income tax benefit |  |  | (181) | |  |  | (744) | |  |  |
| **Share-based compensation, net of income tax benefit** |  | $ | 536 |  |  | $ | 1,255 |  |  |  |
|  | 14 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |



We did not record any share-based compensation expense through restructuring expense during the three months ended March 31, 2018 or 2017.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **PUP Awards** | | | | | | **Restricted Stock** | | | | | **Restricted Stock Units** | | | | |  |
|  |  |  |  |  | **Weighted-** |  |  |  |  | **Weighted-** |  |  |  |  | **Weighted-** |  |  |
|  |  |  |  |  | **Average** | |  |  |  | **Average** | |  |  |  | **Average** | |  |
|  | **Shares** | |  |  | **Grant Date** | | **Shares** | |  | **Grant Date** | | **Shares** | |  | **Grant Date** | |  |
|  |  |  | **Fair Value** | |  | **Fair Value** | |  | **Fair Value** | |  |
| **Balance at December 31, 2017** | 239,338 |  |  | $ | 32.80 |  | 206,899 |  | $ | 33.16 |  | 12,750 |  | $ | 30.94 |  |  |
| Granted | 71,625 |  | $ | | 52.15 |  | 41,457 |  | $ | 52.15 |  | 3,669 |  | $ | 52.28 |  |  |
| Vested | (75,761) | | $ | | 27.29 |  | (54,458) | | $ | 27.35 |  | (4,300) | | $ | 27.35 |  |  |
| Forfeited | — | | $ | | — | | (1,156) | | $ | 36.37 |  | (258) | | $ | 37.69 |  |  |
| **Balance at March 31, 2018** | 235,202 |  | $ | | 40.46 |  | 192,742 |  | $ | 38.87 |  | 11,861 |  | $ | 38.70 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Viad Corp Omnibus Incentive Plan**

We grant share-based compensation awards to our officers, directors, and certain key employees pursuant to the 2017 Viad Corp Omnibus Incentive Plan (the “2017 Plan”). The 2017 Plan has a 10-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. In June 2017, we registered 1,750,000 shares of common stock issuable under the 2017 Plan. As of March 31, 2018, there were 1,672,566 shares available for future grant under the 2017 Plan.

***PUP Awards***

The vesting of PUP award shares is based upon achievement of certain performance-based criteria. The performance period of the shares is three years.

During the three months ended March 31, 2018, we granted $3.7 million PUP awards of which $1.6 million are payable in shares. Liabilities related to PUP awards were $5.1 million as of March 31, 2018 and $11.0 million as of December 31, 2017. In March 2018, PUP awards granted in 2015 vested and we distributed cash payouts of $5.9 million. In March 2017, PUP awards granted in 2014 vested and we distributed cash payouts of $3.7 million.

***Restricted Stock***

As of March 31, 2018, the unamortized cost of outstanding restricted stock awards was $4.1 million, which we expect to recognize over a weighted-average period of approximately 1.5 years. We repurchased 16,362 shares for $0.9 million during the three months ended March 31, 2018 and 25,642 shares for $1.2 million during the three months ended March 31, 2017 related to tax withholding requirements on vested share-based awards.

***Restricted Stock Units***

Aggregate liabilities related to restricted stock units were $0.3 million as of March 31, 2018 and $0.5 million as of December 31, 2017. In February 2018, the 2015 restricted stock units vested and we distributed cash payouts of $0.2 million. In February 2017, portions of the 2012 and 2014 restricted stock units vested and we distributed cash payouts of $0.3 million.

***Stock Options***

The following table summarizes stock option activity:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Shares** |  |  |  |  | **Weighted-Average** | |  |  |
|  |  |  |  |  | **Exercise Price** | |  |  |
| **Options outstanding and exercisable at December 31, 2017** |  | 63,773 |  |  | $ | 16.62 |  |  |  |
| Exercised | | (5,084) | | $ | | 16.62 |  |  |  |
| **Options outstanding and exercisable at March 31, 2018** |  | 58,689 |  | $ | | 16.62 |  |  |  |
| 15 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |



**Note 4. Acquisition of Business**

*Esja*

On November 3, 2017, we acquired the controlling interest (54.5% of the common stock) in Esja, a private corporation in Reykjavik, Iceland. Esja is developing and will operate a new FlyOver Iceland attraction, which is expected to open in 2019. The purchase price was €8.2 million (approximately $9.5 million) in cash, which included a put option that gives the minority Esja shareholders the right to sell (or “put”) their Esja shares to us based on a calculated formula within a predefined term. The noncontrolling interest’s carrying value is determined by the fair value of the noncontrolling interest as of the acquisition date, the noncontrolling interest’s share of the subsequent net income or loss, and the accretion of the redemption value of the put option. As of the transaction date, the fair value of the noncontrolling interest was estimated to be $6.7 million. The fair value of the noncontrolling interest was finalized as of March 31, 2018 with no adjustments. Refer to Note 20 – Redeemable Noncontrolling Interest for additional information.

Under the acquisition method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over fair value of net assets acquired is recorded as goodwill. Goodwill is included in the Pursuit business group and the primary factor that contributed to the purchase price resulting in the recognition of goodwill relates to future income from operations after opening in 2019. Goodwill is deductible for tax purposes. Transaction costs associated with the acquisition of Esja were $0.1 million in 2018 and 2017, which are included in corporate activities in the Condensed Consolidated Statements of Operations.

The Esja results of operations have been included in the condensed consolidated financial statements from the date of acquisition. During the three months ended March 31, 2018, Esja had an operating loss of $0.2 million, representing start-up costs.

**Note 5. Inventories**

The components of inventories consisted of the following:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** |  |  | **December 31,** | |
| *(in thousands)* |  | **2018** |  |  | **2017** |  |
| Raw materials | $ | 17,514 |  | $ | 17,550 |  |
| Work in process (1) |  | — |  |  | — | |
| **Inventories** | $ | 17,514 |  | $ | 17,550 |  |
|  |  |  |  |  |  |  |

1. Upon the adoption of Topic 606, the deferred incremental costs of obtaining and fulfilling contracts that were previously reported in Inventories under “Work in process” are currently reported under “Current contract costs” and “Other investments and assets.” Refer to Note 2 ***–*** Revenue and Related Contract Costs and Contract Liabilities for additional information.

**Note 6. Other Current Assets**

Other current assets consisted of the following:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **March 31,** |  |  | **December 31,** | |  |  |
| *(in thousands)* |  |  | **2018** |  |  | **2017** |  |  |  |
| Income tax receivable |  | $ | 5,882 |  | $ | 4,237 |  |  |  |
| Prepaid vendor payments |  |  | 5,298 |  |  | 5,048 |  |  |  |
| Prepaid software maintenance |  |  | 4,096 |  |  | 3,386 |  |  |  |
| Prepaid insurance |  |  | 2,260 |  |  | 2,610 |  |  |  |
| Prepaid taxes |  |  | 786 |  |  | 912 |  |  |  |
| Prepaid rent |  |  | 788 |  |  | 730 |  |  |  |
| Prepaid other |  |  | 3,919 |  |  | 2,172 |  |  |  |
| Other |  |  | 48 |  |  | 646 |  |  |  |
| **Other current assets** |  | $ | 23,077 |  | $ | 19,741 |  |  |  |
|  | 16 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |



**Note 7. Property and Equipment**

Property and equipment consisted of the following:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **December 31,** | |
| *(in thousands)* |  | **2018** |  |  |  | **2017** |  |
| Land and land interests | $ | 32,333 |  |  | $ | 32,544 |  |
| Buildings and leasehold improvements |  | 233,069 |  |  |  | 222,118 |  |
| Equipment and other |  | 359,911 |  |  |  | 351,676 |  |
| **Gross property and equipment** |  | 625,313 |  |  |  | 606,338 |  |
| Accumulated depreciation |  | (308,434) | |  |  | (300,767) | |
| **Property and equipment, net** | $ | 316,879 |  |  | $ | 305,571 |  |
|  |  |  |  |  |  |  |  |

Depreciation expense was $10.4 million for the three months ended March 31, 2018 and $9.1 million for three months ended March 31, 2017.

Non-cash increases to property and equipment related to assets acquired under capital leases were $0.5 million for the three months ended March 31, 2018 and $0.4 million for the three months ended March 31, 2017. Non-cash increases to property and equipment purchases in accounts payable and accrued liabilities were $0.8 million for the three months ended March 31, 2018 and $1.5 million for the three months ended March 31, 2017.

**Note 8. Other Investments and Assets**

Other investments and assets consisted of the following:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** |  |  | **December 31,** | |
| *(in thousands)* |  | **2018** |  |  | **2017** |  |
| Cash surrender value of life insurance | $ | 24,026 |  | $ | 23,947 |  |
| Self-insured liability receivable |  | 10,442 |  |  | 10,442 |  |
| Contract costs (1) |  | 4,588 |  |  | 3,442 |  |
| Workers’ compensation insurance security deposits |  | 3,550 |  |  | 3,550 |  |
| Other mutual funds |  | 2,823 |  |  | 2,637 |  |
| Other |  | 3,360 |  |  | 4,169 |  |
| **Other investments and assets** | $ | 48,789 |  | $ | 48,187 |  |
|  |  |  |  |  |  |  |

1. Upon the adoption of Topic 606, the deferred incremental costs of obtaining and fulfilling contracts that were previously reported in Inventories under “Work in process” are currently reported under “Current contract costs” and “Other investments and assets.” Refer to Note 2 ***–*** Revenue and Related Contract Costs and Contract Liabilities for additional information.

**Note 9. Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *(in thousands)* |  |  | **GES U.S.** |  | **GES International** | | |  | **Pursuit** | |  | **Total** | |  |  |
| **Balance at December 31, 2017** |  | $ | 148,277 |  | $ | 38,840 |  | $ | 83,434 |  | $ | 270,551 |  |  |  |
| Foreign currency translation adjustments |  |  | — |  |  | 931 |  |  | (1,688) | |  | (757) | |  |  |
| **Balance at March 31, 2018** |  | $ | 148,277 |  | $ | 39,771 |  | $ | 81,746 |  | $ | 269,794 |  |  |  |
|  | 17 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



Other intangible assets consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31, 2018** | | | |  |  |  |  |  |  |  | **December 31, 2017** | | | | | |  |  |  |  |
|  |  |  | **Gross** |  | **Accumulated** | | |  | **Net Carrying** | | |  |  | **Gross** |  |  | **Accumulated** | | | | **Net Carrying** | | |  |
|  |  |  | **Carrying** |  |  |  |  | **Carrying** |  |  |  |
| *(in thousands)* |  |  | **Value** |  | **Amortization** | | |  |  | **Value** | |  |  | **Value** |  |  | **Amortization** | | | |  | **Value** | |  |
| Amortized intangible assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Customer contracts and relationships | $ | | 69,074 | $ | | (25,930) | | $ | | 43,144 |  | $ | | 68,798 | $ | | | (23,696) | |  | $ | 45,102 |  |  |
| Operating contracts and licenses |  |  | 9,702 |  |  | (1,086) | |  |  | 8,616 |  |  |  | 9,951 |  |  |  | (1,094) | |  |  | 8,857 |  |  |
| Tradenames |  |  | 8,656 |  |  | (3,137) | |  |  | 5,519 |  |  |  | 8,633 |  |  |  | (2,873) | |  |  | 5,760 |  |  |
| Non-compete agreements |  |  | 5,395 |  |  | (3,356) | |  |  | 2,039 |  |  |  | 5,363 |  |  |  | (3,007) | |  |  | 2,356 |  |  |
| Other |  |  | 1,699 |  |  | (682) | |  |  | 1,017 |  |  |  | 896 |  |  |  | (650) | |  |  | 246 |  |  |
| **Total amortized intangible assets** |  |  | 94,526 |  |  | (34,191) |  |  |  | 60,335 |  |  |  | 93,641 |  |  |  | (31,320) |  |  |  | 62,321 |  |  |
| Unamortized intangible assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Business licenses |  |  | 460 |  |  | — | |  |  | 460 |  |  |  | 460 |  |  |  | — | | |  | 460 |  |  |
| **Other intangible assets** |  | $ | 94,986 |  | $ | (34,191 | ) | $ | | 60,795 |  | $ | | 94,101 |  | $ | | (31,320) |  |  | $ | 62,781 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Intangible asset amortization expense was $2.7 million for the three months ended March 31, 2018 and $3.1 million for the three months ended March 31, 2017. The weighted-average amortization period of customer contracts and relationships is approximately 8.3 years, operating contracts and licenses is approximately 26.1 years, tradenames is approximately 6.8 years, non-compete agreements is approximately 2.0 years, and other amortizable intangible assets is approximately 8.3 years. The estimated future amortization expense related to amortized intangible assets held at March 31, 2018 is as follows:

*(in thousands)*



**Year ending December 31,**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Remainder of 2018 | $ | | 8,450 |  |  |  |
| 2019 |  |  | 10,042 |  |  |  |
| 2020 |  |  | 8,537 |  |  |  |
| 2021 |  |  | 7,537 |  |  |  |
| 2022 |  |  | 5,986 |  |  |  |
| Thereafter |  |  | 19,783 |  |  |  |
| **Total** |  | $ | 60,335 |  |  |  |
|  | 18 |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |



**Note 10. Other Current Liabilities**

Other current liabilities consisted of the following:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **December 31,** | |
| *(in thousands)* |  | **2018** |  |  |  | **2017** |  |
| Continuing operations: |  |  |  |  |  |  |  |
| Commissions payable | $ | 10,569 |  | $ | | 3,235 |  |
| Self-insured liability |  | 5,894 |  |  |  | 6,208 |  |
| Accrued employee benefit costs |  | 5,442 |  |  |  | 2,915 |  |
| Accommodation services deposits (1) |  | 5,090 |  |  |  | 2,540 |  |
| Accrued sales and use taxes |  | 4,298 |  |  |  | 2,431 |  |
| Accrued dividends |  | 2,095 |  |  |  | 2,094 |  |
| Current portion of pension and postretirement liabilities |  | 1,921 |  |  |  | 2,109 |  |
| Deferred rent |  | 1,691 |  |  |  | 1,679 |  |
| Accrued professional fees |  | 1,328 |  |  |  | 1,020 |  |
| Accrued restructuring |  | 461 |  |  |  | 722 |  |
| Accrued income tax payable |  | 113 |  |  |  | 7,518 |  |
| Accrued rebates (2) |  | — | |  |  | — | |
| Other taxes |  | 2,570 |  |  |  | 2,750 |  |
| Other |  | 8,234 |  |  |  | 3,852 |  |
| **Total continuing operations** |  | 49,706 |  |  |  | 39,073 |  |
| Discontinued operations: |  |  |  |  |  |  |  |
| Environmental remediation liabilities |  | 675 |  |  |  | 648 |  |
| Self-insured liability |  | 346 |  |  |  | 337 |  |
| Other |  | 90 |  |  |  | 96 |  |
| **Total discontinued operations** |  | 1,111 |  |  |  | 1,081 |  |
| **Total other current liabilities** | $ | 50,817 |  |  | $ | 40,154 |  |
|  |  |  |  |  |  |  |  |

1. Upon the adoption of Topic 606, we present customer deposits as “Contract liabilities” as they are received prior to transferring the related product or service to the customer. We recognize revenue upon satisfaction of the related contract performance obligation(s). Deposits received from GES’ events accommodation services are not classified as contract liabilities as they are deposits from hotel guests that are passed on to the hotels. Refer to Note 2 – Revenue and Related Contract Costs and Contract Liabilities for additional information.
2. Upon the adoption of Topic 606, we reclassified $1.1 million of accrued rebates to “Contract liabilities” on the December 31, 2017 Condensed Consolidated Balance Sheet as they represent future performance obligations. Refer to Note 2 ***–*** Revenue and Related Contract Costs and Contract Liabilities for additional information.

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**Note 11. Other Deferred Items and Liabilities**

Other deferred items and liabilities consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31,** | |  |  | **December 31,** | |  |
| *(in thousands)* | | |  | **2018** |  |  |  | **2017** |  |  |
| Continuing operations: | | |  |  |  |  |  |  |  |  |
| Self-insured liability | | | $ | 13,139 |  | $ | | 12,918 |  |  |
| Self-insured excess liability | | |  | 10,442 |  |  |  | 10,442 |  |  |
| Foreign deferred tax liability | | |  | 8,267 |  |  |  | 8,267 |  |  |
| Accrued compensation | | |  | 5,628 |  |  |  | 9,740 |  |  |
| Deferred rent | | |  | 3,744 |  |  |  | 3,855 |  |  |
| Accrued restructuring | | |  | 1,754 |  |  |  | 1,827 |  |  |
| Other | | |  | 1,439 |  |  |  | 1,305 |  |  |
| **Total continuing operations** | | |  | 44,413 |  |  |  | 48,354 |  |  |
| Discontinued operations: | | |  |  |  |  |  |  |  |  |
| Self-insured liability | | |  | 2,471 |  |  |  | 2,557 |  |  |
| Environmental remediation liabilities | | |  | 1,669 |  |  |  | 1,728 |  |  |
| Other | | |  | 233 |  |  |  | 219 |  |  |
| **Total discontinued operations** | | |  | 4,373 |  |  |  | 4,504 |  |  |
| **Total other deferred items and liabilities** | | | $ | 48,786 |  |  | $ | 52,858 |  |  |
| **Note 12. Debt and Capital Lease Obligations** | | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| The components of long-term debt and capital lease obligations consisted of the following: | | |  |  |  |  |  |  |  |  |
|  |  |  |  | **March 31,** | |  |  | **December 31,** | |  |
| *(in thousands, except interest rates)* | | |  | **2018** |  |  |  | **2017** |  |  |
| Revolving credit facility and term loan 3.4% weighted-average interest rate at | | |  |  |  |  |  |  |  |  |
| March 31, 2018 and 3.1% at December 31, 2017, due through 2019 (1) | | | $ | 212,831 |  | $ | | 207,322 |  |  |
| Brewster Inc. revolving credit facility 3.0% weighted-average interest rate at | | |  |  |  |  |  |  |  |  |
| March 31, 2018 (1) | | |  | 15,498 |  |  |  | — | |  |
| Less unamortized debt issuance costs | | |  | (850) | |  |  | (984) | |  |
| **Total debt** | | |  | 227,479 |  |  |  | 206,338 |  |  |
| Capital lease obligations 4.1% weighted-average interest rate at March 31, | | |  |  |  |  |  |  |  |  |
| 2018 and 3.8% at December 31, 2017, due through 2021 | | |  | 3,839 |  |  |  | 2,854 |  |  |
| **Total debt and capital lease obligations** | | |  | 231,318 |  |  |  | 209,192 |  |  |
| Current portion (2) | | |  | (178,252) | |  |  | (152,599) | |  |
| **Long-term debt and capital lease obligations** | | | $ | 53,066 |  |  | $ | 56,593 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

1. Represents the weighted-average interest rate in effect at the respective periods for the revolving credit facilities and term loan borrowings, including any applicable margin. The interest rates do not include amortization of debt issuance costs or commitment fees.
2. Borrowings under the revolving credit facilities are classified as current because all borrowed amounts are due within one year.

Effective December 22, 2014, we entered into a $300 million Amended and Restated Credit Agreement (the “Credit Agreement”). The Credit Agreement provides for a senior credit facility in the aggregate amount of $300 million, which consists of a $175 million revolving credit facility (the “Revolving Credit Facility”) and a $125 million term loan (the “Term Loan”). The Credit Agreement has a maturity date of December 22, 2019. Proceeds from the loans made under the Credit Agreement were used to refinance certain of our outstanding debt and will be used for general corporate purposes in the ordinary course of business. Under the Credit Agreement, either or both of the Revolving Credit Facility and the Term Loan may be increased up to an additional $100 million under certain circumstances. If such circumstances are met, we may obtain the additional borrowings under the Revolving Credit Facility, the Term Loan, or a combination of the two. The Revolving Credit Facility has a $40 million sublimit for letters of credit. Borrowings and letters of credit can be denominated in U.S. dollars, Euros, Canadian dollars, or British pounds. Our lenders under the Credit Agreement have a first perfected security interest in all of our personal property including GES, GES Event Intelligence Services, Inc., CATC Alaska Tourism Corporation (“CATC”), and ON Event Services, LLC (“ON Services”), and 65% of the capital stock of our top-tier foreign subsidiaries.

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Effective February 24, 2016, we executed an amendment (“Amendment No. 1”) to the Credit Agreement. Amendment No. 1 modified the terms of the financial covenants and the negative covenants related to acquisitions, restricted payments, and indebtedness. The overall maximum leverage ratio and minimum fixed charge coverage ratio are 3.50 to 1.00 and 1.75 to 1.00, respectively, and will remain at those levels for the entire remaining term of the Credit Agreement. Acquisitions in substantially the same or related lines of business are permitted under Amendment No. 1, as long as the pro forma leverage ratio is less than or equal to 3.00 to 1.00. We can make dividends, distributions, and repurchases of our common stock up to $20 million per calendar year. Stock dividends, distributions, and repurchases above the $20 million limit are not subject to a liquidity covenant, and are permitted as long as our pro forma leverage ratio is less than or equal to 2.50 to 1.00 and no default or unmatured default, as defined in the Credit Agreement, exists. Unsecured debt is allowed as long as our pro forma leverage ratio is less than or equal to 3.00 to 1.00. Significant other covenants under the Credit Agreement that were not affected by Amendment No. 1 include limitations on investments, sales/leases of assets, consolidations or mergers, and liens on property. As of March 31, 2018, the fixed charge coverage ratio was 2.69 to 1.00, the leverage ratio was 1.89 to 1.00, and we were in compliance with all covenants under the Credit Agreement.

Effective December 28, 2016, Brewster Inc., part of Pursuit, entered into a credit agreement (the “Brewster Credit Agreement”) with a $38 million revolving credit facility (the “Brewster Revolver”). The Brewster Credit Agreement was used in connection with the FlyOver Canada acquisition in December 2016. Effective December 6, 2017, we amended the Brewster Revolver to reduce the amount to $20 million and extend the maturity date to December 28, 2018. Additional loan proceeds will be used for potential future acquisitions in Canada and other general corporate purposes of Brewster Inc. The lender under the Brewster Revolver has a first perfected security interest in all of Brewster Inc.’s personal property and a guaranty from Brewster Inc.’s immediate parent, Brewster Travel Canada Inc. (secured by its present and future personal property), Viad, and all of its current or future subsidiaries that are required to be guarantors under Viad’s Credit Agreement. The fees on the unused portion of the Brewster Revolver are currently 0.2% annually.

As of March 31, 2018, our total debt and capital lease obligations were $231.3 million, consisting of outstanding borrowings under the Term Loan of $70.3 million, the Revolving Credit Facility of $142.5 million, the Brewster Revolver of $15.5 million, and capital lease obligations of $3.8 million, offset in part by unamortized debt issuance costs of $0.9 million. As of March 31, 2018, capacity remaining under the Revolving Credit Facility was $31.2 million, reflecting borrowings of $142.5 million and $1.3 million in outstanding letters of credit. As of March 31, 2018, Brewster Inc. had $4.5 million of capacity remaining under the Brewster Revolver.

Borrowings under the Revolving Credit Facility (of which GES, GES Event Intelligence Services, Inc., CATC, and ON Services are guarantors) are indexed to the prime rate or the London Interbank Offered Rate, plus appropriate spreads tied to our leverage ratio. Commitment fees and letters of credit fees are also tied to our leverage ratio. The fees on the unused portion of the Revolving Credit Facility are currently 0.3% annually.

The estimated fair value of total debt was $225.1 million as of March 31, 2018 and $203.2 million as of December 31, 2017. The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity.

Cash paid for interest on debt was $1.9 million for the three months ended March 31, 2018 and $1.5 million for the three months ended March 31, 2017.

**Note 13. 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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Money market mutual funds and certain other mutual fund investments are measured at fair value on a recurring basis using Level 1 inputs. The fair value information related to these assets is summarized in the following tables:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Fair Value Measurements at Reporting Date Using** | | | | | | | |  |  |
|  |  |  |  |  | **Quoted Prices in** | |  |  | **Significant** | |  |  | **Significant** | |  |
|  |  |  |  |  |  |  | **Other** | |  |  |  |
|  |  |  |  |  |  | **Active** |  |  | **Observable** | |  |  | **Unobservable** | |  |
|  |  |  | **March 31, 2018** |  |  | **Markets** |  |  | **Inputs** | |  |  | **Inputs** | |  |
| *(in thousands)* |  |  |  |  | **(Level 1)** |  |  | **(Level 2)** | |  |  | **(Level 3)** | |  |
| Assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Money market funds(1) | $ | | 119 | $ | | 119 | $ | | — | | $ | | — | |  |
| Other mutual funds(2) |  |  | 2,823 |  |  | 2,823 |  |  | — | |  |  | — | |  |
| **Total assets at fair value on a recurring basis** |  | $ | 2,942 |  | $ | 2,942 |  | $ | — |  |  | $ | — |  |  |
|  |  |  |  |  |  |  |  |  | |  | |  | |  |  |
|  |  |  |  |  |  | **Fair Value Measurements at Reporting Date Using** | | | | | | | |  |  |
|  |  |  |  |  |  | **Quoted Prices** |  |  | **Significant** | |  |  | **Significant** | |  |
|  |  |  |  |  |  |  |  | **Other** | |  |  |  |
|  |  |  |  |  |  | **in Active** |  |  | **Observable** | |  |  | **Unobservable** | |  |
|  |  | **December 31, 2017** | |  |  | **Markets** |  |  | **Inputs** | |  |  | **Inputs** | |  |
| *(in thousands)* |  |  |  | **(Level 1)** |  |  | **(Level 2)** | |  |  | **(Level 3)** | |  |
| Assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Money market funds(1) | $ | | 119 | $ | | 119 | $ | | — | | $ | | — | |  |
| Other mutual funds(2) |  |  | 2,637 |  |  | 2,637 |  |  | — | |  |  | — | |  |
| **Total assets at fair value on a recurring basis** |  | $ | 2,756 |  | $ | 2,756 |  | $ | — |  |  | $ | — |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Money market funds are included in “Cash and cash equivalents” in the Condensed Consolidated Balance Sheets. These investments are classified as available-for-sale and are recorded at fair value. There have been no realized gains or losses related to these investments and we have not experienced any redemption restrictions with respect to any of the money market mutual funds.
2. Other mutual funds are included in “Other investments and assets” in the Condensed Consolidated Balance Sheets. These investments are classified as available-for-sale and are recorded at fair value. Unrealized gains of $1.0 million ($0.6 million after tax) as of December 31, 2017 are included in “Accumulated other comprehensive income (loss)” (“AOCI”) in the Condensed Consolidated Balance Sheets. Upon the adoption of ASU 2016-01, unrealized gains on equity securities classified as available-for-sale are recognized in net income rather than AOCI. We adopted this guidance prospectively, and recognized a cumulative-effect adjustment of $0.6 million to beginning retained earnings. Refer to Note 14 – Stockholders’ Equity for additional information.

The carrying values of cash and cash equivalents, receivables, and accounts payable approximate fair value due to the short-term maturities of these instruments. Refer to Note 12 ***–*** Debt and Capital Lease Obligations for the estimated fair value of debt obligations.

**Note 14. Stockholders’ Equity**

The following represents a reconciliation of the carrying amounts of stockholders’ equity attributable to Viad and the non-redeemable noncontrolling interest for the three months ended March 31, 2018 and 2017:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Total Viad** | |  | **Non-redeemable** | |  |  | **Total** | |  |  |
|  |  |  | **Stockholders’** | |  | **Noncontrolling** | |  |  | **Stockholders’** | |  |  |
| *(in thousands)* |  |  | **Equity** | |  | **Interest** | |  |  | **Equity** | |  |  |
| **Balance at December 31, 2017** |  | $ | 429,131 |  | $ | 13,806 |  |  | $ | 442,937 |  |  |  |
| Net loss |  |  | (9,387) | |  | (364) | |  |  | (9,751) | |  |  |
| Dividends on common stock ($0.10 per share) |  |  | (2,046) | |  | — | |  |  | (2,046) | |  |  |
| Common stock purchased for treasury |  |  | (868) | |  | — | |  |  | (868) | |  |  |
| Employee benefit plans |  |  | 1,938 |  |  | — | |  |  | 1,938 |  |  |  |
| Unrealized foreign currency translation adjustment |  |  | (3,109) | |  | — | |  |  | (3,109) | |  |  |
| Other changes to AOCI |  |  | 445 |  |  | — | |  |  | 445 |  |  |  |
| Other |  |  | (67) | |  | — | |  |  | (67) | |  |  |
| **Balance at March 31, 2018** |  | $ | 416,037 |  | $ | 13,442 |  |  | $ | 429,479 |  |  |  |
|  | 22 |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Total Viad** | | | |  | **Non-redeemable** | | | | |  |  |  |  | **Total** | |  |
|  |  |  |  |  |  | **Stockholders’** | | | | |  |  | **Noncontrolling** | | | |  |  |  |  | **Stockholders’** | |  |
| *(in thousands)* |  |  |  |  |  |  |  | **Equity** | | |  |  |  | **Interest** | | |  |  |  |  | **Equity** | |  |
| **Balance at December 31, 2016** |  |  |  | $ | |  |  | 357,355 |  |  | $ |  |  | 13,283 |  |  |  | $ | | | 370,638 |  |  |
| Net income (loss) |  |  |  |  |  |  |  | 6,777 |  |  |  |  |  | (264) | |  |  |  |  |  | 6,513 |  |  |
| Dividends on common stock ($0.10 per share) |  |  |  |  |  |  |  | (2,038) | |  |  |  |  | — | | |  |  |  |  | (2,038) | |  |
| Common stock purchased for treasury |  |  |  |  |  |  |  | (1,204) | |  |  |  |  | — | | |  |  |  |  | (1,204) | |  |
| Employee benefit plans |  |  |  |  |  |  |  | 1,779 |  |  |  |  |  | — | | |  |  |  |  | 1,779 |  |  |
| Unrealized foreign currency translation adjustment |  |  |  |  |  |  |  | 2,345 |  |  |  |  |  | — | | |  |  |  |  | 2,345 |  |  |
| Other changes to AOCI |  |  |  |  |  |  |  | 95 |  |  |  |  |  | — | | |  |  |  |  | 95 |  |  |
| Other |  |  |  |  |  |  |  | (92) | |  |  |  |  | — | | |  |  |  |  | (92) | |  |
| **Balance at March 31, 2017** |  |  |  | $ | |  |  | 365,017 |  |  | $ |  |  | 13,019 |  |  |  | $ | | | 378,036 |  |  |
| Changes in AOCI by component are as follows: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | **Cumulative** | | |  |  | **Unrecognized Net** | | | |  |  |  |  | **Accumulated** | |  |
|  |  |  | **Unrealized Gains** | | |  | **Foreign Currency** | | | |  |  | **Actuarial Loss and** | | | |  |  |  |  | **Other** | |  |
|  |  |  |  |  | **Translation** | | |  |  |  | **Prior Service** | | |  |  |  |  | **Comprehensive** | |  |
| *(in thousands)* |  |  | **on Investments** | | |  |  | **Adjustments** | | |  |  |  | **Credit, Net** | | |  |  |  |  | **Income (Loss)** | |  |
| **Balance at December 31, 2017** |  | $ | 616 | |  |  | $ | (12,026) | |  | |  | $ | (11,158) | |  |  | | | $ | (22,568) |  |  |
| Adoption of ASU 2016-01 (1) |  |  | (616) | | |  |  |  | — | |  |  |  | — | | |  |  |  |  | (616) | |  |
| Other comprehensive income before reclassifications |  |  | — | | |  |  | (3,109) | | | |  |  | — | | |  |  |  |  | (3,109) | |  |
| Amounts reclassified from AOCI, net of tax |  |  | — | | |  |  |  | — | |  |  |  | 445 | |  |  |  |  |  | 445 |  |  |
| **Net other comprehensive income (loss)** |  |  | (616) | |  |  |  | (3,109) | |  | |  |  | 445 | |  |  |  |  |  | (3,280) |  |  |
| **Balance at March 31, 2018** |  | $ | — | |  |  | $ | (15,135) | |  | |  | $ | (10,713) | |  |  | | | $ | (25,848) |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Upon the adoption of ASU 2016-01, we recorded a cumulative-effect adjustment from unrealized gains on investments to beginning retained earnings.

Amounts reclassified that relate to our defined benefit pension and postretirement plans include the amortization of prior service costs and actuarial net losses recognized during the three months ended March 31, 2018 and 2017. These costs are recorded as components of net periodic cost for each period presented. Refer to Note 17 – Pension and Postretirement Benefits for additional information.

Amounts reclassified that relate to unrealized gains on equity securities classified as available-for-sale include $1.0 million ($0.6 million after tax) as of December 31, 2017. Upon the adoption of ASU 2016-01, unrealized gains on equity securities are recognized in net income. Refer to Note 13 – Fair Value Measurements for additional information.

Noncontrolling interests with redemption features that are not solely within our control are considered redeemable noncontrolling interests. Redeemable noncontrolling interest is considered temporary equity and we report it between liabilities and stockholders’ equity in the Condensed Consolidated Balance Sheets. Refer to Note 20 – Redeemable Noncontrolling Interest for additional information.

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**Note 15. Income Per Share**

The components of basic and diluted income per share are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands, except per share data)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| **Net income (loss) attributable to Viad (diluted)** | $ | (9,387) |  |  | $ | 6,777 |  |  |
| Less: Allocation to non-vested shares |  | — | |  |  | (89) | |  |
| Adjustment to the redemption value of redeemable noncontrolling interest |  | (38) | |  |  | — | |  |
| **Net income (loss) allocated to Viad common stockholders (basic)** | $ | (9,425) |  |  | $ | 6,688 |  |  |
| **Basic weighted-average outstanding common shares** |  | 20,207 |  |  |  | 20,083 |  |  |
| Additional dilutive shares related to share-based compensation |  | — | |  |  | 263 |  |  |
| **Diluted weighted-average outstanding shares** |  | 20,207 |  |  |  | 20,346 |  |  |
| **Income (loss) per share:** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Basic income (loss) attributable to Viad common stockholders | $ | (0.47) | | $ | | 0.33 |  |  |
| Diluted income (loss) attributable to Viad common stockholders(1) | $ | (0.47) | | $ | | 0.33 |  |  |

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

**Note 16. Income Taxes**

The effective tax rate was 30.1% for the three months ended March 31, 2018 and 27.2% for the three months ended March 31, 2017.

The income tax provision was computed based on the estimated annualized effective tax rate on the full-year forecasted income plus the tax impact of any unusual, infrequent, or non-recurring items during the period. The effective tax rate for the three months ended March 31, 2018 was greater than the federal statutory rate of 21% primarily due to foreign income taxed at higher rates and the impact of U.S. tax reform, specifically the global intangible low-taxed income (“GILTI”) tax on global income, certain non-deductible business expenses and the increase in the effective state tax rate. The effective tax rate for the three months ended March 31, 2017 was less than the federal statutory rate of 35% primarily due to the excess tax benefit on share-based compensation.

As of March 31, 2018, we have not updated any provisional estimates included in the financial statements as of December 31, 2017 for the impact of the Tax Act, but expect to complete the analysis and record any adjustments within the one year period provided under SEC Staff Accounting Bulletin 118.

We updated our current year estimate of the GILTI tax and have included the GILTI tax that cannot be fully offset by foreign tax credits generated in our annualized effective tax rate. The guidance and interpretation of the GILTI tax has not been finalized and it is possible that our estimate will change.

Cash paid for income taxes was $9.1 million for the three months ended March 31, 2018 and $2.5 million for the three months ended March 31, 2017.

**Note 17. Pension and Postretirement Benefits**

The components of net periodic benefit cost of our pension and postretirement benefit plans for the three months ended March 31, 2018 and 2017 consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Domestic Plans** | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | **Pension Plans** | | | | | |  | **Postretirement Benefit Plans** | | | | |  | **Foreign Pension Plans** | | | | |  |
| *(in thousands)* |  | **2018** |  |  |  | **2017** |  |  | **2018** |  |  | **2017** |  |  | **2018** |  |  | **2017** |  |  |
| Service cost | $ | 2 |  |  | $ | 9 |  | $ | 24 |  | $ | 30 |  | $ | 142 |  | $ | 130 |  |  |
| Interest cost |  | 187 |  |  |  | 229 |  |  | 94 |  |  | 126 |  |  | 92 |  |  | 114 |  |  |
| Expected return on plan assets |  | (35) | |  |  | (39) | |  | — | |  | — | |  | (129) | |  | (148) | |  |
| Amortization of prior service credit |  | — | |  |  | — | |  | (84) | |  | (111) | |  | — | |  | — | |  |
| Recognized net actuarial loss |  | 122 |  |  |  | 136 |  |  | 52 |  |  | 100 |  |  | 41 |  |  | 45 |  |  |
| Net periodic benefit cost | $ | 276 |  |  | $ | 335 |  | $ | 86 |  | $ | 145 |  | $ | 146 |  | $ | 141 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 24 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



We expect to contribute $1.1 million to our funded pension plans, $1.0 million to our unfunded pension plans, and $1.1 million to our postretirement benefit plans in 2018. During the three months ended March 31, 2018, we contributed $0.2 million to our funded pension plans, $0.2 million to our unfunded pension plans, and $0.3 million to our postretirement benefit plans.

**Note 18. Restructuring Charges**

**GES**

We have taken certain restructuring actions designed to reduce our cost structure primarily within GES. We implemented a strategic reorganization plan in order to consolidate the separate business units within GES U.S. We also consolidated facilities and streamlined our operations in the U.S., Canada, and the United Kingdom. As a result, we recorded restructuring charges primarily consisting of severance and related benefits as a result of workforce reductions and charges related to the consolidation and downsizing of facilities representing the remaining operating lease obligations (net of estimated sublease income) and related costs.

**Other Restructurings**

We recorded restructuring charges in connection with certain reorganization activities within Pursuit. These charges primarily consist of severance and related benefits due to headcount reductions.

Changes to the restructuring liability by major restructuring activity are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **GES** | | | |  |  |  | **Other** | |  |  |  |  |
|  |  |  |  |  | **Restructurings** | |  |  |  |  |
|  |  | **Severance &** | |  |  |  |  |  | **Severance &** |  |  |  |  |  |
|  |  | **Employee** | |  |  | **Facilities** | |  | **Employee** | |  | **Total** | |  |
| *(in thousands)* |  | **Benefits** | |  |  |  | **Benefits** | |  |  |
| **Balance at December 31, 2017** | $ | 1,551 |  |  | $ | 807 |  | $ | 191 |  | $ | 2,549 |  |  |
| Restructuring charges |  | 32 |  |  |  | — | |  | 130 |  |  | 162 |  |  |
| Cash payments |  | (167) | |  |  | (20) | |  | (295) | |  | (482) | |  |
| Adjustment to liability |  | 451 |  |  |  | (451) | |  | (14) | |  | (14) | |  |
| **Balance at March 31, 2018** | $ | 1,867 |  |  | $ | 336 |  | $ | 12 |  | $ | 2,215 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

As of March 31, 2018, the liabilities related to severance and employee benefits are expected to be paid by the end of 2020. Additionally, the liability related to future lease payments will be paid over the remaining lease terms for GES. Refer to Note 21 ***–*** Segment Information, for information regarding restructuring charges by segment.

**Note 19. Litigation, Claims, Contingencies, and Other**

We 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 us. Although the amount of liability as of March 31, 2018 with respect to these matters is not ascertainable, we believe that any resulting liability, after taking into consideration amounts already provided for and insurance coverage, will not have a material effect on our business, financial position, or results of operations.

We are 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 we have or had operations. If we fail to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and we could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, we also face exposure to actual or potential claims and lawsuits involving environmental matters relating to our past operations. As of March 31, 2018, we had recorded environmental remediation liabilities of $2.3 million related to previously sold operations. Although we are a party to certain environmental disputes, we believe that any resulting liabilities, after taking into consideration amounts already provided for and insurance coverage, will not have a material effect on our financial position or results of operations.

As of March 31, 2018, on behalf of our subsidiaries, we had certain obligations under guarantees to third parties. These guarantees are not subject to liability recognition in the condensed consolidated financial statements and relate to leased facilities entered into by our subsidiary operations. We 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 we would be required to make under all guarantees existing as of March 31, 2018 would be $19.1 million. These guarantees relate to our leased facilities through October 2027. There are no recourse provisions that would enable us to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements whereby we could recover payments.

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A significant number of our employees are unionized and we are a party to approximately 100 collective-bargaining agreements, with approximately one-third requiring renegotiation each year. If we are unable to reach an agreement with a union during the collective-bargaining process, the union may call for a strike or work stoppage, which may, under certain circumstances, adversely impact our business and results of operations. We believe that relations with our employees are satisfactory and that collective-bargaining agreements expiring in 2018 will be renegotiated in the ordinary course of business without having a material adverse effect on our operations. We entered into showsite and warehouse agreements with the Chicago Teamsters Local 727, effective January 1, 2014, and those agreements contain provisions that allow the parties to re-open negotiation of the agreements on pension-related issues. We are in informal discussions regarding those issues with all relevant parties to resolve those issues in a manner that will be reasonable and equitable to employees, customers, and shareholders. Although our labor relations are currently stable, disruptions pending the outcome of the Chicago Teamsters Local 727 negotiations could occur, as they could with any collective-bargaining agreement negotiation, with the possibility of an adverse impact on the operating results of GES.

Our business contributes to various multi-employer pension plans based on obligations arising under collective-bargaining agreements covering our union-represented employees. Based upon the information available from plan administrators, we believe 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 us, 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 us to make payments to such plan for our proportionate share of the plan’s unfunded vested liabilities. As of March 31, 2018, the amount of additional funding, if any, that we would be required to make related to multi-employer pension plans is not ascertainable.

We are self-insured up to certain limits for workers’ compensation, employee health benefits, automobile, product and general liability, and property loss claims. The aggregate amount of insurance liabilities (up to our retention limit) related to our continuing operations was $19.0 million as of March 31, 2018 which includes $13.6 million related to workers’ compensation liabilities, and $5.4 million related to general/auto liability claims. We have also retained and provided for certain insurance liabilities in conjunction with previously sold businesses of $2.8 million as of March 31, 2018, related to workers’ compensation liabilities. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on our historical experience, claims frequency, and other factors. A change in the assumptions used could result in an adjustment to recorded liabilities. We have purchased insurance for amounts in excess of the self-insured levels, which generally range from $0.2 million to $0.5 million on a per claim basis. We do not maintain a self-insured retention pool fund as claims are paid from current cash resources at the time of settlement. Our net cash payments in connection with these insurance liabilities were $1.5 million for the three months ended March 31, 2018 and $1.3 million for the three months ended March 31, 2017.

In addition, as of March 31, 2018, we have recorded insurance liabilities of $10.4 million related to continuing operations, which represents the amount for which we remain the primary obligor after self-insured insurance limits, without taking into consideration the above-referenced insurance coverage. Of this total, $6.9 million related to workers’ compensation liabilities and $3.5 million related to general/auto liability claims which are recorded in other deferred items and liabilities in the Condensed Consolidated Balance Sheets with a corresponding receivable in other investments.

**Note 20. Redeemable Noncontrolling Interest**

On November 3, 2017, we acquired the controlling interest (54.5% of the common stock) in Esja, a private corporation in Reykjavik, Iceland, which is developing and will operate a new FlyOver Iceland attraction.

The Esja acquisition contains a put option that gives the minority Esja shareholders the right to sell (or “put”) their Esja shares to us based on a multiple of 5.0x EBITDA as calculated on the trailing 12 months from the most recently completed quarter before the put option exercise. The put option is only exercisable after 36 months of business operation (the “Reference Date”) and if the FlyOver Iceland attraction has earned a minimum of €3.25 million in unadjusted EBITDA during the most recent fiscal year and during the trailing 12-month period prior to exercise (the “Put Option Condition”). The put option is exercisable during a period of 12 months following the Reference Date (the “Option Period”) and if the Put Option Condition has been met. If the Put Option Condition has not been met during the first Option Period, the Reference Date will be extended for an additional 12 months up to three times. If after 72 months, the FlyOver Iceland attraction has not achieved the Put Option Condition, the put option expires. If the Put Option Condition is met during any of the Option Periods, yet the shares are not exercised prior to the end of the 12-month Option Period, the put option will expire.

The noncontrolling interest’s carrying value is determined by the fair value of the noncontrolling interest as of the acquisition date, the noncontrolling interest’s share of the subsequent net income or loss. This value is benchmarked against the redemption value of the sellers’ put option. The carrying value is adjusted to the latter, provided that it does not fall below the initial carrying value, as determined by the purchase price allocation. We have made a policy election to reflect any changes caused by such an adjustment to retained earnings, rather than to current earnings.

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Changes in the redeemable noncontrolling interest is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *(in thousands)* |  |  |  |  |
| **Balance at December 31, 2017** | $ | | 6,648 |  |
| Net loss attributable to redeemable noncontrolling interest |  |  | (84) | |
| Adjustment to the redemption value |  |  | 38 |  |
| Foreign currency translation adjustment |  |  | 348 |  |
| **Balance at March 31, 2018** |  | $ | 6,950 |  |
|  |  |  |  |  |

**Note 21. Segment Information**

We measure the profit and performance of our operations on the basis of segment operating income (loss) which excludes restructuring charges and recoveries and impairment charges and recoveries. 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.

Our reportable segments, with reconciliations to consolidated totals, are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| **Revenue:** |  |  |  |  |  |  |  |  |
| GES: |  |  |  |  |  |  |  |  |
| U.S. | $ | 203,868 |  | $ | | 257,211 |  |  |
| International |  | 67,186 |  |  |  | 63,899 |  |  |
| Intersegment eliminations |  | (3,348) | |  |  | (3,239) | |  |
| Total GES |  | 267,706 |  |  |  | 317,871 |  |  |
| Pursuit |  | 9,722 |  |  |  | 7,936 |  |  |
| **Total revenue** | $ | 277,428 |  |  | $ | 325,807 |  |  |
| **Segment operating income (loss):** |  |  |  |  |  |  |  |  |
| GES: |  |  |  |  |  |  |  |  |
| U.S. | $ | (1,556) | | $ | | 21,346 |  |  |
| International |  | 2,136 |  |  |  | 2,033 |  |  |
| Total GES |  | 580 |  |  |  | 23,379 |  |  |
| Pursuit |  | (11,395) | |  |  | (10,275) | |  |
| **Segment operating income (loss)** |  | (10,815) |  |  |  | 13,104 |  |  |
| Corporate eliminations (1) |  | 16 |  |  |  | 16 |  |  |
| Corporate activities |  | (2,217) | |  |  | (2,541) | |  |
| **Operating income (loss)** |  | (13,016) |  |  |  | 10,579 |  |  |
| Interest income |  | 84 |  |  |  | 58 |  |  |
| Interest expense |  | (2,069) | |  |  | (2,105) | |  |
| Other expense (2) |  | (238) | |  |  | (452) | |  |
| **Restructuring recoveries (charges):** |  |  |  |  |  |  |  |  |
| GES U.S. |  | — | |  |  | (24) | |  |
| GES International |  | (32) | |  |  | (233) | |  |
| Pursuit |  | (140) | |  |  | — | |  |
| Corporate |  | 10 |  |  |  | (137) | |  |
| **Impairment recoveries:** |  |  |  |  |  |  |  |  |
| Pursuit |  | — | |  |  | 2,384 |  |  |
| **Income (loss) from continuing operations before income taxes** | $ | (15,401) |  |  | $ | 10,070 |  |  |

1. Corporate eliminations represent the elimination of depreciation expense recorded by Pursuit associated with previously eliminated intercompany profit realized by GES for renovations to Pursuit’s Banff Gondola.
2. We adopted ASU 2017-07 on January 1, 2018, which requires retrospective adoption. As a result, we recorded the nonservice cost component of net periodic benefit cost within other expense for the three months ended March 31, 2018, and we reclassified $0.5 million from operating expenses to other expense for the three months ended March 31, 2017 to conform with current period presentation. Refer to Note 1 – Overview and Basis of Presentation for additional details on the impact of this adoption on our Condensed Consolidated Statements of Operations.



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**Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Forward-Looking Statements**

This Form 10-Q contains a number of forward-looking statements. Words, and variations of words, such as “will,” “may,” “expect,” “would,” “could,” “might,” “intend,” “plan,” “believe,” “estimate,” “anticipate,” “deliver,” “seek,” “aim,” “potential,” “target,” “outlook,” and similar expressions are intended to identify our forward-looking statements. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. These forward-looking statements are not historical facts, and are subject to a host of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those in the forward-looking statements.

Important factors that could cause actual results to differ materially from those described in our forward-looking statements include, but are not limited to, the following:

* our ability to successfully integrate and achieve established financial and strategic goals from acquisitions;
* our dependence on large exhibition event clients;
* the importance of key members of our account teams to our business relationships;
* the competitive nature of the industries in which we operate;
* travel industry disruptions;
* transportation disruptions and increases in transportation costs;
* seasonality of our businesses;
* terrorist attacks, natural disasters and other catastrophic events;
* fluctuations in general economic conditions;
* the impact of recent U.S. tax legislation;
* our exposure to currency exchange rate fluctuations;
* our multi-employer pension plan funding obligations;
* our exposure to labor cost increases and work stoppages related to unionized employees;
* our exposure to cybersecurity attacks and threats;
* compliance with laws governing the collection, storage, handling and transfer of personal data and our exposure to legal claims and fines for data breaches or improper handling of such data;
* unanticipated delays and cost overruns of our capital projects, and our ability to achieve established financial and strategic goals of such projects;
* adverse effects of show rotation on our periodic results and operating margins;
* the effects of the United Kingdom’s exit from the European Union;
* liabilities relating to prior and discontinued operations; and
* those risks discussed in Item IA, “Risk Factors,” included in the 2017 Form 10-K.

Please see our most recent annual report on Form 10-K filed with the SEC on February 28, 2018. We disclaim and do not undertake any obligation to update or revise any forward-looking statement except as required by applicable law or regulation.

The following Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with our 2017 Form 10-K and the condensed consolidated financial statements and related notes included in this Form 10-Q. The MD&A is intended to assist in understanding our financial condition and results of operations.

**Overview**

We are an international experiential services company with operations principally in the United States, Canada, the United Kingdom, continental Europe, and the United Arab Emirates. We are committed to providing unforgettable experiences to our clients and guests. We operate through three reportable business segments: GES U.S., GES International, (collectively, “GES”), and Pursuit.

**GES**

GES is a global, full-service provider for live events that produces exhibitions, conferences, corporate events, and consumer events. GES offers a comprehensive range of live event services including a full suite of audio-visual services from creative and technology to content and design, along with online tools powered by next generation technologies that help clients easily manage the complexities of their events.

GES’ clients include event organizers and corporate brand marketers. Event organizers schedule and run the event from start to finish. Corporate brand marketers include exhibitors and domestic and international corporations that want to promote their brands, services and innovations, feature new products, and build business relationships. GES serves corporate brand marketers when they exhibit at events and when GES is engaged to manage their global exhibit program or produce their proprietary corporate events.

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**Seasonality**

GES’ show rotation refers to shows that occur less frequently than annually, as well as annual shows that shift quarters from one year to the next. GES’ exhibition and event activity can vary significantly from quarter to quarter and year to year depending on the frequency and timing of shows.

**Pursuit**

Pursuit is a collection of iconic natural and cultural destination travel experiences that enjoy perennial demand. Pursuit offers guests distinctive and world renowned experiences through its collection of unique hotels, lodges, world-class recreational attractions, and sightseeing and ground transportation services.

Pursuit comprises four lines of business: Attractions, including food and beverage services and retail operations; Hospitality, including food and beverage services and retail operations; Transportation, and Travel Planning. These four lines of business work together, driving economies of scope and meaningful scale in and around the iconic destinations of Banff, Jasper, and Waterton Lakes National Parks and Vancouver in Canada, and Glacier, Denali, and Kenai Fjords National Parks in the United States.

**Seasonality**

Pursuit experiences peak activity during the summer months. During 2017, 87% of Pursuit’s revenue was earned in the second and third quarters.

**Results of Operations**

**Financial Highlights**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | |  |  |  |  |  |
|  |  |  | **March 31,** | | |  |  | **Percentage** | |  |
|  |  |  | **2018** |  |  | **2017** |  |  |
| *(in thousands, except per share data)* |  |  |  |  |  | **Change** |  |  |
| Revenue |  | $ | 277,428 |  | $ | 325,807 |  | (14.8)% | |  |
| Net income (loss) attributable to Viad | $ | | (9,387) | | $ | 6,777 |  | \*\* |  |  |
| Segment operating income (loss) (1) | $ | | (10,815) | | $ | 13,104 |  | \*\* |  |  |
| Diluted income (loss) per common share from |  |  |  |  |  |  |  |  |  |  |
| continuing operations attributable to Viad common |  |  |  |  |  |  |  |  |  |  |
| stockholders | $ | | (0.51) | | $ | 0.37 |  | \*\* |  |  |

* Change is greater than +/- 100%
  + **Total revenue** decreased $48.4 million or 14.8%, primarily due to negative show rotation of approximately $56 million at GES, offset in part by afavorable foreign exchange impact of $6.2 million.
  + **Net income (loss) attributable to Viad** decreased $16.2 million, primarily due to lower segment operating results as well as an impairmentrecovery in 2017.
  + **Total segment operating results(1)** decreased $23.9 million, primarily due to negative show rotation at GES.

1. Refer to Note 21 ***–*** Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the non-GAAP financial measure, segment operating income (loss), to the most directly comparable GAAP measure.

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**Foreign Exchange Rate Variances**

We conduct our foreign operations primarily in Canada, the United Kingdom, the Netherlands, Germany, and to a lesser extent, in certain other countries.

The following table summarizes the foreign exchange rate variance effects (or “FX Impact”) on revenue and segment operating results from our significant international operations for the three months ended March 31, 2018 and 2017:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Revenue** | |  |  |  |  | **Segment Operating Results** | | | | | | |  |  |
|  |  |  | **Weighted-Average** | | | | |  | **FX Impact** |  |  | **Weighted-Average** | | | | |  | **FX Impact** | |  |
|  |  |  | **Exchange Rates** | | | | |  |  |  | **Exchange Rates** | | | | |  |  |
|  |  |  | **2018** |  |  | **2017** |  | *(in thousands)* | |  |  | **2018** |  |  | **2017** |  | *(in thousands)* | | |  |
| GES: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Canada (CAD) | $ | | 0.78 | $ | | 0.75 |  | $ | 711 | $ | | 0.78 |  | $ | 0.75 |  | $ | 29 |  |  |
| United Kingdom (GBP) | $ | | 1.39 | $ | | 1.24 |  |  | 4,123 | $ | | 1.39 |  | $ | 1.24 |  |  | (134) | |  |
| Europe (EUR) | $ | | 1.23 | $ | | 1.07 |  |  | 968 | $ | | 1.23 |  | $ | 1.07 |  |  | 83 |  |  |
|  |  |  |  |  |  |  |  |  | 5,802 |  |  |  |  |  |  |  |  | (22) | |  |
| Pursuit |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Canada (CAD) | $ | | 0.79 | $ | | 0.76 |  |  | 382 | $ | | 0.79 |  | $ | 0.76 |  |  | (213) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | $ | 6,184 |  |  |  |  |  |  |  | $ | (235) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The 2018 revenue and segment operating results were primarily impacted by the strengthening of the British pound and the Canadian dollar relative to the U.S. dollar. Future changes in the exchange rates may impact overall expected profitability and historical period-to-period comparisons when revenue and segment operating results are translated into U.S. dollars.

**Analysis of Revenue and Operating Results by Reportable Segment**

**GES**

The following table presents a comparison of GES’ reported revenue and segment operating results to organic revenue(1) and organic segment operating results(1) for the three months ended March 31, 2018 and 2017.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** | | | | |  |  |  |  | **Three Months Ended** | | | | | | |  |  |  |  |  |  |  |
|  |  |  |  |  | **March 31, 2018** | | | | |  |  |  |  |  |  | **March 31, 2017** | | | |  |  |  | **Change** | | |  |  |
|  |  | **As** | | **Acquisitions** | |  |  | **FX** | | **Organic(1)** | | |  | **As** | | **Acquisitions** | | | | **Organic(1)** | | | **As** | | **Organic(1)** | |  |
| *(in thousands)* | **Reported** | | |  |  | **Impact** | | **Reported** | | | **Reported** | |  |
| **Revenue:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GES: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| U.S. | $ | 203,868 |  | $ | — | $ | | — | | $ | 203,868 |  | $ | 257,211 |  | $ | | — | | $ | 257,211 |  | (20.7)% | | (20.7)% | |  |
| International |  | 67,186 |  |  | — |  |  | 5,802 |  |  | 61,384 |  |  | 63,899 |  |  |  | — | |  | 63,899 |  | 5.1% | | (3.9)% | |  |
| Intersegment eliminations |  | (3,348) | |  | — |  |  | — | |  | (3,348) | |  | (3,239) | |  |  | — | |  | (3,239) | | (3.4)% | | (3.4)% | |  |
| Total GES |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 267,706 |  | $ | — | $ | 5,802 |  | $ | 261,904 |  | $ | 317,871 |  | $ | — | $ | 317,871 |  | (15.8)% | | (17.6)% | |  |
| **Segment operating income** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **(loss)(2):** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GES: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| U.S. | $ | (1,556) | | $ | — | $ | | — | | $ | (1,556) | | $ | 21,346 |  | $ | | — | | $ | 21,346 |  | \*\* |  | \*\* |  |  |
| International |  | 2,136 |  |  | — |  |  | (22) | |  | 2,158 |  |  | 2,033 |  |  |  | — | |  | 2,033 |  | 5.1% | | 6.1% | |  |
| Total GES |  |  |  |  |  |  |  |  | ) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 580 |  | $ | — | $ | (22 | $ | 602 |  | $ | 23,379 |  | $ | — | $ | 23,379 |  | (97.5)% | | (97.4)% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

\*\* Change is greater than +/- 100%

1. Organic revenue and organic segment operating results are non-GAAP financial measures that adjust for the impacts of exchange rate variances and acquisitions, if any, until such acquisitions are included in the entirety of both comparable periods presented. For more information about organic revenue and organic segment operating results, see the “Non-GAAP Measures” section of this MD&A.
2. Refer to Note 21 ***–*** Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the non-GAAP financial measure, segment operating income (loss), to the most directly comparable GAAP measure.

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**GES U.S.**

**GES U.S. revenue** decreased $53.3 million or 20.7%, primarily due to negative show rotation of approximately $52 million and certain non-recurringbusiness, offset in part by U.S. base same-show revenue growth of 3.7%. Base same-show revenue represented 46.5% of GES U.S. revenue.

**GES U.S. operating results** decreased $22.9 million, primarily due to lower revenue.

**GES International**

**GES International revenue** increased $3.3 million or 5.1%, primarily due to a favorable FX Impact of $5.8 million and new business wins, offset in part bynegative show rotation of approximately $4.0 million. Organic revenue\* decreased $2.5 million or 3.9%.

**GES International operating income** increased $0.1 million or 5.1%, primarily due to higher revenue. Organic operating income\* increased $0.1 million or6.1%.

* Refer to footnote (1) in the above table for more information about the non-GAAP financial measures of organic revenue and organic segment operating results.

**2018 Outlook**

Although GES has a diversified revenue base and long-term contracts for future shows, its revenue is affected by general economic and industry-specific conditions. The prospects for individual shows tend to be driven by the success of the industry related to those shows. In general, the exhibition and event industry is experiencing modest growth.

For the 2018 full year, we expect GES’ revenue will be up slightly from 2017. Show rotation is expected to have a net negative impact on GES’ full revenue of approximately $40 million compared to 2017. We expect GES U.S. base same-show revenue to increase at a low to mid-single digit rate. We anticipate a favorable FX Impact of approximately $19 million on GES’ 2018 full year revenue and approximately $0.5 million on GES’ segment operating income. The expected FX Impact assumes that the U.S. dollar to the British pound exchange rate will be $1.41 and the U.S. dollar to the Canadian dollar exchange rate will be $0.79 during the remainder of 2018. For more information about segment operating income, see the “Non-GAAP Measures” section of this MD&A.

We are executing a strategic growth plan to position GES as the preferred global, full-service provider for Live Events, with further reach to corporate events, consumer events, conferences, and exhibitions. To support this strategy, since 2014, we have acquired two leading audio-visual production businesses and four leading event technology businesses that complement, enhance, and expand our current business and offer higher-margin growth opportunities. We continue to pursue additional opportunities to acquire businesses with proven products and services to create the most comprehensive suite of services for the Live Events industry. During 2018, we intend to make selective investments in additional resources to capitalize on continued growth opportunities in under-penetrated categories of Live Events, such as corporate events and consumer events, and in cross-selling new services.

Additionally, we remain focused on improving GES’ profitability through continued efforts to effectively manage labor costs by driving productivity gains through rigorous and strategic pre-show planning and on-site labor management that reduces the ratio of labor costs to revenue. Improving this metric is our top priority as we continue to develop and enhance tools to support and systematize show site labor planning, measurement, and benchmarking.

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**Pursuit**

The following table provides a comparison of Pursuit’s reported revenue and segment operating results to organic revenue(3) and organic segment operating results(3) for the three months ended March 31, 2018 and 2017.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended** | | | | | |  |  |  |  |  | **Three Months Ended** | | | | | | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **March 31, 2018** | | | | | |  |  |  |  |  |  |  | **March 31, 2017** | | | |  |  |  |  | **Change** | | |  |  |
|  |  |  | **As** | | **Acquisitions(2)** | | |  |  | **FX** | |  | **Organic(3)** | | |  | **As** | |  | **Acquisitions(2)** | | |  | **Organic(3)** | | | **As** | | **Organic(3)** | |  |
| *(in thousands)* |  | **Reported** | | |  |  | **Impact** | |  | **Reported** | | |  |  | **Reported** | |  |
| **Revenue (1):** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pursuit: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Attractions | $ | | 4,496 |  | $ | — | | $ | | 187 |  | $ | | 4,309 |  | $ | 3,546 |  | $ | | — | | $ | | 3,546 |  | 26.8% | | 21.5% | |  |
| Hospitality |  |  | 2,755 |  |  | — | |  |  | 86 |  |  |  | 2,669 |  |  | 2,072 |  |  |  | — | |  |  | 2,072 |  | 33.0% | | 28.8% | |  |
| Transportation |  |  | 2,369 |  |  | — | |  |  | 106 |  |  |  | 2,263 |  |  | 2,126 |  |  |  | — | |  |  | 2,126 |  | 11.4% | | 6.4% | |  |
| Travel Planning |  |  | 308 |  |  | — | |  |  | 11 |  |  |  | 297 |  |  | 233 |  |  |  | — | |  |  | 233 |  | 32.2% | | 27.5% | |  |
| Intra-Segment Eliminations & |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other |  |  | (206) | |  | — | |  |  | (8) | |  |  | (198) | |  | (41) | |  |  | — | |  |  | (41) | | \*\* |  | \*\* |  |  |
| Total Pursuit |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 9,722 |  | $ | — | $ | 382 |  | $ | 9,340 |  | $ | 7,936 |  | $ | — | $ | 7,936 |  | 22.5% | | 17.7% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Segment operating loss (4):** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Pursuit | $ | | (11,395) | | $ | (231) | | $ | | (213) | | $ | | (10,951) | | $ | (10,275) | | $ | | — | | $ | | (10,275) | | (10.9)% | | (6.6)% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Revenue by line of business does not agree to Note 2 – Revenue and Related Contract Costs and Contract Liabilities in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of the this Form 10-Q) as the amounts in the above table include product revenue from food and beverage and retail operations within each line of business.
2. Acquisitions for the three months ended March 31, 2018 include FlyOver Iceland (acquired November 2017).
3. Organic revenue and organic segment operating results are non-GAAP financial measures that adjust for the impacts of exchange rate variances and acquisitions, if any, until such acquisitions are included in the entirety of both comparable periods presented. For more information about organic revenue and organic segment operating results, see the “Non-GAAP Measures” section of this MD&A.
4. Refer to Note 21 ***–*** Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the non-GAAP financial measure, segment operating loss, to the most directly comparable GAAP measure.

**Pursuit revenue** increased $1.8 million or 22.5%, primarily driven by growth at the Banff Gondola and FlyOver Canada attractions and a favorable FXImpact of $0.4 million. Organic revenue\* increased $1.4 million or 17.7%.

**Pursuit operating loss increased** $1.1 million or 10.9%, primarily due to additional costs to support continued growth initiatives, as well as the timing ofcertain other expenses and an unfavorable FX impact of $0.2 million. Organic operating loss\* increased $0.7 million or 6.6%.

* Refer to footnote (3) in the above tables for more information about the non-GAAP financial measures of organic revenue and organic segment operating results.

**Performance Measures**

We evaluate the performance of Pursuit’s attractions business utilizing the number of passengers and total attractions revenue per passenger. The number of passengers allows us to assess the volume of visitor activity at each attraction during the period. Total attractions revenue per passenger is calculated as total attractions revenue divided by the total number of passengers at all Pursuit attractions during the period. Total attractions revenue includes ticket sales and ancillary revenue generated by attractions, such as food and beverage and retail revenue. Total attractions revenue per passenger measures the total spend per visitor that attraction properties are able to capture, which is important to the profitability of the attractions business.

We use the following key business metrics, common in the hospitality industry, to evaluate Pursuit’s hospitality business:

* **Revenue per Available Room.** RevPAR is calculated as total rooms revenue divided by the total number of room nights available for allcomparable Pursuit hospitality properties during the period. Total rooms revenue does not include non-rooms revenue, which consists of ancillary revenue generated by hospitality properties, such as food and beverage and retail revenue. RevPAR measures the period-over-period change in rooms revenue for comparable hospitality properties. RevPAR is affected by average daily rate and occupancy, which have different implications on profitability.

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* **Average Daily Rate.** ADR is calculated as total rooms revenue divided by the total number of room nights sold for all comparable Pursuithospitality properties during the period. ADR is used to assess the pricing levels that the hospitality properties are able to generate. Increases in ADR at hospitality properties lead to increases in rooms revenue with no substantial effect on variable costs, therefore having a greater impact on margins than increases in occupancy.
* **Occupancy.** Occupancy is calculated as the total number of room nights sold divided by the total number of room nights available for allcomparable Pursuit hospitality properties during the period. Occupancy measures the utilization of the available capacity at the hospitality properties. Increases in occupancy result in increases in rooms revenue and additional variable operating costs (including housekeeping services, utilities, and room amenity costs), as well as increased ancillary non-rooms revenue (including food and beverage and retail revenue).

The following table provides Pursuit’s same-store key performance indicators for the three months ended March 31, 2018 and 2017. The same-store metrics indicate the performance of all Pursuit’s properties and attractions that we owned and operated at full capacity, considering seasonal closures, for the entirety of both periods presented. For Pursuit properties and attractions located in Canada, comparisons to the prior year are on a constant U.S. dollar basis, using the current year quarterly average exchange rates for previous periods, to eliminate the FX Impact. We believe this same-store constant currency basis provides better comparability between reporting periods.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended** | | |  |  |
|  |  |  |  |  |  |  | **March 31,** | |  |  |
|  |  |  | **2018** |  |  |  | **2017** |  | **% Change** |  |
| Same-Store Key Performance Indicators (1) |  |  |  |  |  |  |  |  |  |  |
| **Attractions:** |  |  |  |  |  |  |  |  |  |  |
| Passengers |  |  | 158,472 |  |  |  | 150,397 |  | 5.4% | |
| Revenue per passenger | $ | | 28 |  | $ | | 25 |  | 12.0% | |
| **Hospitality:** |  |  |  |  |  |  |  |  |  |  |
| Room nights available |  |  | 27,810 |  |  |  | 27,720 |  | 0.3% | |
| RevPAR | $ | | 55 |  | $ | | 49 |  | 12.2% | |
| ADR | $ | | 103 |  | $ | | 92 |  | 12.0% | |
| Occupancy |  |  | 53.4% | |  |  | 53.6% | | (0.2)% | |

1. Same-Store Key Performance Indicators exclude the Mount Royal Hotel hospitality property due to its fire-related closure (effective December 2016).

**Attractions**. The increase in the same-store passengers and revenue per passenger was primarily due to higher visitation at FlyOver Canada and increasedrevenue at both the Banff Gondola and FlyOver Canada, driven by our revenue management efforts. All other attractions were seasonally closed during the three months ended March 31, 2018.

**Hospitality**. Pursuit owns three year-round lodging properties: the Elk + Avenue Hotel, the Mount Royal Hotel, and Grouse Mountain Lodge. The MountRoyal Hotel suffered fire damage on December 29, 2016 and has been closed for renovations. All other lodging properties were seasonally closed during the first quarter. Accordingly, the only Pursuit lodging properties with rooms available during the first quarter were the Elk + Avenue Hotel and Grouse Mountain Lodge. The increase in RevPAR during the three months ended March 31, 2018 was primarily due to stronger ADR and increased occupancy at the Elk + Avenue Hotel driven by our revenue management efforts.

During 2017, Pursuit derived approximately 64% of its revenue and 86% of its segment operating income from its Canadian operations, which are largely dependent on foreign customer visitation. Accordingly, the strengthening or weakening of the Canadian dollar, relative to other currencies, could affect customer volumes and the results of operations. Additionally, Pursuit is affected by consumer discretionary spending on tourism activities.

**2018 Outlook**

For the 2018 full year, we expect Pursuit’s revenue to increase at a high-single to low-double digit rate. We expect a favorable impact to Pursuit’s revenue of approximately $5 million from the planned re-opening of the Mount Royal Hotel in July 2018. We expect to incur start-up costs related to the development of our FlyOver Iceland attraction, which is expected to open in 2019, of approximately $1 million during 2018 ($0.2 million of which was incurred during the first quarter). We anticipate a favorable FX Impact of approximately $2 million on Pursuit’s 2018 revenue. In addition to these factors, we expect organic growth across the rest of Pursuit’s lines of business.

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**Corporate Activities**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | |  |  |  |  |  |
|  |  |  | **March 31,** | | |  |  | **Percentage Change** | |  |
|  |  | **2018** |  |  |  | **2017** |  |  |
| *(in thousands)* |  |  |  |  | **2018 vs. 2017** |  |  |
| Corporate activities |  | $ | 2,217 |  | $ | 2,541 |  | (12.8)% | |  |
|  |  |  |  |  |  |  |  |  |  |  |

The decrease in corporate activities during the three months ended March 31, 2018 was primarily due to a decrease in performance-based compensation expense and lower acquisition transaction-related costs in 2018.

**Other Expense**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | |  |  |  |  |  |
|  |  |  | **March 31,** | | |  |  | **Percentage Change** | |  |
|  |  | **2018** |  |  |  | **2017** |  |  |
| *(in thousands)* |  |  |  |  | **2018 vs. 2017** |  |  |
| Other expense |  | $ | 238 |  | $ | 452 |  | (47.3)% | |  |
|  |  |  |  |  |  |  |  |  |  |  |

On January 1, 2018, we adopted ASU 2017-07, which requires retrospective adoption. As a result, we recorded the nonservice cost component of net periodic benefit cost within other expense for the three months ended March 31, 2018, and we reclassified $0.5 million from operating expenses to other expense for the three months ended March 31, 2017 to conform to current period presentation. Refer to Note 17 – Pension and Postretirement Benefits.

**Impairment Recoveries**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | |  |  |  |  |  |
|  |  |  | **March 31,** | | |  |  | **Percentage Change** | |  |
|  |  | **2018** |  |  |  | **2017** |  |  |
| *(in thousands)* |  |  |  |  | **2018 vs. 2017** |  |  |
| Impairment recoveries |  | $ | — |  | $ | (2,384) |  | (100.0)% | |  |
|  |  |  |  |  |  |  |  |  |  |  |

The impairment recovery recorded during the three months ended March 31, 2017 was related to insurance proceeds received as a partial settlement for fire damage to the Mount Royal Hotel.

**Income Taxes**

The effective tax rate was 30.1% for the three months ended March 31, 2018 and 27.2% for the three months ended March 31, 2017. The increase was primarily due to our mix of domestic versus foreign income, which is taxed at higher rates. Additionally, as a result of the Tax Act, we are now subject to the GILTI tax, increased non-deductible expenses, and a higher effective state tax rate, which partially offset the reduction in the federal tax rate.

**Discontinued Operations**

**Three Months Ended**

**March 31,**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *(in thousands)* |  | **2018** |  |  | **2017** |  | **Percentage Change 2018 vs. 2017** |
| Income (loss) from discontinued operations | $ | 928 |  | $ | (816) |  | \*\* |
|  |  |  |  |  |  |  |  |

\*\* Change is greater than +/- 100%

Income from discontinued operations for the three months ended March 31, 2018 was primarily related to a favorable legal settlement of $1.4 million related to previously sold operations. The loss from discontinued operations for the three months ended March 31, 2017 was primarily related to an increase in reserves to resolve certain environmental matters related to previously sold operations.

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**Liquidity and Capital Resources**

Cash and cash equivalents were $42.3 million as of March 31, 2018, as compared to $53.7 million as of December 31, 2017. During the three months ended March 31, 2018, we generated a net cash outflow from operating activities of $3.4 million. We believe that our existing sources of liquidity will be sufficient to fund operations and capital commitments for at least the next 12 months.

As of March 31, 2018, essentially all of our cash and cash equivalents was held outside of the United States, consisting of $16.7 million in Canada, $6.9 million in the United Kingdom, $6.7 million in the Netherlands and $4.8 million in certain other countries. In addition, there is $8.0 million in Iceland related to our investment in Esja, which will be used to develop the FlyOver Iceland attraction.

**Cash Flows**

***Operating Activities***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| Net income (loss) | $ | (9,835) |  |  | $ | 6,513 |  |  |
| Depreciation and amortization |  | 13,063 |  |  |  | 12,144 |  |  |
| Deferred income taxes |  | (4,507) | |  |  | 374 |  |  |
| Loss (income) from discontinued operations |  | (928) | |  |  | 816 |  |  |
| Impairment recoveries |  | — | |  |  | (2,384) | |  |
| Other non-cash items |  | 2,609 |  |  |  | 3,630 |  |  |
| Changes in assets and liabilities |  | (3,821) | |  |  | 11,145 |  |  |
| **Net cash provided by (used in) operating activities** | $ | (3,419) |  |  | $ | 32,238 |  |  |
|  |  |  |  |  |  |  |  |  |

The change in cash provided by (used in) operating activities of $35.7 million, was primarily due to lower income and changes in working capital.

***Investing Activities***

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | |  |  |  |
|  | **2018** |  |  | **2017** |  |  |
| Capital expenditures | $ | (26,586) |  | $ | (14,662) |  |  |
| Proceeds from insurance |  | — | |  | 4,583 |  |  |
| Cash paid for acquired businesses, net |  | — | |  | (1,661) | |  |
| Proceeds from dispositions of property and other assets |  | 1,139 |  |  | 550 |  |  |
| **Net cash used in investing activities** | $ | (25,447) |  | $ | (11,190) |  |  |
|  |  |  |  |  |  |  |  |

Net cash used in investing activities increased $14.3 million, primarily due to an increase in capital expenditures and the receipt in 2017 of $4.6 million of Mount Royal Hotel fire-related insurance proceeds.

***Financing Activities***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| Proceeds from borrowings | $ | 36,038 |  |  | $ | 17,574 |  |  |
| Payments on debt and capital lease obligations |  | (15,348) | |  |  | (30,985) | |  |
| Dividends paid on common stock |  | (2,046) | |  |  | (2,038) | |  |
| Common stock purchased for treasury |  | (868) | |  |  | (1,204) | |  |
| Proceeds from exercise of stock options |  | 84 |  |  |  | — | |  |
| **Net cash provided by (used in) financing activities** | $ | 17,860 |  |  | $ | (16,653) |  |  |
|  |  |  |  |  |  |  |  |  |

The change in net cash provided by (used in) financing activities of $34.5 million was primarily due to net debt proceeds of $20.7 million during the three months ended March 31, 2018 compared to net debt payments of $13.4 million during the three months ended March 31, 2017.

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**Debt and Capital Lease Obligations**

Refer to Note 12 – Debt and Capital Lease Obligations of the Notes to Condensed Consolidated Financial Statements for further discussion, which discussion is incorporated by reference herein.

***Share Repurchases***

Our Board of Directors has authorized us to repurchase shares of our common stock from time to time at prevailing market prices. No shares were repurchased on the open market during the three months ended March 31, 2018 or 2017. As of March 31, 2018, 440,540 shares remained available for repurchase. The Board of Directors’ authorization does not have an expiration date. We repurchased 16,362 shares for $0.9 million during the three months ended March 31, 2018 and 25,642 shares for $1.2 million during 2017 related to tax withholding requirements on vested share-based awards.

**Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements with unconsolidated special-purpose or other entities that would materially affect our financial position, results of operations, liquidity, or capital resources. Furthermore, we do not have any relationships with special-purpose or other entities that provide off-balance sheet financing; liquidity, market risk, or credit risk support; or engage in leasing or other services that may expose us to liability or risks of loss that are not reflected in the condensed consolidated financial statements and related notes. Refer to Note 12 – Debt and Capital Lease Obligations and Note 19

– Litigation, Claims, Contingencies, and Other of the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this quarterly report on Form 10-Q) for further information, which information is incorporated by reference herein.

**Critical Accounting Policies and Estimates**

Critical accounting policies are those policies that are most important to the portrayal of our financial position and results of operations, and that require us to make the most difficult and subjective judgements, often as a result of the need to make estimates of matters that are inherently uncertain. Following is our revenue recognition policy, which we revised upon the adoption of Topic 606. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part II, Item 7) of our Annual Report on Form 10-K for the year ended December 31, 2017, for a discussion of all our other critical accounting policies and estimates.

*Revenue recognition* – Beginning January 1, 2018, revenue is measured based on a specified amount of consideration in a contract with a customer, net ofcommissions paid to customers and amounts collected on behalf of third parties. We recognize revenue when a performance obligation is satisfied by transferring control of a product or service to a customer. We elected to apply the practical expedient to recognize revenue in the amount for which we have a right to invoice. Additionally, we recognize revenue when we have a right to consideration from a customer in an amount that corresponds directly with the value to the customer for our performance completed to date.

GES’ service revenue is primarily derived through its comprehensive range of services to event organizers and corporate brand marketers including Core Services, Audio-Visual, and Event Technology. GES’ service revenue is recognized when we have a right to invoice, net of commissions paid to customers, at the close of the event. GES’ product revenue is derived from the build of exhibits and environments and graphics. GES’ product revenue from the build of exhibits is recognized upon delivery of the product while graphics is recognized at the close of the event when we have the right to invoice. GES’ service revenue and graphics product revenue are recognized over time as they are considered part of a single performance obligation satisfied over time. GES’ product revenue from the build of exhibits is recognized at a point in time.

Pursuit’s service revenue is derived through its accommodations, admissions, transportation, and travel planning services. Pursuit’s product revenue is derived through food and beverage and retail sales. Pursuit’s revenue is recognized at the time services are performed or upon delivery of the product. Pursuit’s service revenue is recognized over time as the customer simultaneously receives and consumes the benefits. Pursuit’s product revenue is recognized at a point in time.

**Impact of Recent Accounting Pronouncements**

Refer to Note 1 – Overview and Basis of Presentation of the Notes to Condensed Consolidated Financial Statements for further information.

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**Non-GAAP Measures**

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles (“GAAP”), we also disclose non-GAAP financial measures of Adjusted EBITDA, Segment operating income, organic revenue, and organic segment operating income (collectively, the “Non-GAAP Measures”). The presentation of the Non-GAAP Measures is supplemental to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. As not all companies use identical calculations, the Non-GAAP Measures may not be comparable to similarly titled measures used by other companies. We believe that the presentation of the Non-GAAP Measures provides useful information to investors regarding our results of operations for trending, analyzing, and benchmarking the performance and value of our business.

* **“Adjusted EBITDA”** is net income attributable to Viad before our portion of interest expense, income taxes, depreciation and amortization,impairment charges and recoveries, changes in accounting principles, and the effects of discontinued operations. Adjusted EBITDA is used to measure the profit and performance of our operations and to facilitate period-to-period comparisons. Refer to the table below for a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.
* **“Segment operating income”** is net income attributable to Viad before income (loss) from discontinued operations, corporate activities, interestexpense and interest income, income taxes, restructuring charges, impairment losses and recoveries, and the reduction for income attributable to noncontrolling interest. Segment operating income is used to measure the profit and performance of our operating segments to facilitate period-to-period comparisons. Refer to Note 21 – Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of segment operating income to Income (loss) from continuing operations before income taxes.
* **“Organic revenue”** and **“organic segment operating income”** are revenue and segment operating income (as defined above), respectively,without the impact of exchange rate variances and acquisitions, if any, until such acquisitions are included in the entirety of both comparable periods. The impact of exchange rate variances is calculated as the difference between current period activity translated at the current period’s exchange rates and the comparable prior period’s exchange rates. We believe the presentation of “organic” results permits investors to better understand our performance without the effects of exchange rate variances or acquisitions and to facilitate period-to-period comparisons and analysis of our operating performance. Refer to the “Results of Operations” section of this MD&A for reconciliations of organic revenue and organic segment operating income to the most directly comparable GAAP measures.

The Non-GAAP Measures are considered useful operating metrics as potential variations arising from taxes, depreciation and amortization, debt service costs, impairment charges and recoveries, changes in accounting principles, and the effects of discontinued operations are eliminated, thus resulting in additional measures considered to be indicative of our ongoing operations and segment performance. Although the Non-GAAP Measures are used as financial measures to assess the performance of the business, the use of these measures is limited because these measures do not consider material costs, expenses, and other items necessary to operate our 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 charges or recoveries, and the effects of accounting changes and discontinued operations. Since the Non-GAAP Measures do not consider the above items, a user of our financial information should consider net income attributable to Viad as an important measure of financial performance because it provides a more complete measure of our performance.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | |  |  |  |
| *(in thousands)* |  | **March 31,** | | | |  |  |  |
|  | **2018** |  |  |  | **2017** |  |  |
| Net income (loss) attributable to Viad | $ | (9,387) |  |  | $ | 6,777 |  |  |
| Depreciation and amortization |  | 13,063 |  |  |  | 12,144 |  |  |
| Interest expense |  | 2,069 |  |  |  | 2,105 |  |  |
| Income tax expense (benefit) |  | (4,638) | |  |  | 2,741 |  |  |
| Impairment recoveries |  | — | |  |  | (2,384) | |  |
| (Income) loss from discontinued operations |  | (928) | |  |  | 816 |  |  |
| Other noncontrolling interest |  | 72 |  |  |  | 83 |  |  |
| **Adjusted EBITDA** | $ | 251 |  |  | $ | 22,282 |  |  |
|  |  |  |  |  |  |  |  |  |

The decrease in Adjusted EBITDA was primarily due to lower segment operating results at GES and Pursuit. Refer to the “Results of Operations” section of this MD&A for a discussion of fluctuations.

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**Forward-Looking Non-GAAP Financial Measure**

We also provide segment operating income as a forward-looking Non-GAAP Measure within the “Results of Operations” section of this MD&A. We do not provide a reconciliation of this forward-looking Non-GAAP Measure to the most directly comparable GAAP financial measure because, due to variability and difficulty in making accurate forecasts and projections and/or certain information not being ascertainable or accessible, not all of the information necessary for a quantitative reconciliation of this forward-looking Non-GAAP Measure to the most directly comparable GAAP financial measure is available without unreasonable efforts. Consequently, any attempt to disclose such reconciliation would imply a degree of precision that investors could find confusing or misleading. It is probable that this forward-looking Non-GAAP Measure may be materially different from the corresponding GAAP Measure.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risk exposure relates to fluctuations in foreign exchange rates, interest rates, and certain commodity prices. Foreign exchange risk is the risk that fluctuating exchange rates will adversely affect our financial condition or results of operations. Interest rate risk is the risk that changing interest rates will adversely affect our earnings or financial position. Commodity risk is the risk that changing prices will adversely affect our results of operations.

Our foreign operations are primarily in Canada, the United Kingdom, the Netherlands, Germany, and to a lesser extent, in certain other countries. The functional currency of our foreign subsidiaries is their local currency. Accordingly, for purposes of consolidation, we translate the assets and liabilities of our foreign subsidiaries into U.S. dollars at the foreign exchange rates in effect at the balance sheet date. The unrealized gains or losses resulting from the translation of these foreign denominated assets and liabilities are included as a component of accumulated other comprehensive income (loss) in the Condensed Consolidated Balance Sheets. As a result, significant fluctuations in foreign exchange rates relative to the U.S. dollar may result in material changes to our net equity position reported in the Condensed Consolidated Balance Sheets. We do not currently hedge our equity risk arising from the translation of foreign denominated assets and liabilities. We recorded cumulative unrealized foreign currency translation losses in stockholders’ equity of $15.1 million as of March 31, 2018 and $12.0 million as of December 31, 2017. We recorded unrealized foreign currency translation losses in other comprehensive income of $3.1 million during the three months ended March 31, 2018 and unrealized foreign currency translation gains of $2.3 million during the three months ended March 31, 2017.

For purposes of consolidation, revenue, expenses, gains, and losses related to our foreign operations are translated into U.S. dollars at the average foreign exchange rates for the period. As a result, our consolidated results of operations are exposed to fluctuations in foreign exchange rates as revenue and segment operating results of our foreign operations, when translated, may vary from period to period, even when the functional currency amounts have not changed. Such fluctuations may adversely impact overall expected profitability and historical period-to-period comparisons. We do not currently hedge our earnings exposure arising from the translation of our foreign revenue and segment operating results. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion on the “Foreign Exchange Rate Variances.”

We are exposed to foreign exchange transaction risk, as our foreign subsidiaries have certain revenue transactions denominated in currencies other than the functional currency of the respective subsidiary. From time to time, we utilize forward contracts to mitigate the impact on earnings related to these transactions due to fluctuations in foreign exchange rates. As of March 31, 2018 and December 31, 2017, we did not have any foreign currency forward contracts outstanding.

We are exposed to short-term and long-term interest rate risk on certain of our debt obligations. We do not currently use derivative financial instruments to hedge cash flows for such obligations.

**Item 4. CONTROLS AND PROCEDURES**

We have established disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate to allow timely decisions regarding required disclosure. Management, together with our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2018. Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2018.

There were no changes in our internal control over financial reporting during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II - OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

Refer to Note 19 – Litigation, Claims, Contingencies, and Other of the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding our legal proceedings that is incorporated by reference herein.

**Item 1A. RISK FACTORS**

In addition to other information set forth in this report, careful consideration should be given to the factors discussed in Part I, Item 1A – Risk Factors and Part II, Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations of our 2017 Form 10-K, which could materially affect our business, financial condition and/or future results.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three months ended March 31, 2018, certain previously owned shares of common stock were surrendered by employees, former employees, and non-employee directors for tax withholding requirements on vested share-based awards.

**ISSUER PURCHASES OF EQUITY SECURITIES**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total Number of Shares** |  |  | **Average Price Paid** | | **Total Number of Shares** | | **Maximum Number of Shares** | |  |
| **Period** |  |  | **Purchased as Part of Publicly** | | **That May Yet Be Purchased** | |  |
| **Purchased** |  |  | **Per Share** | | **Announced Plans or Programs** | | **Under the Plans or Programs** | |  |
| January 1, 2018 - January 31, 2018 | — |  | $ | — |  | — |  | 440,540 |  |  |
| February 1, 2018 - February 28, 2018 | 16,067 | $ | | 53.00 |  | — | | 440,540 |  |  |
| March 1, 2018 - March 31, 2018 | 295 | $ | | 55.05 |  | — | | 440,540 |  |  |
| Total | 16,362 |  | $ | 53.04 |  | — |  | 440,540 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

Our Board of Directors has authorized us to repurchase shares of our common stock from time to time at prevailing market prices. As of March 31, 2018, 440,540 shares remain available for repurchase. The Board’s authorization has no expiration date. During the three months ended March 31, 2018, no shares were repurchased on the open market.

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**Item 6. EXHIBITS**

Following is the entirety of the Exhibit Index that was included in Part IV of the 2017 Form 10-K. We are including this to correct non-functioning or incorrect hyperlinks.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Exhibit** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Incorporated by Reference** | | | | |  |  |  |
|  | **Exhibit Description** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | **Form** | | **Period** | | **Exhibit** | | | **Filing Date** |  |  |
| **Number** |  | **Ending** | |  |  |
| 3.A |  |  | [Restated Certificate of Incorporation of Viad Corp, as amended through July 1,](http://www.sec.gov/Archives/edgar/data/884219/000095015304001910/p69402exv3wa.txt) | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | 10-Q |  | 6/30/2004 |  | 3.A |  |  | 8/9/2004 |  |  |
|  |  | [2004 (SEC File No. 001-11015; SEC Film No. 04961107).](http://www.sec.gov/Archives/edgar/data/884219/000095015304001910/p69402exv3wa.txt) | | | | | | |  | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
| 3.B |  | [Bylaws of Viad Corp, as amended through December 5, 2013.](http://www.sec.gov/Archives/edgar/data/884219/000129993313002110/exhibit1.htm) | | | | | | | | |  | | | | | | | | | | | | | | | | | | | | 8-K | |  |  | 3 |  |  | 12/9/2013 |  |  |
| 4.A1 |  | [$300,000,000 Amended and Restated Credit Agreement, Amended and Restated](http://www.sec.gov/Archives/edgar/data/884219/000088421914000039/creditagreement2014conform.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | 8-K | |  |  | 4 |  |  | 12/23/2014 |  |  |
|  |  | [Pledge and Security Agreement, Guaranty, and Amended and Restated](http://www.sec.gov/Archives/edgar/data/884219/000088421914000039/creditagreement2014conform.htm) | | | | | | | | | | |  | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [Subsidiary Pledge and Security Agreement, by and among the Registrant, the](http://www.sec.gov/Archives/edgar/data/884219/000088421914000039/creditagreement2014conform.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [initial lenders named therein, and JP Morgan Chase Bank, N.A., as](http://www.sec.gov/Archives/edgar/data/884219/000088421914000039/creditagreement2014conform.htm) | | | | | | | | | |  | | | | | | | | |  | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [administrative agent, dated as of December 22, 2014.](http://www.sec.gov/Archives/edgar/data/884219/000088421914000039/creditagreement2014conform.htm) | | | | |  | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
| 4.A2 |  | [Amendment No. 1, effective as of February 24, 2016, to the $300,000,000](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex4_6.htm) | | | | | | | | | | | | |  | | | | | | | | | | | | | | | | 8-K | |  |  | 4 |  |  | 3/1/2016 |  |  |
|  |  | [Amended and Restated Credit Agreement, by and among the Registrant, the](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex4_6.htm) | | | | | | | | | | | | | | | | | |  | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [initial lenders named therein, and JP Morgan Chase Bank, N.A., as](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex4_6.htm) | | | | | | | | | |  | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [administrative agent, dated as of December 22, 2014.](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex4_6.htm) | | | |  | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
| 4.A3 |  | [Joinder to Guaranty, dated as of August 31, 2016, by and among CIRI Alaska](http://www.sec.gov/Archives/edgar/data/884219/000156459016024878/vvi-ex4a_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 8-K | |  |  | 4.A | | | 9/2/2016 |  |  |
|  |  |  | |  |  | | |  | |  | | | |  | |  |  |  |  |  | |  |  |  |  |  | |  |  | |  |  |  |  |  |  |  |  |  |  |
|  |  | [Tourism Corporation, the lenders named therein, and JP Morgan Chase Bank,](http://www.sec.gov/Archives/edgar/data/884219/000156459016024878/vvi-ex4a_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [N.A., as agent, to Guaranty dated as of December 22, 2014.](http://www.sec.gov/Archives/edgar/data/884219/000156459016024878/vvi-ex4a_6.htm) | | | | | | | |  | | | | | | | | | | | |  | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
| 4.A4 |  | [Joinder to Amended and Restated Subsidiary Pledge and Security Agreement,](http://www.sec.gov/Archives/edgar/data/884219/000156459016024878/vvi-ex4b_7.htm) | | | | | | | | | | | | | | | | | | | | |  | | | | | | | | 8-K | |  |  | 4.B | | | 9/2/2016 |  |  |
|  |  | [dated as of August 31, 2016, among CIRI Alaska Tourism Corporation, the](http://www.sec.gov/Archives/edgar/data/884219/000156459016024878/vvi-ex4b_7.htm) | | | | | | | | | | | | | | |  | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [guarantors thereunder, to and in favor of JP Morgan Chase Bank, N.A., as agent.](http://www.sec.gov/Archives/edgar/data/884219/000156459016024878/vvi-ex4b_7.htm) | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  |  |  |  |  |  |  |  |  |  |
| 4.A5 |  | [Joinder to Guaranty, dated as of July 14, 2017, by and among ON Services and](http://www.sec.gov/Archives/edgar/data/884219/000156459017015584/vvi-ex41_81.htm) | | | | | | | | | | | | | | | | | | | | | | | |  | | | | | 10-Q | | 6/30/2017 |  | 4.1 |  |  | 8/4/2017 |  |  |
|  |  | [JPMorgan Chase Bank, N.A., as agent, in favor of the agent and the lender](http://www.sec.gov/Archives/edgar/data/884219/000156459017015584/vvi-ex41_81.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [parties thereto.](http://www.sec.gov/Archives/edgar/data/884219/000156459017015584/vvi-ex41_81.htm) | | | | | | | | | | | | | |  | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  |  | |  |  | | |  | | | | | |  | | | |  |  |  | | | |  |  |  | | |  | |  | |  |  |  |  |  |  |  |  |
| 4.A6 |  | [Joinder to Amended and Restated Subsidiary Pledge and Security Agreement,](http://www.sec.gov/Archives/edgar/data/884219/000156459017015584/vvi-ex42_82.htm) | | | | | | | | | | | | | | | | | | | | |  | | | | | | | | 10-Q | | 6/30/2017 |  | 4.2 |  |  | 8/4/2017 |  |  |
|  |  | [dated as of July 14, 2017, by and among ON Services and JPMorgan Chase](http://www.sec.gov/Archives/edgar/data/884219/000156459017015584/vvi-ex42_82.htm) | | | | | | | | | | | | | | | |  | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [Bank, N.A., as agent, in favor of the agent and the lender parties thereto.](http://www.sec.gov/Archives/edgar/data/884219/000156459017015584/vvi-ex42_82.htm) | | | | | | | | | | | |  | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
| 4.B1 |  | [Credit Agreement, by and between Brewster Inc. and BMO Harris Bank N.A.,](http://www.sec.gov/Archives/edgar/data/884219/000156459017000007/vvi-ex4_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 8-K | |  |  | 4 |  |  | 1/3/2017 |  |  |
|  |  | [dated as of December 28, 2016.](http://www.sec.gov/Archives/edgar/data/884219/000156459017000007/vvi-ex4_6.htm) | | |  | | | | | | | | | | | | | | | | | | |  | | | | | | |  |  |  |  |  |  |  |  |  |  |
| 4.B2 |  | [Joinder to Guaranty Supplement No. 1, dated as of August 31, 2017, by and](http://www.sec.gov/Archives/edgar/data/884219/000156459017021682/vvi-ex41_104.htm) | | | | | | | | | | | | | | | | |  | | | | | | | | | | | | 10-Q | | 9/30/2017 |  | 4.1 |  |  | 11/6/2017 |  |  |
|  |  | [among ON Services – AV Specialists, Inc., the guarantors thereunder, to and in](http://www.sec.gov/Archives/edgar/data/884219/000156459017021682/vvi-ex41_104.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | [favor of BMO Harris Bank, N.A., to Guaranty dated as of December 28, 2016.](http://www.sec.gov/Archives/edgar/data/884219/000156459017021682/vvi-ex41_104.htm) | | | | | | | | | | | | | | | | | | | | | | |  |  | | | | |  |  |  |  |  |  |  |  |  |  |
| 4.B3 |  | [First Amendment to Credit Agreement and Reaffirmation of Guaranties effective](http://www.sec.gov/Archives/edgar/data/884219/000156459017024926/vvi-ex41_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 8-K | |  |  | 4.1 |  |  | 12/14/2017 |  |  |
|  |  | [as of December 6, 2017, to the Credit Agreement, among Brewster Inc., and](http://www.sec.gov/Archives/edgar/data/884219/000156459017024926/vvi-ex41_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |  | |  |  |  |  |  |  |  |  |  |  |
|  |  | [BMO Harris Bank N.A., dated as of December 28, 2016.](http://www.sec.gov/Archives/edgar/data/884219/000156459017024926/vvi-ex41_6.htm) | | | | | | | | | | | | | | | | | |  | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  |  | |  | | | | | 40 | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10.A1 |  | [2007 Viad Corp Omnibus Incentive Plan, filed as Appendix A to Viad Corp’s](http://www.sec.gov/Archives/edgar/data/884219/000119312512162353/d315057ddef14a.htm) | | | | | | | | | | | | | | | | |
|  | + | [Proxy Statement for the 2012 Annual Meeting of Shareholders.](http://www.sec.gov/Archives/edgar/data/884219/000119312512162353/d315057ddef14a.htm) | | | | | | | | | | | | |  | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |
| 10.A2 |  | [Form of Restricted Stock Agreement - Executives, (three-year cliff vesting),](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10a.htm) | | | | | | | | | | | |  | | | | |
|  |  | [effective as of March 26, 2014, pursuant to the 2007 Viad Corp Omnibus](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10a.htm) | | | | | | |  | | | | | | | | | |
|  | + | [Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10a.htm) |  | | | | | | | | | | | | | | | |
| 10.A3 |  | [Form of Restricted Stock Units Agreement, effective as of March 26, 2014,](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10b.htm) | | | | | | | | | | | | | | | | |
|  | + | [pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10b.htm) | | | |  | | | | | |  | | | | | | |
| 10.A4 |  | [Form of Restricted Stock Agreement for Outside Directors, effective as of](http://www.sec.gov/Archives/edgar/data/884219/000129993308001103/exhibit6.htm) | | | | | | | | |  | | | | | | | |
|  | + | [February 25, 2008, pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000129993308001103/exhibit6.htm) | | | | | | | | | | | | | | | | |
|  |  |  | |  |  | |  |  | |  |  | |  |  | |  |  |  |
| 10.A5 |  | [Form of Non-Qualified Stock Option Agreement, effective as of February 25,](http://www.sec.gov/Archives/edgar/data/884219/000129993310000827/exhibit2.htm) | | | | | | | | | | | | | | | | |
|  | + | [2010, pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000129993310000827/exhibit2.htm) | | | | | | | | | | | | | |  | | |
|  |  |  | |  |  | |  |  | |  |  | |  |  | | |  |  |
| 10.A6 |  | [Form of Incentive Stock Option Agreement, effective as of February 25, 2010,](http://www.sec.gov/Archives/edgar/data/884219/000129993310000827/exhibit1.htm) | | | | | | | | | | | | | | |  | |
|  | + | [pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000129993310000827/exhibit1.htm) | | | |  | | | | | | | | | | | | |
| 10.A7 |  | [Viad Corp Management Incentive Plan, amended as of February 27, 2013,](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit3.htm) | | | | | | | | | | | | | | | | |
|  | + | [pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit3.htm) | | | |  | | | | |  | | | | | | | |
| 10.A8 |  | [Viad Corp Performance Unit Incentive Plan, effective as of February 27, 2013,](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit4.htm) | | | | | | | | | | | | | | | | |
|  | + | [pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit4.htm) | | | |  | | | | | | | | | | |  | |
| 10.A9 |  | [Amendment to the Viad Corp Performance Unit Incentive Plan, as amended](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex10b_8.htm) | | | | | | | | | | | |  | | | | |
|  |  | [February 27, 2013 pursuant to the 2007 Viad Corp Omnibus Incentive Plan,](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex10b_8.htm) | | | | | | | | | | |  | | | | | |
|  | + | [effective as of February 24, 2016.](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex10b_8.htm) | |  | | | | | | | | | | | | | | |
| 10.A10 |  | [Form of Performance Unit Agreement, effective as of March 26, 2014, pursuant](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10c.htm) | | | | | | | | | | | | | | | |  |
|  | + | [to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000088421914000005/a10c.htm) | | |  | | | | | | | | | | | | | |
| 10.A11 |  | [Form of Performance Unit Agreement, effective as of February 24, 2016,](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex10a_7.htm) | | | | | | | |  | | | | | | | | |
|  | + | [pursuant to the 2007 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000156459016013818/vvi-ex10a_7.htm) | | | |  | | | | | | | | | | | | |
| 10.B1 | + | [2017 Viad Corp Omnibus Incentive Plan, effective as of May 18, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex101_8.htm) | | | | | |  | | | | | | | | | | |
| 10.B2 |  | [Form of Restricted Stock Agreement – Executives, effective as of May 18, 2017,](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex103_7.htm) | | | | | | | | | | | | | | | | |
|  | + | [pursuant to the 2017 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex103_7.htm) | | | |  | | | | | | | | | | | | |
| 10.B3 |  | [Form of Restricted Stock Units Agreement, effective as of May 18, 2017,](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex104_9.htm) | | | | | | | | | | | | | | | | |
|  | + | [pursuant to the 2017 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex104_9.htm) | | | |  | | | |  | | | | | | | | |
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| DEF |  | 4/13/2012 |
| 14A |  |  |
| 8-K | 10.A | 3/28/2014 |
| 8-K | 10.B | 3/28/2014 |
| 8-K | 10.F | 2/28/2008 |
| 8-K | 10.B | 2/26/2010 |
| 8-K | 10.A | 2/26/2010 |
| 8-K | 10.C | 3/5/2013 |
| 8-K | 10.D | 3/5/2013 |
| 8-K | 10.B | 3/1/2016 |
| 8-K | 10.C | 3/28/2014 |
| 8-K | 10.A | 3/1/2016 |
| 8-K | 10.1 | 5/23/2017 |
| 8-K | 10.3 | 5/23/2017 |
| 8-K | 10.4 | 5/23/2017 |

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| 10.B4 | [Form of Management Incentive Plan (MIP) Administrative Guidelines, effective](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b4_639.htm) | | | | | | | | | | | | | | | | | | | | | | | |  | | |
|  | [February 27, 2018, pursuant to the 2017 Viad Corp Omnibus Incentive Plan,](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b4_639.htm) | | | | | | | | | | | | | |  | | | | | | | | | | | | |
| + | [effective as of May 18, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b4_639.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 10.B5 | [Form of Management Incentive Plan, effective as of February 27, 2018, pursuant](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b5_640.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [to the 2017 Viad Corp Omnibus Incentive Plan, effective as of May 18, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b5_640.htm) | | | | | | | | | | | | | | | |  | | | | | | | | |  | |
| 10.B6 | [Form of Performance Unit Incentive Plan (“PUP”) Administrative Guidelines,](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b6_641.htm) | | | | | | | | | | | | | | | | |  | | | | | | | | | |
|  | [effective February 27, 2018, pursuant to the 2017 Viad Corp Omnibus Incentive](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b6_641.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [Plan, effective as of May 18, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b6_641.htm) | | | | | | | | | | | | | | | | | | | | | |  | | | | |
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| 10.B7 | [Form of 2017 Viad Corp Omnibus Incentive Plan Performance Unit Agreement,](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b7_642.htm) | | | | | | | | | | | | | | | | | | | | | | |  | | | |
|  | [effective February 27, 2018, pursuant to the 2017 Viad Corp Omnibus Incentive](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b7_642.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [Plan, effective as of May 18, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b7_642.htm) | | | | | | | | | | | | | | | | | | | | | |  | | | | |
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| 10.B8 | [Form of Viad Corp Performance Unit Incentive Plan, effective as of February 27,](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b8_643.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | [2018, pursuant to the 2017 Viad Corp Omnibus Incentive Plan, effective as of](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b8_643.htm) | | | | | | | | | | | | | | | |  | | | | | | | | | |  |
| + | [May 18, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b8_643.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 10.B9 | [Form of Restricted Stock Agreement – Non-Employee Directors, effective as of](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex102_6.htm) | | | | | | | | | | | | | | | | | | | | | |  | | | | |
| + | [May 18, 2017, pursuant to the 2017 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000156459017011537/vvi-ex102_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 10.B10 | [Form of Restricted Stock Agreement – Non-Employee Directors, effective as of](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b10_638.htm) | | | | | | | | | | | | | | | | | | | | | |  | | | | |
| + | [February 27, 2018, pursuant to the 2017 Viad Corp Omnibus Incentive Plan.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10b10_638.htm) | | | | | | | | | | | | | |  | | | | | | | | | | | | |
| 10.C1 | [Forms of Viad Corp Executive Severance Plans (Tier I and II), amended and](http://www.sec.gov/Archives/edgar/data/884219/000095015307001893/p74309exv10wb.htm) | | | | | | | | | | | | |  | | | | | | | | | | | | | |
| + | [restated for Code Section 409A as of January 1, 2005.](http://www.sec.gov/Archives/edgar/data/884219/000095015307001893/p74309exv10wb.htm) | | | | | | | | | | |  | | | | | | | | | | | | | | | |
| 10.C2 | [Form of Viad Corp Executive Severance Plan (Tier I-2013) effective as February](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit2.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [27, 2013.](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit2.htm) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10.C3 | [Amendment No. 1 to Viad Corp Executive Severance Plan (Tier I), effective as](http://www.sec.gov/Archives/edgar/data/884219/000129993314000340/exhibit1.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [of February 26, 2014.](http://www.sec.gov/Archives/edgar/data/884219/000129993314000340/exhibit1.htm) | | |  | | | | | | | | | | | | | | | |  | | | | | | | |
| 10.C4 | [Severance Agreement (No Change in Control) between Viad Corp and Steven W.](http://www.sec.gov/Archives/edgar/data/884219/000088421914000037/exhibit10b.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [Moster, effective as of December 3, 2014.](http://www.sec.gov/Archives/edgar/data/884219/000088421914000037/exhibit10b.htm) | | | | | | | | |  | | | | | | | | | | | | | | | | | |
| 10.C5 | [Severance Agreement (No Change in Control) between Viad Corp and David W.](http://www.sec.gov/Archives/edgar/data/884219/000156459016014544/vvi-ex10h4_1146.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [Barry, effective as of April 22, 2015.](http://www.sec.gov/Archives/edgar/data/884219/000156459016014544/vvi-ex10h4_1146.htm) | | | | | | |  | | | | | | | | | | | | | | | | |  | | |
| 10.C6 | [Severance Agreement and General Release between Viad Corp and Thomas M.](http://www.sec.gov/Archives/edgar/data/884219/000114420416095851/v437724_ex10.htm) | | | | | | | | | | | | | | | | | | | |  | | | | | | |
| + | [Kuczynski, effective as of April 27, 2016.](http://www.sec.gov/Archives/edgar/data/884219/000114420416095851/v437724_ex10.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 10.C7 | [Severance Agreement and General Release between Viad Corp and Deborah J.](http://www.sec.gov/Archives/edgar/data/884219/000156459017024439/vvi-ex101_6.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| + | [DePaoli, effective as of November 29, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459017024439/vvi-ex101_6.htm) | | | | | | | | | |  | | | | | | | |  | | | | | | | | |
| 10.D1 | [Viad Corp Supplemental TRIM Plan, as amended and restated effective January](http://www.sec.gov/Archives/edgar/data/884219/000095015307001893/p74309exv10we.htm) | | | | | | | | | | | | | | | | | | | | |  | | | | | |
| + | [1, 2005 for Code Section 409A.](http://www.sec.gov/Archives/edgar/data/884219/000095015307001893/p74309exv10we.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 10.E1 | [Viad Corp Supplemental Pension Plan, amended and restated as of January 1,](http://www.sec.gov/Archives/edgar/data/884219/000095015307001893/p74309exv10wa.htm) | | | | | | | | | | | | | | |  | | | | | | | | | | | |
| + | [2005 for Code Section 409A.](http://www.sec.gov/Archives/edgar/data/884219/000095015307001893/p74309exv10wa.htm) | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 10-K | 12/31/2017 | 10.B4 | 2/28/2018 |
| 10-K | 12/31/2017 | 10.B5 | 2/28/2018 |
| 10-K | 12/31/2017 | 10.B6 | 2/28/2018 |
| 10-K | 12/31/2017 | 10.B7 | 2/28/2018 |
| 10-K | 12/31/2017 | 10.B8 | 2/28/2018 |
| 8-K |  | 10.2 | 5/23/2017 |
| 10-K | 12/31/2017 | 10.B10 | 2/28/2018 |
| 8-K |  | 10.B | 8/29/2007 |
| 8-K |  | 10.B | 3/5/2013 |
| 8-K |  | 10 | 3/4/2014 |
| 8-K |  | 10.B | 12/5/2014 |
| 10-K | 12/31/2015 | 10.H4 | 3/11/2016 |
| 8-K/A |  | 10 | 4/22/2016 |
| 8-K/A |  | 10.1 | 12/1/2017 |
| 8-K |  | 10.E | 8/29/2007 |
| 8-K |  | 10.A | 8/29/2007 |

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| 10.F1 |  | [Viad Corp Defined Contribution Supplemental Executive Retirement Plan,](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit5.htm) | | | | | | | |
|  | + | [effective as of January 1, 2013.](http://www.sec.gov/Archives/edgar/data/884219/000129993313000435/exhibit5.htm) | |  | | |  | | |
| 10.G1 | + | [Executive Officer Pay Continuation Policy adopted February 7, 2007.](http://www.sec.gov/Archives/edgar/data/884219/000095015307000287/p73464exv10wa.htm) | | | | | | | |
|  |  |  |  | |  |  | |  |  |
| 10.H1 | + | [Description of Viad Corp Directors Matching 2018 Matching Gift Program.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex10h1_637.htm) | | | | | |  | |
| 10.I1 |  | [Form of Indemnification Agreement between Viad Corp and Directors of Viad](http://www.sec.gov/Archives/edgar/data/884219/000095015309000167/p14087exv10w1.htm) | | | | | | | |
|  | + | [Corp, as approved by Viad Corp stockholders on October 16, 1987.](http://www.sec.gov/Archives/edgar/data/884219/000095015309000167/p14087exv10w1.htm) | | | | | | |  |
|  |  |  |  | |  | | | | |
| 10.J |  | [Summary of Compensation Program of Non-Employee Directors of Viad Corp,](http://www.sec.gov/Archives/edgar/data/884219/000156459016014544/vvi-ex10k1_789.htm) | | | | | | | |
|  | + | [as of February 23, 2016.](http://www.sec.gov/Archives/edgar/data/884219/000156459016014544/vvi-ex10k1_789.htm) |  | | | | | | |
| 10.J1 |  | [Summary of Compensation Program of Non-Employee Directors of Viad Corp,](#page48) | | | | | | | |
|  | +\* | [as of February 27, 2018.](#page48) |  | | | | | | |

1. [List of Viad Corp Subsidiaries.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex21_6.htm)
2. [Consent of Independent Registered Public Accounting Firm to the incorporation](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex23_11.htm) [by reference into specified registration statements on Form S-8 of its report](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex23_11.htm) [contained in this Annual Report.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex23_11.htm)
3. [Power of Attorney signed by Viad Corp Directors.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex24_8.htm)

31.1A [Certification of Chief Executive Officer of Viad Corp pursuant to Section 302 of](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex311_9.htm)

* [the Sarbanes-Oxley Act of 2002, for the period ended December 31, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex311_9.htm)

31.1B [Certification of Chief Executive Officer of Viad Corp pursuant to Section 302 of](#page49)

* \* [the Sarbanes-Oxley Act of 2002, for the period ended March 31, 2018.](#page49)

31.2A [Certification of Chief Financial Officer of Viad Corp pursuant to Section 302 of](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex312_7.htm)

* [the Sarbanes-Oxley Act of 2002, for the period ended December 31, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex312_7.htm)

31.2B [Certification of Chief Financial Officer of Viad Corp pursuant to Section 302 of](#page50)

* \* [the Sarbanes-Oxley Act of 2002, for the period ended March 31, 2018.](#page50)

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| 32.1A | [Certifications of Chief Executive Officer and Chief Financial Officer of Viad](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex321_12.htm) | | |
|  |  |  |  |
|  | [Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the period](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex321_12.htm) | | |
| # | [ended December 31, 2017.](http://www.sec.gov/Archives/edgar/data/884219/000156459018003850/vvi-ex321_12.htm) | | |
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32.1B [Certifications of Chief Executive Officer and Chief Financial Officer of Viad](#page51)

* [Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the period](#page51) \*\* [ended March 31, 2018.](#page51)

|  |  |  |
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| 101.INS | \* | XBRL Instance Document. |
| 101.SCH | \*XBRL Taxonomy Extension Schema Document. | |
| 101.CAL | \* | XBRL Taxonomy Extension Calculation Linkbase Document. |
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| --- | --- | --- | --- |
| 8-K |  | 10.E | 3/5/2013 |
| 8-K |  | 10.A | 2/13/2007 |
| 10-K | 12/31/2017 | 10.H1 | 2/28/2018 |
| 10-K | 12/31/2008 | 10.1 | 2/27/2009 |
| 10-K | 12/31/2015 | 10.K1 | 3/11/2016 |

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| --- | --- | --- | --- |
| 10-K | 12/31/2017 | 21 | 2/28/2018 |
| 10-K | 12/31/2017 | 23 | 2/28/2018 |
| 10-K | 12/31/2017 | 24 | 2/28/2018 |
| 10-K | 12/31/2017 | 31.1 | 2/28/2018 |

10-K 12/31/2017 31.2 2/28/2018

10-K 12/31/2017 32.1 2/28/2018

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| 101.DEF | \*XBRL Taxonomy Extension Definition Linkbase Document. | |
| 101.LAB | \* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | \* | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith.
* Furnished herewith.
* Management contract or compensation plan or arrangement.
* A signed original of this written statement has been provided to Viad Corp and will be retained by Viad Corp and furnished to the SEC upon request.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|  |  |  |
| --- | --- | --- |
|  | **VIAD CORP** | |
|  | (Registrant) | |
| May 9, 2018 | By: /s/ Leslie S. Striedel | |
| (Date) |  | Leslie S. Striedel |
|  |  | Chief Accounting Officer |

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**Exhibit 10.J1**

|  |  |
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| **VIAD CORP** |  |
| **SUMMARY OF COMPENSATION PROGRAM FOR** |  |
| **NON-EMPLOYEE DIRECTORS** |  |
| **AS OF FEBRUARY 27, 2018** |  |
|  |  |
| Board of Directors |  |
| Annual Retainer | $45,000 |
| Per Meeting Attendance Fee | $1,600 |
| Annual Restricted Stock Grant1 Value | $115,000 |
|  |  |
| Independent Chairman of Board of Directors |  |
| Annual Retainer | $100,000 |
|  |  |
| Audit Committee |  |
| Per Meeting Attendance Fee | $1,500 |
| Committee Chairman Annual Retainer | $20,000 |
|  |  |
| Corporate Governance and Nominating Committee |  |
| Per Meeting Attendance Fee | $1,500 |
| Committee Chairman Annual Retainer | $10,000 |
|  |  |
| Human Resources Committee |  |
| Per Meeting Attendance Fee | $1,500 |
| Committee Chairman Annual Retainer | $17,500 |

Additional Benefits2

* The annual restricted stock grant occurs in February of each year and vests 100% one year from the date of the grant, in accordance with the terms and conditions of the form of Restricted Stock Agreement for Outside Directors, effective as of February 27, 2018, pursuant to the 2017 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.B1 to Viad Corp’s Form 8-K filed May 23, 2017, or the successor form of such restricted stock agreement filed thereafter.
* Non-employee directors may participate in the Directors' Matching Gift Program, which provides for corporate matching of charitable contributions made by non-employee directors, on a dollar-for-dollar basis, up to an aggregate maximum of $5,000 per year to qualified non-profit organizations having tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Viad Corp also provides non-employee directors with accidental death and dismemberment insurance benefits of $300,000 and travel accident insurance benefits of $300,000 when they are traveling on corporate business.

**Exhibit 31.1B**

**CERTIFICATION**

I, Steven W. Moster, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viad Corp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2018 By: /s/ Steven W. Moster



Steven W. Moster

President and Chief Executive Officer

**Exhibit 31.2B**

**CERTIFICATION**

I, Ellen M. Ingersoll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viad Corp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2018 By: /s/ Ellen M. Ingersoll



Ellen M. Ingersoll

Chief Financial Officer

**Exhibit 32.1B**

**Certifications of**

**Chief Executive Officer and Chief Financial Officer**

**Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the**

**Sarbanes-Oxley Act of 2002**

I, Steven W. Moster, Chief Executive Officer of Viad Corp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Viad Corp’s Quarterly Report on Form 10-Q for the three months ended March 31, 2018, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in Viad Corp’s Quarterly Report on Form 10-Q fairly presents, in all material respects, Viad Corp’s financial condition and results of operations.

|  |  |
| --- | --- |
| Date: May 9, 2018 | By: /s/ Steven W. Moster |
|  | Steven W. Moster |
|  | President and Chief Executive Officer |

I, Ellen M. Ingersoll, Chief Financial Officer of Viad Corp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Viad Corp’s Quarterly Report on Form 10-Q for the three months ended March 31, 2018, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in Viad Corp’s Quarterly Report on Form 10-Q fairly presents, in all material respects, Viad Corp’s financial condition and results of operations.

|  |  |
| --- | --- |
| Date: May 9, 2018 | By: /s/ Ellen M. Ingersoll |
|  | Ellen M. Ingersoll |
|  | Chief Financial Officer |