VIAD CORP
Form 10-Q
May 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

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 State or other jurisdiction of incorporation or organization	36-1169950 (I.R.S. Employer Identification No.)
1850 North Central Avenue, Suite 1900 Phoenix, Arizona (Address of principal executive offices)	85004-4565 (Zip Code)

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

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

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

Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý

As of April 30, 2014, there were 20,440,808 shares of Common Stock ($1.50 par value) outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
VIAD CORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share data)	As of March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$47,336	$45,821
Accounts receivable, net of allowance for doubtful accounts of $1,101 and $877, respectively	97,330	61,197
Inventories	33,103	27,993
Deferred income taxes	14,953	20,577
Other current assets	20,841	17,142
Total current assets	213,563	172,730
Property and equipment, net	179,833	190,330
Other investments and assets	34,578	35,026
Deferred income taxes	31,119	29,823
Goodwill	127,430	129,543
Other intangible assets, net	4,136	4,480
Total Assets	$590,659	$561,932
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$76,158	$40,941
Customer deposits	36,661	29,207
Accrued compensation	20,433	15,113
Other current liabilities	35,531	29,169
Current portion of debt and capital lease obligations	919	10,903
Total current liabilities	169,702	125,333
Long-term capital lease obligations	749	765
Pension and postretirement benefits	31,080	30,672
Other deferred items and liabilities	46,315	48,619
Total liabilities	247,846	205,389
Commitments and contingencies		
Stockholders' equity		
Viad Corp stockholders' equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 24,934,981 shares issued	37,402	37,402
Additional capital	585,107	590,862
Retained deficit	(61,029)	(50,393)
Unearned employee benefits and other	21	(21)
Accumulated other comprehensive income (loss):		
Unrealized gain on investments	438	429
Cumulative foreign currency translation adjustments	24,114	30,847
Unrecognized net actuarial loss and prior service credit, net	(11,223)	(11,259)
Common stock in treasury, at cost, 4,518,446 and 4,618,433 shares, respectively	(243,657)	(250,426)

Total Viad Corp stockholders’ equity	331,173	347,441
Noncontrolling interest	11,640	9,102
Total stockholders’ equity	342,813	356,543
Total Liabilities and Stockholders’ Equity	$590,659	$561,932

Refer to Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
(in thousands, except per share data)	2014	2013
Revenue:		
Exhibition and event services	$231,783	$234,163
Exhibits and environments	46,040	42,598
Travel and recreation services	7,818	8,398
Total revenue	285,641	285,159
Costs and expenses:		
Costs of services	229,582	230,725
Costs of products sold	42,698	40,839
Corporate activities	2,039	806
Interest income	(65)	(138)
Interest expense	298	296
Restructuring charges	211	720
Total costs and expenses	274,763	273,248
Income from continuing operations before income taxes	10,878	11,911
Income tax expense	1,697	3,636
Income from continuing operations	9,181	8,275
Income (loss) from discontinued operations	15,238	(485)
Net income	24,419	7,790
Net (income) loss attributable to noncontrolling interest	(2,537)	275
Net income attributable to Viad	$21,882	$8,065
Diluted income per common share:		
Continuing operations attributable to Viad common stockholders	$0.46	$0.42
Discontinued operations attributable to Viad common stockholders	0.62	(0.02)
Net income attributable to Viad common stockholders	$1.08	$0.40
Weighted-average outstanding and potentially dilutive common shares	20,330	20,193
Basic income per common share:		
Continuing operations attributable to Viad common stockholders	$0.46	$0.42
Discontinued operations attributable to Viad common stockholders	0.62	(0.02)
Net income attributable to Viad common stockholders	$1.08	$0.40
Weighted-average outstanding common shares	19,949	19,790
Dividends declared per common share	$1.60	$0.10
Amounts attributable to Viad common stockholders		
Income from continuing operations	$9,312	$8,453
Income from discontinued operations	12,570	(388)
Net income	$21,882	$8,065

Refer to Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
(in thousands)	2014	2013
Net income	$24,419	$7,790
Other comprehensive income (loss):		
Unrealized gains on investments, net of tax[1]	9	61
Unrealized foreign currency translation adjustments, net of tax[1]	(6,733)	(6,128)
Amortization of net actuarial gain, net of tax[1]	128	181
Amortization of prior service credit, net of tax[1]	(92)	(140)
Comprehensive income	17,731	1,764
Comprehensive (income) loss attributable to noncontrolling interest	(2,537)	275
Comprehensive income attributable to Viad	$15,194	$2,039

[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 March 31,	
(in thousands)	2014	2013
Cash flows from operating activities		
Net income	$24,419	$7,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,817	6,860
Deferred income taxes	9,109	3,275
(Income) loss from discontinued operations	(15,238)	485
Restructuring charges	211	720
Gains on dispositions of property and other assets	(387)	(152)
Share-based compensation expense	391	1,819
Excess tax benefit from share-based compensation arrangements	(41)	(378)
Other non-cash items, net	948	1,641
Change in operating assets and liabilities (excluding the impact of acquisitions):		
Receivables	(36,372)	(22,612)
Inventories	(5,110)	1,700
Accounts payable	36,606	12,368
Restructuring liabilities	(1,860)	(1,443)
Accrued compensation	2,833	(11,035)
Customer deposits	7,454	(8,414)
Income taxes payable	265	(41)
Other assets and liabilities, net	(4,875)	1,842
Net cash provided by (used in) operating activities	25,170	(5,575)
Cash flows from investing activities		
Proceeds from possessory interest—discontinued operations	25,000	—
Proceeds from dispositions of property and other assets	403	173
Capital expenditures	(5,516)	(8,320)
Acquisition of business, net of cash acquired	—	(647)
Net cash provided by (used in) investing activities	19,887	(8,794)
Cash flows from financing activities		
Dividends paid on common stock	(32,517)	(2,034)
Payments on debt and capital lease obligations	(20,238)	(483)
Proceeds from borrowings	10,000	—
Common stock purchased for treasury	(1,042)	(1,187)
Excess tax benefit from share-based compensation arrangements	41	378
Proceeds from exercise of stock options	1,401	535
Net cash used in financing activities	(42,355)	(2,791)
Effect of exchange rate changes on cash and cash equivalents	(1,187)	(1,284)
Net change in cash and cash equivalents	1,515	(18,444)
Cash and cash equivalents, beginning of year	45,821	114,171
Cash and cash equivalents, end of period	$47,336	$95,727
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$1,719	$2,181
Cash paid for interest	$254	$234
Property and equipment acquired under capital leases	$253	$393

Property and equipment purchases in accounts payable and accrued liabilities	$1,815	$1,179

Refer to Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited, condensed consolidated financial statements of Viad Corp ("Viad" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. The condensed consolidated financial statements of Viad include the accounts of Viad and all of its subsidiaries. All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 2013 included in the Company's Form 10-K, filed with the Securities and Exchange Commission on March 7, 2014.

Nature of Business

Viad's reportable segments consist of Marketing & Events U.S., Marketing & Events International (together the "Marketing & Events Group") and the Travel & Recreation Group.

Marketing & Events Group

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

Travel & Recreation Group

The Travel & Recreation Group consists of Brewster Inc. ("Brewster"), Glacier Park, Inc. ("Glacier Park") and Alaskan Park Properties, Inc. ("Alaska Denali Travel"). Brewster provides tourism products and experiential services in the Canadian Rockies in Alberta and in other parts of Western Canada. Brewster's operations include the Banff Gondola, Columbia Icefield Glacier Adventure, Glacier Skywalk (opened May 1, 2014), motorcoach services, charter and sightseeing services, tour boat operations, inbound package tour operations and hotel operations. During 2013, Glacier Park, an 80 percent owned subsidiary of Viad, operated five lodges, three motor inns and one four-season resort hotel and provided food and beverage operations, retail operations and tour and transportation services in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada. Glacier Park's concession contract with the U.S. National Park Service (the "Park Service") for Glacier National Park expired on December 31, 2013. The ongoing operations of Glacier Park as of January 1, 2014 include: Glacier Park Lodge in East Glacier, Montana; Grouse Mountain Lodge in Whitefish, Montana; St. Mary Lodge in St. Mary, Montana; Motel Lake McDonald, an in-holding within Glacier National Park; and the Prince of Wales Hotel in Waterton Lakes National Park. Alaska Denali Travel operates the Denali Backcountry Lodge and Denali Cabins. In addition to lodging, Alaska Denali Travel also provides food and beverage operations and package tour and transportation services in and around Denali National Park and Preserve.

With regard to Glacier Park's concession operations within Glacier National Park, refer to Note 20, Discontinued Operations for further discussion.

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Impact of Recent Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-05, Service Concession Arrangements (Topic 853), related to the accounting for service concession arrangements between a public-sector entity grantor and an operating entity under which the operating entity operates the grantor's infrastructure. The new guidance specifies that an entity should not account for a service concession arrangement that is within its scope as a lease. Furthermore, the guidance also specifies that the infrastructure used in a service concession arrangement should not be recognized as property, plant and equipment of the operating entity. The guidance is effective for interim and annual periods beginning after December 15, 2014. The adoption of this new guidance is not expected to have a material impact on Viad's financial condition or results of operations.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The new guidance changes the criteria for reporting discontinued operations while enhancing disclosures. Under the standard, only disposals representing a strategic shift in operations, such as a disposal of a major geographic area, a major line of business or a major equity method investment, may be presented as discontinued operations. This guidance is effective for interim and annual periods beginning after December 15, 2014. The Company has not yet determined if the adoption of this new guidance will have a material impact on its financial position or results of operations.

Note 2. Share-Based Compensation

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

(in thousands)	2014	2013
Restricted stock	$654	$773
Performance unit incentive plan ("PUP")	(231)	863
Restricted stock units	(32)	88
Stock options	—	95
Share-based compensation before income tax benefit	391	1,819
Income tax benefit	(152)	(654)
Share-based compensation, net of income tax benefit	$239	$1,165

In addition, a $311,000 reversal of PUP expense was recorded through restructuring expense for the three months ended March 31, 2014.

On January 24, 2014, Viad announced that its Board of Directors declared a special cash dividend of $1.50 per share, or $30.5 million in the aggregate, to shareholders of record at the close of business on February 7, 2014. The dividend was paid on February 14, 2014. In accordance with the mandatory provisions of the 2007 Viad Corp Omnibus Incentive Plan (the "2007 Plan") and the 1997 Viad Corp Omnibus Incentive Plan, the Human Resources Committee of Viad's Board of Directors approved equitable adjustments to the outstanding long-term incentive awards of stock options and PUP awards issued pursuant to those plans in order to prevent the special dividend from diluting the rights of participants under those plans. The equitable adjustment to the outstanding stock options reduced the exercise price and increased the number of shares of common stock underlying such options. The equitable adjustment to the PUP awards reflects the effect of the special dividend, but will be paid only if certain performance goals are met at the end of the 3-year performance period.

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

	Restricted Stock		PUP Awards		Restricted Stock Units	
	Shares	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2013	430,899	$ 22.78	299,768	$ 23.46	28,560	$ 22.91
Granted	83,300	23.95	123,300	23.71	6,700	24.95
Vested	(132,255)	22.67	(94,600)	23.01	(9,890)	23.45
Forfeited	(5,140)	22.44	—	—	—	—

Balance, March 31, 2014	376,804	23.09	328,468	23.69	25,370	23.24

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As of March 31, 2014, the unamortized cost of all outstanding restricted stock awards was $4.4 million, which Viad expects to recognize in the consolidated financial statements over a weighted-average period of approximately 2.0 years. During the three months ended March 31, 2014 and 2013, the Company repurchased 44,358 shares for $1.0 million and 44,606 shares for $1.2 million, respectively, related to tax withholding requirements on vested share-based awards. As of March 31, 2014, there were 906,468 total shares available for future grant in accordance with the provisions of the 2007 Plan.

As of March 31, 2014 and December 31, 2013, Viad had liabilities recorded of $2.4 million and $5.9 million, respectively, related to PUP awards. In March 2014, the PUP units granted in 2011 vested and cash payouts totaling $2.9 million were distributed. There were no cash settlements of PUP awards during the three months ended March 31, 2013.

As of March 31, 2014 and December 31, 2013, Viad had aggregate liabilities recorded of $400,000 and $664,000, respectively, related to restricted stock unit liability awards. In February 2014, portions of the 2009, 2010 and 2011 restricted stock unit awards vested and cash payouts totaling $232,000 were distributed. Similarly, in February 2013 portions of the 2009 and 2010 restricted stock unit awards vested and cash payouts of $300,000 were distributed.

The following table summarizes stock option activity:

	Shares	Weighted-Average Exercise Price	Options Exercisable
Options outstanding at December 31, 2013	314,323	$19.79	314,323
Exercised	(36,815)	19.26	
Forfeited or expired	(18,522)	35.28	
Award modification	17,865	N/A	
Options outstanding at March 31, 2014	276,851	17.69	276,851

As of March 31, 2014, there were no unrecognized costs related to non-vested stock option awards. As previously discussed, the equitable adjustment to the outstanding stock options resulting from the February 14, 2014 special cash dividend reduced the exercise price and increased the number of shares of common stock underlying such options as reflected on the "Award modification" line above.

Note 3. Acquisition of Business

In February 2013, Viad acquired the assets of Resource Creative Limited ("RCL") for $647,000 in cash. RCL is a United Kingdom-based company specializing in providing creative graphic services to the exhibition, events and retail markets throughout the United Kingdom and continental Europe. The purchase price is subject to certain adjustments, plus a deferred payment of up to approximately £180,000, which is contingent upon RCL's achievement of certain net revenue targets between the acquisition date and December 31, 2014. RCL exceeded the first net revenue target for the period ended December 31, 2013 and, consequently, a deferred payment installment in the amount of $147,000 (£90,000) was paid in March 2014.

Note 4. Inventories

The components of inventories consisted of the following as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Raw materials	$16,059	$14,825
Work in process	17,044	13,168
Inventories	$33,103	$27,993

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Note 5. Other Current Assets

Other current assets consisted of the following as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Income tax receivable	$2,609	$2,035
Prepaid vendor payments	2,558	2,008
Prepaid insurance	1,928	2,260
Assets held for sale	1,814	—
Prepaid rent	1,488	284
Prepaid other	6,181	6,977
Other	4,263	3,578
Other current assets	$20,841	$17,142

Note 6. Property and Equipment, Net

Property and equipment consisted of the following as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Land and land interests	$23,258	$23,646
Buildings and leasehold improvements	129,431	139,889
Equipment and other	289,541	294,409
Gross property and equipment	442,230	457,944
Less: accumulated depreciation	(262,397)	(267,614)
Property and equipment, net	$179,833	$190,330

Depreciation expense for the three months ended March 31, 2014 and 2013 was $6.5 million and $6.6 million, respectively.

Note 7. Other Investments and Assets

Other investments and assets consisted of the following as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Cash surrender value of life insurance	$19,849	$19,690
Workers' compensation insurance security deposits	3,350	3,350
Other	11,379	11,986
Other investments and assets	$34,578	$35,026

Note 8. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2014 were as follows:

(in thousands)	Marketing & Events U.S.	Marketing & Events International	Travel & Recreation Group	Total
Balance at December 31, 2013	$62,686	$22,611	$44,246	$129,543
Foreign currency translation adjustments	—	(242)	(1,871)	(2,113)
Balance at March 31, 2014	$62,686	$22,369	$42,375	$127,430

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The following table summarizes goodwill by reporting unit and segment as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Marketing & Events Group:		
Marketing & Events U.S.	$62,686	$62,686
Marketing & Events International:		
GES United Kingdom	14,139	14,049
GES Canada	8,230	8,562
Total Marketing & Events Group	85,055	85,297
Travel & Recreation Group:		
Brewster	39,191	41,062
Alaska Denali Travel	3,184	3,184
Total Travel & Recreation Group	42,375	44,246
Goodwill	$127,430	$129,543

A summary of other intangible assets as of March 31, 2014 is presented below:

(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Customer contracts and relationships	$5,680	$(2,828)	$2,852
Other	1,066	(242)	824
Total amortized intangible assets	6,746	(3,070)	3,676
Unamortized intangible assets:			
Business licenses	460	—	460
Other intangible assets	$7,206	$(3,070)	$4,136

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

(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Customer contracts and relationships	$5,537	$(2,521)	$3,016
Other	1,280	(276)	1,004
Total amortized intangible assets	6,817	(2,797)	4,020
Unamortized intangible assets:			
Business licenses	460	—	460
Other intangible assets	$7,277	$(2,797)	$4,480

Intangible asset amortization expense for the three months ended March 31, 2014 and 2013 was $310,000 and $292,000, respectively. Estimated amortization expense related to amortized intangible assets for future years is expected to be as follows:

(in thousands)	
2014	$682
2015	$791
2016	$671
2017	$550
2018	$432
Thereafter	$550

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Note 9. Other Current Liabilities

Other current liabilities consisted of the following as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Continuing operations:		
Self-insured liability accrual	$7,512	$7,603
Accrued employee benefit costs	4,930	2,751
Accrued sales and use taxes	4,003	1,609
Accrued restructuring	2,919	3,877
Accrued dividends	2,208	2,192
Accrued professional fees	1,499	1,832
Deferred rent	1,354	1,558
Accrued foreign income taxes	346	565
Other	9,794	6,183
Total continuing operations	34,565	28,170
Discontinued operations:		
Self-insured liability accrual	470	469
Environmental remediation liabilities	334	353
Other	162	177
Total discontinued operations	966	999
Other current liabilities	$35,531	$29,169

Note 10. Other Deferred Items and Liabilities

Other deferred items and liabilities consisted of the following as of the respective periods:

(in thousands)	March 31, 2014	December 31, 2013
Continuing operations:		
Self-insured liability accrual	$17,814	$17,316
Accrued compensation	5,599	8,349
Foreign deferred tax liability	2,012	1,989
Accrued restructuring	1,556	1,919
Other	8,090	7,552
Total continuing operations	35,071	37,125
Discontinued operations:		
Environmental remediation liabilities	4,653	4,666
Self-insured liability accrual	4,439	4,489
Accrued income taxes	906	1,085
Other	1,246	1,254
Total discontinued operations	11,244	11,494
Other deferred items and liabilities	$46,315	$48,619

Note 11. Debt and Capital Lease Obligations

Viad's total debt as of March 31, 2014 and December 31, 2013 was $1.7 million and $11.7 million, respectively. The debt-to-capital ratio was 0.005 to 1 and 0.032 to 1 as of March 31, 2014 and December 31, 2013, respectively. Capital is defined as total debt and capital lease obligations plus total stockholders' equity.

In May 2011, Viad entered into an amended and restated revolving credit agreement (the "Credit Facility"). The Credit Facility provides for a $130 million revolving line of credit, which may be increased up to an additional $50 million under certain circumstances. The term of the Credit Facility is five years (expiring on May 18, 2016) and borrowings are to be used

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for general corporate purposes (including permitted acquisitions) and to support up to $50 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries. As of March 31, 2014, Viad's total debt of $1.7 million consisted entirely of capital lease obligations. As of March 31, 2014, Viad had $128.7 million of capacity remaining under its Credit Facility reflecting outstanding letters of credit of $1.3 million.

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

The Credit Facility contains various affirmative and negative covenants that are customary for facilities of this type, including a fixed-charge coverage ratio, leverage ratio and dividend and share repurchase limits. Significant other covenants include limitations on: investments, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers and liens on property. As of March 31, 2014, Viad was in compliance with all covenants.

As of March 31, 2014, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and relate to leased facilities entered into by the Company's subsidiary operations. The Company would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing as of March 31, 2014 would be $11.8 million. These guarantees relate to leased facilities and expire through October 2017. There are no recourse provisions that would enable Viad to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements whereby Viad could recover payments.

The estimated fair value of total debt was $1.6 million and $11.5 million as of March 31, 2014 and December 31, 2013, respectively. The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity.

Note 12. Fair Value Measurements

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

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

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

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

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Viad measures its money market mutual funds and certain other mutual fund investments at fair value on a recurring basis using Level 1 inputs. The fair value information related to these assets is summarized in the following tables:

(in thousands)	March 31, 2014	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserved Inputs (Level 3)
Assets:				
Money market funds	$1,818	$1,818	$—	$—
Other mutual funds	2,014	2,014	—	—
Total assets at fair value	$3,832	$3,832	$—	$—

(in thousands)	December 31, 2013	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserved Inputs (Level 3)
Assets:				
Money market funds	$118	$118	$—	$—
Other mutual funds	2,023	2,023	—	—
Total assets at fair value	$2,141	$2,141	$—	$—

As of March 31, 2014 and December 31, 2013, Viad had investments in money market mutual funds of $1.8 million and $118,000, respectively, which are included in the consolidated balance sheets under the caption "Cash and cash equivalents." These investments are classified as available-for-sale and were recorded at fair value. There have been no realized or unrealized gains or losses related to these investments and the Company has not experienced any redemption restrictions with respect to any of the money market mutual funds.

As of both March 31, 2014 and December 31, 2013, Viad had investments in other mutual funds of $2.0 million, which are classified in the consolidated balance sheets under the caption "Other investments and assets." These investments were classified as available-for-sale and were recorded at fair value. As of March 31, 2014 and December 31, 2013, there were unrealized gains of $705,000 ($438,000 after-tax) and $700,000 ($429,000 after-tax), respectively, which were included in the consolidated balance sheets under the caption "Accumulated other comprehensive income (loss)."

The carrying values of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The estimated fair value of debt obligations is disclosed in Note 11, Debt and Capital Lease Obligations.

Note 13. Stockholders' Equity

The following represents a reconciliation of the carrying amounts of stockholders' equity attributable to Viad and the noncontrolling interest for the three months ended March 31, 2014 and 2013:

(in thousands)	Total Viad Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 31, 2013	$347,441	$9,102	$356,543
Net income	21,882	2,537	24,419
Dividends on common stock	(32,517)	—	(32,517)
Common stock purchased for treasury	(1,042)	—	(1,042)

Employee benefit plans	2,052	—	2,052
Unrealized foreign currency translation adjustment	(6,733)	—	(6,733)
ESOP allocation adjustment	44	—	44
Other	46	1	47
Balance at March 31, 2014	$331,173	$11,640	$342,813

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(in thousands)	Total Viad Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 31, 2012	$388,061	$8,971	$397,032
Net income (loss)	8,065	(275)	7,790
Dividends on common stock	(2,034)	—	(2,034)
Common stock purchased for treasury	(1,187)	—	(1,187)
Employee benefit plans	1,792	—	1,792
Unrealized foreign currency translation adjustment	(6,128)	—	(6,128)
Unrealized gain on investments	61	—	61
Prior service credit and net actuarial loss	41	—	41
ESOP allocation adjustment	250	—	250
Other	1	—	1
Balance at March 31, 2013	$388,922	$8,696	$397,618

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

(in thousands)	Unrealized Gains on Investments	Cumulative Foreign Currency Translation Adjustments	Unrecognized Net Actuarial Loss and Service Credit	Accumulated Other Comprehensive Income
Balance at December 31, 2013	$429	$30,847	$(11,259)	$20,017
Other comprehensive income before reclassifications	22	(6,733)	—	(6,711)
Amounts reclassified from AOCI, net of tax	(13)	—	36	23
Net other comprehensive income (loss)	9	(6,733)	36	(6,688)
Balance at March 31, 2014	$438	$24,114	$(11,223)	$13,329

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

(in thousands)	2014	2013	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains on investments	$21	$27	Interest income
Tax effect	(8)	(9)	Income taxes
	$13	$18	Net of tax
Recognized net actuarial loss[(1)]	$(205)	$(290)	
Amortization of prior service credit[(1)]	148	225	
Tax effect	21	24	Income taxes
	$(36)	$(41)	Net of tax

[(1)] Amount included in pension expense. Refer to Note 16, Pension and Postretirement Benefits.

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Note 14. Income Per Share

The following are the components of basic and diluted income per share for the three months ended March 31:

(in thousands, except per share data)	2014	2013
Net income attributable to Viad (diluted)	$21,882	$8,065
Less: Allocation to non-vested shares	(424)	(198)
Net income allocated to Viad common stockholders (basic)	$21,458	$7,867
Basic weighted-average outstanding common shares	19,949	19,790
Additional dilutive shares related to share-based compensation	381	403
Diluted weighted-average outstanding shares	20,330	20,193
Income per share:		
Basic income attributable to Viad common stockholders	$1.08	$0.40
Diluted income attributable to Viad common stockholders[1]	$1.08	$0.40

[1] Diluted income per share amount cannot exceed basic income per share.

There were 381,000 and 403,000 share-based compensation awards considered dilutive and included in the computation of diluted income per share for the three months ended March 31, 2014 and 2013, respectively. Additionally, options to purchase 34,000 and 54,000 shares of common stock were outstanding during the three months ended March 31, 2014 and 2013, respectively, but were not included in the computation of dilutive shares outstanding because the effect would be anti-dilutive.

Note 15. Income Taxes

The effective tax rates for continuing operations for the three months ended March 31, 2014 and 2013 were 15.6 percent and 30.5 percent, respectively. The effective tax rates for discontinued operations for the three months ended March 31, 2014 and 2013 were 29.1 percent and 36.8 percent, respectively.

The income tax provisions were computed based on the Company’s estimated effective tax rate and forecasted income by jurisdiction expected to be applicable for the full fiscal year, including the impact of any unusual or infrequent items. The relatively low effective tax rates compared to the federal statutory rate of 35 percent were primarily due to foreign income which is taxed at lower rates. Additionally, 2014 was favorably impacted by the projected utilization of foreign tax credit carryforwards and other deferred tax adjustments.

Viad is required to estimate and record provisions for income taxes in each of the jurisdictions in which the Company operates. Accordingly, the Company must estimate its actual current income tax liability, and assess temporary differences arising from the treatment of items for tax purposes, as compared to the treatment for accounting purposes. These differences result in deferred tax assets and liabilities which are included in Viad’s consolidated balance sheets. The Company must assess the likelihood that deferred tax assets will be recovered from future taxable income and to the extent that recovery is not likely, a valuation allowance must be established. The Company uses significant judgment in forming a conclusion regarding the recoverability of its deferred tax assets and evaluates the available positive and negative evidence to determine whether it is more likely than not that its deferred tax assets will be realized in the future. As of March 31, 2014 and December 31, 2013, Viad had gross deferred tax assets of $67.7 million and $77.0 million, respectively. These deferred tax assets reflect the expected future tax benefits to be realized upon reversal of deductible temporary differences, and the utilization of net operating loss and tax credit carryforwards.

The Company considered all available positive and negative evidence regarding the future recoverability of its deferred tax assets, including the Company’s recent operating history, taxpaying history and future reversals of deferred tax liabilities. The Company also evaluated its ability to utilize its foreign tax credits, given its recent utilization history. These tax credits are subject to a 10-year carryforward period and begin to expire in 2019. As of December 31, 2013, $10.9 million of the $12.4 million valuation allowance recorded was related to foreign tax credits. The Company is projecting the utilization of $3.6 million of additional foreign tax credits in 2014, due to projected 2014 operations.

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

Viad had accrued gross liabilities associated with uncertain tax positions for continuing operations of $1.1 million and $736,000 as of March 31, 2014 and December 31, 2013, respectively. In addition, as of March 31, 2014 and December 31, 2013, Viad had accrued interest and penalties related to uncertain tax positions for continuing operations of $56,000 and $20,000, respectively. Viad also had accrued gross liabilities associated with uncertain tax positions for discontinued operations of $636,000 as of both March 31, 2014 and December 31, 2013. In addition, as of March 31, 2014 and December 31, 2013, Viad had accrued interest and penalties related to uncertain tax positions for discontinued operations of $458,000 and $450,000, respectively. Future tax resolutions or settlements that may occur related to these uncertain tax positions would be recorded through either continuing or discontinued operations (net of federal tax effects, if applicable). As of March 31, 2014 and December 31, 2013, the Company had liabilities associated with uncertain tax positions (including interest and penalties) of $2.2 million and