VIAD CORP
Form 10-Q
August 08, 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 June 30, 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	85004-4565
(Address of principal executive offices)	(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 July 31, 2014, there were 20,035,239 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 June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$40,231	$45,821
Accounts receivable, net of allowance for doubtful accounts of $1,160 and $877, respectively	92,930	61,197
Inventories	40,018	27,993
Deferred income taxes	17,283	20,577
Other current assets	20,789	17,142
Total current assets	211,251	172,730
Property and equipment, net	183,468	190,330
Other investments and assets	35,018	35,026
Deferred income taxes	29,179	29,823
Goodwill	129,748	129,543
Other intangible assets, net	3,960	4,480
Total Assets	$592,624	$561,932
Liabilities and Stockholders’ Equity		
Current liabilities		
Accounts payable	$65,248	$40,941
Customer deposits	42,677	29,207
Accrued compensation	19,295	15,113
Other current liabilities	30,361	29,169
Current portion of debt and capital lease obligations	10,851	10,903
Total current liabilities	168,432	125,333
Long-term capital lease obligations	579	765
Pension and postretirement benefits	30,805	30,672
Other deferred items and liabilities	47,398	48,619
Total liabilities	247,214	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	584,177	590,862
Retained deficit	(56,304)	(50,393)
Unearned employee benefits and other	20	(21)
Accumulated other comprehensive income (loss):		
Unrealized gain on investments	479	429
Cumulative foreign currency translation adjustments	30,696	30,847
Unrecognized net actuarial loss and prior service credit, net	(11,222)	(11,259)
Common stock in treasury, at cost, 4,913,199 and 4,618,433 shares, respectively	(251,344)	(250,426)

Total Viad Corp stockholders’ equity	333,904	347,441
Noncontrolling interest	11,506	9,102
Total stockholders’ equity	345,410	356,543
Total Liabilities and Stockholders’ Equity	$592,624	$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 June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2014	2013	2014	2013
Revenue:				
Exhibition and event services	$185,486	$177,582	$417,269	$411,745
Exhibits and environments	41,100	42,231	87,140	84,829
Travel and recreation services	29,805	26,367	37,623	34,765
Total revenue	256,391	246,180	542,032	531,339
Costs and expenses:				
Costs of services	200,635	193,546	430,217	424,271
Costs of products sold	41,620	41,179	84,318	82,018
Corporate activities	1,991	1,167	4,030	1,973
Interest income	(54)	(137)	(119)	(275)
Interest expense	309	323	607	619
Restructuring charges	1,365	773	1,576	1,493
Impairment charges	884	—	884	—
Total costs and expenses	246,750	236,851	521,513	510,099
Income from continuing operations before income taxes	9,641	9,329	20,519	21,240
Income tax expense	1,796	2,940	3,493	6,576
Income from continuing operations	7,845	6,389	17,026	14,664
Income (loss) from discontinued operations	(1,236)	(329)	14,002	(814)
Net income	6,609	6,060	31,028	13,850
Net (income) loss attributable to noncontrolling interest	133	193	(2,404)	468
Net income attributable to Viad	$6,742	$6,253	$28,624	$14,318
Diluted income (loss) per common share:				
Continuing operations attributable to Viad common stockholders	$0.39	$0.32	$0.85	$0.74
Discontinued operations attributable to Viad common stockholders	(0.06)	(0.01)	0.56	(0.03)
Net income attributable to Viad common stockholders	$0.33	$0.31	$1.41	$0.71
Weighted-average outstanding and potentially dilutive common shares	20,149	20,159	20,262	20,177
Basic income (loss) per common share:				
Continuing operations attributable to Viad common stockholders	$0.39	$0.32	$0.85	$0.74
Discontinued operations attributable to Viad common stockholders	(0.06)	(0.01)	0.56	(0.03)
Net income attributable to Viad common stockholders	$0.33	$0.31	$1.41	$0.71
Weighted-average outstanding common shares	19,869	19,860	19,909	19,825
Dividends declared per common share	$0.10	$0.10	$1.70	$0.20
Amounts attributable to Viad common stockholders				
Income from continuing operations	$7,978	$6,516	$17,290	$14,969
Income (loss) from discontinued operations	(1,236)	(263)	11,334	(651)
Net income	$6,742	$6,253	$28,624	$14,318

Refer to Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Net income	$6,609	$6,060	$31,028	$13,850
Other comprehensive income (loss):				
Unrealized gains (losses) on investments, net of tax[1]	41	(6)	50	55
Unrealized foreign currency translation adjustments, net of tax[1]	6,582	(5,295)	(151)	(11,423)
Amortization of net actuarial gain, net of tax[1]	127	180	255	361
Amortization of prior service credit, net of tax[1]	(126)	(140)	(218)	(280)
Comprehensive income	13,233	799	30,964	2,563
Comprehensive (income) loss attributable to noncontrolling interest	133	193	(2,404)	468
Comprehensive income attributable to Viad	$13,366	$992	$28,560	$3,031

[1] The tax effect on other comprehensive income (loss) is not significant.
Refer to Notes to Condensed Consolidated Financial Statements.

VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(in thousands)	2014	2013
Cash flows from operating activities		
Net income	$31,028	$13,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,959	14,031
Deferred income taxes	8,521	6,371
(Income) loss from discontinued operations	(14,002)	814
Restructuring charges	1,576	1,493
Impairment charges	884	—
Gains on dispositions of property and other assets	(391)	(196)
Share-based compensation expense	1,503	2,367
Excess tax benefit from share-based compensation arrangements	(41)	(389)
Other non-cash items, net	3,271	2,739
Change in operating assets and liabilities (excluding the impact of acquisitions):		
Receivables	(32,150)	(21,851)
Inventories	(12,025)	4,389
Accounts payable	25,115	327
Restructuring liabilities	(3,001)	(2,341)
Accrued compensation	1,971	(11,130)
Customer deposits	13,470	(8,922)
Income taxes payable	889	415
Other assets and liabilities, net	(12,412)	(9,702)
Net cash provided by (used in) operating activities	28,165	(7,735)
Cash flows from investing activities		
Proceeds from possessory interest—discontinued operations	25,000	—
Proceeds from dispositions of property and other assets	417	433
Capital expenditures	(13,404)	(15,705)
Acquisition of business, net of cash acquired	—	(647)
Net cash provided by (used in) investing activities	12,013	(15,919)
Cash flows from financing activities		
Dividends paid on common stock	(34,534)	(4,066)
Payments on debt and capital lease obligations	(25,476)	(690)
Proceeds from borrowings	25,000	—
Common stock purchased for treasury	(11,610)	(1,252)
Excess tax benefit from share-based compensation arrangements	41	389
Proceeds from exercise of stock options	1,155	540
Net cash used in financing activities	(45,424)	(5,079)
Effect of exchange rate changes on cash and cash equivalents	(344)	(2,296)
Net change in cash and cash equivalents	(5,590)	(31,029)
Cash and cash equivalents, beginning of year	45,821	114,171
Cash and cash equivalents, end of period	$40,231	$83,142
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$5,025	$4,299
Cash paid for interest	$501	$510

Property and equipment acquired under capital leases	$253	$462
Property and equipment purchases in accounts payable and accrued liabilities	$2,396	$4,441

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 six months ended June 30, 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 leading consumer brands, movie studios, shopping malls and other clients, as well as for museums and other venues.
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 2014), Banff Lake Cruise, motorcoach services, charter and sightseeing services, 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. Glacier Park also continues to operate the food and beverage operations and package tour and transportation services with respect to these properties and the retail shops located near Glacier National Park. On July 1, 2014, the Company acquired the West Glacier Motel & Cabins, the Apgar Village Lodge and related land, food and beverage services and retail operations ("West Glacier"). For additional information, refer to Note 21, Subsequent Event. 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 ("ASU") 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 ASU 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.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The standard establishes a new recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The guidance is effective for fiscal years beginning after December 15, 2016, and early adoption is not permitted. 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.

In June 2014, the FASB issued ASU No. 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period. The new guidance requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update is effective for our fiscal year beginning January 1, 2016 and early adoption is permitted. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2014	2013	2014	2013
Restricted stock	$759	$947	$1,413	$1,720
Performance unit incentive plan ("PUP")	326	(339)	95	524
Restricted stock units	27	(66)	(5)	101
Stock options	—	6	—	22
Share-based compensation before income tax benefit	1,112	548	1,503	2,367
Income tax benefit	(417)	(230)	(569)	(903)
Share-based compensation, net of income tax benefit	$695	$318	$934	$1,464

For the three months ended June 30, 2014, Viad recorded share-based compensation expense of $0.2 million through restructuring expense. For the six months ended June 30, 2014, Viad recorded a reversal of share-based compensation expense of $0.1 million through restructuring expense.

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, which 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

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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	(133,637)	22.67	(94,600)	23.01	(9,890)	23.45
Forfeited	(14,540)	21.87	(2,700)	27.35	(500)	27.32
Balance, June 30, 2014	366,022	23.13	325,768	23.65	24,870	23.16

As of June 30, 2014, the unamortized cost of all outstanding restricted stock awards was $3.6 million, which Viad expects to recognize in the consolidated financial statements over a weighted-average period of approximately 2.0 years. During the six months ended June 30, 2014 and 2013, the Company repurchased 44,806 shares for $1.0 million and 47,160 shares for $1.3 million, respectively, related to tax withholding requirements on vested share-based awards. As of June 30, 2014, there were 915,868 total shares available for future grant in accordance with the provisions of the 2007 Plan.

As of June 30, 2014 and December 31, 2013, Viad had liabilities recorded of $3.0 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 PUP awards which vested during the six months ended June 30, 2013.

As of June 30, 2014 and December 31, 2013, Viad had aggregate liabilities recorded of $0.4 million and $0.7 million, 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 $0.2 million were distributed. Similarly, in February 2013 portions of the 2009 and 2010 restricted stock unit awards vested and cash payouts of $0.3 million 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	(66,076)	18.53	
Forfeited or expired	(18,522)	35.28	
Award modification	17,865	N/A	
Options outstanding at June 30, 2014	247,590	$ 17.82	247,590

As of June 30, 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

On July 1, 2014, the Company aquired the West Glacier Motel & Cabins, the Apgar Village Lodge and related land, food and beverage services and retail operations. For additional information, refer to Note 21, Subsequent Event.

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In February 2013, Viad acquired the assets of Resource Creative Limited (“RCL”) for $0.6 million 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 £0.2 million, 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 $0.2 million (£0.1 million) was paid in March 2014.

Note 4. Inventories

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

(in thousands)	June 30, 2014	December 31, 2013
Raw materials	$16,091	$14,825
Work in process	23,927	13,168
Inventories	$40,018	$27,993

Note 5. Other Current Assets

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

(in thousands)	June 30, 2014	December 31, 2013
Income tax receivable	$3,407	$2,035
Prepaid software maintenance	3,027	1,946
Prepaid vendor payments	1,820	2,008
Assets held for sale	1,814	—
Prepaid rent	1,562	284
Prepaid insurance	794	2,260
Prepaid other	5,947	5,031
Other	2,418	3,578
Other current assets	$20,789	$17,142

Note 6. Property and Equipment, Net

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

(in thousands)	June 30, 2014	December 31, 2013
Land and land interests	$23,599	$23,646
Buildings and leasehold improvements	133,334	139,889
Equipment and other	298,114	294,409
Gross property and equipment	455,047	457,944
Less: accumulated depreciation	(271,579)	(267,614)
Property and equipment, net	$183,468	$190,330

Depreciation expense for both the three months ended June 30, 2014 and 2013 was $6.9 million and for both the six months ended June 30, 2014 and 2013 was $13.4 million.

In the second quarter of 2014, Viad recorded impairment charges of $0.9 million at the Marketing & Events Group related to the write-off of certain internally developed software.

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Note 7. Other Investments and Assets

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

(in thousands)	June 30, 2014	December 31, 2013
Cash surrender value of life insurance	$19,901	$19,690
Workers' compensation insurance security deposits	3,350	3,350
Other	11,767	11,986
Other investments and assets	$35,018	$35,026

Note 8. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended June 30, 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	—	426	(221)	205
Balance at June 30, 2014	$62,686	$23,037	$44,025	$129,748

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

(in thousands)	June 30, 2014	December 31, 2013
Marketing & Events Group:		
Marketing & Events U.S.	$62,686	$62,686
Marketing & Events International:		
GES United Kingdom	14,514	14,049
GES Canada	8,523	8,562
Total Marketing & Events Group	85,723	85,297
Travel & Recreation Group:		
Brewster	40,841	41,062
Alaska Denali Travel	3,184	3,184
Total Travel & Recreation Group	44,025	44,246
Goodwill	$129,748	$129,543

A summary of other intangible assets as of June 30, 2014 is presented below:

(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Customer contracts and relationships	$5,629	$(3,028)	$2,601
Other	1,250	(351)	899
Total amortized intangible assets	6,879	(3,379)	3,500
Unamortized intangible assets:			
Business licenses	460	—	460
Other intangible assets	$7,339	$(3,379)	$3,960

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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 both the three months ended June 30, 2014 and 2013 was $0.3 million and for both the six months ended June 30, 2014 and 2013 was $0.6 million. Estimated amortization expense related to amortized intangible assets for future years is expected to be as follows:

(in thousands)	
2014	$446
2015	$801
2016	$675
2017	$556
2018	$435
Thereafter	$587

Note 9. Other Current Liabilities

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

(in thousands)	June 30, 2014	December 31, 2013
Continuing operations:		
Self-insured liability accrual	$6,777	$7,603
Accrued employee benefit costs	3,445	2,751
Accrued restructuring	2,781	3,877
Accrued dividends	2,127	2,192
Accrued professional fees	1,625	1,832
Accrued sales and use taxes	1,601	1,609
Deferred rent	1,295	1,558
Other	9,513	6,748
Total continuing operations	29,164	28,170
Discontinued operations:		
Self-insured liability accrual	416	469
Environmental remediation liabilities	348	353
Other	433	177
Total discontinued operations	1,197	999
Other current liabilities	$30,361	$29,169

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Note 10. Other Deferred Items and Liabilities

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

(in thousands)	June 30, 2014	December 31, 2013
Continuing operations:		
Self-insured liability accrual	$18,066	$17,316
Accrued compensation	6,228	8,349
Foreign deferred tax liability	2,194	1,989
Accrued restructuring	1,645	1,919
Other	7,760	7,552
Total continuing operations	35,893	37,125
Discontinued operations:		
Environmental remediation liabilities	4,550	4,666
Self-insured liability accrual	4,477	4,489
Accrued income taxes	1,115	1,085
Other	1,363	1,254
Total discontinued operations	11,505	11,494
Other deferred items and liabilities	$47,398	$48,619

Note 11. Debt and Capital Lease Obligations

Viad’s total debt as of June 30, 2014 and December 31, 2013 was $11.4 million and $11.7 million, respectively. The debt-to-capital ratio was 0.032 to 1 as of both June 30, 2014 and December 31, 2013. 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 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 June 30, 2014, Viad’s total debt of $11.4 million consisted of a $10.0 million revolver borrowing on the Credit Facility and $1.4 million of capital lease obligations. As of June 30, 2014, Viad had $118.7 million of capacity remaining under its Credit Facility reflecting outstanding letters of credit of $1.3 million and the outstanding balance under the Credit Facility of $10.0 million. Borrowings under the Credit Facility (under 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 June 30, 2014, Viad was in compliance with all covenants.

As of June 30, 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 June 30, 2014 would be $10.0 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.

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The estimated fair value of total debt was $11.3 million and $11.5 million as of June 30, 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.

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:

		Fair Value Measurements at Reporting Date Using		
(in thousands)	June 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserved Inputs (Level 3)
Assets:				
Money market funds	$618	$618	$—	$—
Other mutual funds	2,619	2,619	—	—
Total assets at fair value	$3,237	$3,237	$—	$—

		Fair Value Measurements at Reporting Date Using		
(in thousands)	December 31, 2013	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 June 30, 2014 and December 31, 2013, Viad had investments in money market mutual funds of $0.6 million and $0.1 million, 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 June 30, 2014 and December 31, 2013, Viad had investments in other mutual funds of $2.6 million and $2.0 million, respectively, which are classified in the consolidated balance sheets under the caption “Other investments and assets.” These investments were classified as available-for-sale and were recorded at fair value. As of June 30, 2014 and December 31, 2013, there were unrealized gains of $0.8 million ($0.5 million after-tax) and $0.7 million ($0.4 million 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.

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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 six months ended June 30, 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	28,624	2,404	31,028
Dividends on common stock	(34,534)	—	(34,534)
Common stock purchased for treasury	(11,610)	—	(11,610)
Employee benefit plans	4,004	—	4,004
Unrealized foreign currency translation adjustment	(151)	—	(151)
Unrealized gain on investments	50	—	50
ESOP allocation adjustment	44	—	44
Other	36	—	36
Balance at June 30, 2014	$333,904	$11,506	$345,410

(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)	14,318	(468)	$13,850
Dividends on common stock	(4,066)	—	