

VIAD CORP
Form 10-K
February 27, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 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)

Edgar Filing: VIAD CORP - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

	Name of each exchange
Title of each class	on which registered
Common Stock, \$1.50 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the 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	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

The aggregate market value of the Common Stock (based on its closing price per share on such date) held by non-affiliates on the last business day of the registrant's most recently completed second fiscal quarter (June 29, 2018)

was approximately \$1.1 billion.

Registrant had 20,201,497 shares of Common Stock (\$1.50 par value) outstanding as of January 31, 2019.

Documents Incorporated by Reference

A portion of the Proxy Statement for the Viad Corp Annual Meeting of Shareholders scheduled for May 16, 2019, is incorporated by reference into Part III of this Annual Report.

INDEX

	Page
<u>Part I</u>	
Item 1. <u>Business</u>	2
Item 1A. <u>Risk Factors</u>	14
Item 1B. <u>Unresolved Staff Comments</u>	18
Item 2. <u>Properties</u>	19
Item 3. <u>Legal Proceedings</u>	19
Item 4. <u>Mine Safety Disclosures</u>	20
Other. <u>Executive Officers of the Registrant</u>	20
<u>Part II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
Item 6. <u>Selected Financial Data</u>	23
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 8. <u>Financial Statements and Supplementary Data</u>	42
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	89
Item 9A. <u>Controls and Procedures</u>	89
Item 9B. <u>Other Information</u>	92
<u>Part III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	93
Item 11. <u>Executive Compensation</u>	93
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	93
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	93
Item 14. <u>Principal Accounting Fees and Services</u>	93
<u>Part IV</u>	
	93
Item 15. <u>Exhibits and Financial Statement Schedule</u>	
Item 16. <u>Form 10-K Summary</u>	97

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

PART I

Forward-Looking Statements

This Annual Report on Form 10-K (“2018 Form 10-K”) contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may appear throughout this 2018 Form 10-K, including the following sections: “Business” (Part I, Item 1), “Risk Factors” (Part I, Item 1A), “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part II, Item 7), and “Quantitative and Qualitative Disclosures About Market Risk” (Part II, Item 7A). Words, and variations of words, such as “will,” “may,” “expect,” “would,” “could,” “might,” “intend,” “plan,” “believe,” “estimate,” “anticipate,” “deliver,” “seek,” “target,” “outlook,” and similar expressions are intended to identify our forward-looking statements. Similarly, statements that describe our business strategy, outlook, objectives, plans, initiatives, 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, which 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;
- fluctuations and deterioration in general economic conditions;
- our dependence on large exhibition event clients;
- the importance of key members of our account teams to our business relationships;
- the competitive and dynamic nature of the industries in which we operate;
- travel industry disruptions;
- our ability to achieve established financial and strategic goals for our capital projects;
- seasonality of our businesses;
- transportation disruptions and increases in transportation costs;
- natural disasters and other catastrophic events;
- the impact of recent U.S. tax legislation;
- our multi-employer pension plan funding obligations;
- our exposure to labor cost increases and work stoppages related to unionized employees;
- liabilities relating to prior and discontinued operations;
- adverse effects of show rotation on our periodic results and operating margins;
- our exposure to currency exchange rate fluctuations;
- our exposure to cybersecurity attacks and threats;
- compliance with data privacy laws and our exposure to legal claims and fines for data breaches or improper handling of such data;
- the effects of the United Kingdom’s exit from the European Union; and
- the effects of changes in the U.S. trade policy, including the imposition of tariffs.

For a more complete discussion of the risks and uncertainties that may affect our business or financial results, refer to “Risk Factors” (Part I, Item 1A of this 2018 Form 10-K). We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this 2018 Form 10-K except as required by applicable law or regulation.

Item 1. 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 two business groups:

•GES is a global, full-service live events company offering a comprehensive range of services to the world's leading brands and event organizers.

•Pursuit is a collection of inspiring and unforgettable travel experiences that include world-class recreation attractions, hotels and lodges, food and beverage, retail, sightseeing, and ground transportation services.

GES accounted for 86% of our 2018 consolidated revenue and 45% of our 2018 consolidated segment operating income⁽¹⁾. Pursuit accounted for 14% of our 2018 consolidated revenue and 55% of our 2018 consolidated segment operating income⁽¹⁾.

⁽¹⁾We define segment operating income as net income attributable to Viad before income (loss) from discontinued operations, corporate activities and eliminations, interest expense and interest income, income taxes, restructuring charges, impairment charges and recoveries, the reduction for income attributable to non-redeemable noncontrolling interest, and the addition for loss attributable to redeemable noncontrolling interest. Refer to Note 23 – Segment Information of the Notes to Consolidated Financial Statements (Part II, Item 8 of this 2018 Form 10-K) for a reconciliation of segment operating income to the most directly comparable GAAP measure.

GES is a global, full-service live events company that produces exhibitions, conferences, corporate events, and consumer events. GES offers a comprehensive range of live event services, from the design and production of compelling, immersive experiences that engage audiences and build brand awareness, to material handling, rigging, electrical, and other on-site event services. In addition, GES offers clients a full suite of audio-visual services from creative and technology to content and design, along with registration, data analytics, engagement, and online tools powered by next generation technologies that help clients easily manage the complexities of their events. For ten years, GES' National Servicer® has been certified under the J.D. Power and Associates Certified Call Center ProgramSM, and for nine consecutive years, Ad Age has recognized GES as one of the nation's largest experiential/event marketing agency networks. GES is included in Event Marketer magazine's IT List as one of the top 100 event agencies in the industry.

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.

GES has a leading position in the U.S. with full-service operations in every major exhibition market, including Las Vegas, Chicago, Orlando, New York, and Los Angeles. GES has operating facilities at many of the most active and popular international event destinations and venues in the United Kingdom, Canada, Germany, the United Arab Emirates, and the Netherlands.

Markets Served

GES provides a full suite of services for event organizers and corporate brand marketers across four live event markets: Exhibitions, Conferences, Corporate Events, and Consumer Events (collectively, "Live Events").

LIVE EVENT	PRIMARY PURPOSE	% GES 2018 REVENUE
Exhibitions	Facilitates business-to-business and business-to-consumer sales and marketing.	59%
Conferences	Facilitates attendee education. May also include an expo or trade show to further facilitate attendee education and to facilitate business-to-business and business-to-consumer sales and marketing.	24%
Corporate Events	Facilitates attendee education of sponsoring company's products or product ecosystem.	14%
Consumer Events	Entertains, educates, or creates an experience, typically around a specific genre.	3%

Services Offered

GES offers a comprehensive range of services and innovative technology, including Core Services, Event Technology, and Audio-Visual, to event organizers and corporate brand marketers.

Core Services

GES provides official contracting services and products to event organizers and corporate brand marketers. Contracting services and products are provided primarily to Exhibitions and Conferences and to a lesser degree to Corporate Events and Consumer Events.

In general, GES provides the following exclusive and discretionary services and products to Live Event organizers and corporate brand marketers:

Exclusive Services		Discretionary Services
Event Organizers	Corporate Brand Marketers	Corporate Brand Marketers
Event planning and production	Material handling	Creative design and strategy
Look and feel design	Electrical distribution	Data analytics and insights
Layout and floor plan designs	Cleaning	Integrated marketing and pre/post event communications
Furnishings and carpet	Plumbing	Event surveys
Show traffic analysis	Overhead rigging	Return on investment analysis
Marketing and strategy	Booth rigging	Online management tools
Electrical distribution		