

VIAD CORP

FORM 8-K (Current report filing)

Filed 11/7/2006 For Period Ending 11/7/2006

Address	1850 NORTH CENTRAL AVE SUITE 800 PHOENIX, Arizona 85004-4545
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CIK	0000884219
Industry	Business Services
Sector	Services
Fiscal Year	12/31

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

**November 7, 2006
Date of Report (Date of earliest event reported)**

VIAD CORP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-11015
(Commission
File Number)

36-1169950
(IRS Employer
Identification No.)

1850 North Central Avenue, Suite 800, Phoenix, Arizona
(Address of principal executive offices)

85004-4545
(Zip Code)

Registrant's telephone number, including area code: (602) 207-4000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 REGULATION FD DISCLOSURE

On November 7, 2006, Viad Corp (the “Company”) will make a presentation at the FTN Midwest Securities 2006 Business Services and Technology Conference in New York. As reported in its October 24, 2006 press release, the Company’s presentation will begin at 12:30 p.m. Eastern Time and will be webcast on FTN Midwest’s website at www.ftnmidwest.com . A copy of the presentation will be made available for a limited time on Viad’s website at www.viad.com . A copy of the Company’s presentation is furnished herewith as Exhibit 99.1 and is incorporated by reference herein.

The information in Item 7.01 of this current report on Form 8-K is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 7.01 of this current report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99.1 — Presentation, FTN Midwest 2006 Business Services and Technology Conference, November 7, 2006.

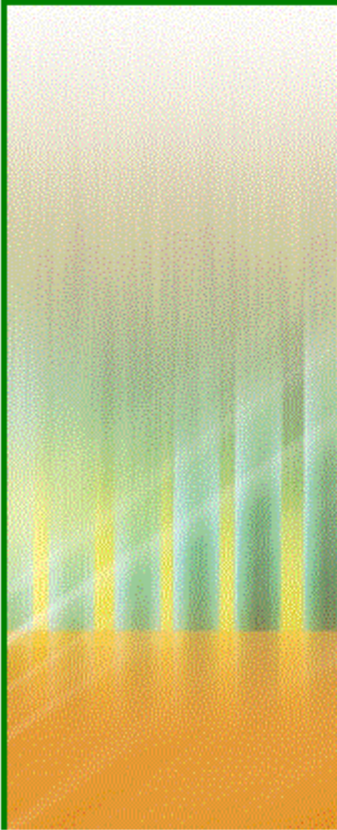
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIAD CORP
(Registrant)

November 7, 2006

By /s/G. Michael Latta
G. Michael Latta
Vice President — Controller
(Chief Accounting Officer and
Authorized Signer)



FTN Midwest Securities Business Services and Technology Conference

November 7, 2006



As provided by the safe harbor provision under the “Private Securities Litigation Reform Act of 1995” Viad cautions that, in addition to historical information contained herein, this presentation includes certain information, assumptions and discussions that may constitute forward-looking statements. These forward-looking statements are not historical facts, but reflect current estimates, projections, or expectations or trends concerning future growth, operating cash flows, availability of short-term borrowings, consumer demand, new business, productivity improvements, ongoing cost reduction efforts, efficiency, competitiveness, legal expenses, tax rates and other tax matters, restructuring plans (including timing and realization of cost savings), and market risk. Actual results could differ materially from those discussed in the forward-looking statements. Viad’s businesses can be affected by a host of risks and uncertainties. Among other things, gains and losses of customers, consumer demand patterns, labor relations, purchasing decisions related to customer demand for exhibition and event services, existing and new competition, industry alliances, consolidation and growth patterns within the industries in which Viad competes, adverse developments in liabilities associated with discontinued operations and any deterioration in the economy, may individually or in combination impact future results. In addition to factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors, including global health concerns, further terrorist activities or war, could affect the forward-looking statements. Additional information concerning business and other risk factors that could cause actual results to materially differ from those in the forward-looking statements can be found in Viad’s annual and quarterly reports filed with the Securities and Exchange Commission.

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Viad Corp is comprised of four operating companies that hold leading positions within the exhibition and event industry and the travel and recreation services industry

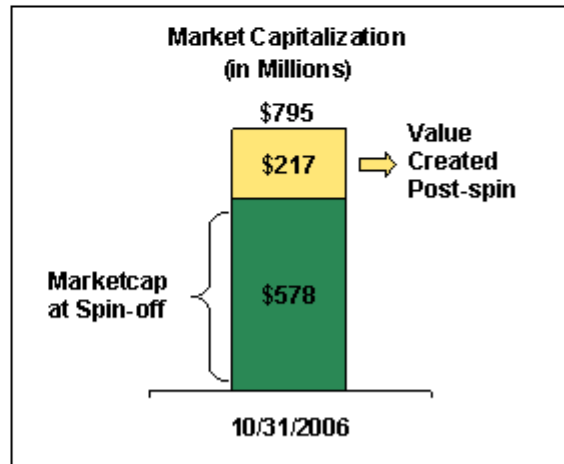
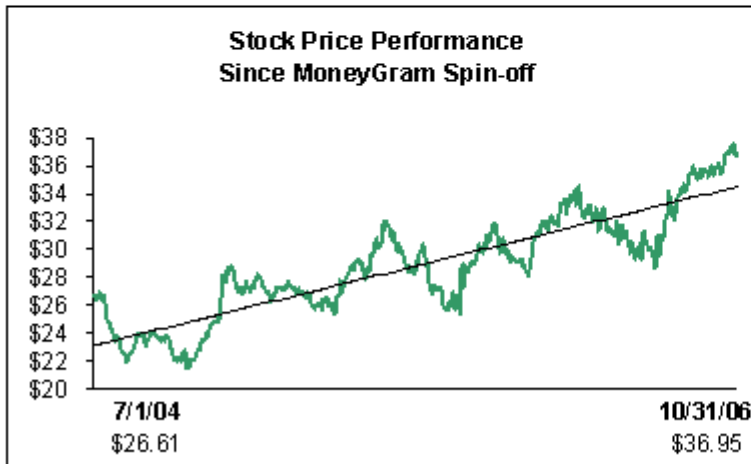
Industries	Operating Companies	Description of Services
Exhibition and Event Services	GES Exposition Services, Inc.	One of North America's leading service providers to exhibitions and events that facilitate face-to-face marketing
	Exhibitgroup/Giltspur	One of the world's largest and oldest exhibit designers and fabricators, providing integrated exhibit services and marketing solutions
Travel and Recreation Services	Brewster Transport Company Limited	The largest and best-known tour operator in the Canadian Rockies, offering package tours, attractions, hotels, charters and guided excursions
	Glacier Park, Inc.	An independent hotel operator and the exclusive provider of certain travel and recreation services within Waterton-Glacier National Parks



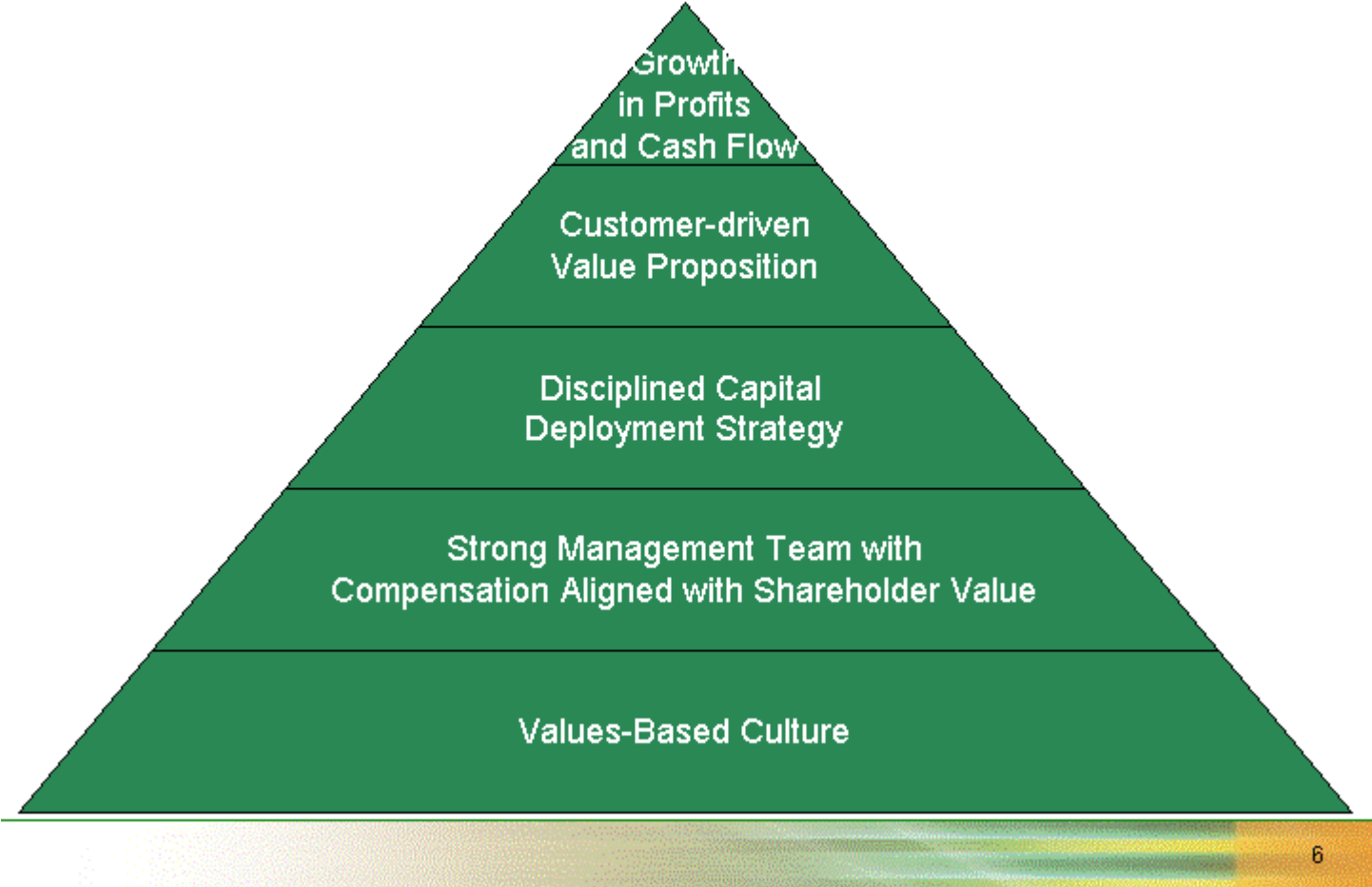
Viad Corp Overview

Viad Corp is an S&P SmallCap 600 company, with a market capitalization of \$795 million as of October 31, 2006

- Strong increase in shareholder value since the spin-off of MoneyGram International, Inc. (NYSE:MGI) on June 30, 2004:
 - ✓ \$217 million increase in market capitalization
 - ✓ 40.6% total return (with dividends reinvested)

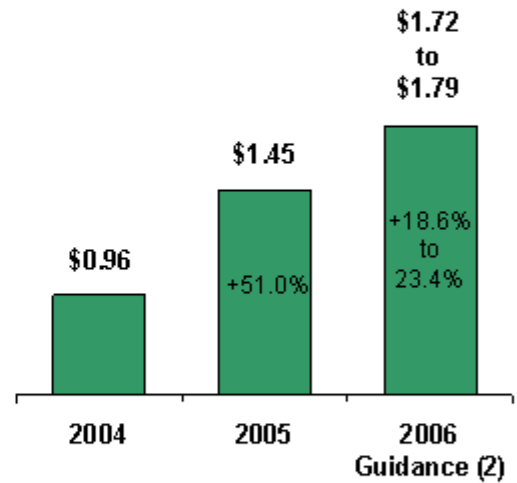


Driving Shareholder Value



- Leading market positions
- Industry-leading technology and processes
- One-of-a-kind operations in North American national parks
- New and enhanced value-added products and services
- Disciplined process to reduce costs through productivity improvements

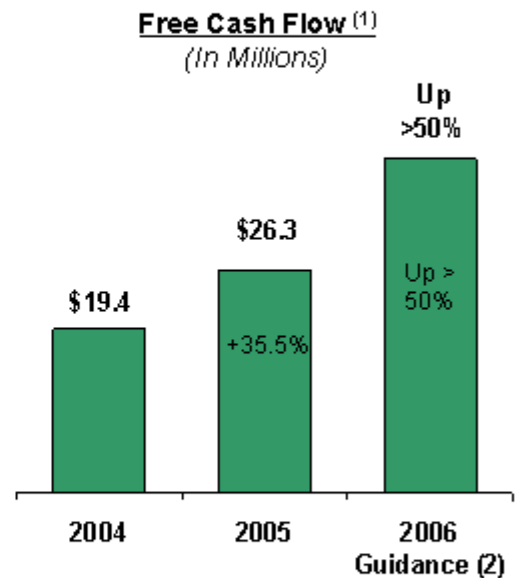
Income Before Other Items Per Share ⁽¹⁾



(1) Income before other items is defined by Viad as income from continuing operations before favorable tax settlements and the after-tax effect of impairment losses/recoveries and gains on sale of corporate assets, and is a non-GAAP measure, which should be considered in addition to, but not as a substitute for, other similar measures reported in accordance with GAAP. For a reconciliation of income before other items to income from continuing operations, refer to page 31 of this document.

(2) Guidance as of October 27, 2006.

- Modest Working Capital and Capex Requirements
- Strong, Long-term Customer Relationships
- High Levels of Recurring Revenue
- Good Customer Diversity



(1) Free cash flow is defined by Viad as cash provided by operating activities minus capital expenditures and dividends and is a non-GAAP measure, which should be considered in addition to, but not as a substitute for, other similar measures reported in accordance with GAAP. For a reconciliation of free cash flow to cash provided by operating activities, refer to page 29 of this document.

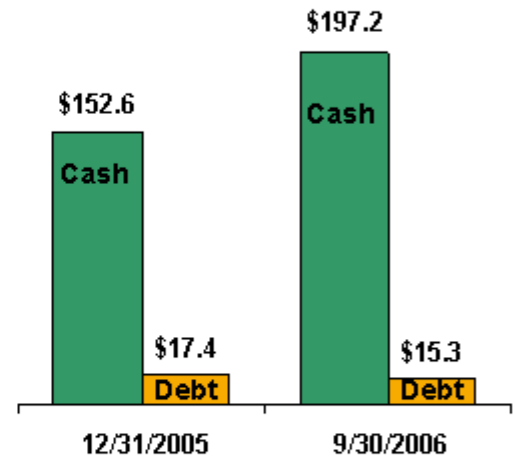
(2) Guidance as of October 27, 2006.



Disciplined and Balanced Capital Deployment Strategy

- Selective Investments to Support Organic Growth
- Strategic Acquisitions After Careful Due Diligence
 - ROC > 11%
 - Good cultural fit
 - Long-term contracts and non-competes for key employees
 - Evaluate relative to share repurchases to ensure best use of capital
- Share Repurchases
 - Announced intent to repurchase up to 2 million shares
 - 1,079,500 repurchased as of 9/30/06

Maintaining a Strong Balance Sheet
(In Millions)

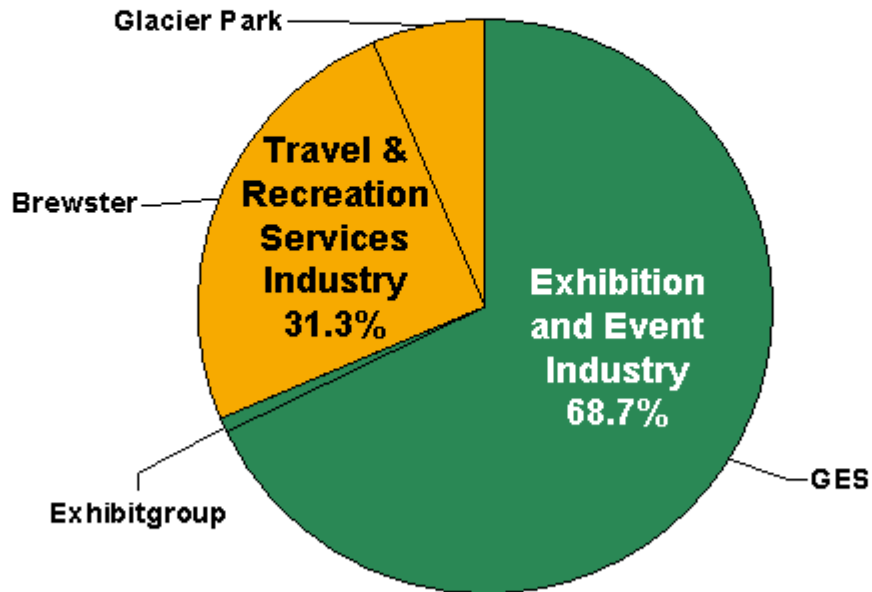


Total Capital (1)	\$419.0	\$468.7
Debt to Capital	4.1%	3.3%
Revolving Credit Facility (2)	\$150	\$150

(1) Shareholders' equity (including minority interest) plus total debt.
(2) 9/30/06 capacity of \$131.8 million.

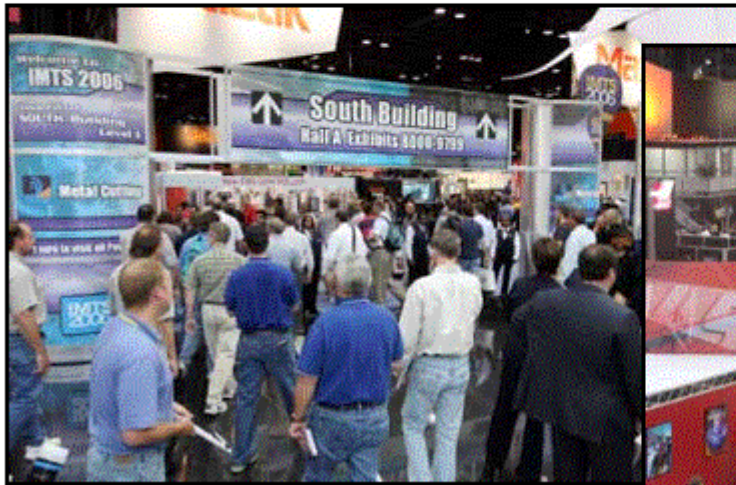
- **Strong and Experienced Management Team**
- **Management Compensation Aligned with Driving Shareholder Value**
 - Incentive plans are tied to performance (e.g. EPS, operating income, cash flow)
- **Significant Employee Ownership**
 - Directors and officers have beneficial ownership of ~4%
 - Employee ownership of ~7%
 - Stock ownership requirements for key management
- **Always Honest Program is cornerstone of integrity-based culture**
- **Excellent Corporate Governance**
 - ISS ratings are very high

2005 Segment Operating Income of \$64.2 Million





Exhibition & Event Industry

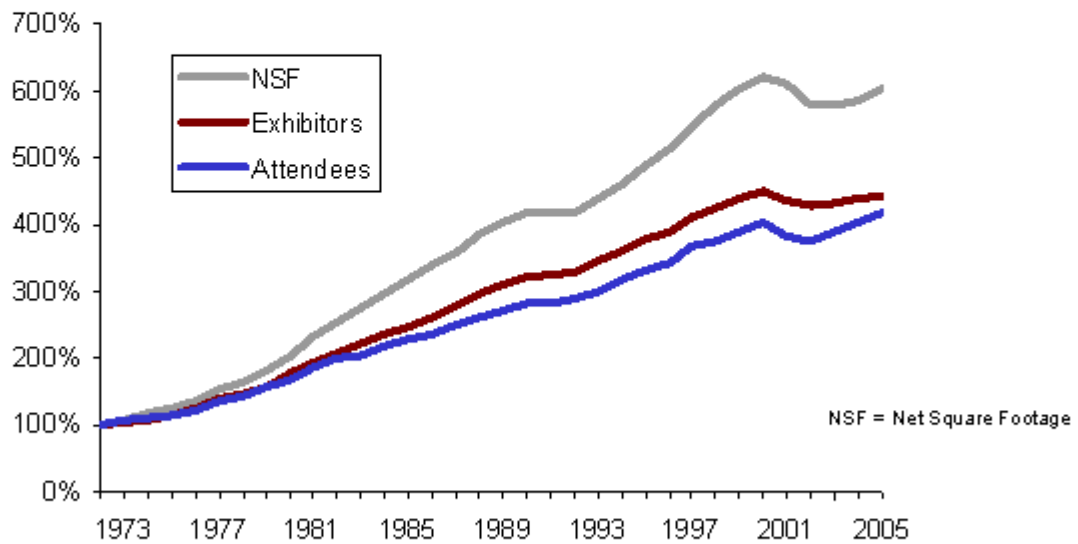


International Manufacturing Technology Show 2006

Exhibition & Event Industry Growth

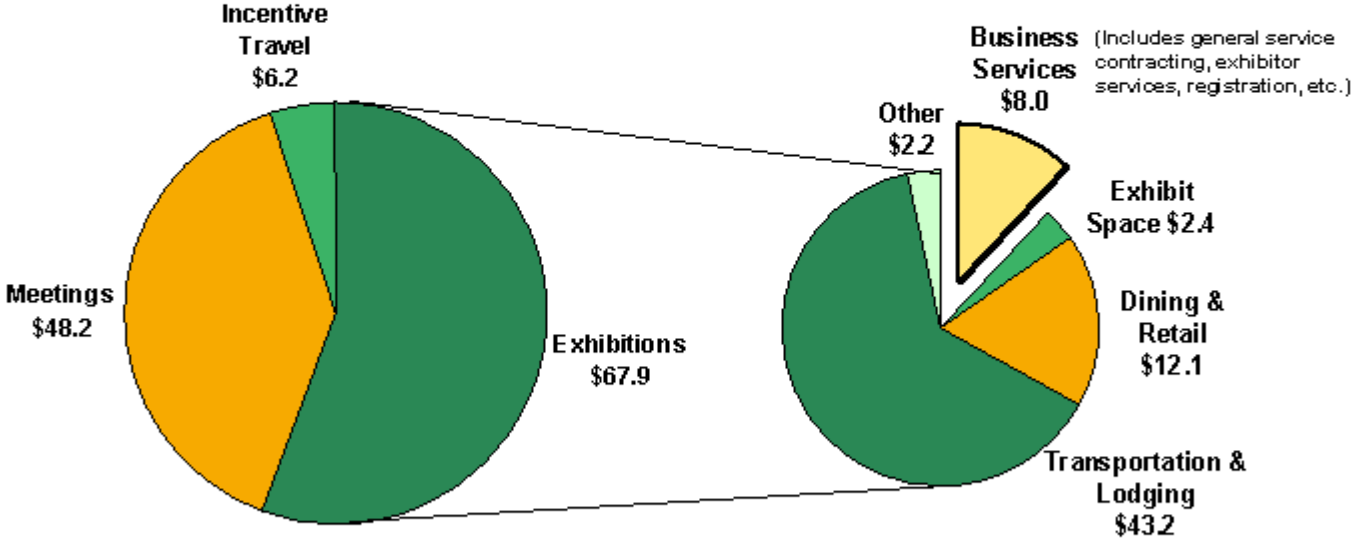
The U.S. exhibition industry has a long history of steady growth

Exhibition Growth Metrics Indexed to 1972



Exhibition & Event Industry Size

Exhibitions, meetings and incentive travel contribute an estimated \$122 billion to GDP



Source: Convention Industry Council 2004 Economic Impact Study



Exhibition & Event Industry

How We Compete

GES Exposition Services
Las Vegas, Nevada

Exhibitgroup/Giltspur
Roselle, Illinois (Chicago area)

2005 Operating Income

\$43.6 million

\$511,000

Primary Customers

Exhibition and event organizers
(Show-centric sales focus)

Exhibitors
(Exhibitor-centric sales focus)

Primary Services

Exclusive Services *:

- Show planning & production
- Look & feel design, signage
- Layout & floor plan designs
- Furnishings & aisle carpet
- Material handling (drayage)
- Electrical distribution & overhead rigging
- Cleaning & plumbing

Discretionary Exhibitor Services:

- Installation & dismantling labor
- Logistics/transportation
- Exhibit rental, refurbishing & storage
- Exhibit furnishings & carpet
- Graphics & lighting

Full-service exhibit program management:

- Exhibit design & production
- Installation & dismantling labor
- Graphics
- Logistics management
- Refurbishing & storage
- Show services
- E-services and marketing services

International operations:

- Operating units in England and Germany
- Strategic alliances worldwide

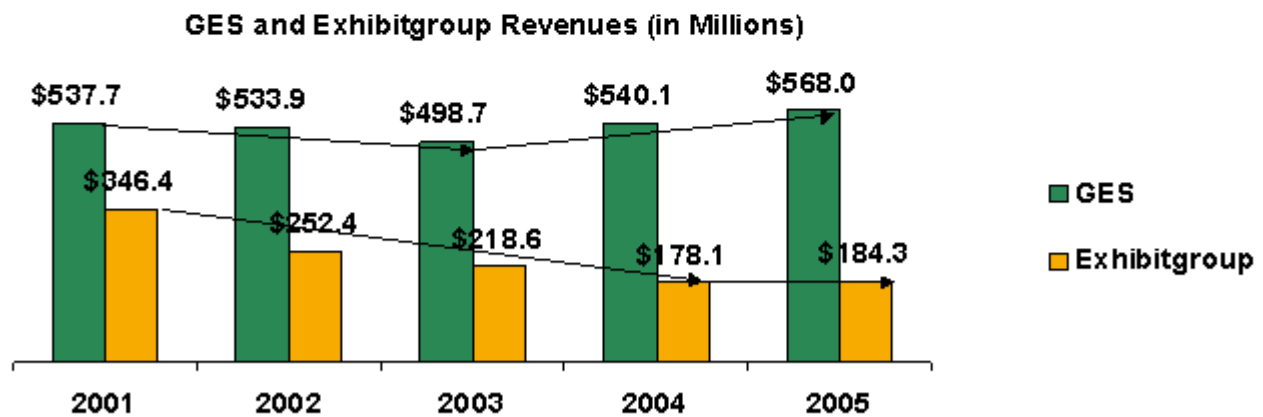
* Official services contractor agreement with organizer gives GES exclusive right to provide certain services at show.



Exhibition & Event Industry

Challenging Exhibit Market Post 9/11

- While trade shows have resumed growth following 9/11, exhibitors remain very focused on reducing trade show program costs and maximizing ROI
 - Exhibit build cycle extended; clients refurbishing existing exhibits rather than building new
- Pressure on exhibit budgets and intense competition have negatively impacted EG's financial performance
- GES has performed much better as companies continue to exhibit at trade shows



GES has a strong business with a talented and diverse team driving profitable growth

- **Market leader**
 - Leading share of largest exhibitions in the U.S. (60% of Top 10; 1/3 of Top 200)
 - Leading position in rapidly growing Las Vegas market
 - Industry-leading technology and processes
- **Strong, long-term customer relationships**
 - Typical contract length is 3-5 years
 - Renewal rate is better than 90%
- **Solid and dependable cash flow and operating margins**
 - Enter each year with > 60% of revenue booked
- **Good customer and industry diversity**
 - Largest single show provides less than 4% of GES' annual revenue
 - Top 10 shows provide less than 20% of GES' annual revenue
 - Largest contract provides less than 6% of GES' annual revenue
 - Shows span a broad range of industries, reducing exposure to any one industry
- **Strong, diverse and experienced management team**

GES is Driving Profitable Growth



Operations & Service

Foundation

- Redesigned Operations
- National ServicerSM
- National Operations

Execution

- Showsite Best Practices
- Creative Services
- Regionalization
- New Tools/Technology

New Best Practices

- Warehouse Best Practices
- National Equipment Distribution
- Global Staffing
- Leverage Tools/Technology

Products & Services

Early Steps

- Exhibitor Research
- Re-designed GES Logistics
- Out-bound telesales

Foundation

- Products & Services Formed
 - Category ownership
 - GES I&D Services

Strengthening

- Recruited Additional Talent
- Re-launched GES Online
- Developed Marketing Database

Note: IOP stands for integrated operations plan.

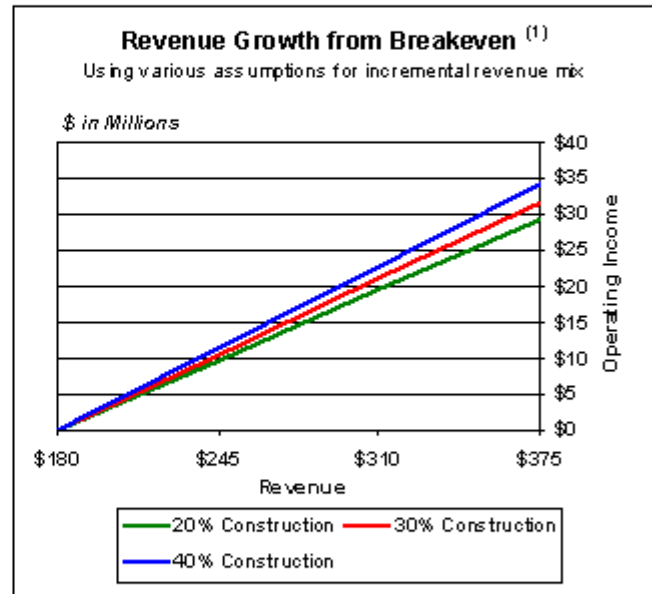
- 2001 – 2005 – Restructuring: Process improvement due to industry downturn
 - Consolidated facilities
 - Centralized Operations
 - Standardized Processes
 - Drove Productivity Improvements
- Reduced breakeven point to less than \$180 million in revenues
- Significant leverage exists within the business
 - Currently realizing throughput on incremental revenue of > 35%



Exhibitgroup/Giltspur Shifting Focus to Growth

With the restructuring complete, we are focused on driving revenue growth to capitalize on EG's significant leverage

- Hired new CEO (Oct. 2006)
 - Formerly with Omnicom
 - Great background in sales, marketing and operations
 - Past successes leading rapid sales growth and business turn-arounds
- Reviewing sales process to increase win ratio
- Identifying opportunities to expand and enhance service offerings to capture greater share of marketing budgets
- Revisiting cost structure to ensure value is created at every step



(1) Chart is illustrative only and is based on (a) breakeven at \$180 million revenue and (b) current throughput on incremental construction and show services revenue. Actual experience will depend on a variety of factors including actual mix of incremental revenue, pricing, and direct and indirect costs.



Travel & Recreation Services Segment Overview

Brewster Transport Company Banff, Alberta, Canada

- 79% of segment's operating income
- Exclusive provider of one-of-a-kind attractions in Banff National Park
 - Columbia Icefield Ice Explorer Tours
 - Banff Gondola
- Other major lines of business include:
 - Mount Royal Hotel, Banff
 - Package Tours
 - Charters & Sightseeing

Glacier Park, Inc. Waterton-Glacier National Parks

- 21% of segment's operating income
- Exclusive provider of certain lodging, tours and retail in Glacier National Park
 - Under contract with U.S. National Park Service through 2007
 - Extension through 2008 very likely
 - Multi-year extension proposed
 - Contract is ~60% of Glacier Park's revenue
 - Protected through possessory interest
- Also independently owns and operates two hotels just outside Glacier National Park

Travel & Recreation Services Segment Strengths

- Exclusive providers of one-of-a-kind services mostly within North American national parks
- Minimal competitor-driven pricing pressure
- Great cash flow and ROC
- Very strong operating margins
- Significant contributor to Viad's earnings

Total Viad 2005
Operating Income of
\$64.2M



(In millions, except per share amounts)

	<u>2004</u>	<u>2005</u>	<u>2006 Guidance</u>
Revenue:			
GES	\$540.1	\$568.0	\$615.0 – \$625.0
Exhibitgroup	178.1	184.3	148.0 – 154.0
Travel & Recreation Services	67.5	73.9	78.5 – 80.5
Total	<u>\$785.7</u>	<u>\$826.3</u>	<u>Increase by low to mid-single digit rate</u>
Segment Operating Income:			
GES	\$43.3	\$43.6	\$47.5 - \$49.0
Exhibitgroup	(9.6)	0.5	(4.0) – (2.5)
Travel & Recreation Services	19.8	20.1	22.0 – 23.0
Total	<u>\$53.4</u>	<u>\$64.2</u>	<u>Increase by low to mid-single digit rate</u>
Income Before Other Items per Share ⁽²⁾	<u>\$0.96</u>	<u>\$1.45</u>	<u>\$1.72 - \$1.79</u>

⁽¹⁾ Guidance as of October 27, 2006.⁽²⁾ Income before other items is a non-GAAP measure defined by Viad as income from continuing operations before favorable tax settlements and the after-tax effects of impairment losses/recoveries and gains on sale of corporate assets.

- Strong, steady performance at GES and the Travel and Recreation Services segment
- Significant leverage and upside potential at Exhibitgroup/Giltspur
- Strong balance sheet, profits and cash flow
- Balanced and disciplined capital deployment strategy
- Strong management team with compensation aligned with creating shareholder value
- Values-based culture of honesty and integrity

Historical Financial Information ⁽¹⁾

Summary Income Statements

Segment Revenue and Operating Income

Free Cash Flow and Adjusted EBITDA

Capital Expenditures and Depreciation & Amortization

Income Before Other Items

Viad Management

(1) Certain historical information was taken from New Viad audited financial statements presented in Form 10 filed by MoneyGram International, Inc.

Summary Income Statements

(In Thousands)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total revenues	\$945,497	\$844,486	\$770,468	\$785,657	\$826,254
Segment operating income	49,029	54,402	51,216	53,381	64,213
Segment operating margin	5.2%	6.4%	6.6%	6.8%	7.8%
Corporate activities & minority interest	14,306	14,614	15,300	15,383	13,654
Interest expense (recoveries)	5,607	4,056	(1,080)	2,267	2,554
Interest income	(529)	(1,004)	(441)	(1,225)	(3,935)
Impairment losses	-	-	-	88,699	843
Restructuring and other charges (recoveries)	90,697	18,502	(5,015)	1,240	(743)
Income (loss) before income taxes	(61,052)	18,234	42,452	(52,983)	51,840
Income tax expense (benefit)	(20,449)	9,839	21,361	5,346	15,326
Income (loss) from continuing operations	(40,603)	8,395	21,091	(58,329)	36,514
Income from discontinued operations, net of tax	-	-	-	2,327	1,240
Change in accounting principle, net of tax	-	(37,739)	-	-	-
Net income (loss)	\$(40,603)	\$(29,344)	\$21,091	\$(56,002)	\$37,754

Segment Revenue and Operating Income

(In Thousands)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues:					
GES	\$537,650	\$533,857	\$498,714	\$540,085	\$568,006
Exhibitgroup	346,394	252,376	218,551	178,112	184,315
Travel and Recreation Services	61,453	58,253	53,203	67,460	73,933
	<u>\$945,497</u>	<u>\$844,486</u>	<u>\$770,468</u>	<u>\$785,657</u>	<u>\$826,254</u>
Segment Operating Income:					
GES	\$31,007	\$42,756	\$40,171	\$43,262	\$43,572
Exhibitgroup	3,324	(2,597)	1,070	(9,648)	511
Travel and Recreation Services	14,698	14,243	9,975	19,767	20,130
	<u>\$49,029</u>	<u>\$54,402</u>	<u>\$51,216</u>	<u>\$53,381</u>	<u>\$64,213</u>

Free Cash Flow and Adjusted EBITDA ⁽¹⁾

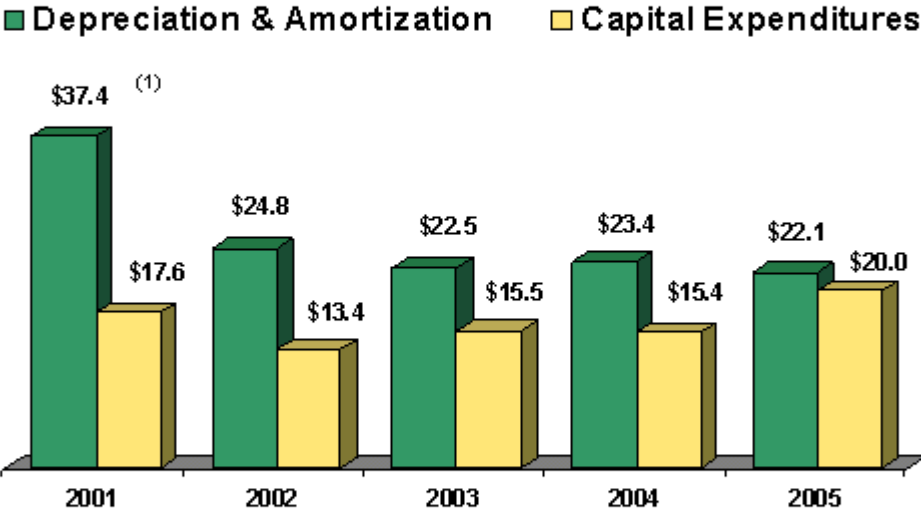
(In Thousands)	2001	2002	2003	2004	2005
Free Cash Flow:					
Net cash provided by operating activities	\$99,731	\$63,443	\$20,701	\$35,646	\$49,864
Capital expenditures	(17,558)	(13,385)	(15,535)	(15,374)	(20,038)
Dividends	-	-	-	(871)	(3,537)
Free Cash Flow	\$82,173	\$50,058	\$5,166	\$19,401	\$26,289
Adjusted EBITDA:					
Net income (loss)	\$(40,603)	\$(29,344)	\$21,091	\$(56,002)	\$37,754
Discontinued operations	-	-	-	(2,327)	(1,240)
Interest expense (recoveries)	5,607	4,056	(1,080)	2,267	2,554
Income tax expense (benefit)	(20,449)	9,839	21,361	5,346	15,326
Depreciation and amortization	37,416	24,793	22,501	23,370	22,113
Impairment losses	-	-	-	88,699	843
Change in accounting principle	-	37,739	-	-	-
Adjusted EBITDA	\$(18,029)	\$47,083	\$63,873	\$61,353	\$77,350

(1) These are non-GAAP measures and should be considered in addition to, but not as a substitute for, similar measures presented in accordance with GAAP.



Capital Expenditures and Depreciation & Amortization

(In Millions)



(1) In January 2002, Viad Corp adopted SFAS No. 142, which eliminated the amortization of goodwill and certain intangibles. When adjusting to conform with SFAS No. 142, depreciation and amortization was \$28.8M in 2001.

Income Before Other Items ⁽¹⁾

(In Thousands, except per share amounts)	<u>2004</u>	<u>2005</u>
<u>Income Before Other Items:</u>		
Income (loss) from continuing operations	\$(58,329)	\$36,514
Impairment losses, net of tax	81,607	508
Tax settlements	(2,419)	(4,692)
Income Before Other Items	<u>\$20,859</u>	<u>\$32,330</u>
Average dilutive shares outstanding	21,741	22,253
<u>Income Before Other Items per Share:</u>		
Income (loss) from continuing operations	\$(2.68)	\$1.64
Impairment losses, net of tax	3.75	0.02
Tax settlements	(0.11)	(0.21)
Income Before Other Items	<u>\$0.96</u>	<u>\$1.45</u>

(1) Income before other items is a non-GAAP measure and should be considered in addition to, but not as a substitute for, similar measures presented in accordance with GAAP.



Viad Management

Name	Age	Business Experience
Robert H. Bohannon	61	Chairman of the Board effective April 1, 2006, and Chairman, President and Chief Executive Officer since 1997, and President and Chief Operating Officer from 1996. Prior thereto, President and Chief Operating Officer of Travelers Express Company, Inc., a former subsidiary of Viad, from 1983.
Paul B. Dykstra	45	President and Chief Executive Officer effective April 1, 2006, and Chief Operating Officer since January 1, 2006. Prior thereto, President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since 2000, and Executive Vice President-International and Corporate Development since 1999. Prior thereto, Executive Vice President-General Manager or similar executive positions with Travelers Express Company, Inc., a former subsidiary of Viad, since 1994.
Ellen M. Ingersoll	42	Chief Financial Officer since July 2002; prior thereto, Vice President-Controller or similar position since January 2002. Prior thereto, Controller of CashX, Inc., a service provider of stored value internet cards, from June 2001 through October 2001; prior thereto, Operations Finance Director of LeapSource, Inc., a provider of business process outsourcing, since January 2000; and prior thereto, Vice President and Controller of Franchise Finance Corporation of America since May 1992.

Name	Age	Business Experience
John F. Jastrem	51	President and Chief Executive Officer of Exhibitgroup/Giltspur, a division of Viad, since October 2006; prior thereto, member of corporate staff of Diversified Agency Services, a division of Omnicom, since 2005; prior thereto, President of The Marketing Arm, a subsidiary of Omnicom, since 2004; and prior thereto, CEO of Rapp Collins Worldwide LP (Dallas), a subsidiary of Omnicom, since 1998.
G. Michael Latta	44	Vice President-Controller since November 2002. Prior thereto, Corporate Controller or similar position for SpeedFam-IPEC, Inc., a semiconductor equipment manufacturer, since October 1999; and prior thereto, Controller for Cardiac Pathways Corporation, a medical device manufacturer, since September 1994.
David G. Morrison	58	President and Chief Executive Officer of Brewster Transport Company Limited, a subsidiary of Viad, since 1980; prior thereto, Vice President and General Manager and Vice President-Administration and Controller from 1977; and prior thereto, Controller from 1975.

Name	Age	Business Experience
Suzanne Pearl	44	Vice President-Human Resources since September 2000; prior thereto, Executive Director, Compensation from 1998; prior thereto, Manager, Executive Compensation from 1993; and prior thereto, held other positions since joining Viad in 1988.
Kevin M. Rabbitt	35	President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since January 1, 2006; prior thereto, Executive Vice President, Chief Operating Officer since April 2005; prior thereto, Executive Vice President, Products and Services group since December 2003; prior thereto, Executive Vice President, Operations and Services since July 2003; prior thereto, Vice President, National Operations since 2002. Prior thereto, senior Consultant for Bain and Company from 2001 to 2002; and prior thereto, President and Chief Operating Officer for Texas Ice Stadium from 1998 to 1999.
Scott E. Sayre	60	Vice President, General Counsel and Secretary since September 2000; prior thereto, Assistant General Counsel and Secretary from 1997; prior thereto, Assistant General Counsel from 1992; and prior thereto, held other positions since joining Viad in 1979.