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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

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)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.50 Par Value	**VVI**	**New York Stock Exchange**

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 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 Exchange Act). Yes ☐ No ☒

As of July 26, 2019, there were 20,311,857 shares of Common Stock ($1.50 par value) outstanding.

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

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

VIAD CORP

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)	June 30, 2019		December 31, 2018	
Assets				
Current assets				
Cash and cash equivalents	$	45,578	$	44,893
Accounts receivable, net of allowances for doubtful accounts of $1,565 and $1,288, respectively		159,769		108,936
Inventories		21,304		16,629
Current contract costs		19,858		18,017
Other current assets		27,598		25,486
Total current assets		274,107		213,961
Property and equipment, net		487,410		333,847
Other investments and assets		43,288		42,910
Operating lease right-of-use assets		59,123		—
Deferred income taxes		24,731		19,199
Goodwill		276,163		261,330
Other intangible assets, net		57,359		51,294
Total Assets	$	1,222,181	$	922,541
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable	$	100,312	$	71,927
Contract liabilities		50,622		33,476
Accrued compensation		29,283		22,668
Operating lease obligations		22,149		—
Other current liabilities		48,808		32,258
Current portion of debt and finance lease obligations		313,937		229,416
Total current liabilities		565,111		389,745
Long-term debt and finance lease obligations		10,588		705
Pension and postretirement benefits		26,317		26,636
Long-term operating lease obligations		39,607		—
Other deferred items and liabilities		71,395		48,991
Total liabilities		713,018		466,077
Commitments and contingencies				
Redeemable noncontrolling interest		5,508		5,909
Stockholders' equity				
Viad Corp stockholders' equity:				
Common stock, $1.50 par value, 200,000,000 shares authorized, 24,934,981 shares issued and outstanding		37,402		37,402
Additional capital		572,931		575,339
Retained earnings		101,045		109,032
Unearned employee benefits and other		—		199
Accumulated other comprehensive loss		(38,730)		(47,975)
Common stock in treasury, at cost, 4,628,501 and 4,741,638 shares, respectively		(233,739)		(237,790)
Total Viad stockholders' equity		438,909		436,207
Non-redeemable noncontrolling interest		64,746		14,348
Total stockholders' equity		503,655		450,555
Total Liabilities and Stockholders' Equity	$	1,222,181	$	922,541

Refer to Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue:				
Services	$ 347,659	$ 314,723	$ 598,300	$ 560,271
Products	54,620	48,954	89,573	80,834
Total revenue	402,279	363,677	687,873	641,105
Costs and expenses:				
Costs of services	306,154	280,842	569,510	538,137
Costs of products	49,683	44,433	83,157	75,555
Business interruption gain	(141)	(377)	(141)	(567)
Corporate activities	3,282	2,535	5,115	4,752
Interest income	(83)	(53)	(181)	(137)
Interest expense	2,957	2,354	5,872	4,423
Multi-employer pension plan withdrawal	15,508	—	15,508	—
Other expense	456	543	911	781
Restructuring charges	4,455	662	5,143	824
Legal settlement	—	—	8,500	—
Impairment recoveries	—	(35)	—	(35)
Total costs and expenses	382,271	330,904	693,394	623,733
Income (loss) from continuing operations before income taxes	20,008	32,773	(5,521)	17,372
Income tax expense (benefit)	6,565	9,114	(1,030)	4,476
Income (loss) from continuing operations	13,443	23,659	(4,491)	12,896
Income (loss) from discontinued operations	460	(279)	173	649
Net income (loss)	13,903	23,380	(4,318)	13,545
Net loss (income) attributable to non-redeemable noncontrolling interest	(331)	33	89	397
Net loss attributable to redeemable noncontrolling interest	252	77	276	161
Net income (loss) attributable to Viad	$ 13,824	$ 23,490	$ (3,953)	$ 14,103
Diluted income (loss) per common share:				
Continuing operations attributable to Viad common stockholders	$ 0.65	$ 1.16	$ (0.22)	$ 0.65
Discontinued operations attributable to Viad common stockholders	0.02	(0.01)	0.01	0.04
Net income (loss) attributable to Viad common stockholders	$ 0.67	$ 1.15	$ (0.21)	$ 0.69
Weighted-average outstanding and potentially dilutive common shares	20,266	20,436	20,110	20,446
Basic income (loss) per common share:				
Continuing operations attributable to Viad common stockholders	$ 0.65	$ 1.16	$ (0.22)	$ 0.65
Discontinued operations attributable to Viad common stockholders	0.02	(0.01)	0.01	0.04
Net income (loss) attributable to Viad common stockholders	$ 0.67	$ 1.15	$ (0.21)	$ 0.69
Weighted-average outstanding common shares	20,143	20,209	20,110	20,208
Dividends declared per common share	$ 0.10	$ 0.10	$ 0.20	$ 0.20
Amounts attributable to Viad common stockholders				
Income (loss) from continuing operations	$ 13,364	$ 23,769	$ (4,126)	$ 13,454
Income (loss) from discontinued operations	460	(279)	173	649
Net income (loss)	$ 13,824	$ 23,490	$ (3,953)	$ 14,103

Refer to Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net income (loss)	$ 13,903	$ 23,380	$ (4,318)	$ 13,545
Other comprehensive income (loss):				
Unrealized foreign currency translation adjustments	4,317	(8,095)	9,097	(11,204)
Change in net actuarial loss, net of tax (1)	99	220	219	849
Change in prior service cost, net of tax (1)	(36)	4	(71)	(180)
Comprehensive income	18,283	15,509	4,927	3,010
Non-redeemable noncontrolling interest:				
Comprehensive (income) loss attributable to non-redeemable noncontrolling interest	(331)	33	89	397
Unrealized foreign currency translation adjustments	776	—	776	—
Redeemable noncontrolling interest:				
Comprehensive loss attributable to redeemable noncontrolling interest	252	77	276	161
Comprehensive income attributable to Viad	$ 18,728	$ 15,542	$ 5,792	$ 3,407

(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 STOCKHOLDERS' EQUITY

(Unaudited)

(in thousands)	**Common Stock**	**Additional Capital**	**Retained Earnings**	**Unearned Employee Benefits and Other**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock in Treasury**	**Total Viad Equity**	**Non-Redeemable Non-Controlling Interest**	**Total Stockholders' Equity**
Balance, December 31, 2018	$ 37,402	$ 575,339	$ 109,032	$ 199	$ (47,975)	$ (237,790)	$ 436,207	$ 14,348	$ 450,555
Net loss	—	—	(17,777)	—	—	—	(17,777)	(420)	(18,197)
Dividends on common stock ($0.10 per share)	—	—	(2,028)	—	—	—	(2,028)	—	(2,028)
Payment of payroll taxes on stock-based compensation through shares withheld	—	—	—	—	—	(2,905)	(2,905)	—	(2,905)
Employee benefit plans	—	(4,302)	—	—	—	5,522	1,220	—	1,220
Share-based compensation - equity awards	—	780	—	—	—	—	780	—	780
Unrealized foreign currency translation adjustment, net of tax	—	—	—	—	4,780	—	4,780	—	4,780
Amortization of net actuarial loss, net of tax	—	—	—	—	120	—	120	—	120
Amortization of prior service cost, net of tax	—	—	—	—	(35)	—	(35)	—	(35)
Other, net	—	16	—	24	—	1	41	—	41
Balance, March 31, 2019	37,402	571,833	89,227	223	(43,110)	(235,172)	420,403	13,928	434,331
Net income	—	—	13,824	—	—	—	13,824	331	14,155
Dividends on common stock ($0.10 per share)	—	—	(2,006)	—	—	—	(2,006)	—	(2,006)
Payment of payroll taxes on stock-based compensation through shares withheld	—	—	—	—	—	(89)	(89)	—	(89)
Employee benefit plans	—	301	—	—	—	1,301	1,602	—	1,602
Share-based compensation - equity awards	—	781	—	—	—	—	781	—	781
Unrealized foreign currency translation adjustment, net of tax	—	—	—	—	4,317	—	4,317	776	5,093
Amortization of net actuarial loss, net of tax	—	—	—	—	99	—	99	—	99
Amortization of prior service cost, net of tax	—	—	—	—	(36)	—	(36)	—	(36)
Acquisition of Mountain Park Lodges	—	—	—	—	—	—	—	49,711	49,711
Other, net	—	16	—	(223)	—	221	14	—	14
Balance, June 30, 2019	$ 37,402	$ 572,931	$ 101,045	$ —	$ (38,730)	$ (233,739)	$ 438,909	$ 64,746	$ 503,655

Refer to Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)

(Unaudited)

(in thousands)	Common Stock	Additional Capital	Retained Earnings	Unearned Employee Benefits and Other	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Total Viad Equity	Non-Redeemable Non-Controlling Interest	Total Stockholders' Equity
Balance, December 31, 2017	$ 37,402	$ 574,458	$ 65,836	$ 218	$ (22,568)	$ (226,215)	$ 429,131	$ 13,806	$ 442,937
Net loss	—	—	(9,387)	—	—	—	(9,387)	(364)	(9,751)
Dividends on common stock ($0.10 per share)	—	—	(2,046)	—	—	—	(2,046)	—	(2,046)
Payment of payroll taxes on stock-based compensation through shares withheld	—	—	—	—	—	(868)	(868)	—	(868)
Employee benefit plans	—	(2,014)	—	—	—	3,137	1,123	—	1,123
Share-based compensation - equity awards	—	815	—	—	—	—	815	—	815
Unrealized foreign currency translation adjustment, net of tax	—	—	—	—	(3,109)	—	(3,109)	—	(3,109)
Amortization of net actuarial loss, net of tax	—	—	—	—	629	—	629	—	629
Amortization of prior service cost, net of tax	—	—	—	—	(184)	—	(184)	—	(184)
Adoption of ASU 2016-01	—	—	616	—	(616)	—	—	—	—
Other, net	—	(36)	(19)	(11)	—	(1)	(67)	—	(67)
Balance, March 31, 2018	37,402	573,223	55,000	207	(25,848)	(223,947)	416,037	13,442	429,479
Net income	—	—	23,490	—	—	—	23,490	(33)	23,457
Dividends on common stock ($0.10 per share)	—	—	(2,049)	—	—	—	(2,049)	—	(2,049)
Payment of payroll taxes on stock-based compensation through shares withheld	—	—	—	—	—	(156)	(156)	—	(156)
Common stock purchased for treasury	—	—	—	—	—	(9,061)	(9,061)	—	(9,061)
Employee benefit plans	—	(71)	—	—	—	1,476	1,405	—	1,405
Share-based compensation - equity awards	—	952	—	—	—	—	952	—	952
Unrealized foreign currency translation adjustment, net of tax	—	—	—	—	(8,095)	—	(8,095)	—	(8,095)
Amortization of net actuarial loss, net of tax	—	—	—	—	220	—	220	—	220
Amortization of prior service cost, net of tax	—	—	—	—	4	—	4	—	4
Other, net	—	—	17	7	—	1	25	—	25
Balance, June 30, 2018	$ 37,402	$ 574,104	$ 76,458	$ 214	$ (33,719)	$ (231,687)	$ 422,772	$ 13,409	$ 436,181

Refer to Notes to Condensed Consolidated Financial Statements.

VIAD CORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities		
Net income (loss)	$ (4,318)	$ 13,545
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	27,715	28,178
Deferred income taxes	6,215	2,727
Income from discontinued operations	(173)	(649)
Restructuring charges	5,143	824
Legal settlement	8,500	—
Impairment recoveries	—	(35)
Gains on dispositions of property and other assets	(731)	(113)
Share-based compensation expense	4,617	2,762
Multi-employer pension plan withdrawal	15,508	—
Other non-cash items, net	2,227	2,681
Change in operating assets and liabilities (excluding the impact of acquisitions):		
Receivables	(51,293)	(37,594)
Inventories	(4,518)	(3,043)
Current contract costs	(2,000)	(8,637)
Accounts payable	31,303	20,140
Accrued compensation	3,647	(5,753)
Contract liabilities	17,259	20,266
Payments on operating lease obligations	(13,603)	—
Other assets and liabilities, net	(5,961)	(3,839)
Net cash provided by operating activities	39,537	31,460
Cash flows from investing activities		
Capital expenditures	(46,517)	(43,429)
Cash paid for acquired businesses, net	(72,918)	(4,628)
Proceeds from dispositions of property and other assets	768	1,292
Net cash used in investing activities	(118,667)	(46,765)
Cash flows from financing activities		
Proceeds from borrowings	133,827	80,051
Payments on debt and finance lease obligations	(47,862)	(51,607)
Dividends paid on common stock	(4,034)	(4,095)
Payment of payroll taxes on stock-based compensation through shares withheld or repurchased	(2,994)	(1,024)
Common stock purchased for treasury	—	(9,061)
Proceeds from exercise of stock options	92	84
Net cash provided by financing activities	79,029	14,348
Effect of exchange rate changes on cash and cash equivalents	786	(3,380)
Net change in cash and cash equivalents	685	(4,337)
Cash and cash equivalents, beginning of year	44,893	53,723
Cash and cash equivalents, end of period	$ 45,578	$ 49,386

Refer to Notes to Condensed Consolidated Financial Statements.

Note 1. Overview and Basis of Presentation

Nature of Business

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

GES

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

Services and Products Offered

GES provides a full suite of services and products for event organizers and corporate brand marketers through the following lines of business:

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

Markets Served

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

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

Pursuit

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

Services and Products Offered

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

Markets Served

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

- **The Banff Jasper Collection** is a leading travel and tourism provider in the Canadian Rockies in Alberta, Canada with two lodging properties in Banff National Park, eight lodging properties in Jasper National Park, including the recently acquired Mountain Park Lodges, five world-class recreational attractions, food and beverage services, retail operations, sightseeing and transportation services.
- **The Alaska Collection** is a leading travel and tourism provider in Alaska with two lodging properties and a sightseeing excursion in Denali National Park and Preserve, a lodge in Talkeetna, Alaska's top-rated wildlife and glacier cruise, and two lodging properties located near Kenai Fjords National Park. The Alaska Collection also provides food and beverage services and retail operations.
- **The Glacier Park Collection** is an operator of nine lodging properties, food and beverage services, and retail operations in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada, with a leading share of rooms in the Glacier Park market.
- **FlyOver** is a recreational attraction that provides a virtual flight ride experience that combines motion seating, spectacular audio-visual media, and special effects including wind, scents, and mist to provide a true flying experience for guests **.**
  - FlyOver Canada is located in Vancouver, British Columbia that provides an unforgettable experience of flying across Canada.
  - FlyOver Iceland is currently being built in Reykjavik, Iceland that will provide an experience of flying over some of Iceland's most spectacular scenery and natural wonders. We are scheduled to open this new attraction in August 2019.
  - FlyOver Las Vegas is currently being built in Las Vegas, Nevada that will provide an experience of flying over some of the most spectacular scenery and natural wonders of the American Southwest. We expect to open this new attraction in 2021.
  - FlyOver Toronto is a newly announced expansion into Toronto, Canada. This new attraction will showcase Canada's most awe-inspiring sights. It will be located in Toronto's Entertainment District. We expect to open this new attraction in 2022. Refer to Note 24 – Subsequent Events for additional information.
- Pursuit recently announced a plan for a new geothermal lagoon attraction in Iceland. It will be located on an oceanfront lot just outside downtown Reykjavik. We expect to open this new attraction in 2021. Refer to Note 24 – Subsequent Events for additional information.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information required by GAAP or SEC rules and regulations for complete financial statements. These financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 27, 2019 ("2018 Form 10-K").

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

Impact of Recent Accounting Pronouncements

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

Standard	Description	Date of adoption	Effect on the financial statements
Standards Not Yet Adopted			
ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendment also requires an entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. Early adoption is permitted and may be applied on either a retrospective or prospective basis.	January 1, 2020	We are currently evaluating the potential impact of the adoption of this new guidance on our consolidated financial statements and related disclosures.
ASU 2016-13 , *Financial Instruments – Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments*	The amendment eliminates the incurred credit loss impairment methodology in current GAAP and replaces it with an expected credit loss concept based on historical experience, current conditions, and reasonable and supportable forecasts. Subsequent to the issuance of ASU 2016-13, the FASB issued additional amendments which do not change the core principle of the guidance stated in ASU 2016-13. Rather, they are intended to clarify and improve understanding of certain topics included within the credit losses standard.	January 1, 2020	We are currently evaluating the potential impact of the adoption of this new guidance on our consolidated financial statements. We will be required to use a forward-looking expected credit loss model for trade receivables. Adoption of this new standard will be applied using the modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date in an amount necessary to adjust our current credit loss methodology to equal the current estimate of expected losses on financial assets held at that date.

Standard	Description	Date of adoption	Effect on the financial statements
Standards Recently Adopted			
ASU 2016-02 , *Leases (Topic 842)*	The amendment increases transparency and comparability by requiring the recognition of a right-of-use asset and a lease liability on the balance sheet. The standard also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of cash flows arising from leases.	January 1, 2019	We adopted ASU 2016-02 and its related amendments (collectively, "Topic 842") on January 1, 2019 using the optional transition method. Under this method, a cumulative adjustment to retained earnings is recorded, if any, and prior periods are not restated. We determined there was no cumulative effect adjustment to retained earnings on January 1, 2019. The adoption of Topic 842 did not have a material impact on our Consolidated Statement of Operations. The most significant impact related to facility and equipment leases, which were previously recorded as operating leases. Upon adoption as of January 1, 2019, we recognized an additional right-of-use asset and lease liability of $59 million on the balance sheet. The existing deferred rent liabilities balance, resulting from historical straight-lining of operating leases, was reclassified upon adoption to reduce the measurement of leased assets. Refer to our Leases Significant Accounting Policy immediately following this table and Note 19 - Leases and Other for additional information.

Significant Accounting Policies

Use of Estimates

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

Revenue Recognition

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

GES' service revenue is primarily derived through its comprehensive range of services to event organizers and corporate brand marketers including Core Services, Event Technology, and Audio-Visual . GES' service revenue is earned over time over the duration of the exhibition, conference, or corporate event, which generally lasts one to three days; however, we recognize service revenue at the close of the event when we have the right to invoice. GES' product revenue is derived from the build of exhibits and environments and graphics. GES' product revenue is recognized at a point in time upon delivery of the product.

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

Noncontrolling Interests – Non-redeemable and Redeemable

Non-redeemable noncontrolling interest represents the portion of equity in a subsidiary that is not attributable, directly or indirectly, to us. Our non-redeemable noncontrolling interest relates to the 20% equity ownership interest that we do not own in Glacier Park, Inc. and the 40% equity interest that we do not own in the recently acquired Mountain Park Lodges. We report non-redeemable noncontrolling interest within stockholders' equity in the Condensed Consolidated Balance Sheets. The amount of consolidated net income or loss attributable to Viad and the non-redeemable noncontrolling interest is presented in the Condensed Consolidated Statements of Operations.

Noncontrolling interests with redemption features that are not solely within our control are considered redeemable noncontrolling interests. Our redeemable noncontrolling interest relates to our 54.5% equity ownership interest in Esja Attractions ehf. ("Esja"). The Esja shareholders agreement contains a put option that gives the minority Esja shareholders the right to sell (or "put") their Esja shares to us based on a calculated formula within a predefined term. This redeemable noncontrolling interest is considered temporary equity and we report it between liabilities and stockholders' equity in the Condensed Consolidated Balance Sheets. The amount of the net income or loss attributable to redeemable noncontrolling interests is recorded in the Condensed Consolidated Statements of Operations and the accretion of the redemption value is recorded as an adjustment to retained earnings and is included in our income (loss) per share. Refer to Note 21 – Redeemable Noncontrolling Interest for additional information.

Leases

We adopted Topic 842 on January 1, 2019, which requires the recognition of a right-of-use ("ROU") asset and lease liability on the balance sheet, and requires lessees to classify leases as either finance or operating leases. The classification of the lease determines whether the lease expense is recognized on an effective interest method basis (finance lease) or on a straight-line basis (operating lease) over the lease term. In determining whether an agreement contains a lease, we consider if we have a right to control the use of the underlying asset during the lease term in exchange for an obligation to make lease payments arising from the lease. We recognize

ROU assets and lease liabilities at commencement date, which is when the underlying asset is available for use to a lessee, based on the present value of lease payments over the lease term.

Our operating and finance leases are primarily facility, equipment, and land leases. Our facility leases comprise mainly manufacturing facilities, sales and design facilities, offices, storage and/or warehouses, and truck marshaling yards. These facility leases generally have lease terms ranging up to 25 years. Our equipment leases comprise mainly vehicles, hardware, and office equipment, each with various lease terms. Our land leases comprise mainly leases in Canada and Iceland on which our hotels or attractions reside and have lease terms ranging up to 42 years.

We made the accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. We elected to apply the package of practical expedients permitted under Topic 842 transition guidance, which among other things, allows us to carry forward our historical lease classifications. We also elected the practical expedient to not separate non-lease components from lease components for all asset classes, and payments associated with fixed non-lease components are included in measuring the ROU asset and lease liability.

If a lease contains a renewal option that is reasonably certain to be exercised, then the lease term includes the optional periods in measuring a ROU asset and lease liability. Variable leases and variable non-lease components are not included in the calculation of the ROU asset and corresponding lease liability. For facility leases, variable lease costs include the costs of common area maintenance, taxes, and insurance for which we pay our lessors an estimate that is adjusted to actual expense on a quarterly or annual basis depending on the underlying contract terms. These variable lease payments are expensed as incurred. Upon the adoption of Topic 842, our accounting for finance leases, previously referred to as capital leases, remains substantially unchanged from prior guidance. Our lease agreements do not contain any significant residual value guarantees or restrictive covenants.

Substantially all of our lease agreements do not specify an implicit borrowing rate, and as such, we utilize an incremental borrowing rate based on lease term and country, in order to calculate the present value of our future lease payments. The discount rate represents a risk-adjusted rate on a secured basis, and is the expected rate at which we would borrow funds to satisfy the scheduled lease liability payment streams commensurate with the lease term and the country. On January 1, 2019, the discount rate used on existing leases at adoption was extrapolated based on the remaining lease term and the country using available data as of that date. For new or renewed leases starting in 2019, the discount rate is determined using available data at lease commencement and based on the lease term and country including any reasonably certain renewal periods.

We are also a lessor to third party tenants who either lease certain portions of facilities that we own or sublease certain portions of facilities that we lease. Lease income from owned facilities is recorded as rental income and sublease income from leased facilities is recorded against lease expense in the Condensed Consolidated Statements of Operations. All of our leases for which we are the lessor are classified as operating leases under Topic 842.

Note 2. Revenue and Related Contract Costs and Contract Liabilities

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

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

Contract Liabilities

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

Changes to contract liabilities are as follows:

(in thousands)		
Balance at December 31, 2018	$	35,600
Cash additions		77,448
Revenue recognized		(62,147)
Foreign exchange translation adjustment		87
Balance at June 30, 2019	$	50,988

Contract Costs

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

Changes to contract costs are as follows:

(in thousands)		
Balance at December 31, 2018	$	21,478
Additions		35,627
Expenses		(32,721)
Cancelled		(13)
Foreign exchange translation adjustment		(137)
Balance at June 30, 2019	$	24,234

As of June 30, 2019, capitalized contract costs consisted of $2.1 million to obtain contracts and $22.1 million to fulfill contracts. We did not recognize an impairment loss with respect to capitalized contract costs during the three and six months ended June 30, 2019 or 2018.

Disaggregation of Revenue

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

GES

	Three Months Ended June 30, 2019			
(in thousands)	GES North America (1)	GES EMEA (1)	Intersegment Eliminations	Total
Services:				
Core services	$ 228,112	$ 41,821	$ —	$ 269,933
Audio-visual	24,175	6,881	—	31,056
Event technology	9,845	2,134	—	11,979
Intersegment eliminations	—	—	(6,317)	(6,317)
Total services	262,132	50,836	(6,317)	306,651
Products:				
Core products	21,550	18,669	—	40,219
Total revenue	$ 283,682	$ 69,505	$ (6,317)	$ 346,870
Timing of revenue recognition:				
Services transferred over time	$ 262,132	$ 50,836	$ (6,317)	$ 306,651
Products transferred over time (2)	11,774	4,811	—	16,585
Products transferred at a point in time	9,776	13,858	—	23,634
Total revenue	$ 283,682	$ 69,505	$ (6,317)	$ 346,870
Markets:				
Exhibitions	$ 138,887	$ 49,293	$ —	$ 188,180
Conferences	105,455	10,870	—	116,325
Corporate events	29,868	8,772	—	38,640
Consumer events	9,472	570	—	10,042
Intersegment eliminations	—	—	(6,317)	(6,317)
Total revenue	$ 283,682	$ 69,505	$ (6,317)	$ 346,870

(1) During the first quarter of 2019, we realigned GES' organizational structure. As a result, we changed GES' reportable segments to reflect how our chief operating decision maker regularly reviews and makes decisions regarding the allocation of resources. Accordingly, GES' new reportable segments are GES North America and GES EMEA.

(2) GES' graphics product revenue is recognized over time as it is considered a part of the single performance obligation satisfied over time.

(in thousands)	GES North America (1)	GES EMEA (1)	Intersegment Eliminations	Total
	Six Months Ended June 30, 2019			
Services:				
Core services	$ 407,985	$ 72,884	$ —	$ 480,869
Audio-visual	42,581	10,769	—	53,350
Event technology	18,608	5,087	—	23,695
Intersegment eliminations	—	—	(9,007)	(9,007)
Total services	469,174	88,740	(9,007)	548,907
Products:				
Core products	37,749	35,141	—	72,890
Total revenue	$ 506,923	$ 123,881	$ (9,007)	$ 621,797
Timing of revenue recognition:				
Services transferred over time	$ 469,174	$ 88,740	$ (9,007)	$ 548,907
Products transferred over time (2)	23,043	8,290	—	31,333
Products transferred at a point in time	14,706	26,851	—	41,557
Total revenue	$ 506,923	$ 123,881	$ (9,007)	$ 621,797
Markets:				
Exhibitions	$ 275,316	$ 94,948	$ —	$ 370,264
Conferences	153,317	13,852	—	167,169
Corporate events	62,655	14,317	—	76,972
Consumer events	15,635	764	—	16,399
Intersegment eliminations	—	—	(9,007)	(9,007)
Total revenue	$ 506,923	$ 123,881	$ (9,007)	$ 621,797

(1) During the first quarter of 2019, we realigned GES' organizational structure. As a result, we changed GES' reportable segments to reflect how our chief operating decision maker regularly reviews and makes decisions regarding the allocation of resources. Accordingly, GES' new reportable segments are GES North America and GES EMEA.

(2) GES' graphics product revenue is recognized over time as it is considered a part of the single performance obligation satisfied over time.

(in thousands)	GES North America (1)	GES EMEA (1)	Intersegment Eliminations	Total
	Three Months Ended June 30, 2018			
Services:				
Core services	$ 211,683	$ 31,774	$ —	$ 243,457
Audio-visual	20,741	6,553	—	27,294
Event technology	10,534	2,847	—	13,381
Intersegment eliminations	—	—	(6,231)	(6,231)
Total services	242,958	41,174	(6,231)	277,901
Products:				
Core products	17,933	19,488	—	37,421
Total revenue	$ 260,891	$ 60,662	$ (6,231)	$ 315,322
Timing of revenue recognition:				
Services transferred over time	$ 242,958	$ 41,174	$ (6,231)	$ 277,901
Products transferred over time (2)	10,968	4,827	—	15,795
Products transferred at a point in time	6,965	14,661	—	21,626
Total revenue	$ 260,891	$ 60,662	$ (6,231)	$ 315,322
Markets:				
Exhibitions	$ 137,740	$ 40,688	$ —	$ 178,428
Conferences	89,768	12,057	—	101,825
Corporate events	27,339	7,040	—	34,379
Consumer events	6,044	877	—	6,921
Intersegment eliminations	—	—	(6,231)	(6,231)
Total revenue	$ 260,891	$ 60,662	$ (6,231)	$ 315,322

(1) During the first quarter of 2019, we realigned GES' organizational structure. As a result, we changed GES' reportable segments to reflect how our chief operating decision maker regularly reviews and makes decisions regarding the allocation of resources. Accordingly, GES' new reportable segments are GES North America and GES EMEA.

(2) GES' graphics product revenue is recognized over time as it is considered a part of the single performance obligation satisfied over time.

(in thousands)	Six Months Ended June 30, 2018			
	GES North America (1)	GES EMEA (1)	Intersegment Eliminations	Total
Services:				
Core services	$ 392,208	$ 60,759	$ —	$ 452,967
Audio-visual	37,825	9,721	—	47,546
Event technology	18,569	6,121	—	24,690
Intersegment eliminations	—	—	(9,509)	(9,509)
Total services	448,602	76,601	(9,509)	515,694
Products:				
Core products	34,353	32,981	—	67,334
Total revenue	$ 482,955	$ 109,582	$ (9,509)	$ 583,028
Timing of revenue recognition:				
Services transferred over time	$ 448,602	$ 76,601	$ (9,509)	$ 515,694
Products transferred over time (2)	22,337	8,156	—	30,493
Products transferred at a point in time	12,016	24,825	—	36,841
Total revenue	$ 482,955	$ 109,582	$ (9,509)	$ 583,028
Markets:				
Exhibitions	$ 283,558	$ 80,623	$ —	$ 364,181
Conferences	128,857	17,445	—	146,302
Corporate events	58,242	10,442	—	68,684
Consumer events	12,298	1,072	—	13,370
Intersegment eliminations	—	—	(9,509)	(9,509)
Total revenue	$ 482,955	$ 109,582	$ (9,509)	$ 583,028

(1) During the first quarter of 2019, we realigned GES' organizational structure. As a result, we changed GES' reportable segments to reflect how our chief operating decision maker regularly reviews and makes decisions regarding the allocation of resources. Accordingly, GES' new reportable segments are GES North America and GES EMEA.

(2) GES' graphics product revenue is recognized over time as it is considered a part of the single performance obligation satisfied over time.

Pursuit

(in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Services:				
Admissions	$ 23,156	$ 23,480	$ 26,681	$ 27,059
Accommodations	12,926	9,030	15,344	10,735
Transportation	3,954	4,321	5,949	6,690
Travel planning	1,471	491	2,103	799
Intersegment eliminations	(499)	(500)	(684)	(706)
Total services revenue	41,008	36,822	49,393	44,577
Products:				
Food and beverage	8,206	6,705	9,570	7,924
Retail operations	6,195	4,828	7,113	5,576
Total products revenue	14,401	11,533	16,683	13,500
Total revenue	$ 55,409	$ 48,355	$ 66,076	$ 58,077
Timing of revenue recognition:				
Services transferred over time	$ 41,008	$ 36,822	$ 49,393	$ 44,577
Products transferred at a point in time	14,401	11,533	16,683	13,500
Total revenue	$ 55,409	$ 48,355	$ 66,076	$ 58,077
Markets:				
Banff Jasper Collection	$ 33,226	$ 28,519	$ 41,096	$ 35,608
Alaska Collection	12,198	10,614	12,378	10,827
Glacier Park Collection	7,375	6,640	8,198	7,266
FlyOver	2,610	2,582	4,404	4,376
Total revenue	$ 55,409	$ 48,355	$ 66,076	$ 58,077

Note 3. Share-Based Compensation

The following table summarizes share-based compensation expense:

(in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Performance unit incentive plan (“PUP”)	$ 1,557	$ 1,324	$ 2,980	$ 1,518
Restricted stock	783	667	1,476	1,170
Restricted stock units	71	54	161	74
Share-based compensation before income tax benefit	2,411	2,045	4,617	2,762
Income tax benefit	(607)	(515)	(1,165)	(696)
Share-based compensation, net of income tax benefit	$ 1,804	$ 1,530	$ 3,452	$ 2,066

We did not record any share-based compensation expense through restructuring charges during the three and six months ended June 30, 2019 or 2018.

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

	PUP Awards		Restricted Stock		Restricted Stock Units	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Balance at December 31, 2018	239,809	$ 40.65	176,769	$ 40.87	12,090	$ 39.04
Granted	73,020	$ 58.25	55,042	$ 57.82	5,025	$ 56.81
Vested	(95,309)	$ 26.98	(81,320)	$ 31.79	(5,377)	$ 26.98
Forfeited	(488)	$ 54.70	(2,772)	$ 49.24	(115)	$ 52.15
Balance at June 30, 2019	217,032	$ 52.54	147,719	$ 52.02	11,623	$ 52.17

Viad Corp Omnibus Incentive Plan

We grant share-based compensation awards to our officers, directors, and certain key employees pursuant to the 2017 Viad Corp Omnibus Incentive Plan (the "2017 Plan"). The 2017 Plan has a 10-year life and provides for the following types of awards: (a) incentive and non-qualified stock options; (b) restricted stock and restricted stock units; (c) performance units or performance shares; (d) stock appreciation rights; (e) cash-based awards; and (f) certain other stock-based awards. In June 2017, we registered 1,750,000 shares of common stock issuable under the 2017 Plan. As of June 30, 2019, there were 1,581,743 shares available for future grant under the 2017 Plan.

PUP Awards

The vesting of PUP award shares is based upon achievement of certain performance-based criteria over a three-year period.

During the six months ended June 30, 2019, we granted PUP awards with a grant date fair value of $4.3 million of which $1.7 million are payable in shares. Liabilities related to PUP awards were $4.2 million as of June 30, 2019 and $7.0 million as of December 31, 2018. In 2019, PUP awards granted in 2016 vested and we paid $5.6 million in cash and $3.4 million in shares. In 2019, we withheld 25,771 shares for $1.5 million related to tax withholding requirements on vested PUP awards paid in shares. In 2018, PUP awards granted in 2015 vested and we distributed cash payouts of $5.9 million.

Restricted Stock

As of June 30, 2019, the unamortized cost of outstanding restricted stock awards was $4.1 million, which we expect to recognize over a weighted-average period of approximately 1.5 years. We repurchased 24,217 shares for $1.4 million during the six months ended June 30, 2019 and 19,237 shares for $1.0 million during the six months ended June 30, 2018 related to tax withholding requirements on vested share-based awards.

Restricted Stock Units

Aggregate liabilities related to restricted stock units were $0.3 million as of June 30, 2019 and $0.4 million as of December 31, 2018. During the six months ended June 30, 2019, restricted stock units vested and we paid $0.3 million in cash and $0.2 million in shares. During the six months ended June 30, 2018, the 2015 restricted stock units vested and we distributed $0.2 million in cash payouts.

Stock Options

The following table summarizes stock option activity:

	Shares	Weighted-Average Exercise Price
Options outstanding and exercisable at December 31, 2018	58,689	$ 16.62
Exercised	(5,546)	$ 16.62
Options outstanding and exercisable at June 30, 2019	53,143	$ 16.62

Note 4. Acquisition of Businesses

2019 Acquisitions

Belton Chalet

On May 16, 2019, we acquired the Belton Chalet in Glacier National Park for total cash consideration of $3.2 million. Transaction costs associated with the acquisition were $0.3 million, which are included in "Cost of services" in the Condensed Consolidated Statements of Operations. These assets have been included in the consolidated financial statements from the date of acquisition.

Mountain Park Lodges

On June 8, 2019, we acquired a 60% equity interest in Mountain Park Lodges' group of seven hotels and an undeveloped land parcel located in Jasper National Park for total consideration of $100.6 million Canadian dollars (approximately $76 million U.S. dollars).

The seven Mountain Park Lodges properties include: Sawridge Inn and Conference Centre (152 guest rooms); Pyramid Lake Resort (62 guest rooms); The Crimson Hotel (99 guest rooms); Chateau Jasper (119 guest rooms); Pocahontas Cabins (57 guest rooms); Marmot Lodge (107 guest rooms); and Lobstick Lodge (139 guest rooms).

As the majority owner of these properties we consolidate 100% of the results of operations in our consolidated financial statements and record the 40% owners' share of the income or loss attributable to non-redeemable noncontrolling interest.

The following table summarizes the preliminary recording of the fair value allocation of the assets acquired and liabilities assumed as of the date of acquisition. Due to the recent timing of the acquisition, the purchase price allocation is not yet final and is subject to change within the measurement period (up to one year from the acquisition date) as the valuation of property and equipment, intangible assets, and working capital is finalized.

(in thousands)

Purchase price paid as:		
Cash		$ 70,975
Additional purchase price payable for tax liability		4,874
Net working capital adjustment		(6)
Consideration transferred		75,843
Right to manage		(1,276)
Purchase price, net		74,567
Fair value of net assets acquired:		
Accounts receivable	$ 369	
Inventories	173	
Prepaid expenses	324	
Property and equipment	115,878	
Intangible assets	9,218	
Total assets acquired	125,962	
Accounts payable	366	
Advanced deposits payable	449	
Deferred tax liability	11,463	
Other liabilities	137	
Total liabilities assumed	12,415	
Noncontrolling interest equity	49,711	
Total fair value of net assets acquired		63,836
Excess purchase price over fair value of net assets acquired ("goodwill")		$ 10,731

Under the acquisition method of accounting, the purchase price as shown in the table above is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair value. The excess purchase price over the fair value of net assets acquired was recorded as "Goodwill." Goodwill is included in the Pursuit business group. The primary factor that contributed to the purchase price resulting in the recognition of goodwill related to future growth opportunities when combined with our other businesses. Goodwill is not deductible for tax purposes. The estimated values of current assets and liabilities were based upon their historical costs on the acquisition date due to their short-term nature.

Transaction costs associated with the Mountain Park Lodges were $0.7 million in 2019 and $0.1 million in 2018, which are included in “Corporate activities” in the Condensed Consolidated Statements of Operations. These assets and results of operations have been included in the consolidated financial statements from the date of acquisition. During the three months ended June 30, 2019, revenue related to the Mountain Park Lodges was $2.8 million and operating income was $1.5 million.

Identifiable intangible assets acquired in the Mountain Park Lodges acquisition were $9.2 million and consist primarily of customer relationships and trade name. The weighted average amortization period related to the intangible assets is approximately 10 years.

Supplementary pro forma financial information

The following table summarizes the unaudited pro forma results of operations attributable to Viad, assuming the Mountain Park Lodges acquisition had been completed on January 1, 2018:

	Three Months Ended		Six Months Ended	
(in thousands, except per share data)	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Revenue	$ 406,657	$ 371,099	$ 696,134	$ 652,438
Depreciation and amortization	$ 15,839	$ 16,476	$ 30,348	$ 30,926
Income (loss) from continuing operations	$ 12,862	$ 24,104	$ (5,898)	$ 11,151
Net income (loss) attributable to Viad	$ 13,578	$ 23,718	$ (4,651)	$ 12,785
Diluted income (loss) per share	$ 0.66	$ 1.16	$ (0.24)	$ 0.62
Basic income (loss) per share	$ 0.66	$ 1.16	$ (0.24)	$ 0.62

2018 Acquisition

Maligne Canyon Restaurant

In March 2018, we acquired the Maligne Canyon Restaurant and Gift Shop for total cash consideration of $6.0 million Canadian dollars (approximately $4.6 million U.S. dollars). Transaction costs associated with the acquisition were $24 thousand in 2018, which are included in “Cost of services” in the Condensed Consolidated Statements of Operations. These assets have been included in the consolidated financial statements from the date of acquisition.

Note 5. <u>Inventories</u>

Inventories, which consist primarily of exhibit design and construction materials and supplies, as well as retail inventory, are stated at the lower of cost (first-in, first-out and specific identification methods) or net realizable value.

The components of inventories consisted of the following:

(in thousands)	**June 30, 2019**	**December 31, 2018**
Raw materials	$ 12,594	$ 12,368
Finished goods	8,710	4,261
Inventories	$ 21,304	$ 16,629

Note 6. <u>Other Current Assets</u>

Other current assets consisted of the following:

(in thousands)	**June 30, 2019**	**December 31, 2018**
Income tax receivable	$ 9,817	$ 10,886
Prepaid software maintenance	5,729	4,010
Prepaid vendor payments	5,207	4,492
Prepaid taxes	1,093	591
Prepaid insurance	1,026	2,754
Prepaid other	3,388	1,755
Other	1,338	998
Other current assets	$ 27,598	$ 25,486

Note 7. Property and Equipment

Property and equipment consisted of the following:

(in thousands)		**June 30, 2019**		**December 31, 2018**
Land and land interests	$	33,953	$	32,887
Buildings and leasehold improvements		350,538		238,995
Equipment and other		417,466		383,284
Gross property and equipment		801,957		655,166
Accumulated depreciation		(342,968)		(321,319)
Property and equipment, net (excluding finance leases)		458,989		333,847
Finance lease right-of-use assets, net		28,421		—
Property and equipment, net	$	487,410	$	333,847

Depreciation expense was $11.2 million for the three months ended June 30, 2019 and $21.3 million for the six months ended June 30, 2019. Depreciation expense was $12.3 million for the three months ended June 30, 2018 and $22.6 million for six months ended June 30, 2018.

Amortization expense on finance leases was $0.6 million for the three months ended June 30, 2019 and $1.2 million for the six months ended June 30, 2019.

Property and equipment purchased through accounts payable and accrued liabilities increased $3.2 million during the six months ended June 30, 2019 and $0.1 million for the six months ended June 30, 2018.

Note 8. Other Investments and Assets

Other investments and assets consisted of the following:

(in thousands)		**June 30, 2019**		**December 31, 2018**
Cash surrender value of life insurance	$	23,981	$	23,815
Self-insured liability receivable		9,176		9,176
Contract costs		4,376		3,461
Other mutual funds		3,055		2,517
Other		2,700		3,941
Other investments and assets	$	43,288	$	42,910

Note 9. Goodwill and Other Intangible Assets

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

(in thousands)		**GES North America**		**GES EMEA**		**Pursuit**		**Total**
Balance at December 31, 2018	$	154,944	$	29,954	$	76,432	$	261,330
Business acquisitions		—		—		10,731		10,731
Foreign currency translation adjustments		280		(406)		2,983		2,857
Other adjustment		—		—		1,245		1,245
Balance at June 30, 2019	$	155,224	$	29,548	$	91,391	$	276,163

Other intangible assets consisted of the following:

		June 30, 2019			December 31, 2018		
(in thousands)	Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization:							
Customer contracts and relationships	7.7	$ 75,255	$ (35,060)	$ 40,195	$ 67,729	$ (31,201)	$ 36,528
Operating contracts and licenses	23.7	9,564	(1,593)	7,971	9,180	(1,376)	7,804
Tradenames	7.1	9,736	(3,524)	6,212	7,705	(3,109)	4,596
Non-compete agreements	1.9	5,198	(4,707)	491	5,174	(4,080)	1,094
Other	8.0	2,689	(659)	2,030	1,365	(553)	812
Total amortized intangible assets		102,442	(45,543)	56,899	91,153	(40,319)	50,834
Indefinite-lived intangible assets:							
Business licenses		460	—	460	460	—	460
Other intangible assets		$ 102,902	$ (45,543)	$ 57,359	$ 91,613	$ (40,319)	$ 51,294

Intangible asset amortization expense was $2.8 million for the three months ended June 30, 2019 and $5.2 million for the six months ended June 30, 2019. Intangible asset amortization was $2.9 million for the three months ended June 30, 2018 and $5.5 million for the six months ended June 30, 2018.

At June 30, 2019, the estimated future amortization expense related to intangible assets subject to amortization is as follows:

(in thousands)	
Year ending December 31,	
Remainder of 2019	$ 5,248
2020	9,444
2021	8,458
2022	6,933
2023	5,759
Thereafter	21,057
Total	$ 56,899

Note 10. Other Current Liabilities

Other current liabilities consisted of the following:

(in thousands)	June 30, 2019	December 31, 2018
Continuing operations:		
Accommodation services deposits	$ 10,600	$ 1,541
Commissions payable	8,390	2,703
Self-insured liability	6,076	5,688
Accrued sales and use taxes	3,553	5,397
Accrued employee benefit costs	3,540	3,224
Accrued legal settlement	2,500	—
Current portion of pension and postretirement liabilities	2,134	2,310
Accrued dividends	2,013	2,012
Deferred rent (1)	—	1,659
Accrued restructuring	1,410	716
Accrued professional fees	1,126	886
Accrued income tax payable	797	—
Other taxes	1,801	695
Other	4,065	4,501
Total continuing operations	48,005	31,332
Discontinued operations:		
Environmental remediation liabilities	510	555
Self-insured liability	217	295
Other	76	76
Total discontinued operations	803	926
Total other current liabilities	$ 48,808	$ 32,258

(1) Upon the adoption of Topic 842, we reclassified deferred rent to operating lease obligations . We did not recast prior year financial statements under the new standard. Refer to Note 19 – Leases and Other for additional information.

Note 11. Other Deferred Items and Liabilities

Other deferred items and liabilities consisted of the following:

(in thousands)	June 30, 2019	December 31, 2018
Continuing operations:		
Foreign deferred tax liability	$ 21,306	$ 9,768
Multi-employer pension plan withdrawal liability	15,508	—
Self-insured liability	9,885	10,681
Self-insured excess liability	9,176	9,176
Accrued compensation	6,395	6,664
Accrued restructuring	1,879	1,535
Contract liabilities	366	2,124
Deferred rent (1)	—	2,719
Other	2,302	1,868
Total continuing operations	66,817	44,535
Discontinued operations:		
Self-insured liability	2,456	2,437
Environmental remediation liabilities	1,777	1,775
Other	345	244
Total discontinued operations	4,578	4,456
Total other deferred items and liabilities	$ 71,395	$ 48,991

(1) Upon the adoption of Topic 842, we reclassified deferred rent to operating lease obligations . We did not recast prior year financial statements under the new standard. Refer to Note 19 – Leases and Other for additional information.

Note 12. Debt and Finance Lease Obligations

The components of our long-term debt and finance lease obligations consisted of the following:

(in thousands, except interest rates)		June 30, 2019		December 31, 2018
2018 Credit Facility, 4.1% weighted-average interest rate at June 30, 2019 and 4.3% at December 31, 2018, due through 2023 (1)	$	311,244	$	227,792
FlyOver Iceland Credit Facility, 4.9% weighted-average interest rate at June 30, 2019, due through 2022 (1)		4,552		—
Less unamortized debt issuance costs		(2,053)		(2,310)
Total debt (2)		313,743		225,482
Finance lease obligations, 5.2% weighted-average interest rate at June 30, 2019 and 4.5% at December 31, 2018, due through 2021		10,782		4,639
Total debt and finance lease obligations (3)		324,525		230,121
Current portion (4)		(313,937)		(229,416)
Long-term debt and finance lease obligations	$	10,588	$	705

(1) Represents the weighted-average interest rate in effect at the respective periods, including any applicable margin. The interest rates do not include amortization of debt issuance costs or commitment fees.

(2) The estimated fair value of total debt was $316.6 million as of June 30, 2019 and $228.6 million as of December 31, 2018. The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity, which is a Level 2 measurement. Refer to Note 13 – Fair Value Measurements.

(3) Cash paid for interest on debt was $5.7 million for the six months ended June 30, 2019 and $4.1 million for the six months ended June 30, 2018.

(4) Borrowings under the credit facilities are classified as current because all borrowed amounts are due within one year

2018 Credit Agreement

Effective October 24, 2018, we entered into a Second Amended and Restated Credit Agreement (the “2018 Credit Agreement”). The 2018 Credit Agreement has a maturity date of October 24, 2023 and provides for a $450 million revolving credit facility (“2018 Credit Facility”). Proceeds from the 2018 Credit Facility were used to refinance certain of our outstanding debt and provide us with additional funds for our operations, growth initiatives, acquisitions, and other general corporate purposes in the ordinary course of business. The 2018 Credit Facility may be increased up to an additional $250 million under certain circumstances. It has a $20 million sublimit for letters of credit. Borrowings and letters of credit can be denominated in U.S. dollars, Euros, Canadian dollars, or British pounds. Our lenders under the 2018 Credit Facility have a first perfected security interest in all of our personal property including GES, GES Event Intelligence Services, Inc., CATC Alaska Tourism Corporation (“CATC”), ON Event Services, LLC (“ON Services”), and 65% of the capital stock of our top-tier foreign subsidiaries (other than Esja). Financial covenants include an interest coverage ratio of not less than 3.00 to 1.00 and a leverage ratio of not greater than 3.50 to 1.00, with a step-up of 4.00 to 1.00 for four quarters for a material acquisition of $50 million or more. Dividends are permitted up to $15 million in any calendar year. In addition, we can declare and pay dividends or repurchase our common stock up to $20 million per calendar year. Dividends and repurchases above those thresholds are permitted as long as our pro forma leverage ratio is less than or equal to 2.75 to 1.00. Unsecured debt is allowed provided we are in compliance with the leverage ratio. In addition, the unsecured debt must mature after the expiration of the 2018 Credit Facility, cannot have scheduled principal payments while the 2018 Credit Facility is in place, and any covenants for unsecured debt cannot be more restrictive than the 2018 Credit Facility. Significant other covenants include limitations on investments, additional indebtedness, sales and dispositions of assets, and liens on property. As of June 30, 2019, the interest coverage ratio was 10.84 to 1.00, the leverage ratio was 2.24 to 1.00, and we were in compliance with all covenants under the 2018 Credit Agreement.

Effective July 23, 2019, we entered into an amendment (“Amendment No.1”) to the 2018 Credit Agreement. Amendment No.1 modified the terms related to the withdrawal limits of single and multi-employer ERISA plans. Refer to Note 24 – Subsequent Events.

Borrowings under the 2018 Credit Facility (of which GES, GES Event Intelligence Services, Inc., CATC, and ON Services are guarantors) are indexed to the prime rate or the London Interbank Offered Rate (“LIBOR”), plus appropriate spreads tied to our leverage ratio. We understand that LIBOR will be phased out in 2021 and our 2018 Credit Facility includes a method for determining an alternative or successor rate of interest that gives consideration to the new prevailing market convention. The vast majority of our borrowings under the 2018 Credit Facility are indexed to LIBOR. Commitment fees and letters of credit fees are also tied to our leverage ratio. The fees on the unused portion of the 2018 Credit Facility were 0.3% annually as of June 30, 2019. Only our borrowings under the 2018 Credit Facility and the discount rates we use to account for some leases are indexed to LIBOR. We do not expect the alternative or successor rate to LIBOR to have a material impact on either our 2018 Credit Facility or the accounting for our leases.

As of June 30, 2019, capacity remaining under the 2018 Credit Facility was $135.2 million, reflecting borrowings of $311.2 million and $3.6 million in outstanding letters of credit.

FlyOver Iceland Credit Facility

Effective February 15, 2019, FlyOver Iceland ehf., a wholly-owned subsidiary of Esja, entered into a credit agreement with a €5.0 million (approximately $5.6 million) credit facility (the "FlyOver Iceland Credit Facility") with a maturity date of March 1, 2022. The loan proceeds will be used to complete the development of the FlyOver Iceland attraction.

As of June 30, 2019, capacity remaining under the FlyOver Iceland Credit Facility was approximately $1.0 million.

Note 13. Fair Value Measurements

The fair value of an asset or liability is defined as the price that would be received by selling an asset or paying 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.

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

		Fair Value Measurements at Reporting Date Using		
(in thousands)	**June 30, 2019**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (1)	$ 122	$ 122	$ —	$ —
Other mutual funds (2)	3,055	3,055	—	—
Total assets at fair value on a recurring basis	$ 3,177	$ 3,177	$ —	$ —

		Fair Value Measurements at Reporting Date Using		
(in thousands)	**December 31, 2018**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds (1)	$ 121	$ 121	$ —	$ —
Other mutual funds (2)	2,517	2,517	—	—
Total assets at fair value on a recurring basis	$ 2,638	$ 2,638	$ —	$ —

(1) Money market funds are included in "Cash and cash equivalents" in the Condensed Consolidated Balance Sheets. These investments are classified as available-for-sale and are recorded at fair value. There have been no realized gains or losses related to these investments and we have not experienced any redemption restrictions with respect to any of the money market mutual funds.

(2) Other mutual funds are included in "Other investments and assets" in the Condensed Consolidated Balance Sheets.

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

Note 14. Accumulated Other Comprehensive Income (Loss)

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

(in thousands)	Cumulative Foreign Currency Translation Adjustments	Unrecognized Net Actuarial Loss and Prior Service Credit, Net	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	$ (36,332)	$ (11,643)	$ (47,975)
Other comprehensive income before reclassifications	9,097	—	9,097
Amounts reclassified from AOCI, net of tax	—	148	148
Net other comprehensive income	9,097	148	9,245
Balance at June 30, 2019	$ (27,235)	$ (11,495)	$ (38,730)

(in thousands)	Unrealized Gains on Investments	Cumulative Foreign Currency Translation Adjustments	Unrecognized Net Actuarial Loss and Prior Service Credit, Net	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	$ 616	$ (12,026)	$ (11,158)	$ (22,568)
Other comprehensive loss before reclassifications	—	(11,204)	—	(11,204)
Amounts reclassified from AOCI, net of tax	—	—	669	669
Net other comprehensive loss	—	(11,204)	669	(10,535)
Adoption of ASU 2016-01 (1)	(616)	—	—	(616)
Balance at June 30, 2018	$ —	$ (23,230)	$ (10,489)	$ (33,719)

(1) Upon the adoption of ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* , we recorded a cumulative-effect adjustment from unrealized gains on investments to beginning retained earnings.

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

Note 15. Income (Loss) Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2019	2018	2019	2018
Net income (loss) attributable to Viad (diluted)	$ 13,824	$ 23,490	$ (3,953)	$ 14,103
Less: Allocation to non-vested shares	(102)	(222)	—	(139)
Adjustment to the redemption value of redeemable noncontrolling interest	(179)	(52)	(266)	(90)
Net income (loss) allocated to Viad common stockholders (basic)	$ 13,543	$ 23,216	$ (4,219)	$ 13,874
Basic weighted-average outstanding common shares	20,143	20,209	20,110	20,208
Additional dilutive shares related to share-based compensation	123	227	—	238
Diluted weighted-average outstanding shares	20,266	20,436	20,110	20,446
Income (loss) per share:				
Basic income (loss) attributable to Viad common stockholders	$ 0.67	$ 1.15	$ (0.21)	$ 0.69
Diluted income (loss) attributable to Viad common stockholders (1)	$ 0.67	$ 1.15	$ (0.21)	$ 0.69

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

Note 16. Income Taxes

The effective tax rate was 32.8% for the three months ended June 30, 2019 and 27.8% for the three months ended June 30, 2018. The effective tax rate was 18.7% for the six months ended June 30, 2019 and 25.8% for the six months ended June 30, 2018.

The income tax provision was based on our estimated annualized effective tax rate and the full-year forecasted income plus the tax impact of any unusual, infrequent, or nonrecurring items during the period. The effective tax rate for the six months ended June 30, 2019 was less than the federal statutory rate of 21% primarily due to the impact of non-deductible compensation expenses, global intangible low-taxed income ("GILTI") tax and foreign income taxed at higher rates. The effective tax rate for the six months ended June 30, 2018 was greater than the federal statutory rate primarily due to foreign income tax at higher rates.

Cash paid for income taxes was $8.0 million for the six months ended June 30, 2019 and $16.8 million for the six months ended June 30, 2018.

Note 17. Pension and Postretirement Benefits

The components of net periodic benefit cost of our pension and postretirement benefit plans for the three months ended June 30, 2019 and 2018 consist of the following:

	Domestic Plans					
	Pension Plans		Postretirement Benefit Plans		Foreign Pension Plans	
(in thousands)	2019	2018	2019	2018	2019	2018
Service cost	$ 16	$ 33	$ 15	$ 32	$ 101	$ 138
Interest cost	223	200	126	114	93	91
Expected return on plan assets	(5)	(45)	—	—	(121)	(126)
Amortization of prior service credit	—	—	(47)	(19)	—	—
Recognized net actuarial loss	100	124	50	65	37	39
Net periodic benefit cost	$ 334	$ 312	$ 144	$ 192	$ 110	$ 142

The components of net periodic benefit cost of our pension and postretirement benefit plans for the six months ended June 30, 2019 and 2018 consist of the following:

	Domestic Plans					
	Pension Plans		Postretirement Benefit Plans		Foreign Pension Plans	
(in thousands)	2019	2018	2019	2018	2019	2018
Service cost	$ 31	$ 35	$ 35	$ 56	$ 202	$ 280
Interest cost	437	387	250	208	188	183
Expected return on plan assets	(39)	(80)	—	—	(243)	(256)
Amortization of prior service credit	—	—	(94)	(103)	—	—
Recognized net actuarial loss	206	246	127	117	73	80
Net periodic benefit cost	$ 635	$ 588	$ 318	$ 278	$ 220	$ 287

We expect to contribute $1.0 million to our funded pension plans, $1.2 million to our unfunded pension plans, and $1.2 million to our postretirement benefit plans in 2019. During the six months ended June 30, 2019, we contributed $0.5 million to our funded pension plans, $0.4 million to our unfunded pension plans, and $0.5 million to our postretirement benefit plans.

Note 18. Restructuring Charges

GES

As part of our efforts to drive efficiencies and simplify our business operations, we have taken certain restructuring actions designed to reduce our cost structure primarily within GES. These actions include consolidating facilities and operations in the U.S., Canada, and the United Kingdom. During the second quarter of 2019, we completed some strategic simplification actions, including a facility consolidation in Las Vegas and other restructuring actions. As a result, we recorded restructuring charges primarily consisting of severance and related benefits as a result of workforce reductions and charges related to the consolidation and downsizing of facilities representing the remaining operating lease obligations (net of estimated sublease income) and related costs.

Other Restructurings

We recorded restructuring charges in connection with the consolidation of certain support functions at our corporate headquarters. These charges primarily consist of severance and related benefits due to headcount reductions.

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

	GES		Other Restructurings	
(in thousands)	Severance & Employee Benefits	Facilities	Severance & Employee Benefits	Total
Balance at December 31, 2018	$ 2,039	$ 200	$ 12	$ 2,251
Restructuring charges	3,916	1,084	143	5,143
Cash payments	(3,900)	(174)	(58)	(4,132)
Adjustment to liability	(33)	53	7	27
Balance at June 30, 2019	$ 2,022	$ 1,163	$ 104	$ 3,289

As of June 30, 2019, we expect to pay the liabilities related to severance and employee benefits by the end of 2020. The liability related to future lease payments will be paid over the remaining lease terms. Refer to Note 22 – Segment Information, for information regarding restructuring charges by segment.

Note 19. Leases and Other

The balance sheet presentation of our operating and finance leases is as follows:

(in thousands)	Classification on the Condensed Consolidated Balance Sheet	June 30, 2019
Assets:		
Operating lease assets	Operating lease right-of-use assets	$ 59,123
Finance lease assets	Property and equipment, net	28,421
Total lease assets		$ 87,544
Liabilities:		
Current:		
Operating lease obligations	Operating lease obligations	$ 22,149
Finance lease obligations	Current portion of debt and finance lease obligations	2,422
Noncurrent:		
Operating lease obligations	Long-term operating lease obligations	39,607
Finance lease obligations	Long-term debt and finance lease obligations	8,360
Total lease liabilities		$ 72,538

The components of lease expense consisted of the following:

(in thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Finance lease cost:		
Amortization of right-of-use assets	$ 609	$ 1,198
Interest on lease liabilities	182	249
Operating lease cost	6,839	12,831
Short-term lease cost	562	777
Variable lease cost	1,402	3,217
Sublease income (1)	(54)	(226)
Total lease cost, net	$ 9,540	$ 18,046

(1) Sublease income excludes rental income from owned assets, which is recorded in revenue.

Leases Not Yet Commenced

As of June 30, 2019, we had certain facility and land leases that were executed but for which we did not have control of the underlying assets. Accordingly, we did not record the lease liabilities and right-of-use assets on our Condensed Consolidated Balance Sheets. These leases include future planned attractions for Pursuit that are currently in the planning or development phase and that we expect to commence between fiscal years 2019 and 2022 with lease terms of 15 to 20 years.

Other information related to operating and finance leases are as follows:

(in thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7,405	$ 13,603
Operating cash flows from finance leases	$ 182	$ 249
Financing cash flows from finance leases	$ 490	$ 1,012
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 1,813	$ 13,252
Finance leases	$ 19,769	$ 20,951

	June 30, 2019
Weighted-average remaining lease term (years):	
Operating leases	4.30
Finance leases	9.61
Weighted-average discount rate:	
Operating leases	5.29%
Finance leases	5.15%

As of June 30, 2019, the estimated future minimum lease payments under non-cancellable leases, excluding variable leases and variable non-lease components, are as follows:

(in thousands)	Operating Leases	Finance Leases	Total
Remainder of 2019	$ 13,454	$ 1,705	$ 15,159
2020	23,205	2,687	25,892
2021	12,698	1,945	14,643
2022	8,037	1,494	9,531
2023	5,484	1,380	6,864
Thereafter	7,406	4,301	11,707
Total future lease payments	70,284	13,512	83,796
Less: Amount representing interest	(8,528)	(2,730)	(11,258)
Present value of minimum lease payments	61,756	10,782	72,538
Current portion	22,149	2,422	24,571
Long-term portion	$ 39,607	$ 8,360	$ 47,967

As of June 30, 2019, the estimated future minimum rentals under non-cancellable leases, which includes rental income from facilities that we own and sublease income from facilities that we lease, are as follows:

(in thousands)	
Remainder of 2019	$ 906
2020	1,695
2021	1,868
2022	1,530
2023	1,450
Thereafter	3,685
Total minimum sublease rents	11,134

As previously disclosed in our 2018 Form 10-K and under the previous lease accounting standard, our future minimum rental payments and related sublease rentals receivable with respect to non-cancelable operating leases with terms in excess of one year would have been as follows as of December 31, 2018:

(in thousands)	Rental Payments	Receivable Under Subleases
2019	$ 28,671	$ 2,382
2020	22,919	1,582
2021	13,217	1,711
2022	8,280	1,370
2023	6,201	1,270
Thereafter	8,305	2,798
Total	$ 87,593	$ 11,113

Note 20. Litigation, Claims, Contingencies, and Other

We are plaintiffs or defendants to various actions, proceedings, and pending claims, some of which involve, or may involve, compensatory, punitive, or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings, or claims could be decided against us. For the six months ended June 30, 2019, we recorded an $8.5 million charge to resolve a legal dispute at GES involving a former industry contractor. Although the amount of liability as of June 30, 2019 with respect to unresolved legal matters is not ascertainable, we believe that any resulting liability, after taking into consideration amounts already provided for and insurance coverage, will not have a material effect on our business, financial position, or results of operations.

We are subject to various U.S. federal, state, and foreign laws and regulations governing the prevention of pollution and the protection of the environment in the jurisdictions in which we have or had operations. If we fail to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and we could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, we also face exposure to actual or potential claims and lawsuits involving environmental matters relating to our past operations. As of June 30, 2019 , we had recorded environmental remediation liabilities of $ 2.3 million related to previously sold operations. Although we are a party to certain environmental disputes, we believe that any resulting liabilities, after taking into consideration amounts already provided for and insurance coverage, will not have a material effect on our financial position or results of operations.

As of June 30, 2019, on behalf of our subsidiaries, we had certain obligations under guarantees to third parties. These guarantees are not subject to liability recognition in the condensed consolidated financial statements and relate to leased facilities entered into by our subsidiary operations. We would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that we would be required to make under all guarantees existing as of June 30, 2019 would be $54.5 million. These guarantees relate to our leased facilities through August 2034. There are no recourse provisions that would enable us to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements pursuant to which we could recover payments.

A significant number of our employees are unionized and we are a party to approximately 100 collective-bargaining agreements, with approximately one-third requiring renegotiation each year. If we are unable to reach an agreement with a union during the collective-bargaining process, the union may call for a strike or work stoppage, which may, under certain circumstances, adversely impact our business and results of operations. We believe that relations with our employees are satisfactory and that collective-bargaining agreements expiring in 2019 will be renegotiated in the ordinary course of business. Although our labor relations are currently stable, disruptions could occur, with the possibility of an adverse impact on the operating results of GES. During the three months ended June 30, 2019, we finalized the terms of a new collective-bargaining agreement with the Teamsters Local 727 union. The terms included a withdrawal from the under-funded Central States Pension Plan. Accordingly, we recorded a charge of $15.5 million, which represents the estimated present value of future contributions we will be required to make to the plan as a result of this withdrawal of this union from the plan.

We are self-insured up to certain limits for workers’ compensation, employee health benefits, automobile, product and general liability, and property loss claims. The aggregate amount of insurance liabilities (up to our retention limit) related to our continuing operations was $16.0 million as of June 30, 2019, which includes $11.1 million related to workers’ compensation liabilities, and $4.9 million related to general/auto liability claims. We have also retained and provided for certain workers’ compensation insurance liabilities in conjunction with previously sold businesses of $2.7 million as of June 30, 2019. The estimated employee health benefit claims incurred but not yet reported was $1.5 million as of June 30, 2019. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on our historical experience, claims frequency, and other factors. A change in the assumptions used could result in an adjustment to recorded liabilities. We have purchased insurance for amounts in excess of the self-insured levels, which generally range from $0.2 million to $0.5 million on a per claim basis. We do not maintain a self-insured retention pool fund as claims are paid from current cash resources at the time of settlement. Our net cash payments in connection with these insurance liabilities were $1.5 million for the three months ended June 30, 2019 and $3.3 million for the six months ended June 30, 2019 and $1.2 million for the three months ended June 30, 2018 and $2.7 million for the six months ended June 30, 2018.

In addition, as of June 30, 2019, we have recorded insurance liabilities of $9.2 million related to continuing operations, which represents the amount for which we remain the primary obligor after self-insured insurance limits, without taking into consideration the above-referenced insurance coverage. Of this total, $8.5 million related to workers’ compensation liabilities and $0.7 million related to general/auto liability claims, which are recorded in other deferred items and liabilities in the Condensed Consolidated Balance Sheets with a corresponding receivable in other investments.

Note 21. Redeemable Noncontrolling Interest

On November 3, 2017, we acquired the controlling interest (54.5% of the common stock) in Esja, a private corporation in Reykjavik, Iceland. Through Esja and its wholly-owned subsidiary, we are developing and will operate a new FlyOver Iceland attraction.

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

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

Changes in the redeemable noncontrolling interest are as follows:

(in thousands)		
Balance at December 31, 2018	$	5,909
Net loss attributable to redeemable noncontrolling interest		(276)
Adjustment to the redemption value		266
Foreign currency translation adjustment		(391)
Balance at June 30, 2019	$	5,508

Note 22. Segment Information

We measure the profit and performance of our operations on the basis of segment operating income (loss) which excludes restructuring charges and recoveries. Intersegment sales are eliminated in consolidation and intersegment transfers are not significant. Corporate activities include expenses not allocated to operations. Depreciation and amortization and share-based compensation expense are the only significant non-cash items for the reportable segments.

During the first quarter of 2019, we realigned GES' organizational structure. As a result, we changed GES' reportable segments to reflect how our chief operating decision maker regularly reviews and makes decisions regarding the allocation of resources. Accordingly, GES' new reportable segments are GES North America and GES EMEA. We made no changes to the Pursuit reportable segment.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2019	2018	2019	2018
Revenue:				
GES:				
North America	$ 283,682	$ 260,891	$ 506,923	$ 482,955
EMEA	69,505	60,662	123,881	109,582
Intersegment eliminations	(6,317)	(6,231)	(9,007)	(9,509)
Total GES	346,870	315,322	621,797	583,028
Pursuit	55,409	48,355	66,076	58,077
Total revenue	$ 402,279	$ 363,677	$ 687,873	$ 641,105
Segment operating income (loss):				
GES:				
North America	$ 30,589	$ 23,767	$ 31,197	$ 23,688
EMEA	4,664	5,238	5,799	5,897
Total GES	35,253	29,005	36,996	29,585
Pursuit	11,313	9,757	(1,682)	(1,638)
Segment operating income	46,566	38,762	35,314	27,947
Corporate eliminations (1)	17	17	33	33
Corporate activities	(3,282)	(2,535)	(5,115)	(4,752)
Operating income	43,301	36,244	30,232	23,228
Interest income	83	53	181	137
Interest expense	(2,957)	(2,354)	(5,872)	(4,423)
Multi-employer pension plan withdrawal	(15,508)	—	(15,508)	—
Other expense	(456)	(543)	(911)	(781)
Restructuring recoveries (charges):				
GES North America	(4,275)	(240)	(4,258)	(240)
GES EMEA	(80)	(422)	(742)	(454)
Pursuit	—	—	—	(140)
Corporate	(100)	—	(143)	10
Impairment recoveries				
Pursuit	—	35	—	35
Legal settlement:				
GES	—	—	(8,500)	—
Income (loss) from continuing operations before income taxes	$ 20,008	$ 32,773	$ (5,521)	$ 17,372

(1) Corporate eliminations represent the elimination of depreciation expense recorded by Pursuit associated with previously eliminated intercompany profit realized by GES for renovations to Pursuit's Banff Gondola.

Note 23. Common Stock Repurchases

We previously announced our Board of Directors' authorization to repurchase shares of our common stock from time to time at prevailing market prices. Effective February 7, 2019, our Board of Directors authorized the repurchase of an additional 500,000 shares.

No shares were repurchased on the open market during the six months ended June 30, 2019. As of June 30, 2019, 600,067 shares remain available for repurchase. During the six months ended June 30, 2018, we repurchased 175,091 shares on the open market for $9.1 million. Additionally, we repurchased shares related to tax withholding requirements on vested restricted stock awards. Refer to Note 3 – Share-Based Compensation.

Note 24. Subsequent Events

Credit Agreement Amendment

Effective July 23, 2019, we entered into an amendment ("Amendment No.1") to the 2018 Credit Agreement. Amendment No.1 modified the terms related to the withdrawal limits of single and multi-employer ERISA plans.

FlyOver Toronto

On July 25, 2019, we announced plans for the expansion of our virtual flight ride theater concept into Toronto, Canada. We were awarded the right to construct the new attraction near the base of Canada's CN Tower in the Entertainment District. This new attraction will provide guests an exhilarating virtual flight experience showcasing Canada's most awe-inspiring sights. We expect construction to begin in 2020, and the new attraction to open in 2022.

Pursuit

On July 25, 2019, we announced plans for a new geothermal lagoon attraction that will be located on an oceanfront lot just outside downtown Reykjavik, Iceland. We acquired a 51% controlling interest in the new geothermal lagoon attraction for $13.2 million, which we will operate in partnership with Geothermal Lagoon ehf, the Icelandic entity that owns the lagoon assets. We expect to open our new attraction in 2021.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Form 10-Q contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words, and variations of words, such as "will," "may," "expect," "would," "could," "might," "intend," "plan," "believe," "estimate," "anticipate," "deliver," "seek," "aim," "potential," "target," "outlook," and similar expressions are intended to identify our forward-looking statements. Similarly, statements that describe our business strategy, outlook, objectives, plans, 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 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 nature of the industries in which we operate;
- travel industry disruptions;
- unanticipated delays and cost overruns of our capital projects, and our ability to achieve established financial and strategic goals for such 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 laws governing the storage, collection, handling, and transfer of personal data 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.

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

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with our 2018 Form 10-K and the condensed consolidated financial statements and related notes included in this Form 10-Q. The MD&A is intended to assist in understanding our financial condition and results of operations.

Overview

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

GES

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 including 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.

Pursuit

Pursuit is a collection of inspiring and unforgettable travel experiences. Pursuit offers guests distinctive and world renowned experiences through its collection of world-class recreational attractions, unique hotels and lodges, food and beverage, retail, sightseeing, and ground transportation services.

Seasonality

GES' exhibition and event activity can vary significantly from quarter to quarter and year to year depending on the frequency and timing of shows. Some shows are not held annually, and some shift between quarters. During 2018, GES reported its highest revenue during the second and fourth quarters.

Pursuit experiences peak activity during the summer months. During 2018, 87% of Pursuit's revenue was earned in the second and third quarters.

Results of Operations

Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
(in thousands, except per share data)	2019	2018	% Change	2019	2018	% Change
Revenue	$ 402,279	$ 363,677	10.6%	$ 687,873	$ 641,105	7.3%
Net income (loss) attributable to Viad	$ 13,824	$ 23,490	(41.1)%	$ (3,953)	$ 14,103	**
Segment operating income (1)	$ 46,566	$ 38,762	20.1%	$ 35,314	$ 27,947	26.4%
Diluted income (loss) per common share from continuing operations attributable to Viad common stockholders	$ 0.65	$ 1.16	(44.0)%	$ (0.22)	$ 0.65	**

** Change is greater than +/- 100%

Three months ended June 30, 2019 compared with the three months ended June 30, 2018

- **Total revenue** increased $38.6 million or 10.6%, primarily due to positive show rotation of approximately $19 million, growth from corporate clients, and new business wins at GES, underlying growth at Pursuit, and incremental revenue from Pursuit's Mountain Park Lodges and Belton Chalet acquisitions, and the re-opening of the Mount Royal Hotel, offset in part by an unfavorable foreign exchange impact of $4.9 million.
- **Net income attributable to Viad** decreased $9.7 million, primarily due to charges related to our partial withdrawal from the Central States Pension Plan of $15.5 million ($11.6 million, after-tax) recorded during the three months ended June 30, 2019, offset in part by higher segment operating results at both GES and Pursuit.
- **Total segment operating income (1)** increased $7.8 million, primarily due to the increase in revenue.

Six months ended June 30, 2019 compared with the six months ended June 30, 2018

- **Total revenue** increased $46.8 million or 7.3%, primarily due to positive show rotation of approximately $17 million, new business wins at GES, underlying growth at Pursuit, incremental revenue from Pursuit's Mountain Park Lodges and Belton Chalet acquisitions, and the re-opening of the Mount Royal Hotel, offset in part by an unfavorable foreign exchange impact of $9.4 million.
- **Net income (loss) attributable to Viad** decreased $18.1 million, primarily due to charges related to our partial withdrawal from the Central States Pension Plan of $15.5 million ($11.6 million, after-tax) and a legal settlement charge of $8.5 million ($6.4 million, after tax).
- **Total segment operating income (1)** increased $7.4 million, primarily due to the increase in revenue.

(1) Refer to Note 22 – Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the non-GAAP financial measure, segment operating income, to the most directly comparable GAAP measure.

Foreign Exchange Rate Variances

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

The following table summarizes the foreign exchange rate variance effects (or "FX Impact") on revenue and segment operating income from our significant international operations for the three and six months ended June 30, 2019 and 2018:

Three months ended June 30, 2019 compared with the three months ended June 30, 2018

	Revenue			Segment Operating Income		
	Weighted-Average Exchange Rates		FX Impact	Weighted-Average Exchange Rates		FX Impact
	2019	2018	*(in thousands)*	2019	2018	*(in thousands)*
GES North America:						
Canada (CAD)	$ 0.75	$ 0.78	$ (731)	$ 0.75	$ 0.78	$ (128)
GES EMEA:						
United Kingdom (GBP)	$ 1.28	$ 1.36	$ (2,614)	$ 1.28	$ 1.34	$ (149)
Europe (EUR)	$ 1.12	$ 1.19	(618)	$ 1.12	$ 1.18	(51)
			(3,232)			(200)
Pursuit:						
Canada (CAD)	$ 0.75	$ 0.77	(928)	$ 0.75	$ 0.77	(129)
			$ (4,891)			$ (457)

Six months ended June 30, 2019 compared with the six months ended June 30, 2018

	Revenue			Segment Operating Income		
	Weighted-Average Exchange Rates		FX Impact	Weighted-Average Exchange Rates		FX Impact
	2019	2018	*(in thousands)*	2019	2018	*(in thousands)*
GES North America:						
Canada (CAD)	$ 0.75	$ 0.78	$ (1,448)	$ 0.75	$ 0.78	$ (156)
GES EMEA:						
United Kingdom (GBP)	$ 1.29	$ 1.37	$ (5,185)	$ 1.29	$ 1.36	$ (27)
Europe (EUR)	$ 1.13	$ 1.20	(1,381)	$ 1.13	$ 1.21	(120)
			(6,566)			(147)
Pursuit:						
Canada (CAD)	$ 0.75	$ 0.77	(1,402)	$ 0.75	$ 0.77	200
			$ (9,416)			$ (103)

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

Analysis of Revenue and Operating Results by Reportable Segment

GES

The following table presents a comparison of GES' reported revenue and segment operating income to organic revenue (1) and organic segment operating income (1) for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			% Change	
(in thousands)	As Reported	Acquisitions	FX Impact	Organic (1)	As Reported	Acquisitions	Organic (1)	As Reported	Organic (1)
Revenue:									
GES:									
North America	$ 283,682	$ —	$ (731)	$ 284,413	$ 260,891	$ —	$ 260,891	8.7%	9.0%
EMEA	69,505	—	(3,232)	72,737	60,662	—	60,662	14.6%	19.9%
Intersegment eliminations	(6,317)	—	—	(6,317)	(6,231)	—	(6,231)	(1.4)%	(1.4)%
Total GES	$ 346,870	$ —	$ (3,963)	$ 350,833	$ 315,322	$ —	$ 315,322	10.0%	11.3%
Segment operating income (2) :									
GES:									
North America	$ 30,589	$ —	$ (128)	$ 30,717	$ 23,767	$ —	$ 23,767	28.7%	29.2%
EMEA	4,664	—	(200)	4,864	5,238	—	5,238	(11.0)%	(7.1)%
Total GES	$ 35,253	$ —	$ (328)	$ 35,581	$ 29,005	$ —	$ 29,005	21.5%	22.7%

	Six Months Ended June 30, 2019				Six Months Ended June 30, 2018			% Change	
(in thousands)	As Reported	Acquisitions	FX Impact	Organic (1)	As Reported	Acquisitions	Organic (1)	As Reported	Organic (1)
Revenue:									
GES:									
North America	$ 506,923	$ —	$ (1,448)	$ 508,371	$ 482,955	$ —	$ 482,955	5.0%	5.3%
EMEA	123,881	—	(6,566)	130,447	109,582	—	109,582	13.0%	19.0%
Intersegment eliminations	(9,007)	—	—	(9,007)	(9,509)	—	(9,509)	5.3%	5.3%
Total GES	$ 621,797	$ —	$ (8,014)	$ 629,811	$ 583,028	$ —	$ 583,028	6.6%	8.0%
Segment operating income (2) :									
GES:									
North America	$ 31,197	$ —	$ (156)	$ 31,353	$ 23,688	$ —	$ 23,688	31.7%	32.4%
EMEA	5,799	—	(147)	5,946	5,897	—	5,897	(1.7)%	0.8%
Total GES	$ 36,996	$ —	$ (303)	$ 37,299	$ 29,585	$ —	$ 29,585	25.0%	26.1%

(1) Organic revenue and organic segment operating income are non-GAAP financial measures that adjust for the impacts of exchange rate variances and acquisitions, if any, until such acquisitions are included in the entirety of both comparable periods presented. For more information about organic revenue and organic segment operating income, see the "Non-GAAP Measures" section of this MD&A.

(2) Refer to Note 22 – Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the non-GAAP financial measure, segment operating income (loss), to the most directly comparable GAAP measure.

Three months ended June 30, 2019 compared with the three months ended June 30, 2018

GES North America

GES North America revenue increased $22.8 million or 8.7%, primarily due to growth in revenue from corporate clients and new business wins, as well as positive show rotation of approximately $7 million, offset in part by a decrease in U.S. base same-show revenue of 1.7% and an unfavorable FX Impact of $0.7 million. Base same-show revenue represented 26.2% of GES North America's organic revenue during the three months ended June 30, 2019. Organic revenue* increased $23.5 million or 9.0%.

GES North America segment operating income increased $6.8 million or 28.7%, primarily due to the increase in revenue and cost reductions resulting from restructuring actions. Organic segment operating income* increased $7.0 million or 29.2%.

GES EMEA

GES EMEA revenue increased $8.8 million or 14.6%, primarily due to positive show rotation of approximately $12 million, offset in part by an unfavorable FX Impact of $3.2 million. Organic revenue* increased $12.1 million or 19.9%.

GES EMEA segment operating income decreased $0.6 million or 11.0%, primarily due to the timing of certain expenses and the revenue mix. Organic segment operating income* decreased $0.4 million or 7.1%.

Six months ended June 30, 2019 compared with the six months ended June 30, 2018

GES North America

GES North America revenue increased $24.0 million or 5.0%, primarily due to growth in revenue from corporate clients, new business wins, and U.S. base same-show revenue growth of 1.4%, offset in part by an unfavorable FX Impact of $1.4 million. Base same-show revenue represented 33.0% of GES North America's organic revenue during the six months ended June 30, 2019. Organic revenue* increased $25.4 million or 5.3%.

GES North America segment operating income increased $7.5 million or 31.7%, primarily due to the increase in revenue and cost reductions resulting from restructuring actions. Organic segment operating income* increased $7.7 million or 32.4%.

GES EMEA

GES EMEA revenue increased $14.3 million or 13.0%, primarily due to positive show rotation of approximately $16 million, new business wins, and underlying growth, offset in part by an unfavorable FX Impact of $6.6 million. Organic revenue* increased $20.9 million or 19.0%.

GES EMEA segment operating income decreased $0.1 million or 1.7%, primarily due to the timing of expenses, and the revenue mix, offset in part by the increase in revenue. Organic segment operating income* increased 0.8%.

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

2019 Outlook

Although GES has a diversified revenue base and long-term contracts for future shows, its revenue is affected by general economic and industry-specific conditions. The prospects for individual shows tend to be driven by the success of the industry related to those shows. In general, the exhibition and event industry is experiencing modest growth; however, we continue to experience declines in certain retail-sector events and auto shows.

For 2019, we expect GES' revenue to be up low-single digits from 2018. Show rotation is expected to have a net negative impact on GES' revenue of approximately $20 million compared to 2018. We expect GES U.S. base same-show revenue to increase at a low single digit rate. We anticipate an unfavorable FX Impact of approximately $10.0 million on GES' 2019 full year revenue and approximately $0.5 million on GES' segment operating income. The expected FX Impact assumes that the U.S. dollar to the British pound exchange rate will be $1.27 and the U.S. dollar to the Canadian dollar exchange rate will be $0.76 during the remainder of 2019. For more information about segment operating income, see the "Non-GAAP Measures" section of this MD&A.

We are executing a strategic growth plan to position GES as the preferred global, full-service provider for Live Events. We are making selective investments in additional resources to capitalize on continued growth opportunities in the under-penetrated category of corporate events and in cross-selling new services. We continue to pursue additional opportunities to acquire businesses with proven products and services to create the most comprehensive suite of services for the Live Events industry.

Additionally, we remain focused on improving GES' profitability through continued efforts to effectively manage labor costs by driving productivity gains through rigorous and strategic pre-show planning and on-site labor management. Improving labor productivity is a top priority as we continue to develop and enhance tools to support and systematize show site labor planning, measurement, and benchmarking.

During the second quarter of 2019, we completed some strategic simplification actions, including a facility consolidation in Las Vegas and other restructuring actions that we expect will deliver annualized cost savings of about $8 million.

Pursuit

The following table presents a comparison of Pursuit's reported revenue and segment operating income (loss) to organic revenue (3) and organic segment operating income (loss) (3) for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			% Change	
(in thousands)	As Reported	Acquisitions (1)	FX Impact	Organic (3)	As Reported	Acquisitions	Organic (3)	As Reported	Organic (3)
Revenue (2) :									
Pursuit:									
Attractions	$ 29,836	$ —	$ (681)	$ 30,517	$ 28,650	$ —	$ 28,650	4.1%	6.5%
Hospitality	20,587	3,018	(129)	17,698	15,391	—	15,391	33.8%	15.0%
Transportation	4,007	—	(107)	4,114	3,889	—	3,889	3.0%	5.8%
Travel Planning	1,150	—	(14)	1,164	922	—	922	24.7%	26.2%
Intra-Segment Eliminations & Other	(171)	—	3	(174)	(497)	—	(497)	65.6%	65.0%
Total Pursuit	$ 55,409	$ 3,018	$ (928)	$ 53,319	$ 48,355	$ —	$ 48,355	14.6%	10.3%
Segment operating income (4) :									
Total Pursuit	$ 11,313	$ 1,518	$ (129)	$ 9,924	$ 9,757	$ —	$ 9,757	15.9%	1.7%

	Six Months Ended June 30, 2019				Six Months Ended June 30, 2018			% Change	
(in thousands)	As Reported	Acquisitions (1)	FX Impact	Organic (3)	As Reported	Acquisitions	Organic (3)	As Reported	Organic (3)
Revenue (2) :									
Pursuit:									
Attractions	$ 34,504	$ —	$ (901)	$ 35,405	$ 33,146	$ —	$ 33,146	4.1%	6.8%
Hospitality	24,251	3,018	(264)	21,497	18,146	—	18,146	33.6%	18.5%
Transportation	6,157	—	(216)	6,373	6,258	—	6,258	(1.6)%	1.8%
Travel Planning	1,597	—	(33)	1,630	1,230	—	1,230	29.8%	32.5%
Intra-Segment Eliminations & Other	(433)	—	12	(445)	(703)	—	(703)	38.4%	36.7%
Total Pursuit	$ 66,076	$ 3,018	$ (1,402)	$ 64,460	$ 58,077	$ —	$ 58,077	13.8%	11.0%
Segment operating loss (4) :									
Total Pursuit	$ (1,682)	$ 1,518	$ 200	$ (3,400)	$ (1,638)	$ —	$ (1,638)	(2.7)%	**

** Change is greater than +/- 100%

(1) Acquisitions include Mountain Park Lodges (acquired June 2019) and Belton Chalet (acquired May 2019).

(2) Revenue by line of business does not agree to Note 2 – Revenue and Related Contract Costs and Contract Liabilities in the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) as the amounts in the above table include product revenue from food and beverage and retail operations within each line of business.

(3) Organic revenue and organic segment operating income (loss) are non-GAAP financial measures that adjust for the impacts of exchange rate variances and acquisitions, if any, until such acquisitions are included in the entirety of both comparable periods

presented. For more information about organic revenue and organic segment operating income, see the "Non-GAAP Measures" section of this MD&A.

(4) Refer to Note 22 – Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the non-GAAP financial measure, segment operating income (loss), to the most directly comparable GAAP measure.

Three months ended June 30, 2019 compared with the three months ended June 30, 2018

Pursuit revenue increased $7.1 million or 14.6%, primarily due to incremental revenue from the Mountain Park Lodges and the Belton Chalet acquisitions of $3.0 million and stronger performance from our food and beverage and retail operations as a result of our refresh projects, our revenue management efforts, and the re-opening of the Mount Royal Hotel, offset in part by an unfavorable FX Impact of $0.9 million. Organic revenue* increased $5.0 million or 10.3%.

Pursuit segment operating income increased **$1.6 million or 15.9% primarily due to the increase in revenue, offset in part by additional costs to support continued expansion of the business and an unfavorable FX impact of $0.1 million. Organic segment operating income* increased $0.2 million or 1.7%.**

Six months ended June 30, 2019 compared with the six months ended June 30, 2018

Pursuit revenue increased $8.0 million or 13.8%, primarily due to incremental revenue from the Mountain Park Lodges and the Belton Chalet acquisitions of $3.0 million, continued focus on revenue management and refresh efforts to maximize revenue across Pursuit's attractions and hospitality properties, and the re-opening of the Mount Royal Hotel, offset in part by an unfavorable FX Impact of $1.4 million. Organic revenue* increased $6.4 million or 11.0%.

Pursuit segment operating loss remained relatively flat compared to the prior year. Organic segment operating loss* increased $1.8 million.

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

Performance Measures

We use the following key business metrics to evaluate the performance of Pursuit's attractions business:

- **Number of visitors** . The number of visitors allows us to assess the volume of tickets sold at each attraction during the period.
- **Revenue per attraction visitor** . Total attractions revenue per visitor is calculated as total attractions revenue divided by the total number of visitors at all Pursuit attractions during the period. Total attractions revenue includes ticket sales and ancillary revenue generated by attractions, such as food and beverage and retail revenue. Total attractions revenue per visitor measures the total spend per visitor that attraction properties are able to capture, which is important to the profitability of the attractions business.
- **Effective ticket price** . Effective ticket price is calculated as revenue from the sale of attraction tickets divided by the total number of visitors at all comparable Pursuit attractions during the period.

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

- **Revenue per Available Room.** RevPAR is calculated as total rooms revenue divided by the total number of room nights available for all comparable Pursuit hospitality properties during the period. Total rooms revenue does not include non-rooms revenue, which consists of ancillary revenue generated by hospitality properties, such as food and beverage and retail revenue. RevPAR measures the period-over-period change in rooms revenue per available room for comparable hospitality properties. RevPAR is affected by average daily rate and occupancy, which have different implications on profitability.
- **Average Daily Rate.** ADR is calculated as total rooms revenue divided by the total number of room nights sold for all comparable Pursuit hospitality properties during the period. ADR is used to assess the pricing levels that the hospitality properties are able to realize. Increases in ADR lead to increases in rooms revenue with no substantial effect on variable costs, therefore having a greater impact on margins than increases in occupancy.
- **Occupancy.** Occupancy is calculated as the total number of room nights sold divided by the total number of room nights available for all comparable Pursuit hospitality properties during the period. Occupancy measures the utilization of the available capacity at the hospitality properties. Increases in occupancy result in increases in rooms revenue and additional variable operating costs (including housekeeping services, utilities, and room amenity costs), as well as increases in ancillary non-rooms revenue (including food and beverage and retail revenue).

The following table provides Pursuit's same-store key performance indicators for the three and six months ended June 30, 2019 and 2018. The same-store metrics indicate the performance of all Pursuit's properties and attractions that we owned and operated at full capacity, considering seasonal closures, for the entirety of both periods presented. For Pursuit properties and attractions located in Canada, comparisons to the prior year are on a constant U.S. dollar basis, using the current year quarterly average exchange rates for previous periods, to eliminate the FX Impact. We believe this same-store constant currency basis provides better comparability between reporting periods.

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	% Change	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change
Same-Store Key Performance Indicators (1)						
Attractions:						
Number of visitors	650,724	671,920	(3.2)%	801,890	830,392	(3.4)%
Revenue per attraction visitor	$ 46	$ 42	9.5%	$ 43	$ 39	10.3%
Effective ticket price	$ 35	$ 33	6.1%	$ 33	$ 31	6.5%
Hospitality:						
Room nights available	66,689	66,181	0.8%	94,499	93,991	0.5%
RevPAR	$ 128	$ 122	4.9%	$ 105	$ 102	2.9%
ADR	$ 208	$ 189	10.1%	$ 182	$ 166	9.6%
Occupancy	61.4%	64.7%	(3.3)%	57.9%	61.4%	(3.5)%

(1) Same-Store Key Performance Indicators exclude the Mountain Park Lodges (acquired in June 2019), the Belton Chalet (acquired in May 2019), and the Mount Royal Hotel, which was closed from December 2016 through June 2018 due to fire damage.

Attractions . The decrease in the same-store visitors during the three and six months ended June 30, 2019 was driven by slower visitation primarily due to early season inclement weather that affected visitors at the Columbia Icefield Glacier Adventure and the Maligne Lake Cruise attractions and lower visitation from select long-haul markets. Revenue per visitor increased primarily due to higher effective ticket prices driven by our focus on revenue management, refreshing key assets to enhance the guest experience, and increased programming. Ancillary revenue increased primarily resulting from our recent renovations of the food and beverage and retail operations.

Hospitality . The increase in RevPAR was primarily due to higher ADR driven by our revenue management efforts.

During 2018, Pursuit derived approximately 65% of its revenue and 87% of its segment operating income from its Canadian operations, which are largely dependent on foreign customer visitation. Accordingly, the strengthening or weakening of the Canadian dollar, relative to other currencies, could affect customer volumes and the results of operations.

2019 Outlook

For 2019, we expect Pursuit's revenue to increase 20% to 23.5%. We expect Pursuit's growth to be fueled primarily by investments to support our Refresh-Build-Buy strategy, which we expect to contribute incremental revenue of approximately $28 million to $32 million during 2019, inclusive of $17 million to $19 million from the Mountain Park Lodges and Belton Chalet acquisitions. Additionally, we expect to realize mid-single digit revenue growth across the rest of our attraction and hospitality assets. We expect to incur start-up costs of approximately $1.5 million during 2019 related to the development of our FlyOver attractions. We anticipate an unfavorable FX Impact of approximately $2.0 million on Pursuit's 2019 revenue and a negligible impact to segment operating income.

Other Expenses

(in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	% Change	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	% Change
Corporate activities	$ 3,282	$ 2,535	29.5%	$ 5,115	$ 4,752	7.6%
Interest expense	$ 2,957	$ 2,354	25.6%	$ 5,872	$ 4,423	32.8%
Multi-employer pension plan withdrawal	$ 15,508	$ —	**	$ 15,508	$ —	**
Restructuring charges	$ 4,455	$ 662	**	$ 5,143	$ 824	**
Legal settlement	$ —	$ —	**	$ 8,500	$ —	**
Income tax expense (benefit)	$ 6,565	$ 9,114	(28.0)%	$ (1,030)	$ 4,476	**
Income (loss) from discontinued operations	$ 460	$ (279)	**	$ 173	$ 649	(73.3)%

** Change is greater than +/- 100%

Corporate Activities – The increase in corporate activities expense during the three months ended June 30, 2019 was primarily due to higher acquisition transaction-related costs in 2019. The increase in corporate activities during the six months ended June 30, 2019 was primarily due to an increase in performance-based compensation expense and higher acquisition transaction-related costs in 2019, offset in part by a gain on sale of corporate fixed assets.

Interest Expense – The increase in interest expense was primarily due to higher debt balances and interest rates in 2019.

Multi-Employer Pension Plan Withdrawal – During the three months ended June 30, 2019, we finalized the terms of a new collective-bargaining agreement with the Teamsters 727 union. The terms included a withdrawal from the under-funded Central States Pension Plan. Accordingly, we recorded a charge of $15.5 million, which represents the estimated present value of future contributions we will be required to make to the plan as a result of this withdrawal of this union from the plan.

Restructuring Charges – Restructuring charges during the three and six months ended June 30, 2019 were primarily related to the elimination of certain positions and facility consolidations at GES. Restructuring charges during three months ended June 30, 2018 were primarily related to the elimination of certain positions at GES. Restructuring charges during the six months ended June 30, 2018 were primarily related to the elimination of certain positions at GES and Pursuit.

Legal Settlement – During the six months ended June 30, 2019, we recorded a charge to resolve a legal dispute at GES involving a former industry contractor.

Income Tax Expense (Benefit) – Our effective income tax rate for the three months ended June 30, 2019 was 32.8%, as compared to 27.8% for the three months ended June 30, 2018. The increase in the effective rate was primarily related to increased non-deductible expenses and our mix of domestic versus foreign income, which is taxed at higher rates. For the six months ended June 30, 2019, our effective income tax rate was an 18.7% benefit on our pre-tax loss, as compared to a 25.8% tax expense rate on our pre-tax income during the six months ended June 30, 2018. The lower rate in 2019 was primarily due to increased non-deductible expenses and our mix of domestic versus foreign income, which is taxed at higher rates.

Income (Loss) from Discontinued Operations – Income from discontinued operations for the three and six months ended June 30, 2019 was primarily related to a favorable legal settlement related to previously sold operations. Loss from discontinued operations for the three months ended June 30, 2018 was primarily related to legal expenses associated with previously sold operations. Income from discontinued operations for the six months ended June 30, 2018 was primarily related to a favorable legal settlement related to previously sold operations.

Liquidity and Capital Resources

Cash and cash equivalents were $45.6 million as of June 30, 2019, as compared to $44.9 million as of December 31, 2018. During the six months ended June 30, 2019, we generated net cash from operating activities of $39.5 million. We believe that our existing sources of liquidity will be sufficient to fund operations and capital commitments for at least the next 12 months.

As of June 30, 2019, we held approximately $44.1 million of our cash and cash equivalents outside of the United States, consisting of $19.1 million in Canada, $9.0 million in the Netherlands, $6.6 million in the United Arab Emirates, $5.4 million in the United Kingdom, and $1.3 million in certain other countries. In addition, there was $2.7 million in Iceland related to our investment in Esja, which we will use to develop the FlyOver Iceland attraction.

Cash Flows

Operating Activities

(in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net income (loss)	$ (4,318)	$ 13,545
Depreciation and amortization	27,715	28,178
Deferred income taxes	6,215	2,727
Income from discontinued operations	(173)	(649)
Legal settlement	8,500	—
Impairment recoveries	—	(35)
Multi-employer pension plan withdrawal	15,508	—
Other non-cash items	11,256	6,154
Changes in assets and liabilities	(25,166)	(18,460)
Net cash provided by operating activities	$ 39,537	$ 31,460

The increase in cash provided by operating activities of $8.1 million was primarily due to an increase in segment results of operations and deferred income taxes, offset in part by an unfavorable change in working capital.

Investing Activities

(in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Capital expenditures	$ (46,517)	$ (43,429)
Cash paid for acquired businesses, net	(72,918)	(4,628)
Proceeds from dispositions of property and other assets	768	1,292
Net cash used in investing activities	$ (118,667)	$ (46,765)

Net cash used in investing activities increased $71.9 million primarily due to the Mountain Park Lodges and the Belton Chalet acquisitions in 2019.

Financing Activities

(in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Proceeds from borrowings	$ 133,827	$ 80,051
Payments on debt and finance lease obligations	(47,862)	(51,607)
Dividends paid on common stock	(4,034)	(4,095)
Payment of payroll taxes on stock-based compensation through shares withheld or repurchased	(2,994)	(1,024)
Common stock purchased for treasury	—	(9,061)
Proceeds from exercise of stock options	92	84
Net cash provided by financing activities	$ 79,029	$ 14,348

Net cash provided in financing activities increased $64.7 million primarily due to net debt proceeds, including finance lease obligations, of $ 86.0 million during the six months ended June 30 , 2019 compared to $2 8.4 million during the six months ended June 30 , 2018 as well as the repurchase of treasury shares on the open market in 2018 .

Debt and Finance Lease Obligations

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

Share Repurchases

Our Board of Directors has authorized us to repurchase shares of our common stock from time to time at prevailing market prices. Effective February 7, 2019, our Board of Directors authorized the repurchase of an additional 500,000 shares. No shares were repurchased on the open market during the six months ended June 30, 2019. During the six months ended June 30, 2018, we repurchased 175,091 shares on the open market for $9.1 million. As of June 30, 2019, 600,067 shares remained available for repurchase. The Board of Directors' authorization does not have an expiration date.

Additionally, we repurchased shares related to tax withholding requirements on vested restricted stock awards.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements with unconsolidated special-purpose or other entities that would materially affect our financial position, results of operations, liquidity, or capital resources. Furthermore, we do not have any relationships with special-purpose or other entities that provide off-balance sheet financing; liquidity, market risk, or credit risk support; or engage in leasing or other services that may expose us to liability or risks of loss that are not reflected in the condensed consolidated financial statements and related notes. Refer to Note 12 – Debt and Finance Lease Obligations and Note 20 – Litigation, Claims, Contingencies, and Other of the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this quarterly report on Form 10-Q) for further information, which information is incorporated by reference herein.

Critical Accounting Policies and Estimates

Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7) of our 2018 Form 10-K, for a discussion of our critical accounting policies and estimates.

Impact of Recent Accounting Pronouncements

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

Non-GAAP Measures

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

- **"Segment operating income"** is net income attributable to Viad before income (loss) from discontinued operations, corporate activities, interest expense and interest income, income taxes, restructuring charges, and the reduction for income attributable to noncontrolling interest. Segment operating income is used to measure the profit and performance of our operating segments to facilitate period-to-period comparisons. Refer to Note 22 – Segment Information of the Notes to Condensed Consolidated Financial Statements for a reconciliation of segment operating income (loss) to income (loss) from continuing operations before income taxes.
- **"Organic revenue"** and **"organic segment operating income (loss)"** are revenue and segment operating income (loss) (as defined above), respectively, without the impact of exchange rate variances and acquisitions, if any, until such acquisitions are included in the entirety of both comparable periods. The impact of exchange rate variances is calculated as the difference between current period activity translated at the current period's exchange rates and the comparable prior period's exchange rates. We believe the presentation of "organic" results permits investors to better understand our performance without the

effects of exchange rate variances or acquisitions and to facilitate period-to-period comparisons and analysis of our operating performance. Refer to the "Results of Operations" section of this MD&A for reconciliations of organic revenue and organic segment operating income (loss) to the most directly comparable GAAP measures.

Non-GAAP Measures are considered useful operating metrics as they eliminate potential variations arising from taxes, debt service costs, and the effects of discontinued operations, resulting in additional measures considered to be indicative of our ongoing operations and segment performance. Although we use Non-GAAP Measures to assess the performance of our business, the use of these measures is limited because these measures do not consider material costs, expenses, and other items necessary to operate our business. These items include debt service costs, expenses related to U.S. federal, state, local and foreign income taxes, the effects of discontinued operations, as well as exchange rate variances. As the Non-GAAP Measures do not consider these items, you should consider net income attributable to Viad as an important measure of financial performance because it provides a more complete measure of our performance.

Forward-Looking Non-GAAP Financial Measure

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Our foreign operations are primarily in Canada, the United Kingdom, the Netherlands, Germany, and to a lesser extent, in certain other countries. The functional currency of our foreign subsidiaries is their local currency. Accordingly, for purposes of consolidation, we translate the assets and liabilities of our foreign subsidiaries into U.S. dollars at the foreign exchange rates in effect at the balance sheet date. The unrealized gains or losses resulting from the translation of these foreign denominated assets and liabilities are included as a component of accumulated other comprehensive income (loss) in the Condensed Consolidated Balance Sheets. As a result, significant fluctuations in foreign exchange rates relative to the U.S. dollar may result in material changes to our net equity position reported in the Condensed Consolidated Balance Sheets. We do not currently hedge our equity risk arising from the translation of foreign denominated assets and liabilities. We recorded cumulative unrealized foreign currency translation losses in stockholders' equity of $27.2 million as of June 30, 2019 and $36.3 million as of December 31, 2018. We recorded unrealized foreign currency translation gains in other comprehensive income of $9.9 million during the six months ended June 30, 2019 and unrealized foreign currency translation losses of $11.2 million during the six months ended June 30, 2018, in each case, net of tax.

For purposes of consolidation, revenue, expenses, gains, and losses related to our foreign operations are translated into U.S. dollars at the average foreign exchange rates for the period. As a result, our consolidated results of operations are exposed to fluctuations in foreign exchange rates as revenue and segment operating income (loss) of our foreign operations, when translated, may vary from period to period, even when the functional currency amounts have not changed. Such fluctuations may adversely impact overall expected profitability and historical period-to-period comparisons. We do not currently hedge our net earnings exposure arising from the translation of our foreign revenue and segment operating income. Refer to "Foreign Exchange Rate Variances" section of this MD&A.

We are exposed to foreign exchange transaction risk, as our foreign subsidiaries have certain revenue transactions denominated in currencies other than the functional currency of the respective subsidiary. From time to time, we utilize forward contracts to mitigate the impact on earnings related to these transactions due to fluctuations in foreign exchange rates. As of June 30, 2019 and December 31, 2018, we did not have any outstanding foreign currency forward contracts.

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

Item 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate to allow timely decisions regarding required disclosure. Management, together with our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2019.

There were no changes in our internal control over financial reporting during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Refer to Note 20 – Litigation, Claims, Contingencies, and Other of the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding our legal proceedings that is incorporated by reference herein.

Item 1A. RISK FACTORS

In addition to other information set forth in this report, careful consideration should be given to the factors discussed in Part I, Item 1A – Risk Factors and Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2018 Form 10-K, which could materially affect our business, financial condition, or future results.

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

The following table summarizes the total number of shares of our common stock that were repurchased during the three months ended June 30, 2019 pursuant to publicly announced plans or programs, as well as certain previously owned shares of common stock that were surrendered by employees, former employees, and non-employee directors for tax withholding requirements on vested share-based awards.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2019 - April 30, 2019	—	$ —	—	600,067
May 1, 2019 - May 31, 2019	—	$ —	—	600,067
June 1, 2019 - June 30, 2019	150	$ 64.24	—	600,067
Total	150	$ 64.24	—	600,067

Pursuant to previously announced authorizations, our Board of Directors has authorized us to repurchase shares of our common stock from time to time at prevailing market prices. Effective February 7, 2019, our Board of Directors approved an additional 500,000 shares to repurchase. No shares were purchased on the open market during the six months ended June 30, 2019. The Board's authorization has no expiration date.

Item 6. E XHIBITS

Exhibit Number		Exhibit Description	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
2.1		Share Purchase Agreement, dated May 27, 2019, by and among Brewster Travel Canada Inc., Jas-Day Investments Ltd., and 2192449 Alberta Ltd.	8-K		2.1	5/30/2019
2.2		Share and Unit Purchase Agreement, dated May 27, 2019, by and among Brewster Travel Canada Inc., Jas-Day Investments Ltd., 2187582 Alberta Ltd., and the Sawridge Hotels Limited Partnership.	8-K		2.2	5/30/2019
4.A2		Amendment No. 1 to Second Amended and Restated Credit Agreement .	8-K		4.A2	7/25/2019
10.D1	+	Viad Corp Supplemental TRIM Plan, as amended and restated effective January 1, 2005 for Code Section 409A.	8-K		10.E	8/29/2007
31.1	*	Certification of Chief Executive Officer of Viad Corp pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the period ended June 30, 2019.				
31.2	*	Certification of Chief Financial Officer of Viad Corp pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the period ended June 30, 2019.				
32.1	**	Certifications of Chief Executive Officer and Chief Financial Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the period ended June 30, 2019.				
101	*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.				
104	*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL.				

* Filed herewith.
** Furnished herewith.
\+ Management contract or compensation plan or arrangement.

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)

August 2, 2019	By:	/s/ Leslie S. Striedel
(Date)		Leslie S. Striedel Chief Accounting Officer (Duly Authorized Officer)

Exhibit 31.1

CERTIFICATION

I, Steven W. Moster, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viad Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

By: /s/ Steven W. Moster
Steven W. Moster
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ellen M. Ingersoll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viad Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

By: /s/ Ellen M. Ingersoll
Ellen M. Ingersoll
Chief Financial Officer

Exhibit 32.1

Certifications of
Chief Executive Officer and Chief Financial Officer
Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the
Sarbanes-Oxley Act of 2002

I, Steven W. Moster, Chief Executive Officer of Viad Corp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Viad Corp's Quarterly Report on Form 10-Q for the three months ended June 30, 2019, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in Viad Corp's Quarterly Report on Form 10-Q fairly presents, in all material respects, Viad Corp's financial condition and results of operations.

Date: August 2, 2019

By: /s/ Steven W. Moster
Steven W. Moster
President and Chief Executive Officer

I, Ellen M. Ingersoll, Chief Financial Officer of Viad Corp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Viad Corp's Quarterly Report on Form 10-Q for the three months ended June 30, 2019, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in Viad Corp's Quarterly Report on Form 10-Q fairly presents, in all material respects, Viad Corp's financial condition and results of operations.

Date: August 2, 2019

By: /s/ Ellen M. Ingersoll
Ellen M. Ingersoll
Chief Financial Officer