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# EDITED TRANSCRIPT

AHC - Q4 2012 A. H. Belo Corporation Earnings Conference Call

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## CORPORATE PARTICIPANTS

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**Robert Decherd** *A. H. Belo Corporation - President, CEO*

**Jim Moroney** *A. H. Belo Corporation - EVP*

**Dan Blizzard** *A. H. Belo Corporation - SVP - Operations*

## CONFERENCE CALL PARTICIPANTS

**John Cornwright** *JP Media - Analyst*

**Barry Lucas** *Gabelli & Co. - Analyst*

**Richard Diamond** *Strait Lane Capital Partners - Analyst*

**David Cohen** *Athena Capital Management - Analyst*

**Dennis Leibowitz** *Act II Partners - Analyst*

**Chris Mooney** *Esposito Securities - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Fourth Quarter and Full Year 2012 Financial Results Conference Call. At this time, all participants are in a listen-only mode. You will have an opportunity to ask questions after the presentation. Instructions will be given at that time.

(Operator Instructions)

As a reminder, this call is being recorded. I would now like to turn the conference call over to our host, Ali Engel. Please go ahead.

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**Ali Engel** - *A. H. Belo Corporation - SVP, CFO*

Thank you, Mary. Good afternoon, everyone. Welcome to A. H. Belo Corporation's full year 2012 and fourth quarter conference call. Earlier today we issued a press release announcing full year 2012 and fourth quarter net income and posted this release on our website.

Robert Decherd, our Chief Executive Officer, will lead today's call. I will provide a detailed look at full-year 2012 and fourth quarter results. And Jim Moroney, Executive Vice President of the Company and Dan Blizzard, Senior Vice President of Operations, are available for Q&A.

Let me also note that our discussion will include forward-looking statements. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements. Additional information about these factors is detailed in the Company's press releases and publicly available filings with the SEC.

In addition, we will discuss non-GAAP financial measures during this conference call. We believe that non-GAAP financial measures, included -- including but not limited to adjusted EBITDA, provide useful supplemental information to assist investors in determining performance comparisons to our peers. Reconciliations to the most directly comparable financial measures presented in accordance with GAAP are provided in our press release and on our website under the Investor Relations section.

Now I will turn it over to Robert. Robert?



**Robert Decherd** - A. H. Belo Corporation - President, CEO

Thank you, Ali, and good afternoon, everyone. Earlier today A. H. Belo Corporation announced net income of \$0.01 per share for full year 2012 compared to a net loss of \$0.51 per share in 2011. In the fourth quarter of 2012, the Company had net income of \$0.11 per share compared to a net income of \$0.12 per share in the fourth quarter of 2011.

For the first time since our spinoff from Belo Corp in 2008, A. H. Belo was net income positive, an outstanding accomplishment during these transformational times. The Company delivered 2012 adjusted EBITDA of \$41.8 million, exceeding the high end of our previous guidance, a reflection of the steadfast commitment of our operating and corporate teams to reduce and contain expenses while redoubling efforts to stabilize and diversify revenue streams.

As of December 31, 2012 we remained debt free. Cash and cash equivalents were \$34.1 million. On January 4, 2013 we terminated the Company's credit agreement to gain greater financial and operating flexibility and eliminate substantial costs related to the credit agreement.

In 2013 we are going to continue to use the flexibility provided by our debt free balance sheet to reinvest in our business, reduce pension liability and increase shareholder returns. We continue to anticipate full year 2013 adjusted EBITDA in the range of \$37 million to \$41 million. This range assumes the rate of decline in advertising revenue improves modestly and is partially offset by increases in circulation, printing and distribution revenues.

The 2013 adjusted EBITDA range of \$37 million to \$41 million assumes no gains from real estate dispositions. Dan Blizzard continues to work on monetizing non-core real estate in Dallas, Providence and Riverside through outright sales, subleasing sales leasebacks and/or development partnerships. As I've stated before, there will be no fire sales of our real estate.

Capital spending will be approximately \$8 million in 2013. Technology including production-related technology is the driver of capital expenditures this year just as it was in 2012.

The efficient deployment of capital is the top priority for the board of directors and management committee. On November 9, 2012 the board declared a first quarter 2013 cash dividend of \$0.06 per share, which was paid on February 1, 2013 to shareholders of record at the close of business on January 11, 2013. We expect to pay three additional quarterly dividends this year.

During the last two months of 2012 we began repurchasing shares at a modest pace. Approximately 74,000 shares were purchased for a cost of \$350,000. We will continue these repurchases at modest levels throughout 2013.

Ali will now provide some detail around full year 2012 and the fourth quarter financial results, and after which we will be happy to take your questions. Ali?

**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Thank you, Robert. A. H. Belo reported net income of \$0.01 per share for the full year 2012 and net income of \$0.11 per share in the fourth quarter of 2012.

Fourth quarter 2012 net income includes noncash expenses of \$2.4 million for the impairment of certain press related assets in Southern California and \$600,000 of cost of cease printing certain commercial products.

Adjusted EBITDA, or earnings before interest, taxes, depreciation and amortization with pension expense, impairment expense and net investment-related losses added back, was \$41.8 million for the full-year 2012, exceeding the high end of our previous guidance. Adjusted EBITDA for the full year decreased 12% compared to the prior year, a fully anticipated decrease, anticipate decrease, reflecting our investments in new products and marketing. Adjusted EBITDA for the fourth quarter of 2012 was \$13.6 million, a decrease of 39% compared to the prior year period.

Total revenue decreased 5% in 2012 to \$40 million. Excluding the impact of the Super Bowl in Dallas in 2011, total revenue decreased 4% in 2012, the lowest year-over-year decline since the Company's spinoff from Belo Corp in 2008.

In the fourth quarter of 2012 total revenue decreased 6% to \$117.2 million. Advertising and marketing services revenue, including print and digital revenue, decreased 9% for the full year 2012 and 10% in the fourth quarter. Full year and fourth quarter advertising revenue was strongest at the Press-Enterprise, followed by the Dallas Morning News and the Providence Journal.

For the full year circulation revenue was \$136.4 million, a decrease of 2% compared to 2011. Excluding \$2.7 million of year-over-year increase in circulation revenue resulting from the Providence Journal's transition from a carrier to a distributor circulation model at the end of 2011, total circulation revenue decreased 4% as single copy sales declined primarily in Dallas due to the impact of the Dallas Mavericks NBA championship and the Texas world -- the Texas Rangers World Series run in 2011. Circulation revenue was \$33.9 million in the fourth quarter, a 4% decrease to the prior year period.

For the full year 2012, printing and distribution revenue increased 16% to \$45.3 million, due primarily to expansion of commercial and printing distribution contracts in Providence and Riverside. However, 27% of this increase pertained to Southern California's North County Times, whose owners ceased printing the publication with the Company in October 2012, well before the expiration of a multiyear contract. The Company is pursuing multiple remedies to this breach of contract.

In the fourth quarter printing and distribution revenue increased 14% to \$11.5 million due to the expansion of commercial printing and distribution contracts mainly at the Providence Journal.

Total consolidated operating expense was \$440.7 million for the full year 2012. Excluding the effect of pension and impairment expenses in both periods, operating expense in 2012 was \$434.5 million, a 4% decrease compared to the prior year. This decrease was primarily driven by lower salaries and wages, news print, computer repair and maintenance and depreciation expenses.

Total consolidated operating expense in the fourth quarter was \$115 million. Excluding the effect of pension and impairment expense in both periods, operating expense in the fourth quarter was \$111.17 million, about flat to the prior year period.

The Company continued its efforts to address pension plan under funding and reduce the cost of operating the Company's frozen plans. On October 3, 2012, Company sponsored pension plans offered buyouts to 1,433 participants. A total of 889 participants accepted the offer, which is expected to reduce the projected benefit obligation by \$14.5 million. As of December 31, 2012 approximately 93% of the plan's participants accepting the offer were paid a total of \$9.8 million from the plan's assets.

At the end of 2012 A. H. Belo recorded a \$10.6 million charge to its accumulated other comprehensive loss account on the balance sheet due to a decline in the composite discount rate of the Company's defined benefit pension plans. On December 31, 2012 the composite discount rate for the plans was 3.7%, a 50 basis point decline from December 31, 2011.

As a result of favorable investment performance and other factors, and despite a decline in the discount rate, the pension plan's net underfunded balance improved to a \$122.8 million as of December 31, 2012, versus \$146 million at the end of 2011.

In December 2012, DMNmedia, the marketing solutions group of the Dallas Morning News, announced the acquisition of the assets of DG Publishing, Inc., a magazine publisher of high-end resource guides, including Design Guide Texas and The Texas Wedding Guide. The purchase further strengthens the Morning News' media portfolio in the luxury magazine segment and will complement FD Luxe, a premium lifestyle magazine targeting affluent customers in North Texas.

Turning to the balance sheet, total assets were approximately \$291.9 million as of December 31, 2012, and included \$34.1 million of cash and cash equivalents. Capital expenditures were approximately \$11.3 million for the full year 2012 and \$4.6 million for the fourth quarter.



On December 31, 2012 the Company had approximately 2,000 full-time equivalent employees, a decrease of approximately 4% compared to the prior year. And I'll turn it back over to Robert.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Thanks Ali. And, operator, we're ready to take the questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). And our first question comes from the line of [John Cornwright] with JP Media. Please go ahead.

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**John Cornwright** - *JP Media - Analyst*

Yes, Robert, just some quickies. I missed what you said about CapEx in 2013.

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**Ali Engel** - *A. H. Belo Corporation - SVP, CFO*

\$8 million.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

yes.

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**John Cornwright** - *JP Media - Analyst*

Okay. Going into the fourth quarter ad revenue was down 8% and then it got worse in the fourth quarter, especially display advertising which you say was 19%, display print advertising down 19% in the fourth quarter, which was the worst of the year, maybe the worst quarter ever in display advertising. What's going on there, and I assume all three newspapers are hurting in retail.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

John, let me ask Jim to give you some detail on it, but the short end is October was a very difficult month in Dallas particularly, inexplicably. There was good momentum as you'll recall --

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**John Cornwright** - *JP Media - Analyst*

Yes.



**Robert Decherd** - *A. H. Belo Corporation - President, CEO*

In the third quarter we were up in August, up in September and then just fell apart for 30 days. And November and December firmed up, but we were just too far behind the curve. I think the underlying reasons are unchanged from what we've been facing as an industry and as a company, but it was just that one month that threw us completely off track and we're now back on. Jim?

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

John, it was the -- October for the Dallas Morning News was the worst month of the year and half of the decrease by percent was attributable to two things, about a \$0.5 million schedule that we had in prior year from Bank of America, which was one of those we're sorry, and we apologize and we're going to make things better full ad, full page ad campaigns that ran in October not to be repeated obviously.

And then we had the \$0.5 million of advertising directly attributable to the World Series run in October of the Texas Rangers, which if you might recall they ended up with one playoff game in 2012 to make it into the whole series run, and they lost that. And so we lost every bit of that year-over-year advertising.

So that was -- if that hadn't happened we would have had a mid-single digit decline in October, which would have -- which was roughly what we had in November. So those two months would have been similar. And then we come up with December, which was flat or slightly up in ad revenue, so it continues to be very volatile and unpredictable. And each month seems to have its own characteristics about what's up and what's not up by category.

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**John Cornwright** - *JP Media - Analyst*

Do you expect the first quarter ad revenue to be down in the single digits?

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

That's correct.

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**John Cornwright** - *JP Media - Analyst*

Okay.

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

For the Dallas Morning News. Now I want to defer to Ali and Robert on the other two papers for more.

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**Robert Decherd** - *A. H. Belo Corporation - President, CEO*

Yes John. We're looking at different scenarios in the three markets. Riverside as noted in our comments actually had the best year-over-year percent performance in the fourth quarter. They've come off of that a little bit in the first part of the first quarter. Providence has had the toughest sledding in the last six to 12 months because of the local economy and just all the conditions in the State of Rhode Island. So they will by percent probably be down closer into the high single digits just looking ahead, but that's as much visibility as we've got right now.

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**John Cornwright** - *JP Media - Analyst*

Okay. But the 10% fourth quarter decline in the first quarter it will be "better."



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**Robert Decherd** - A. H. Belo Corporation - President, CEO

"Correct."

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**John Cornwright** - JP Media - Analyst

Okay. Given the fourth quarter experience in retail in Dallas, are you leaving retail ad pricing alone?

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**Jim Moroney** - A. H. Belo Corporation - EVP

Yes. John, we're really looking at it on a literally a retailer by retailer case category by category case. So if we think that there is a marketplace reason to adjust rates and we can wind up with a better debt revenue situation based on volumes and rates, we'll certainly do that. If we don't think there's anything to be gained from a volume basis as opposed to whatever the revenue decline would be then we're not going to mess with the rates at all.

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**John Cornwright** - JP Media - Analyst

It sounds like in general retail ad pricing for 2013 will probably be give or take flat.

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**Jim Moroney** - A. H. Belo Corporation - EVP

Yes. I think that's right. We've gone in mostly with the same rates than we've been using in 2012. And obviously as you would know, a lot of those bigger contracts come up during the fourth quarter and we were seeing more of a flat type rate environment.

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**John Cornwright** - JP Media - Analyst

And lastly, any guidance on pension contributions mandatory or not mandatory?

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Yes. We've -- as we said at investor day, right now we're planning on about \$21 million pension contributions in 2013. We're still discussing internally the timing of that, those contributions that's incremental or more than what the required contribution would be. So we should have more of an update on that I think on our next call.

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**John Cornwright** - JP Media - Analyst

You're saying the \$21 million includes some voluntary.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

That's correct.

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**John Cornwright** - JP Media - Analyst

How might it -- if it was \$21 million how would it break out?



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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

In terms of voluntary and involuntary?

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**John Cornwright** - JP Media - Analyst

Yes.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Yes. We didn't provide that information.

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**Robert Dechard** - A. H. Belo Corporation - President, CEO

John, the way to think of it is the 21 is the run rate pre relief.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Yes.

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**Robert Dechard** - A. H. Belo Corporation - President, CEO

And that's what we have in the budget.

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**John Cornwright** - JP Media - Analyst

Okay.

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**Robert Dechard** - A. H. Belo Corporation - President, CEO

Relief is considerably below that, but when you look at the progress we've made in the last year with the plan we want to make sure we keep that momentum without going beyond the budget, if you will. There's no voluntary beyond that. It's the run rate pre relief.

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**John Cornwright** - JP Media - Analyst

Okay. Ali, just one last thing, or Robert I should say, is given some improvement in Riverside in 2012 or at least in the second half of 2012, is Riverside now profitable?

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**Robert Dechard** - A. H. Belo Corporation - President, CEO

Yes.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Yes. It's been profitable. They have -- it's a lower EBITDA amount than what we're -- what's being contributed by our other two properties, but we have worked the cost side of that equation to make sure they are contributing to EBITDA in every year.

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**John Cornwright** - JP Media - Analyst

Thank you for your time.

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**Robert Decherd** - A. H. Belo Corporation - President, CEO

You bet.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Absolutely.

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**Operator**

Our next question comes from the line of Barry Lucas. Please go ahead.

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**Barry Lucas** - Gabelli & Co. - Analyst

Good afternoon and thank you. Two areas of kind of update if you could, Robert, maybe from Jim sort of the where are we on the digital transition, what's been the experience, what changes should we look for in terms of strategy or tactics as you migrate more of your customers over?

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**Jim Moroney** - A. H. Belo Corporation - EVP

Well I think the biggest thing that, Barry, that we're looking at for 2013 we will hit the second year of having the "pay wall" up. And we've learned a lot about that over the past two years. You will probably see the Morning News migrate to more of a strategy that you're seeing with other people on a metered basis. We think that probably is smarter for us now.

And I think more important than that we have offered digital-only subscriptions, but we've really not strategically marketed digital-only subscriptions. And we did a lot of research in the fourth, well third and fourth quarters that sets us up for how we go to market to apply our digital subscriptions with investments not unlike what we do to apply our subscriptions.

So we've had a very, very high price on digital subscriptions, digital-only subscriptions to date, and we've found that we can probably bring that price down a little bit and have little or no downgrading of print subscriptions based on the difference in the two prices. So you'll see us rolling that out this year as well as and somewhat closer to metered model.

I think the third thing is we've really put a lot of more emphasis on our digital ad sales, particularly as we went into 2012, and our year-over-year increases in digital ad sales have begun to strengthen a lot in the fourth quarter and are starting off the New Year in a similar way, very strong year-over-year increases, more than we've seen in the last couple of years. And I think that's just due to more resources, and better strategy and more sales pressure.

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**Robert Decherd** - A. H. Belo Corporation - President, CEO

Jim, you might mention our traffic numbers despite the pricing.

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**Jim Moroney** - A. H. Belo Corporation - EVP

Oh and our unique visitors and our page views to dallasnews.com are back at where they were at the time we put the pay wall in, and of course if you can imagine you put a pay wall in you expect your page views and unique visitors to go down because people hit the wall and aren't able to access certain content. We're now back at and even at times above where we were pre first quarter of 2011. And we think with the meter model that will only absolutely increase because it will make more page views available to people who come in only to see an article or two.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

We're also seeing a nice increase in traffic on our mobile platforms, particularly after the implementation of our mobile app site last -- at the end of last year.

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**Jim Moroney** - A. H. Belo Corporation - EVP

We've had record, also record pay views on our iPad [negative] app for the last several months. So we're seeing a lot of good traffic coming to our, all of our platforms.

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**Barry Lucas** - Gabelli & Co. - Analyst

Great. Jim, as long as I've got you, there was a fair amount of discussion back at the investor day about putting some money back into marketing [dow cors] for the Morning News. And I'm just wondering if you, one, could comment about the response to that, how satisfied you were and what does the marketing spend look like to support the Morning News this year. Is it up, down, stays flat? How could you address that?

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**Jim Moroney** - A. H. Belo Corporation - EVP

We put a big brand campaign in the marketplace and have been very pleased with the results to date. We're sort of in what we call Phase 1.5 on the way to Phase 2 in that campaign. And we've had a lot of positive feedback from the marketplace on it and so we feel real good about it. We initially, Barry, talked about putting \$4 million incremental dollars of brand advertising against the Morning News in 2012.

We've probably got about two and half of that invested during the year based on some creative executions not happening as quickly as we wanted them to. This year we've got \$4 million in again, so it would be about, probably about \$1 million, \$1.5 million increase year-over-year on that spend.

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**Barry Lucas** - Gabelli & Co. - Analyst

Okay. And last time other than that very small parcel that got sold in California, could we get some update on real estate other than not a fire sale, Robert?

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**Robert Decherd** - A. H. Belo Corporation - President, CEO

Well there won't be a fire sale. Barry, we're making good headway on both coasts. Dan is spending a lot of time in Riverside and Providence there. There are things happening in those markets that are encouraging and I know this is a very general response, but certainly the Southern California real estate market is improved in the commercial market particularly. We will get something done in one of those markets this year.



That's the way to think of it, order of magnitude to be determined, but I'm just expressing a view, my own view that things are improving to an extent that logically you would expect something to happen before the end of 2013.

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**Barry Lucas** - *Gabelli & Co. - Analyst*

Great. Thank you, Robert.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Sure.

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**Operator**

Our next question comes from the line of Richard Diamond. Please go ahead.

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**Richard Diamond** - *Strait Lane Capital Partners - Analyst*

Yes. I have two questions. First, as residential real estate and housing picks up, can you discuss the benefits that will accrue to A. H. Belo?

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Sure. Jim, you want to --

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

Yes. Well I think that's probably a tale of three different places, Richard. The first here in Dallas, interestingly we never really went through the kind of housing trough that was experienced in so many other markets, particularly on the coast and Riverside being sort of the epicenter of that whole subprime meltdown.

So for the Dallas Morning News, while it's certainly the housing market here is improved in the -- over the last couple of years and is frankly in some ways kind of strong now, the incremental pickup in advertising for us on existing homes won't be that great.

Where we're going to see most of the pickup is the starting of new homes and the marketing of those new homes through both the paper and through our digital platform. So that's where that would come from. If you go to Riverside and then Providence you did see particularly Riverside some really strong decreases in home values and then the whole market sort of drying up.

And that also is it's picking up, but I don't know that I would call it strong at this point in time, but it should as the same in Providence eventually find its way both into some increased classified in the paper and more particularly strength with different online advertising executions by the realtors.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Richard, just to amplify on Providence and Riverside, Providence doesn't have as much inventory, and so what does come on the market tends to sell, but then much lower price than two or three years ago. And Riverside the inventory is coming down and the prices obviously came way down, but both are still are working through a lot of foreclosures. And the revenue we've had in both markets has been as much from the foreclosure



actions and the legal postings and requirements that are associated with those as it has been in generating new leads for new homes or existing homes, but they're firming up.

I think in timing Riverside is going to be stronger sooner. We're already seeing that. I see Providence going sideways for a little bit longer and all the economics or economic analysis of the Rhode Island market say that it's going to be a couple years before it's really moving in the right direction again.

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**Richard Diamond** - *Strait Lane Capital Partners - Analyst*

But it does follow that as real estate recovers, whether fast or slow that A. H. Belo will be a beneficiary of that trend.

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**Robert Decherd** - *A. H. Belo Corporation - President, CEO*

Yes definitely.

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**Richard Diamond** - *Strait Lane Capital Partners - Analyst*

Second question, can you discuss the benefits to be gained by AHC's seven-day distribution network versus the US Post Office now at five days a week of delivery?

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**Ali Engel** - *A. H. Belo Corporation - SVP, CFO*

Richard, I had Jim working on this for you as of yesterday. So --

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

So, Richard, the -- for us there isn't any real just if you look at the Dallas Morning News or most newspapers, specifically three's not a big opportunity for us per se. It kind of comes into a competitive place and it really comes back to Valassis.

As I think you're aware, the US Postal Service granted them a special NSA. It gave them some preferential pricing that would make it difficult for us in the newspaper business to compete with them. And by cutting out Saturday delivery it has this effect most of the Valassis business is done on Tuesday and Wednesday in the week. That's their delivery.

And this NSA that they were granted by the post office requires them to start a new program. They can't just take their existing program and lower the rate. So they have to start a new program, and most likely place for them to start a new program would of course be to go the weekend and do a Friday/Saturday type program to challenge our Sunday programs that are so strong with newspapers. Well if the US Postal Service is not going to deliver on Saturday it makes it much more difficult in my opinion for Valassis to take advantage of this NSA and launch new programs.

Now that would be good for Riverside and for Providence, but here in Dallas as you may be aware we actually have a co-distribution agreement with Valassis that's advantageous for both of us, and therefore the idea that they would have started a competitive program with this special NSA in Dallas was very doubtful to begin with. I see for A. H. Belo the competitive event being more of a less likelihood of seeing them starting another program in Riverside or Providence to compete with our Sunday preprint business.

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**Richard Diamond** - *Strait Lane Capital Partners - Analyst*

Thank you very much.

**Operator**

And your next question comes from the line of David Cohen. Please go ahead.

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**David Cohen** - *Athena Capital Management - Analyst*

Good afternoon, guys.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Hi David.

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**David Cohen** - *Athena Capital Management - Analyst*

At the time of the analyst day you gave us some insight as to what kind of EBITDA losses from 508 Digital and Speakeasy were included in the 2013 forward look. Has anything changed in either of those situations that we should be aware of?

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

No. I don't think anything materially. I think that what we looked at in terms of EBITDA, negative EBITDA for '13 between those two companies is probably pretty close to what it was when we talked to you back in September.

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**David Cohen** - *Athena Capital Management - Analyst*

And would you say that the revenue ramp on particularly on 508 has been pushed out to the right at all? A little bit, but really what's happened is we've seen our average value order going up and the volume coming down a little bit so that the resulting actual revenue number being fairly consistent, just coming from a little different mix of volume and average value order, but I'd say it's been pushed out the right a little bit.

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**David Cohen** - *Athena Capital Management - Analyst*

Thanks very much.

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**Operator**

Our next question comes from the line of Dennis Leibowitz. Please go ahead.

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**Dennis Leibowitz** - *Act II Partners - Analyst*

Yes, just a couple of scattered ones. That [pretty] contract where you're in litigation. Is that at all significant in terms of profitability? I guess that's the first one.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

It was about \$0.5 million of EBITDA a year for us. We got that after we'd set the 2012 plan so it wasn't really anything too incremental to the 2012 plan. And then we started and stopped within the year so a little more material obviously probably on the revenue side, but we're not actually in litigation, also just want to be clear on that. We're working the different parties to try to come to a resolution.

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**Dennis Leibowitz** - Act II Partners - Analyst

But that doesn't mean then that you would lose the \$0.5 million in 2013?

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Oh yes. We definitely would not have that in 2013. However, even without that we feel confident in our \$37 million to \$41 million range. So we'll either pick that up somewhere else or it will be covered off in that range we have.

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**Dennis Leibowitz** - Act II Partners - Analyst

On the flip side you've talked about eliminating expenses with terminating the credit agreement. Is that a significant positive in terms of expenses?

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

It was about -- it's probably between \$300,000 and \$400,000 a year because we have the unused fee plus legal fees, audit fees, other fees associated with it that those fees rolled into interest expense. So just to be clear it's not part of EBITDA. And then also we just had a lot of internal time and effort to reporting and other things so we don't have to do any more. So there's a lot of intangible cost that we can eliminate. And of course just not having any issues at all with respect to dividends, or share repurchases, or any baskets or anything like that is also another a benefit of not having that, Dennis.

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**Dennis Leibowitz** - Act II Partners - Analyst

Okay. And lastly related to that, when you talked about increasing shareholder returns, does that presume that maybe ex the special dividend that the total payout this year will be higher than last year?

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**Robert Dechard** - A. H. Belo Corporation - President, CEO

Dennis, we are always talking about that with our board. I think we'll not look at it until later in the year. I'm sure we won't because we have an upcoming meeting. It's not on the agenda, but as we look at performance through the first half that's certainly a discussion item and as I referenced earlier, if we are successful in monetizing some of the real estate toward the end of the year that too would figure in. I think the chances of another special cash dividend are low. We said last fall that we were looking at a very specific situation when the board made that decision. I don't see those conditions repeating. So we're more focused on the traditional three choices.

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**Dennis Leibowitz** - Act II Partners - Analyst

Yes. I wasn't expecting you would repeat that. I just wondered if you were looking at steadily raising the ongoing dividend.

**Robert Decherd** - A. H. Belo Corporation - President, CEO

It's certainly a possibility.

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**Dennis Leibowitz** - Act II Partners - Analyst

Okay.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Or another possibility could be increasing share repurchases, which also we're not planning to do today. However that could be something we would take up at a higher rate in the future.

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**Dennis Leibowitz** - Act II Partners - Analyst

Okay thanks.

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**Operator**

Next we have Chris Mooney. Chris, your line is open.

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**Chris Mooney** - Esposito Securities - Analyst

Thank you. Can you also reference some comments on Wonderful Media, Speakeasy, and give us a little more maybe details on 508 Digital as far as revenues per client and client progression, where we are versus where you were say at the investor day?

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**Jim Moroney** - A. H. Belo Corporation - EVP

Yes, sure Chris. And though I can't remember exactly that numbers I gave you in October [2000] down, we finished the year with about 500 customers and with an ABO of around 475. We added another 67 customers in January at a much higher ABO, something close to around \$800. So that will move up the ABO a little bit on a weighted average basis. So we're continuing though to see a steady growth and February 1st week of February was off to a good start. I don't have any more recent data than that.

On the Speakeasy front, as of today we have 15 clients, which is really where we expected to be. Again that's not the volume gain that 508 is. It's all custom work and we've got a good mix of customers. We've got about 14 now total employees. We've been adding them as we've been adding customers and we're really feeling very good about where we are. And the same business plan and really numbers that I would given you we'd be tracking with those right now. And I'm sorry, the third thing was?

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

Wonderful, Wonderful.

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**Jim Moroney** - A. H. Belo Corporation - EVP

Oh and Wonderful Media. Wonderful will be at the Newspaper Association of Americas annual meeting, which is in middle of April. And they will actually be presenting their new products at that meeting, which is very fortuitous in timing because that's the meeting where the ad, the biggest

advertisers in the newspaper industry attend and are interacting with all the different newspaper companies. And so it will be a great opportunity for them to show this new product and how it will help benefit some of our very best customers.

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**Robert Decherd** - A. H. Belo Corporation - President, CEO

Jim, you might remind everyone what Wanderful is.

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**Jim Moroney** - A. H. Belo Corporation - EVP

Oh Wanderful Media was the -- I think it was at one time called Find and Save. And it is a company that was formed by I believe eight different newspaper companies making investments to create a digital shopping experience that would help continue to strengthen our relationship with our retailers who had primarily been using us in the hard copy paper. And that company is what will be -- would change its name to Wanderful Media and would make the presentation I talked about.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

They're still DBA under Find and Save though so their previous corporate name was like Shopco, yes.

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**Jim Moroney** - A. H. Belo Corporation - EVP

Shopco I think.

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**Ali Engel** - A. H. Belo Corporation - SVP, CFO

So Shopco became Wanderful, but the DBA is Find and Save.

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**Chris Mooney** - Esposito Securities - Analyst

That's a pretty significant increase in revenues per customer at 508 Digital. Is there anything (inaudible)?

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**Jim Moroney** - A. H. Belo Corporation - EVP

Well what happened and, Chris, if you're talking about particularly in January and what we found is that salespeople being the smart people that they are have begun to recognize that if they can sell a bigger client and a smaller client which takes off in the same amount of time, not only do they make more money sooner and faster, and those bigger clients actually tend to have a much lower churn rate than the smaller clients. And there's less of them out there, but since we're in the startup part of the business the hunting is pretty good.

So I don't know that I think that trend will continue indefinitely, but I think it could continue for a period of time while they sort of hunt the elephants and before they get back to the medium-size game if you will.

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**Chris Mooney** - Esposito Securities - Analyst

Your other participants in the newspaper industry are all fielding this question, a question [risk] related to classified ventures. Would you care to add in your two cents? It certainly seems to be a productive investment.



**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

It's been a very productive investment. We received another significant dividend as you know at the end of December, a little bit less than the prior year. As I've noted before, Chris, we are the smallest fish in that open ocean. We're doing a lot of hunting analogy today so it really as the majority owners go so go we, but the business itself is certainly continuing to build momentum. It's performing well. It's a great brand. There are sales in marketing. It's going well. The reseller agreements have all come back into a good, strong equilibrium state and we are optimistic. It's a very important part of our business in Dallas particularly.

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**Chris Mooney** - *Esposito Securities - Analyst*

And 2e have had one major event in the newspaper broadcast industry since the investor day and that's the exit from bankruptcy at Tribune, any thoughts on what impact that's going to have on the industry?

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

It certainly will help the industry to get them out of bankruptcy. This has been going on for four years and it's terrible for perception, and it's disruptive for the newspapers they own in some very important markets. So at the highest level it's a positive to have some clarity about where that company wants to go and how those great newspapers are going to get some traction. And in some cases they have been doing quite well, and contributes to the overall impression that the industry is well along in the transition we're always talking about. As it affects us there is really no direct impact, but we certainly pay attention to it, and Jim in his role as chairman of the Newspaper Association of America is very close to it.

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

Yes. I think the main thing, Chris, I would say is that last year we saw several strategic buyers come back into the industry space in San Diego with in Florida with Halifax, [Erin Pushner] in San Diego being in Orange County, and then of course Berkshire Hathaway. Every time you read something about the Tribune Papers the same names come up, but the three or four names are all strategic buyers again. So the fact that there's interest from the strategic buying side in the industry I think is a positive. And I think Tribune will go to a strategic buyer. I don't think it will be a financial player.

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**Chris Mooney** - *Esposito Securities - Analyst*

All right. Thank you much and I look forward to more quarters.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Here her.

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**Ali Engel** - *A. H. Belo Corporation - SVP, CFO*

Thanks Chris.

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**Operator**

Thank you. Our next question comes from the line of John Cornwright. Please go ahead.

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**John Cornwright** - *JP Media - Analyst*

Yes. In 2012 your adjusted circulation revenue was down 4%, I imagine was better than the declining units, which must have been down more than 4%. Should that repeat in 2013?

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**Robert Decherd** - *A. H. Belo Corporation - President, CEO*

John, we didn't have a lot of pricing in '12, so that's mostly volume.

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

That was -- it was mostly volume, John. We didn't -- it was the first time in a long time we didn't take any pricing action in Dallas whatsoever on home delivery and obviously not on single copy, so most of that revenue declined would be volume related. We are not taking that tack in 2013. We are right now right now already underway with a segmented pricing increase strategy that is rolling out on a rolling basis with our subscribe home delivery subscribers.

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**Robert Decherd** - *A. H. Belo Corporation - President, CEO*

And we are also going to price or we have started to price in Providence, Riverside probably be stable. The biggest challenge is single copy and principally on Sunday for us and everybody.

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**John Cornwright** - *JP Media - Analyst*

So your circulation revenue it sounds like it should be down in the same kind of zone that 2012 was.

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**Jim Moroney** - *A. H. Belo Corporation - EVP*

Yes. I think that's a fair bet.

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**John Cornwright** - *JP Media - Analyst*

Okay. Headcount 2000 FTs at the end of the year, can at least through attrition edge down a little bit in 2013?

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**Robert Decherd** - *A. H. Belo Corporation - President, CEO*

And we look at that more in specific circumstances, John. We have no plans for reductions in any large scale it's if we discontinue in activity. We obviously see some headcount reduction there. And we may let things drift down through normal retirements and departures for periods of time, but it really is driven by what's happening in each of the three markets and the trend line for our revenues. That's the whole game. It's we got to get the revenues to even out and these revenues to continue to accelerate.

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**John Cornwright** - *JP Media - Analyst*

Well, I think you started the whole conference call by saying that you expect the revenues to decline less than they did in 2012, but still decline. So that would suggest to come up with a 7% of 8% EBITDA decline that there has to be some decline in expenses in 2013. Where does it come from if not headcount?



**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

We still are taking a hard look at, not a hard look. We're doing very well under Jim he just with our IT expenses for example. We've mentioned a couple of things that are not in and of themselves overly significant, but in the aggregate would be. The cost to the agreement is a good example. We literally turn that prism every single week to look for places where we can take more cost out of business because until that revenue slope flattens and the new revenues accelerate you've got the whole story. You are exactly on point.

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**Ali Engel** - *A. H. Belo Corporation - SVP, CFO*

Well and in Providence and Riverside we did do some selective cuts in the fourth quarter --

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Fourth quarter, yes.

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**Ali Engel** - *A. H. Belo Corporation - SVP, CFO*

-- in anticipation of 2013. So there is some of that that has taken place as well, John.

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**John Cornwright** - *JP Media - Analyst*

Thank you.

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**Operator**

We have no more questions in queue at this time.

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**Robert Dechard** - *A. H. Belo Corporation - President, CEO*

Okay. Well this has been a very productive call from our standpoint. We're glad to report net income for the first full year since we got going five years ago and look forward to briefing everybody in April when we have closed the first quarter. So thanks to all of you and we'll speak to you in April.

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**Operator**

Thank you. And, ladies and gentlemen, this conference will be available for replay today after 3 p.m. Central through February 26th at midnight. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701 and entering the access code 281510. International participants dial 320-365-3844.

Those numbers again are 1-800-475-6701 and 320-365-3844. The access code is 281510. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

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