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AHC - Q2 2014 A. H. Belo Corporation Earnings Conference Call

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Ali Engel *A.H. Belo Corp. - CFO*

CONFERENCE CALL PARTICIPANTS

Fred Nagle *Trowbridge International - Analyst*

Barry Lucas *Gabelli & Company - Analyst*

Richard Diamond *Strait Lane Capital - Analyst*

Dennis Leibowitz *Act II Partners - Analyst*

Chris Mooney *Esposito Securities, LLC - Analyst*

PRESENTATION

Operator

Ladies and gentlemen. Thank you for standing by and welcome to the Second Quarter 2014 Financial Results Conference Call. At this time all participants are in listening-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

(Operator Instructions). And also as a reminder, today's teleconference is being recorded.

And at this time, I will turn to the conference call over to your host, Chief Financial Officer, Ms. Ali Engel. Please, go ahead.

Ali Engel - *A.H. Belo Corp. - CFO*

Thank you, [Tony]. Good afternoon everyone. Welcome to A.H. Belo Corporation Second Quarter of 2014 Conference Call.

Jim Moroney, our Chief Executive Officer will lead today's call. I will provide a brief look at our second quarter results, leaving plenty of time for Q&A.

Dan Blizzard, Senior Vice President and Grant Moise, Senior Vice President, Business Development and Niche Products are also available for Q&A.

Yesterday evening, we issued a press release announcing second quarter results. We have posted this release on our website under the "Investor Relations" section.

Unless otherwise specified, comparisons on today's call measure second quarter 2014 performance from continuing operations against second quarter 2013 performance from continuing operations.

In conjunction with the pending sale of our newspaper operations in Providence, Rhode Island, which we announced last week, as well as the completed sale of our newspaper operations in Riverside, California, The Providence Journal and The Press Enterprise newspaper operations are reported as discontinued operations in the Company's financial statements.

Accordingly, the results from continuing operations consist primarily of the Dallas Morning News and corporate operations.

Our discussion today 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.

Finally, today's discussion will include non-GAAP Financial Measures. We believe that non-GAAP financial measures 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 Jim Moroney. Jim?

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Thank you, Ali, and good morning everyone. A.H. Belo Corporation announced second quarter fully diluted net earnings of \$.85 per share from continuing operations. Second quarter 2014 net income includes an \$18.5 million net-investment related gain from the sale of Apartments.com by Classified Ventures.

Adjusted EBITDA or earning to or for interest taxes depreciation and amortization from continuing operations with net-investment related gains excluded was \$6 million in the second quarter. Total revenue in the second quarter of 2014 increased 0.2%, the first year-over-year quarterly growth since our spin-off in 2008. This reflects our continued growth in marketing services revenue and increased printing revenues.

Last week, we announced the pending sale of the newspaper operations of The Providence Journal to New Media Entertainment Group Inc., which is expected to close in the third quarter of this year. The cash proceeds from this transaction will allow the Company to continue to pursue opportunities to diversify and grow revenues and EBITDA and reduce our reliance on core print advertising revenues which remained challenged.

In July of 2014, the Company sold its remaining real estate in Riverside, California, comprised of land and a building that formerly served as a commercial printing operation. The Company received net sale proceeds of \$1.6 million, generating an estimated gain of \$.3 million.

In June 2014, that company amended an agreement with another third-party related to the Sale of 97 acres of undeveloped land in southern Dallas. Net sales of \$1.8 million are expected to be received in the third quarter of 2014 upon the closing of this transaction, generating an estimated gain of \$0.6 million.

The Company plans to explore further opportunities to invest in or buy advertising or marketing services companies with established financial performance and strong management teams in order to diversify and grow revenue and EBITDA. The Company's acquisition and investment efforts are focused on businesses with products and services that complement the existing advertising and marketing services currently offered by our newspaper.

Grant Moise, Senior Vice President, Development, who is with us on the call today, is leading this effort to identify and evaluate qualified businesses. While the level of investment is not currently known, the Company anticipates that it will exceed previous investments which were in the \$3 million to \$5 million range.

The Company remains focused on returning capital to shareholders primarily through dividends. In addition to the quarterly dividend of \$0.08 per share in the second quarter, that company declared and paid a special dividend of \$1.50 per share, returning \$35.6 million to shareholders.

Ali will now provide more detail around our second quarter financial results. Ali?

Ali Engel - A.H. Belo Corp. - CFO

Thank you, Jim. A.H. Belo Corporation announced Second Quarter fully-diluted net earnings at \$.85 per share from continuing operations, an improvement of \$.78 per share compared to the second quarter of 2013. Second quarter 2014 net income includes an \$18.5 million net-investment related gain from the sale of Apartments.com by Classified Ventures.

Total revenue of the second quarter of 2014 increased 0.2% from the prior year period to \$69.3 million.

Revenue from advertising and marketing services, including print and digital revenues, decreased 4.7%. Digital revenue increased 3.8% over the prior year quarter primarily due to continued growth in marketing services revenue associated with 508 Digital and Speakeasy. Increases in digital revenue were offset by declines in display, pre-print and classified advertising revenues of 7%, 5% and 9% respectively.

Circulation revenue remains flat in the second quarter of 2014.

Printing and distribution revenue increased 38% in the second quarter, primarily due to the impact at the previously announced contract to print the Forth Worth Star-Telegram and additional printing of local community newspapers in Dallas.

Total consolidated operating expense decreased 1.3% in the second quarter to \$66.9 million as employee compensation and benefits, newsprints and depreciation expenses all declined. In the second quarter of 2014, the Company made required contributions of \$2.2 million to its pension plans.

Early in the third quarter of 2014, the Company accelerated payments of its remaining 2014 required contributions and paid \$5.8 million into the plans. No further pension contributions will be made in 2014.

As of June 30th, we had \$59.8 million of cash and cash equivalents and no debt.

That concludes our remarks. Tony, we are ready for questions.

QUESTIONS AND ANSWERS

Operator

Thank you very much. (Operator Instructions).

And our first question we will take from Fred Nagle with Trowbridge International. Please, go ahead.

Fred Nagle - *Trowbridge International - Analyst*

Jim, good morning.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Good morning, Fred.

Fred Nagle - *Trowbridge International - Analyst*

One thing I found a little bit surprising is you sold the Providence paper but you retained the real estate. Does that indicate that you're going to rent it to the people or what's going to happen?

Ali Engel - *A.H. Belo Corp. - CFO*

Oh, Jim. I'll take that Jim.



Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Okay. Go ahead.

Ali Engel - *A.H. Belo Corp. - CFO*

Fred, thank you. When we put the paper up to auction, we offered the real estate as optional to all the people in the process. What we did require was that in order to include all the Real Estate, you know, we wanted to realize the full market value.

New Media was not interested in the headquarters building or the two downtown parking lots, or the former Sunday inserting building. So that is not included in the transaction. We expect New Media to lease back the headquarters building and the parking lot for a year after we close the transaction. And we will continue to market all four of those properties for sale even if New Media or while New Media is a tenant. And we will actively work to monetize those hopefully within the next year.

Fred Nagle - *Trowbridge International - Analyst*

What kind of income is that lease-back going to generate?

Ali Engel - *A.H. Belo Corp. - CFO*

I don't have the numbers on the top of my mind but -- and we haven't concluded that final list arrangement -- but I think it would be fair to say we would expect to cover our cost spread, so it likely would be rather neutral to us.

Fred Nagle - *Trowbridge International - Analyst*

Okay. Thank you.

Operator

Thank you. Again, if you have your questions, you may press star one, and next in queue is Barry Lucas with Gabelli & Company. Please, go ahead.

Barry Lucas - *Gabelli & Company - Analyst*

Good morning and thank you. I have a host. So, Ali, maybe you could provide the pro forma cash assuming that we get in the proceeds from Providence Journal and the other parcels which were completed in Riverside and or the -- that roll-in which by the way does not include this output, all right? That's still --

Ali Engel - *A.H. Belo Corp. - CFO*

That's correct, Barry. I don't know have that in front of me a table adding all that up but we ended the year with just a -- or ended the quarter around \$60 million. Providence sold -- gross is \$46 million. There are costs associated with that that we're working through. We are going to be in a taxable position on that transaction and I think that's going to be in the \$4 million to \$8 million range.

And then, obviously, the two real estate transactions we've mentioned here which net another, you know, approximately \$3 million. So, I mean it's going to push us probably right around \$100 million, between \$90 million and \$100 million, I'd say.

Barry Lucas - *Gabelli & Company - Analyst*

And so, you have the small parcels in Providence, the South Plant and the -- you still have some other property downtown around -- the parking lots.

Ali Engel - *A.H. Belo Corp. - CFO*

We have the parking lots. That's right, Barry. So we've got the four parcels in Providence, which I think could net anywhere between, I'd say, \$10 million, \$11 million at the low end of the range to maybe \$15 million, \$16 million at the high end of the range, then the four parking lots downtown and the South Plant.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. And on the pension side, so you've completed a total of \$8 million in pension contribution. Those were all required, right? The --

Ali Engel - *A.H. Belo Corp. - CFO*

They are all required. There's no voluntary contribution this year, Barry.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. And what would the pension obligation or contribution that might be contemplated in the '15?

Ali Engel - *A.H. Belo Corp. - CFO*

It is probably the same \$10 million range. It might be a little higher, it might be a lower. As we go into the fourth quarter and finalize all the assumptions around that, but it doesn't drop off significantly in '15.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. And I take it that will depend either on the asset performance and or what the discount rate, which is working against us at least for the moment. Is that correct?

Ali Engel - *A.H. Belo Corp. - CFO*

That's correct.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. So for Jim, if you could, looking at the operating performance and I know digital numbers were up but looking at the raw print number, given the fact that you're operating one of the best economies, if not, the very best in the country, what do you attribute the ongoing weakness to -- in terms of the performance and does it signify or might it signify that the secular shift has accelerated?

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Barry, most of our decline, if you really look at what -- when you take the whole mix, is still coming from large retailers, so either big bucks retailers or other national advertisers who are basically planning their media at a national level. They don't single out Dallas because it's a healthier economy than some other. They're basically spending on a pattern across the country that is the same.

And so when they planned down newspaper, whether that's display and/or pre-print, we get taken down with it. And when I look at the other markets around the country that are in the top 30, there are some differences that we actually performed better; then believe it or not, then some across these -- of course, a lot of them frankly. But they're -- I'm not saying in the top 30 Metros, any real acceleration, but I'm not saying any improvement either in the print categories for the newspaper parts of these companies.

They are continuing to be down in the mid single digit to low double digit range depending on the market in the particular category.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. And then there's a -- it was alluded to you think that the pace of investment in these new initiatives could increase or sounds like it could get larger in size and --

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

I think both of those things are more than likely but nothing's definitive. So I think we could both see some acceleration in the acquisition of some businesses as we describe in the script that have some of those characteristics and if those happen to come through then the actual investment will be greater as well.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. I'll pass on to the next person in queue. Thanks.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Thank you, Barry.

Ali Engel - *A.H. Belo Corp. - CFO*

Thanks, Barry.

Operator

Thank you. Once again, to queue up your questions, you may press star followed by one.

And next in queue is Richard Diamond with Strait Lane Capital. Please, go ahead.

Richard Diamond - *Strait Lane Capital - Analyst*

Good morning, everyone. Jim and the team, given that private multiples for marketing service businesses are extraordinarily high right now and the Dallas Morning News implied valuation is negative, how will you remain disciplined acquirers and execute creative investments in this environment?



Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Oh, Richard, I can only tell you that I believe when you -- if we're successful in acquiring some things that are, say, closer to the end of the Q than the beginning of it, if once we are able to make these, if we are, I think you'll see that they are smart investments, they are investments as we described that are related to our current business.

They allow us to leverage our strength into theirs to give them a better competitive advantage in the marketplace. And they have a track record of performance, and the owner-operator will stay on for a minimum of three years, which I think is also critical. And right now, in the discussions we heard, none of these would qualify as over-reaching based on any kind of market comps that we can find.

Richard Diamond - *Strait Lane Capital - Analyst*

That's terrific. Thank you very much.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

You bet. Thank you, Richard.

Ali Engel - *A.H. Belo Corp. - CFO*

Thanks, Richard.

Operator

Thank you. Next question will come from Dennis Leibowitz with Act II Partners. Please go ahead.

Dennis Leibowitz - *Act II Partners - Analyst*

Yes, I had two questions. First, to follow up on that; are you saying that the investments you're making now will accelerate and separately that there will be acquisitions?

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Okay. So maybe if I'm not -- not a misunderstanding, we will be making -- again, we are attempting to make acquisitions and we would hope that we would have at least two that would close this year.

And therefore, that's an acceleration of the investment that we've been making since we haven't really made any significant investments in these kinds of acquisitions to date other than very small things that we announced in the event marketing space. So, yes, we'd expect some acquisitions. And yes, it would be more capital invested than we have to date.

Dennis Leibowitz - *Act II Partners - Analyst*

And would these likely be things that are -- when you said that have a track record, does that mean they would likely already be profitable?



Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

That's correct. Both of the businesses that we're looking at are EBITDA positive.

Dennis Leibowitz - Act II Partners - Analyst

Yes. Would they be accretive?

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

And they, I believe, would be accretive in everything that we've looked at so far.

Dennis Leibowitz - Act II Partners - Analyst

Okay. The second question, did you or could you say what the level of pension liabilities you're retaining in Providence?

Ali Engel - A.H. Belo Corp. - CFO

Dennis, it's Ali. I believe at the end of last year, the last kind of measurement date we talked about when we were underfunded about \$50 million, about \$15 million of that, 1-5, was related to the Providence Journal plan.

Dennis Leibowitz - Act II Partners - Analyst

Okay. All right, thanks.

Ali Engel - A.H. Belo Corp. - CFO

Thanks Dennis.

Operator

Thank you. Our next question will come from Chris Mooney with Esposito. Please go ahead.

Ali Engel - A.H. Belo Corp. - CFO

Chris?

Operator

Chris? And, Chris, your line is open, please check your unmute key.

Chris Mooney - Esposito Securities, LLC - Analyst

I hope I'm on.

Ali Engel - A.H. Belo Corp. - CFO

You're on, Chris; we can hear you now.

Chris Mooney - Esposito Securities, LLC - Analyst

Okay, Ali, one simple for this non-accounting types, can you get me from \$82.5 million in cash at the beginning of the quarter to the almost \$60 million at the end?

What I'm saying is, you had cash come in of \$18.5 million and you ginned up EBITDA may be of \$8 million., but you spent \$35 something million and you had a pension plan contribution of \$2.2 million. Where did the other ten or so go? And that may all be in the Q when it's filed as well.

Ali Engel - A.H. Belo Corp. - CFO

Yes. We're going to file the Q today and I'm looking at the cash flow statement, here, Chris, to sort of try to roll that forward for you. Do you have other questions while I kind of digest that?

Chris Mooney - Esposito Securities, LLC - Analyst

Sure. Jim, you all did make some -- a bit of a couple of changes strategically during the quarter, which was the -- I think the closing of the pay.

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Yes.

Chris Mooney - Esposito Securities, LLC - Analyst

Can you walk us through what happened there?

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Sure. We initiated back around October the 1st of last year, what we called a premium option. So we reopened dallasnews.com without any kind of pay wall at all. And we, at the same time, put up a premium option so that if you wanted a better experience that had things that you couldn't get on the free site, it had a different design, a different user interface, different navigation that we thought was a superior experience. And we offered that for pay to people.

We just weren't getting the uptake, Chris, that made sense to keep, A, putting resources behind it and B, not just focusing on making a better free experience. So about maybe six to eight weeks ago, we began a total redesign of all of our major websites starting this time with mobile.

So we're going to start not only where the traffic is going, which is to the smartphone, even much greater than to the tablet, but we're also going to start with the smallest of the screens and build for that and then build out as the screen gets larger, which is a much better way to approach design than to start with something large and try to cram things down into the smaller screen of the smartphone.

We think this is going to take as much as 18 months to work through the principal three screens. So starting with the smartphone, I think sometime around maybe first quarter, maybe early second quarter next year we'll have that completed.



Then we'll move to the tablet, then we'll move to the desktop. And I think this will be a really very different design that you've seen from us. And I think even to some degree than you'll see from, say what, most of the newspapers today still do, which tended to have a somewhat similar look and feel.

We've gone with an outside vendor called [Whiteblu]. They really come at things from the pure play side, not from the just media side. And so far, I've seen some of the work they've executed that would make kind of our sign up part of our site. Very different, and I find it to be much cleaner, much more intuitive, and therefore much easier to navigate.

So we're going to focus right now, Chris, on the free side and making it even more engaging, bringing more people in and drive traffic up. While on the other side we've been building out what I would refer to as more of a pure play sales organization after hiring Joe Weir, who ran all of Belo television stations websites across the country for on the revenue side. And he's doing, literally, an overhaul of how we go to market.

And we will be very heavily-invested in a private exchange with our own site and then very heavily into the programmatic RTB, real time bidding, space. So that's the direction we're heading.

I'll say this again, though, Chris, if we find a general-interest major metropolitan newspaper, and by that way I'm excluding the Wall Street Journal and the New York Times, if we find one that's having real success -- and I mean something in excess of 10% to 15% of their print subscriber base -- if they're doing better than that on the digital subscriber base and not basically giving it away for \$2 a month, we have a pay wall, a meter that's already been and that's installed on our site. And we can go and turn it on.

I'm just not seeing today a real upward and sustainable upward trajectory on the major general-interest metros for subscriber-only subscriptions. It seems to be getting into the low double-digit range and then beginning to slow down dramatically. So we're going to try to put more of our resources through open website, drive greater traffic, and see if we can't do a better job of monetizing at higher CPMs.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Okay. I look forward to observing.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Great.

Chris Mooney - *Esposito Securities, LLC - Analyst*

The Al Dia announced the joint venture, I guess, with one of our local Hispanic television stations.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Yes.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Is there more of that type of interest coming in the future?



Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Well, you may also remember, Chris, that shortly after the Gannett purchase of the Belo television stations, we actually announced an alliance with the English side of our house with the NBC 5, the NBC affiliate in Dallas Fort Worth. So now, Al Dia has aligned themselves with their Telemundo affiliate. So we're now working with NBC 5 and Telemundo, which, of course, are jointly owned by NBC Comcast, and we think that provides for even more synergies.

Chris Mooney - Esposito Securities, LLC - Analyst

Okay. Print contract, it presumably is going pretty well with the Fort Worth Star-Telegram.

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Yes, we're doing very well now. I think that the -- I speak to Gary Wortel once in a while. He works a lot with Bill May who runs our production facility. And I think he would tell you that we got off to a little bumpy start. It's a complicated printing job. Not so much the printing of the paper but the packaging, all the inserts and so forth. But I think we've had a pretty good steady state, and I think both parties feel real good about the relationship today.

Chris Mooney - Esposito Securities, LLC - Analyst

Is the North Plant now full, Jim? Or is there [future] ahead?

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Yes, really, Chris. I mean, you could wedge in some small, live deadline jobs. And then of course we have capacity during parts of the day when it's not a live deadline publication. But for that sort of, I don't know, 10.30 pm to 2.00 am window, we're full across all of our six TKS presses and the one [DPOC] press.

Ali Engel - A.H. Belo Corp. - CFO

But let me add on to that, Jim. Even if we had capacity, I mean, we're printing the bulk of the big work in Dallas Fort Worth anyway. I don't think there's another big job that would beat...

Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

Yes, there aren't any big jobs available today.

Chris Mooney - Esposito Securities, LLC - Analyst

And since you now have active, I guess, relationship with the Star-Telegram, aren't there other potential things that you could do together that would help reduce cost overall for both the papers?



Jim Moroney - A.H. Belo Corp. - Chairman, President, CEO

We've had a good dialogue with the Fort Worth Star-Telegram, particularly starting with Gary that runs it. And I think we are always open to both finding ways to benefit each other from a cost-reduction standpoint. As you know, we both deliver each other's papers, sort of depending on who has the bulk of the distribution in a particular, say, zip code or geographic area. If he has more, he delivers us, and vice versa.

We, from time to time, look at even possible joint revenue opportunities. So I think these things make sense, and we can do them within the confines of any sort of Justice Department-type issues, and we're trying to do them.

Chris Mooney - Esposito Securities, LLC - Analyst

Okay. I think that's all for me. Except the --

Ali Engel - A.H. Belo Corp. - CFO

Hey, Chris, let me just roll this cash down from your end for you, okay?

Chris Mooney - Esposito Securities, LLC - Analyst

Sure.

Ali Engel - A.H. Belo Corp. - CFO

Are you ready?

Chris Mooney - Esposito Securities, LLC - Analyst

I am.

Ali Engel - A.H. Belo Corp. - CFO

I just did it at a high level, so there's rounding in a few of the things. So if you look your end, you start at \$82 million approximately. About \$37 million total pays in the first six months of dividends, so that gets you to \$45 million. You've got about \$2 million on shares purchases, about \$3 million on CapEx, and \$2 million that we invested in Wonderful Media, that gets you to \$37 million.

I added back \$19 million for Apartments. That gets you to \$56 million. We've contributed through the first six month \$6 million to the pension, and that gets you to \$50 million. And the rest of it is just working capital and other balanced sheet changes.

Chris Mooney - Esposito Securities, LLC - Analyst

Okay. I don't think I was typing fast enough. But I'll call you later today if you're around.

Ali Engel - A.H. Belo Corp. - CFO

I can go slower, I'm sorry. I can do it -- let me do it one more time. Did you get the dividend \$37 million?



Chris Mooney - *Esposito Securities, LLC - Analyst*

I did.

Ali Engel - *A.H. Belo Corp. - CFO*

Then share repurchases, \$2 million.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Yes.

Ali Engel - *A.H. Belo Corp. - CFO*

CapEx \$3 million.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Yes.

Ali Engel - *A.H. Belo Corp. - CFO*

Wanderful Media, \$2 million.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Okay.

Ali Engel - *A.H. Belo Corp. - CFO*

That will net you \$37 million, okay? Then add \$19 million for Apartments.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Okay.

Ali Engel - *A.H. Belo Corp. - CFO*

That gets you to \$56 million. Take out \$6 million for pension. That gets you to \$50 million. And then the rest is working capital.

Chris Mooney - *Esposito Securities, LLC - Analyst*

Okay. Thank you much, all.



Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Thank you, Chris.

Operator

Thank you. As a reminder, to queue up for questions, you may press star followed by one at this time.

And we do have a follow-up in queue from Barry Lucas. Please go ahead.

Barry Lucas - *Gabelli & Company - Analyst*

Thanks. I have two. Jim, could you possibly address the cost of the redesign of the website. I mean, just doing it on the one paper and there's not a lot of leverage of use there, even presuming you're successful.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

You're talking about the investment to do the redesigns of the different mobile, tablet and desktop?

Barry Lucas - *Gabelli & Company - Analyst*

Yes, exactly.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

I think the number is going to be there between \$3.5 million and \$4 million.

Ali Engel - *A.H. Belo Corp. - CFO*

And some of that, Barry, is capitalizable, some of it is expense; but majority that's capitalizable.

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Yes.

Barry Lucas - *Gabelli & Company - Analyst*

Okay. And then, finally, other than the accretion part, perhaps as you were describing potential investments for M&A, accounting off a lot like cars.com, which is fairly strategic to the remaining newspaper partners, yourselves, McClatchy and Gannett. So what might be the appetite in a possible cars.com transaction?

Ali Engel - *A.H. Belo Corp. - CFO*

Cars.com transaction meaning what, Barry? Something like cars.com?



Barry Lucas - *Gabelli & Company - Analyst*

No. Specifically cars.com, presuming that it is for sale, which I don't know that that is anything official that has been disclosed, just a speculation.

Ali Engel - *A.H. Belo Corp. - CFO*

Yes. I mean, this is Ali. I have to say that I don't think we really have anything different to say. I mean, it's just strategic part of our business. It's not just an investment the way maybe some other investments we have are like Home Snap or Digital Airstrike. And so, in looking at that, we have to consider, along with our partners, those impacts on our business. And they're material and significant. So there's just no easy answer, is there?

Barry Lucas - *Gabelli & Company - Analyst*

Okay. That was sort of the point.

Ali Engel - *A.H. Belo Corp. - CFO*

I think you might -- you probably can recite that answer in your sleep, huh, Barry?

Barry Lucas - *Gabelli & Company - Analyst*

Thank you.

Ali Engel - *A.H. Belo Corp. - CFO*

Have a great day.

Operator

Thank you very much. At this time, there's no additional questions in queue. Please continue.

Ali Engel - *A.H. Belo Corp. - CFO*

Okay, great. Jim, did you have any final thoughts?

Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

No. I think that just, again, very glad that we could post even though it was a squeaker, a very small quarter over quarter increase, year-over-year, quarter over quarter increase in total revenue. That's a good milestone for us to hit and we need to keep hitting them in the quarters to come.

Ali Engel - *A.H. Belo Corp. - CFO*

Thanks everybody for all your great questions. Thanks, Tony.



Jim Moroney - *A.H. Belo Corp. - Chairman, President, CEO*

Thanks.

Operator

Thank you. And ladies and gentlemen, that does conclude your conference call for today. We do thank you for your participation and for using AT&T's Executive Teleconference. You may now disconnect.

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