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Q2 2018 A. H. Belo Corp Earnings Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Chris Mooney
Jonathon Fite

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Second Quarter 2018 Financial Results Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

And I would now like to turn the call over to Katy Murray, the Chief Financial Officer of A. H. Belo Corp. Please go ahead.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

Good morning, everyone. This is Katy Murray, Chief Financial Officer of A. H. Belo Corporation. Welcome to our Second Quarter 2018 Conference Call.

I am joined by Robert Decherd, Chairman, President and Chief Executive officer of A. H. Belo Corporation; Grant Moise, Publisher and President of The Dallas Morning News; and Tim Storer, President of Belo and Company, who are all available for Q&A.

Before the market opened yesterday morning, we issued a press release announcing our second quarter 2018 results. We have posted this release on our website under the Investor Relations section. Unless otherwise specified, comparisons used on today's call measure second quarter 2018 performance from continuing operations against second quarter 2017 performance from continuing 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. The company assumes no obligation to update the information in this communication except as otherwise required by law. 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 based on our segment reporting presented in accordance with GAAP are provided on our website under the Investor Relations section.

Before I review the quarter, I wanted to remind everyone of the 2 new accounting pronouncements we adopted effective January 1 of this year. The first is Topic 606 regarding revenue recognition. We adopted a modified retrospective approach, which means we are not restating historical financials but are adopting this prospectively starting with the first quarter of the year. The primary impact for us is that we will now be reporting certain revenues on a net basis as opposed to a gross basis. I will be calling out the impact to this quarter in my commentary shortly.

The second pronouncement change is where we record net periodic pension expense or benefit. We have adopted a retrospective approach, and all prior periods have been restated to reflect pension expense or benefit below operating income or loss versus including the expense or benefit above the line in operations.

For both of these items, we have provided detailed information in our GAAP to non-GAAP reconciliation, again, provided under our website under the Investor Relations section.

Yesterday morning, we reported a net loss attributable to A. H. Belo Corporation of $500,000 or a loss of $0.03 per share compared to a net loss of $800,000 or $0.04 per share reported in the second quarter of 2017. For the second quarter of 2018, we reported adjusted operating income for A. H. Belo Corporation of $2.7 million compared to adjusted operating income of $2.8 million reported for the second quarter of last year.

Starting with this earnings call, I will be covering the financial performance of The Dallas Morning News and Belo and Company separately. Beginning with financial highlights for The Dallas Morning News. For the second quarter, we reported total revenue at The Dallas Morning News of $45.5 million, a decrease of $9.3 million or 17% when compared to the $54.8 million reported in the second quarter of last year. Approximately $2.2 million of this decline is attributable to the new revenue standard requiring certain transactions to be reported net versus gross. Adjusting for this change, total revenue declined by $7 million or 12.8%.

Print and digital advertising revenue of $20.8 million in the second quarter of 2018 is down $7 million or 25.2% when compared to the $27.8 million reported in 2017. $2 million of the decline is due to the new revenue standard. Excluding the impact of the new revenue guidance, print revenue declined $5 million or 18.2% when compared to the prior year period. In addition, $800,000 of the year-over-year decline is related to the sale of The Denton Record-Chronicle in the fourth quarter of last year.

Circulation revenue of $17.9 million in the second quarter of 2018 is a decline of $1.2 million or 6.1% compared to the second quarter of last year. Approximately $300,000 of the decline is the result of the new revenue guidance. Excluding the effect of new revenue guidance, home delivery revenue declined by $800,000 or 4.6% from the second quarter of 2017, and single copy revenue declined by $100,000 or 5.3% from the second quarter of 2017. The decline was primarily due to lower home delivery and single copy volume, partially offset by single copy rate increases. Approximately $300,000 of the home delivery decline was related to the sale of The Denton Record-Chronicle.

As we have stated before, one of our highest priorities is to grow The Morning News paid digital subscriber base and digital subscription revenue. In the second quarter, our digital subscriber base grew by a net of 6,407 subscribers or 31.6% from the second quarter of 2017, ending this quarter with 26,677 paid digital subscribers. In the second quarter, we reported approximately $900,000 of digital-only subscription revenue, an increase of $300,000 or 46.5% over the same period in 2017. Other revenue decreased $1.1 million or 14.1% to $6.9 million for the second quarter of 2018. $600,000 of the decline is due to event-related revenue and $400,000 related to declines in commercial printing volumes.

Total consolidated operating expense for The Dallas Morning News for the second quarter of 2018 was $47.3 million, a decrease of $9.6 million or 16.9% compared to the prior year. Excluding the $2.2 million decrease related to the adoption of the new revenue guidance, consolidated operating expense decreased $7.4 million or 13% when compared to the prior year period. The decline was primarily due to improvements of $4 million in employee compensation and benefit expense, $1.6 million in distribution expense, $1 million in advertising and promotion expense, $500,000 in newsprint expense and $300,000 in temporary service expense.

Reflecting the new revenue standard, pension benefit, severance expense, depreciation and amortization expense and asset impairments, adjusted operating expenses for the second quarter of 2018 was $45.7 million, a decrease of $7.4 million or 13.9% compared to $53 million of adjusted operating expense reported in the second quarter of last year. The significant year-over-year improvement in adjusted operating expense was a result of cost reduction initiatives enacted early in 2017 that are now being fully realized. Adjusted operating income for The Dallas Morning News was $2.1 million in the second quarter of 2018, an improvement of $294,000 or 16.6% when compared to the $1.8 million reported in Q2 of last year.

Turning now to financial highlights for Belo and Company. First, I'm going to review our GAAP and non-GAAP results and then provide some additional operational metrics on how Belo and Company is reviewed internally. For the second quarter, we reported total revenue of $5.6 million, a decrease of $2.6 million or 31.7%. Approximately $900,000 of this decline is attributable to the new revenue standard requiring certain transactions to be reported net versus gross. Adjusting for this change, total revenue declined by $1.7 million or 20.3%.

Total consolidated operating expense at Belo and Co. for the second quarter of 2018 was $5.3 million, a decrease of $2.2 million or

29.5% compared to the prior year. Excluding the $900,000 decrease related to the adoption of the new revenue guidance, consolidated operating expense decreased $1.3 million or 17% when compared to the prior year period. The decline was primarily due to improvements of $200,000 in employee compensation and benefit expense and $1.1 million in digital cost of goods.

Reflecting the new revenue standard, pension benefit, severance expense, depreciation and amortization expense and asset impairments, adjusted operating expenses for the second quarter of 2018 was $6 million, a decrease of $1.3 million or 17.8% compared to the second quarter of last year. The year-over-year reduction in adjusted operating expenses was a result of lower digital cost of sales due to lower revenue. Adjusted operating income for Belo and Co. for the second quarter of 2018 was $619,000, a decline of $390,000 from the $1 million reported last year.

As mentioned at the start of the call, we have updated our GAAP to non-GAAP reconciliation posted on our website under the Investor Relations section to include a reconciliation of segment reporting in addition to the consolidated reconciliation. To provide more clarity with regards to internal operational performance of Belo and Company, we have provided unaudited 2017 and 2018 quarterly operational metrics reconciling revenue and expense per the 10-Q with an adjusted internal operating income metric.

The internal operating view includes 2 items in the reconciliation. First, beginning in 2018, Belo and Company compensation and benefit expenses have increased as a result of the additional headcount being transferred from The Dallas Morning News to Belo and Company and an increase in health care costs. In 2018, we made a decision to move all employees into a single fully insured plan -- benefit plan to lower A. H. Belo Corporation's overall cost of health care. However, for Belo and Company, that resulted in an increase in benefit burden since Belo and Company had a self-insured plan in 2017.

Second, we have included what the gross-down for revenue and expense would have been in accordance with Topic 606 had it been adopted in 2017. The year-over-year decline in internally reported revenue of $1.2 million included in the reconciliation is predominantly attributable to the attrition of 6 accounts in late Q4 2017 and early Q1 2018 that would have had quarterly pass-through revenue of approximately $800,000 and quarterly revenue of $500,000 in 2018. While Q2 revenue on a year-over-year basis declined due to this attrition, Q2 revenue grew sequentially by 4% or $204,000 over the first quarter of this year.

Internally reported operating expenses in Q2 declined by $1.2 million, with the majority of that improvement related to pass-through expense and the balance being a decrease in compensation expense on a year-over-year basis. Internally reported operating income margin increased year-over-year from 9% to 11%.

In regards to headcount as of June 30, A. H. Belo Corporation had headcount of 1,030, which is a decrease of 159 or 13.4% from June 30 of last year. Most of this decrease was due to job eliminations in 2017.

Turning to the balance sheet. As of June 30, the company had approximately $56.8 million of cash and no debt. As of August 3, we had approximately $55 million in cash and cash equivalents. For the balance of the year, we expect capital expenditures to be approximately $2 million.

In regards to taxes, in the second quarter, we reported tax expense of $58,000. We expect that cash taxes this year will be approximately $1.2 million, with the majority of that related to the Texas margin tax.

Brad, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we do have a question from the line of Chris Mooney with Wedbush Securities.

Chris Mooney

The question that I get, and it's not an operational question, but every time I talk to somebody related to AHC is an update on the sale of headquarters and why is it taking so long. Just kind of how it is going.

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

Robert Decherd. I think it's following the normal course of a commercial real estate transaction of this size and complexity. I have mentioned, I think, perhaps, to you and others that we hit the pause button for about 8 weeks as we undertook the transition from Jim to me in the CEO role, but we are fully engaged in the sale process now. Same folks are involved. JLL has a very expert team on the field. Todd Awe who has worked with us for years in real estate is helping us coordinate this. We would expect to see expressions of interest by the end of the third quarter, and then the question becomes what do those expressions of interest look like? Are they straight cash deals? We are looking really only for those kind of offers, but we can't predict how potential buyers will come forward. And then I said complexity earlier. As you know, our campus has certain easements to enable TEGNA's television station, which is co-located on the campus, to continue operating. There will be some issues to work out around that, and it may be that this closing takes longer than would be typical but not by much. So we're looking still optimistically to the end of this year. It may spill into 2019. And of course, all of that presumes that the strong real estate market we've experienced in Dallas in recent years holds up through that time frame.

Chris Mooney

And any thoughts -- the prior guidance, I guess, had been $30 million or so. Is that still a good baseline?

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

That's a good baseline. Sure, is.

Chris Mooney

Okay. On an operational basis, the revenues the last couple of quarters seemed to be declining at a faster rate than the other public newspaper companies. Is there something going on inside of AHC that's different? I mean, it's -- we're in a fairly robust, at least, region of the country.

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

Chris, let me pick up on that first, and then I'll ask Grant and Tim to amplify. First of all, anecdotally, we are under the impression that other traditional media companies in Texas have experienced a little bit of a slowdown in 2018 relative to some peer companies. But if -- you tie it back to the earnings releases yesterday and today, you have a mixed picture. New York Times is seeing a little bit of weakness compared to the very strong earning -- I mean, revenue patterns they had comparatively Gannett announced today, so it's mixed. I think what's happening is the entire industry, on the newspaper side at least, is experiencing the transitions to a more digital world. It's not just the emphasis we and others are putting on digital subscriptions, but it's the reality that a lot of consumer products companies and, certainly, newer Internet-based consumer products sites go to market a different way, and consumers are following that pattern. So it just underscores the urgency of our making this transition. We are very focused on that. As you know, Grant, of course, is leading the charge on the newspaper side. Tim is doing a great work on the digital marketing side. And I'm very encouraged to see the margin growth that Tim's recorded in the second quarter. I think that's a precursor of some more good news as we go forward with Belo and Company. Grant, do you want to add anything?

Grant S. Moise ***A.H. Belo Corporation - Executive VP, President & Publisher of The Dallas Morning News***

Yes, sure. Chris, I'd say the only thing that Robert did not mention is -- that I think we've mentioned in the first quarter is we have also had the loss of our largest account at The Dallas Morning News with one of the major grocery chains that had moved their TMC revenue from us to another vendor. And that alone has been about $1 million just in this quarter, second quarter alone. So I think with us being a smaller company than some of the other peers, I think what happened based on -- when you lose accounts like this magnitude, it just -- I think it just gets a little bit more of a pronounced effect on our financials. But I think there's kind of that one account -- has just -- had a little bit of a bigger drag on us than others.

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

Which, by the way, was a national shift in strategy on the part of that company, so it wasn't just The Dallas Morning News. Tim, do you want to comment on your world?

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

Yes. I mean, as previously discussed, we experienced some attrition early in the year. That said, we continue to see strong sales performance, and we've replaced that net booking revenue loss with deals sold in late Q1 and early Q2. Now those accounts take time to onboard, so we didn't get a full quarter of revenue from them. But we do continue to expect to see stronger performance in the second half of the year compared to 2017.

Chris Mooney

And will all those new clients -- and can you just broadly quantify how many new clients or something will be on-boarded for the third quarter? Or are we still on-boarding that new batch?

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

There's a -- there are a few that just recently launched, literally, as of last week. We've been on-boarding them, I would say, through the back half of Q2 and, obviously, in Q3. Sometimes, the on-boarding of these accounts don't necessarily go as quickly as you'd like, but again, we're very optimistic in regards to the back half of the year in regards to not only on-boarding those accounts but, obviously, growing those revenues. And I'll tell you, Chris, as Robert alluded to, the market, the digital marketing spend and budgets just continue to go up due to the strong performance that's being garnered out of moving money into the digital marketing sector. So it's certainly -- there's no lack of opportunity for us to go after. And as you alluded to, we -- the Dallas market is strong. We are very focused on the mid-market space, and Dallas ranks as one of the largest mid-market cities in the country. So we're very optimistic about the future.

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

Chris, as to the number of accounts, I think it's -- a conservative way to think of it is just numbers of accounts. Tim has replaced what -- I tried it in the fourth quarter and first part of this year, and we'll have, by the end of the third quarter, not necessarily revenue but the number of clients.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

The number of accounts have been -- the physical number of 6 have been replaced. I think the other...

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

That's what I mean.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

Yes.

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

We're north of that. I mean...

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

Yes, yes.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

And I think the other thing that's important, Chris, is the accounts that lapsed, and this is one of the reasons why we're trying to give more visibility and the additional schedules that we've given out, is part of that also was the customers that left the larger accounts had a large amount of pass-through revenue. And had that been on a comparable basis, it would have been a little bit of a different look in how the revenue is. I'm pleased that we're finally in a net revenue basis. I think that's going to help everybody, and that's why we're giving visibility back to '17 to give more clarity on that and to be able to call that out, so you can see how we're looking at Belo and Company internally.

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

Yes. And one last thing I would just add, too, obviously, not all sales are considered equal, but obviously, we track the number of sales that we experience from a quarter-to-quarter basis. And we've experienced double-digit growth in the number of sales comparative to Q2 of 2017 in Q2 of 2018.

Chris Mooney

Great. And the margin profile of these new businesses, opportunities versus the ones that you lost, is there a difference?

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

I will tell you I think the margin is better on the new accounts that we're bringing in compared to the accounts that we attrition-ed in the back half of last year, earlier this year. So we -- that's where I think that you're starting to see that margin improvement that Robert alluded to earlier.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

And one of the things, Chris, we had talked about at the end of last year was these large accounts are great, but they demand a lot. And then you can also experience other operating expense increases around bad debt, timing and just the like, and I think the replacement of these accounts have been with accounts that will generate higher margin and lack of some of these operating expense issues that you get into with bad debt and the like, so...

Chris Mooney

Yes. And are they tending to be more local and regional versus -- you had a couple, at least, than the ones -- the accounts lost that were sort of national?

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

Yes. I will tell you, certainly, we continue to focus in our backyard. Again, it's one of the richest number -- it's one of the cities that have the highest number of mid-market companies that we're focused on. That said, I will say that we do have a few of the accounts that we brought on that are much more national in scope as well. So we do continue to look to expand our footprint outside of the DFW market and are actively doing so.

Operator

(Operator Instructions) And we do have a question from the line of Jonathon Fite with KMF Investments.

Jonathon Fite

I was wondering if I could just clarify what I thought I heard in the last exchange. Even with the loss of some of the major accounts on the digital side, you're expecting second half revenue growth through that segment?

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

Yes, when you're comparing it on a year-over-year basis, the same type of expansion that we saw when you look at -- from where we were -- in the second quarter, we showed sequential growth over Q1. As Tim mentioned, the on-boarding of these accounts should put us in a position to where the second half growth over 2018 will be better than 2017.

Jonathon Fite

And can you just talk about the strategic dynamic that kind of saw the deceleration of growth kind of through '17 and early '18 and how that growth is now starting to build again? And what were some of the drivers? Is it just fickleness of a large account? Or are there some other business dynamics going on?

Timothy Michael Storer ***Distribion, Inc. - Co-Founder, CEO and President***

Well, I think it's a combination of factors within some of the large -- one very large account that we had through last year just made a business shift in regards to their business from a marketing and sales strategy perspective. Ironically enough, they're one of those businesses that actually started to move money more out of digital and into -- back into more traditional-type means just based upon some business changes that they underwent. So that's one factor that we felt was a little bit out of our control. There were some accounts that, through consolidation, they were acquired by other companies, and any time that, that happens, the previous partners and vendors certainly are in flux. So that was an issue. But for the most part, it was just a combination of factors across all the accounts. There's no any specific trend that we noticed within those accounts that allude to any kind of issues on our end or anything that we could have really controlled.

Jonathon Fite

Do those factors impact any earn-outs associated with the DMV or Speakeasy kind of incremental ownership and acquisition over the last couple of years?

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

They don't, Jonathon. I think if you recall, we actually acquired the remaining interest of both Speakeasy, which was 30%, and DMV of 20%. In the first quarter of 2017, both of those entities are fully owned subsidiaries of A. H. Belo. Speakeasy has actually been consolidated into Belo and Co., which is not only just the DMV holdings entity but other business units that were once part of The Dallas Morning News that have more of a marketing service digital focus. So Belo and Company operates separately now, fully owned subsidiary of A. H. Belo Corporation. And there are no impacts from an earn-out, earnings or anything along that line. Everyone is on normal compensation plans.

Jonathon Fite

Okay. And another 2 just quick things. Are there any pro forma update regarding pension given the current interest rate environment? And could you provide some color commentary around the share class consolidation, just kind of the intent and strategy behind that?

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

I'm going to need more clarity on your question around the shareholder consolidation. Are you referring to something specific?

Jonathon Fite

I thought I saw some filings last quarter around resolution of the 2 types of share classes and a consolidation into a single common class.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

No, that was not A. H. Belo Corporation. What you may have seen at the end of June regarding any filings that were out there that might have been unique is we actually did -- after our shareholder approval, we did actually reincorporate A. H. Belo Corporation to Texas from Delaware. So you may have seen some filings related to certain of our pension saving plans just stating that but nothing around the share class.

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

Jonathon, Robert Decherd again. You may have picked up the word classified. We declassified the board, so it's now all directors will be elected annually. That might have been what you saw.

Jonathon Fite

Okay. I'll follow up with you offline on that. Appreciate that clarity. And any kind of pro forma commentary on the pension?

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

So I think from a pension perspective, I'll give some clarity on that. As you know, over the last several years, we've been very successful in derisking our overall pension plan. At this time, as I mentioned last quarter, we do not anticipate any required pension contributions between now and the next 10 years. Obviously, that is based on market conditions and interest rate. But at this point, we still do not have any required pension contributions. If that were to change, we would update the market. But we feel very good and very positive about where we are with our pension plans overall and their funded status.

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

Jonathon, just to pick up on your question about interest rate environment, as you know, as interest rates rise, that actually helps plans like ours. So the dynamic is between the market itself, so the investments held by the plan and those interest rates which are calculated annually. We, as Katy said, in derisking the plan, we have continued to move funds not significantly but very gradually into more risk-protected assets.

Operator

(Operator Instructions) And we do have a question from the line -- a follow-up question from the line of Chris Mooney of Wedbush Securities.

Chris Mooney

So Robert, I know you're -- you've been with this company a long time and on the board and now the CEO again. You must have given some thought that you have quite a pile of cash already relative to the market cap. You have a share repurchase, which is somewhat active, 50,000-something shares acquired in the second quarter. And you're about to bring on another potential $30 million or so from the sale of -- what do you expect to do with the cash?

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

Chris, we're going to be discussing this with the board at its next several meetings. As you know, it has been a regular topic for the board because they and I are very intent about how capital is allocated and how we make sure we are attentive to shareholder value in a very uncertain industry environment. We're not happy about the fact that our stock has traded down this year. I think there's plenty of good news in this update today. But we are going to look at all of the potential uses of cash. Using your example, if we have $55 million in cash today, you add $30 million to that, we're not going to sit on $85 million of cash. But we're also going to be very thoughtful and choiceful about what and when the board decides to make capital allocation decisions.

We are in a very preferred position here. Jim and the team have done a great job of bringing this company down to a very simple platform. We're willing to articulate what our purpose is and objectives are and shareholders are at the top of the priority list.

Chris Mooney

One other asset that it seems to me that other newspapers have decided to monetize and that's their printing and distribution businesses which in your case also comes with some fairly significant real estate assets in Plano. Ever give any thought to monetizing that business?

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

Chris, I don't think I would put that in a model in the near to intermediate term. Again, as you know, newspapers generally are experiencing declines in not only print circulation but the size of the daily and Sunday products. That impacts the relationships we have with our customers in the commercial printing business because, while each contract differs, all of them are sensitive to those two factors. Just as we are bringing down the number of copies and the number of pages printed for the Dallas Morning News, so are our four or five newspaper commercial customers.

So, what's very difficult to project is, as you noted, is the pace at which that occurs. We don't have a really clear picture of that, or a clear idea, so for the foreseeable future, what we are focused on is making sure that business contributes to the company's overall profitability. Put The Dallas Morning News first in terms of its product being printed in the most timely fashion possible at the highest quality level. That's our duty to the shareholders and the company. And we'll adjust as we go along. Yes, the North Plant is located on a piece of real estate that, ultimately, will be valuable to us. But as long as we're putting The Dallas Morning News and we're printing these other newspaper customers, we're going to be in the North Plant. So it really just comes down to your own scenario for when and how newspapers reduce their printing requirements sufficiently that we would have choices that aren't available today.

Operator

(Operator Instructions) And it does appear, at this time, there are no further questions from the phone lines. Please continue.

Mary Kathryn Murray ***A.H. Belo Corporation - CFO, SVP, Treasurer & Assistant Secretary***

Great, Brad. Thank you. Thank you, everyone, for joining us on this call, and we look forward to talking with you after our third quarter earnings. Thank you.

Operator

And ladies and gentlemen, today's conference will be available for replay after 11:00 a.m. today through August 16. You may access the AT&T Teleconference replay system at anytime by dialing 1 (800) 475-6701, entering the access code 452076. International participants may dial (320) 365-3844. That does conclude your conference for today. Thank you for your participation and for using the AT&T Executive Teleconference service. You may now disconnect.