

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

AHC - Q3 2012 A. H. Belo Corporation Earnings Conference Call

EVENT DATE/TIME: OCTOBER 29, 2012 / 6:30PM GMT



CORPORATE PARTICIPANTS

Ali Engel *A. H. Belo Corporation - Chief Financial Officer*

Robert Decherd *A. H. Belo Corporation - Chief Executive Officer*

Jim Moroney *A. H. Belo Corporation - Executive Vice President*

CONFERENCE CALL PARTICIPANTS

Chris Mooney *Esposito Securities - Analyst*

Barry Lucas *Barry & Company, Inc. - Analyst*

Dustin Haw *Geosam Capital, Inc. - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Third Quarter 2012 Financial Results Conference Call. At this time all participants are in a listen-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 we will turn the conference call over to your host, Chief Financial Officer, Ms. Ali Engel. Please, go ahead.

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

Thank you, Tony. Good afternoon, everyone. Welcome to A.H. Belo Corporation's Third Quarter, 2012 Conference Call. As a reminder, we hosted our 2012 Investor Day on October 4th. All related materials from that event, including the presentation, audio and transcript are available on our website under the Investor Relations section.

I will lead today's call, and my comments will be concise leaving plenty of time for Q&A. Robert Decherd, our Chief Executive Officer; and Jim Moroney, Executive Vice President are available for Q&A, along with myself and Dan Blizzard, Senior Vice President.

This morning we issued a press release announcing third quarter results. We have posted this release on our website under the Investor Relations section. Unless otherwise specified, comparisons used on today's call measure third quarter 2012 performance against third quarter 2011 performance.

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.

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.

A.H. Belo Corporation announced third quarter net income of \$0.06 per diluted share, a year-to-year improvement of \$0.07 per diluted share. Adjusted EBITDA or earnings before interest, taxes, depreciation, amortization and pension expense was \$10.5 million, a decrease of 3%. Total revenue in third quarter decreased 1%, the lowest rate of decline since our spin-off from Belo Corp in 2008.



Advertising and market services revenue, including print and digital revenues, decreased 5% in the third quarter, also the lowest rate of decline since the spin-off. In Dallas, advertising revenue in August and September increased 3% and 1% respectively, the first back-to-back monthly increases since 2006. Improved advertising revenue performance in Dallas resulted from higher display, classified and digital revenues, most notably in the digital, automotive and employment categories, which both increased 23%.

The digital automotive revenue increase was primarily due to growth in the sales of Cars. Com products. Circulation revenues decreased 1.5% in the third quarter due primarily to the single copy sales decline at the Morning News offset by The Providence Journal's transition from a carrier model to a distributor circulation model in 2011. Printing and distribution revenue increased 25% to \$12.5 million in the third quarter of 2012 due mostly to the impact of new contracts of The Providence Journal and The Press-Enterprise.

The Company was notified in October that the new owners of The North County Times would cease printing that publication in our Riverside, California facility on October 15th, well before the exploration of a multi-year contract. The Company is pursuing multiple remedies.

Total consolidated operating expense decreased 2% in the third quarter to \$106.6 million, excluding the effect of pension expense in both periods, as headcount-related expenses, computer and depreciation expenses all decreased.

We are very pleased with our results thus far in 2012. While advertising revenues are difficult to predict we remain confident in our management team's ability to achieve the adjusted EBITDA targets of \$37 million to \$41 million. As of September 30th, we had \$41 million of cash and cash equivalent, and no borrowings under our credit facility.

Returning cash to shareholders remains a top priority. The Board of Directors recently declared a special dividend of \$0.24 per share, and a quarterly dividend of \$0.06 per share, both payable on December 7th, to shareholders of record at the close of business on November 16.

Tony, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

Thank you very much.

(Operator Instructions)

And the first question in queue will come from Chris Mooney with Esposito, and your line is open.

Chris Mooney - Esposito Securities - Analyst

Good afternoon, folks.

Robert Decherd - A. H. Belo Corporation - Chief Executive Officer

Hello, Chris.

Chris Mooney - Esposito Securities - Analyst

Good to speaking to you again. Can you give us any update on the share repurchase that was also initiated or announced at the same time as the special dividend?



Robert Dechard - A. H. Belo Corporation - Chief Executive Officer

Chris, we are putting the mechanics in place to begin that program. Obviously, these very challenging conditions in New York affect everybody and things of all sizes, so we'll certainly back up and running in the next couple of weeks, once the windows open. And it's our expectation to be in the market on a continuing basis over the next 12 months at very modest levels and, of course, be opportunistic if something comes up or we have a chance to buy a larger block at a reasonable price.

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

But also, Chris, just to add onto that. We can't really do anything because our window has been closed.

Unidentified Speaker

Right.

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

The window will open 1 to 2 days after this earnings announcement, so there really wasn't an opportunity for us to do anything from when the Board approved it until now because of that factor.

Chris Mooney - Esposito Securities - Analyst

Great. The recognition of the tax credit, I guess, is that right - Ali, to put it? Where would I -- where was that recognized in the income statement?

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

It was a reduction of real estate taxes which was above the line, in the income statement, so it should be in other -- the -- newsprint ink -- other production distribution and operating cost, Chris.

Chris Mooney - Esposito Securities - Analyst

Would have been reduced by that amount?

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

Yes, that's correct.

Chris Mooney - Esposito Securities - Analyst

Okay, great. If Jim can give us an update, if there is any, from the Investor Day and 508 Digital, Speakeasy, et cetera, that would be great. And then my only other question would be if -- any thoughts you have on expectations for dividends this year from Classified Ventures?



Jim Moroney - A. H. Belo Corporation - Executive Vice President

As far as 508 and Speakeasy, it's really the -- where we were just a few weeks ago. We are continuing to have the same good experience with 508 Digital in terms of our sales of volumes and revenues, and we are off to a good start. We've closed some business already with Speakeasy, so we are -- for the month of October we will make our, sort of first full month plan. So, so far so good.

Chris Mooney - Esposito Securities - Analyst

Congratulations.

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

I don't think there's any other news on the [CB] dividend front -- I mean, we expect to get our annual dividend sometime in December, but that will business unit again, contingent on the Board approving that at that their final Board meetings this year, but right now we don't have any reason not to expect it. And I think it will be somewhere in the level of what we received last year.

Chris Mooney - Esposito Securities - Analyst

Great. That's all I've got. Thank you.

Jim Moroney - A. H. Belo Corporation - Executive Vice President

Thanks, Chris.

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

Thanks, Chris.

Operator

Thank you very much.

(Operator Instructions)

And next in queue is Barry Lucas, with [Barry & Company, Inc.]. Please, go ahead.

Barry Lucas - Barry & Company, Inc. - Analyst

Thanks very much. Glad I've got my own [shingle] now. A couple of items, we lost power here for a second, Ali. Maybe Jim could provide a little bit of insight in what he sees as October so far, into November.

Jim Moroney - A. H. Belo Corporation - Executive Vice President

Hi, Barry. Yes, we are seeing trends that are not as favorable as August and September, but as I think said back then, this is such a month-to-month event. Even when we had two very good months in a row, I was not calling a turn or saying, well now this is definitely going to continue into the third quarter.



So it's been a little bit choppier in October, and I couldn't begin to tell you what's going to happen in November given, again, the volatility and inconsistency of these revenue trends.

Unidentified Company Representative

Barry, we are definitely seeing a softer month in all three markets. Well, Providence and Dallas. Riverside is kind of holding its own, but it's -- as Jim said, it's just erratic and we therefore don't put too much of a marker on any of this.

Jim Moroney - *A. H. Belo Corporation - Executive Vice President*

I think, Barry, just on a point. There was a lot of money coming in last year, in the financial category that didn't repeat itself this year. Bank of America particularly, I think they were dealing with some PR issues that they spent a lot of money in major metropolitan newspapers all across the country, certainly ours.

And then, we were the beneficiaries of another run to the World Series with the Texas Rangers, who, as you know didn't really make it past their one playoff game this year. So, that took a little bit of toll on October on a comparative basis.

Barry Lucas - *Barry & Company, Inc. - Analyst*

Thanks, Jim. Just a couple for Ali, and just trying to look the cash outflows in the third quarter and what it means for the fourth quarter without a funds flow statement. So if I include the pension expense, EBITDA was about \$9 million or so. And with CapEx and taxes, it looks around \$6 million to \$6.5 million of what should have been funds from operation, and cash in the quarter from June 30 was essentially flat.

So -- other pension contributions, or what's the variance in 3Q and what would the outlook be for 4Q? Or, what are the puts and takes of 4Q I guess if you can't provide [an outlook]?

Ali Engel - *A. H. Belo Corporation - Chief Financial Officer*

I'm sorry. I didn't catch that last part, Barry.

Barry Lucas - *Barry & Company, Inc. - Analyst*

Yes, if you prefer not to give an outlook, if you will, for the fourth quarter, what would the puts and takes be in terms of cash flow in the fourth quarter other than the \$3 million or so in CapEx?

Ali Engel - *A. H. Belo Corporation - Chief Financial Officer*

We had the (inaudible) pension contributions in the fourth quarter, \$4.6 million and we one of those in the third quarter as well. And then also in the fourth quarter we'll have the special dividend which will -- \$5 million about -- \$5 million approximately. So between -- those are probably the two big items in the fourth quarter that would be kind of one-offs.

Barry Lucas - *Barry & Company, Inc. - Analyst*

Okay, that's pretty helpful. So it sounds like with \$3 million, give or take of CapEx, the total is \$6 million-ish in dividends and the balance of the pension contribution in kind of the middle of the range, net cash should be flattish give or take. If you have a decent fourth quarter it could be a little bit higher.



Ali Engel - A. H. Belo Corporation - Chief Financial Officer

I think that's an accurate projection.

Barry Lucas - Barry & Company, Inc. - Analyst

Okay. Thanks very much.

Ali Engel - A. H. Belo Corporation - Chief Financial Officer

Yes, absolutely. And if you want to go through any more detail on the cash flow, Barry, feel free to call me or David this afternoon. We'll likely file the 10-Q tomorrow or Wednesday, so you'll have that in a day or two.

Barry Lucas - Barry & Company, Inc. - Analyst

That's great. Thank you.

Operator

Thank you very much.

(Operator Instructions)

And next queue is Dustin Haw with Geosam Capital. Please, go ahead.

Dustin Haw - Geosam Capital, Inc. - Analyst

Hi, guys.

Jim Moroney - A. H. Belo Corporation - Executive Vice President

Hello. How are you, Dustin?

Dustin Haw - Geosam Capital, Inc. - Analyst

Good. Congratulations, on the quarter -- nice to see your operating expenses still declining faster than revenue. So I know we just covered this a little bit at the shareholder meeting, but I thought maybe if you guys could give me an update on the real estate, if there's any new development there. I know it's pretty soon after you guys announced [it] but --.

Robert Dechard - A. H. Belo Corporation - Chief Executive Officer

Dustin, really we are in the same place. We are continuing to work these things actively. As you know, from Investor Day one of Dan's highest priorities. I suppose the only anecdotal update is we feel like the real estate market in Southern California continues to improve, albeit slightly, and that augers well for our initiatives there.

And as we indicated at Investor Day, our project in Providence around the 75 Fountain building is moving along, but it just -- in Providence things go their own way and take time.

Dustin Haw - *Geosam Capital, Inc. - Analyst*

Okay. That's great. That's all I've got for you. Thank you.

Robert Dechard - *A. H. Belo Corporation - Chief Executive Officer*

Thanks very much.

Ali Engel - *A. H. Belo Corporation - Chief Financial Officer*

Thank you.

Operator

Thank you very much. At this time we have no additional questions in queue. Please, continue.

Robert Dechard - *A. H. Belo Corporation - Chief Executive Officer*

Tony, thanks very much. As Ali on the front end, we are pleased with quarter it's really -- it's fun to be in positive territory. The fourth quarter has some risks to it as we indicated in terms of what we are seeing in October, but November and December can come through for us.

We are optimistic that we are on the right course, doing the right things. And as we all discussed with you at Investor Day, we have plans in place they are actionable and can benefit the Company and its shareholders in a meaningful way in 2013.

So we appreciate your support. We will look forward to discussing year end results. And in the meantime, as Ali said, if you have any questions don't hesitate to call.

Operator

Thank you very much. And, ladies and gentlemen, this conference call will be available for replay after 3:30 p.m. Central Time today, running through November 5th, at midnight. You may access AT&T Executive Playback Service at anytime by dialing 800-475-6701 and entering the access of 259648. International participants may dial 320-365-3844. And once again those phone numbers are 800-475-6701 and 320-365-3844 using the access code of 259648.

That does conclude your conference call for today. We do thank you for your participation. You may now disconnect.



DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2012, Thomson Reuters. All Rights Reserved.

