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AHC - Q1 2015 A. H. Belo Corp Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the first-quarter 2015 financial results conference call. At this time, all participants are in a listen-only mode and then later, we will have a question-and-answer session. Instruction will be given at that time. (Operator Instructions). As a reminder, the conference is being recorded. I would now like to turn the conference over to our host, Vice President and Controller, Mike Lavey. Please go ahead.

Mike Lavey - *A.H. Belo Corporation - VP & Controller*

Thank you, Lori. Good afternoon, everyone. Welcome to A. H. Belo Corporation's first-quarter 2015 conference call. I would like to welcome Katy Murray, who joined A. H. Belo as our Chief Financial Officer on April 1 to the call. Katy and Jim Moroney, our Chief Executive Officer, will lead today's call. Dan Blizzard, Senior Vice President and Grant Moise, Senior Vice President, Business Development and Niche Products, will also be available for Q&A. I will now turn it over to Katy.

Katy Murray - *A.H. Belo Corporation - SVP & CFO*

Thanks, Mike. My comments will be concise and leave plenty of time for Q&A. Yesterday evening, we issued a press release announcing first-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 first-quarter 2015 performance from continuing operations against first-quarter 2014 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. 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 first-quarter net income of $0.02 per share, an improvement of $0.24 per share compared to the first quarter of 2014. First-quarter 2015 net earnings included an income tax benefit of $5.7 million primarily due to a reduction in the valuation allowance for the offset of deferred tax assets by $4 million of DMV acquisition date tax liabilities.

Adjusted EBITDA, or earnings before interest, taxes, depreciation and amortization, from continuing operations with acquisition costs and net investment-related gains and losses added back was a loss of $1.4 million in the first quarter, down from $400,000 in the prior year. Total revenue in the first quarter of 2015 increased 1.6% over the prior year driven by marketing services and commercial printing and distribution. The Company's previously announced acquisition in January of three marketing services companies referred to as DMV added $1.9 million of incremental marketing services revenue.

In addition, commercial printing and distribution grew $1.4 million due to contracts that commenced in March of 2014. Advertising and marketing services revenue, including print and digital revenues, decreased 2.4%. Marketing services revenue more than doubled from the prior-year quarter as a result of the acquisition of DMV and as a result of the growth of Speakeasy revenue of approximately 43%.

Circulation revenue remained flat as compared to the prior-year period as increased rates offset lower volumes for home delivery and single copy sales. Printing, distribution and other revenue increased 33.8% in the first quarter due primarily to the growth of commercial printing services, which commenced in March of 2014 for various regional and community papers. This category also includes expanded event marketing revenues related to events sponsored by CrowdSource and Untapped.

Total consolidated operating expense increased 3.7% in the first quarter to $70.5 million due to higher materials, production and distribution expenses related to additional commercial printing and distribution business, as well as to the operating expenses related to the acquired business.

Turning to the balance sheet as of March 31, we had $81.4 million of cash and cash equivalents and no debt. I will now turn the call over to Jim Moroney.

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

Thank you, Katy and good afternoon, everyone. Katy mentioned our strong cash position at the end of the first quarter with $81.4 million of cash. This balance remains after we provided a significant cash return to shareholders in the first quarter and made a substantial investment in diversifying our revenue base. Our marketing services business, which primarily consisted of Speakeasy and 508 Digital in 2014 more than doubled from the prior-year first quarter with the January acquisition of three marketing services businesses -- Distribion, Vertical Nerve and Marketing FX, or DMV.

Integration of DMV products into the Dallas Morning News sales portfolio is well underway. We are very pleased with the reception that our expanded product portfolio has received from our customer base and the Morning News sales staff is excited to have additional tools to help their advertisers reach target markets.

As we mentioned in the year-end call, we are making strategic investments to increase the staff of DMV to target the growth opportunities available in the Dallas market. Grant Moise and Tim Storer, who is the CEO of DMV, are doing great work scaling the business to accommodate the opportunities generated through the Dallas Morning News sales staff. The financial performance of DMV is very much in line with our expectations and we are very excited about its potential.

Our event business is growing significantly as well. In the first quarter, we promoted the Savor Food Festival for the first time, more than doubling the number of attendees from the 2014 event. Our Untapped craft beer series opened its first new city in April, attracting attendance of over 6500 people and essentially selling out the Austin, Texas venue. Another new market, San Antonio, is set to open in November and the three established markets, Fort Worth, Houston and Dallas, will hold Untapped events in May, September and November respectively.

We continue to explore additional investment and acquisition opportunities in more channels of marketing in order to further diversify our sources of revenue. Our primary focus is directed at advertising and marketing services companies that have established financial performance and strong management teams and which display sophisticated uses of data to reach targeted audiences. These types of companies will best leverage our core competencies, our existing customer relationships and our brand equity in order to diversify and grow revenue.

In addition, we have several new organic growth initiatives already underway this year that will expand and complement the advertising and marketing channels that we already own and operate. We believe it will take both strategic acquisitions of more channels of marketing, as well as organically grown new products to stay ahead of the decline in print advertising. Lori, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Richard Diamond, Strait Lane Capital.

Richard Diamond - *Strait Lane Capital Partners - Analyst*

Jim, you and the team have a lot of balls in the air transforming Belo into an omnichannel marketing company. I would like to talk about both sides. On the traditional newspaper side, can you talk about new FSI clients and the effectiveness of FSI and the new initiatives? Can you talk about programmatic trading -- or programmatic advertising and how you are assisting your clients? Thank you very much.

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

Okay. You are right; we have a lot of balls in the air because this transformation is difficult and complex, but I think we are doing a good job of it as our year-over-year total revenue indicates. On the FSI side, we did see in the first quarter more weakness than we saw during 2014 on a year-over-year basis in the total amount of FSI dollars that we recognized. This has come primarily from current customers who have been taking their profiles down from what we refer to as a total market coverage, a TMC coverage, to more targeted ZIP Code coverage. So it's not necessarily less numbers of clients, but less distribution by certain clients.

Now offsetting that for the balance of this year, as I think some of you are aware, the Nebraska Furniture Mart is opening -- has soft launched already a store here in the greater Dallas area and it is due to actually open up fairly soon. They've been keeping the actual start date quite under wraps. But in visits to them in Nebraska, I have made, and others, their main backbone of their whole marketing is freestanding inserts. They believe that they have played a particularly important role in the success of the stores that they have already opened and they are going to continue to make investments in FSIs with the Dallas Morning News. We have a contract already in place. It's just waiting to be triggered once they have an official announcement date. So I actually think we will see some improvement in the FSI numbers from what we saw in the first quarter as we get into the second half of the year.

I'm going to ask Grant to talk for a minute more about programmatic, but let me say this, we have been investing in programmatic, creating a programmatic marketplace for the Dallas Morning News, since we brought Joe Weir on over a year ago, who is now our Chief Revenue Officer. Joe was the head of Belo Corp's digital advertising across all 20 some odd numbers of their television stations and he had built out a very strong programmatic marketplace for the Belo Corp television stations and he came over last year in January and began to build out the same thing for us and we are a very long ways towards having the technology all in place.

We've also been adding personnel in this area. And Richard, as I know what is behind your question, you can read the data and it will tell you that anywhere from 20% to 40% or 50% of all the display advertising is going to the programmatic marketplace across the country. And if you are not playing there, you're not playing in where the money is moving. So we are making significant investments both in technology and in people so that we can ramp up our capabilities and play in this space. And I don't know, Grant, if you want to add something to that?

Grant Moise - *A.H. Belo Corporation - SVP, Business Development and Niche Products*

No, the only thing I would probably add, Richard, is that we are playing on both sides of the programmatic equation. We are not only providing inventory as a seller of digital inventory, but we are also a buyer. We are representing some of our own advertisers in that marketplace as well to expand their reach into any niche audiences that we may not serve ourselves.

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

Richard, does that get to all of your issues?

Richard Diamond - *Strait Lane Capital Partners - Analyst*

Yes, thank you very much.

Operator

Barry Lucas, Gabelli & Company.

Barry Lucas - *Gabelli & Co. - Analyst*

Great, thanks and just a couple of items. Jim, one, usual quarterly question on real estate update would be helpful.

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

Yes, so I am going to ask Dan to respond.

Dan Blizzard - *A.H. Belo Corporation - SVP & Secretary*

We still have four properties up in Providence that we are marketing for sale. We expect it to have a value range on those properties -- because I know that is going to be your next question -- let's call it a range between $10 million and $12 million at current market value. And then we've got four non-core properties in downtown Dallas that we are not offering for sale, as this market here continues to grow and expand and we think there's a lot of legs for the market to go even further. We estimate the current market value of that real estate is between $13 million and $14 million. So you add those eight properties together, $23 million to $26 million in value of our non-core assets of which the four in Providence are for sale.

Barry Lucas - *Gabelli & Co. - Analyst*

Okay. Thank you, Dan. I appreciate that. Jim, if we look at the results for the quarter and acknowledging the fact that 1Q was generally a seasonally small one, how do we look at the metrics, or are there any -- is there anything else you can provide with regard to profitability either at the Morning News or the new businesses so we could sort of peel back the onion and get a look at what is going on there?

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

Let me do a couple things and I'll ask grant to chime in for a minute on DMV. Barry, what we see happening is the continued decline in the print, core print advertising categories and that, as you know as well as anybody on this call, has gone on unabated in the industry for at least eight years. What we have been trying to do over the last five, six, seven years is how do we -- making the assumption that that is just going to continue. Don't want it to continue, but we make the assumption from strategic planning purposes that it will. How do we replace that revenue and how do we replace it profitably?

And so as you know, we have been taking up the price of the paper in order to continue to yield the same or greater revenue even on a smaller base of subscribers. We did a lot of organic growth in 2012 with 508 Digital and with CrowdSource and with Speakeasy. And we have continued to go down the organic path trail, but we've been working very hard on acquisitions and we are going to continue it because we believe we have to continue to grow in both of these ways both internally organically, if you will, and in acquisitions if we're going to get ahead and stay ahead of the decline in the core print advertising.

The only silver lining in that decline, if you will, is that the base then becomes smaller every year so the same percent decline is actually less impactful and takes less new revenue to offset it. That is hardly a lot of solace in that, but it is just a fact. I think that our first-quarter results show that if we can keep a reasonable pace of acquisition and new product organic growth, we have the opportunity to get ahead of or stay slightly ahead of this decline in print.

I would tell you that the first quarter, and you have seen the results from some of the other publicly traded newspaper companies, the print side had a difficult first quarter and you've seen our numbers and they were much like they were last year, maybe a little bit worse in terms of where they were down year-over-year first quarter of last year.

So the challenge then becomes the profitability part because that display advertising has a high margin in it and when we lose it, it is difficult to replace it with as high a margin of dollar. And I think that is the challenge for us and I would say probably the challenge for most newspaper companies, which is how do we not just replace dollar for dollar the revenue that comes out of the print category, but how do we actually replace it with more dollars so that we can maintain an equilibrium of profitability.

We did not expand profitability in this quarter, as you know from the results. I think some of that though is related to some forward investments we are making with things like DMV in terms of adding the staff and so forth, so that we can recognize the opportunities that are there to take advantage of those in the Dallas and Fort Worth marketplace coming up. I think the rest of the year is going to be challenging on the core print side and our best opportunity to stay up with that is going to be to continue to leverage the things we have in place -- DMV, CrowdSource, Speakeasy, 508, those things that have a better growth profile to them than the legacy parts.

Grant, do you just want to talk about -- we have talked about DMV last call and gave some ranges and just do you want to repeat that and kind of give us an update?

Grant Moise - *A.H. Belo Corporation - SVP, Business Development and Niche Products*

Just to refresh the ranges that we have given when we acquired for this year, the plan that we have is between $9 million and $11 million in revenue and between about $800,000 to $1.2 million in EBITDA and as Jim had stated earlier, the business is very well on track. We are very pleased with where it is. But as Jim was saying too, to your question, Barry, on the profit, we are reinvesting very aggressively into this business this year and are very hopeful that that EBITDA improves in the out years as a result of that short-term investment, which sometimes you have to make ahead of the revenue, but again that business is right where we expected at this point.

Barry Lucas - *Gabelli & Co. - Analyst*

Great, thanks. Last question for me, Jim. As you look at what you have and what you don't have within the portfolio and in terms of investments, where do you think you have to go and what do you need? Is it people, is it technology, is it businesses within specific verticals? Maybe you can just flesh that out a little bit?

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

Barry, what we are trying to do is to continue to add to the portfolio of marketing services that we can offer to our customers that we presently have and by having other channels bring in some new customers that we don't do business with. Again, we found that our best opportunity is to take our existing customer base that is already doing business with us in one or multiple channels and introduce to them either channels that they are already using with a different supplier, but we can become for them more of a one-stop shopping opportunity, or they can -- we can bring to them a business a channel of marketing they are not presently using and show them how that would even bring more return on their marketing investment so that the current base of customers is, if you will, a little bit of a low-hanging fruit when we bring these new companies in.

Of course, what we want to do also is expand the number of customers that we have and if we bring in new channels of marketing that we don't already own, we have an opportunity to do that. We also think that by having the Dallas Morning News standing behind these channels of marketing, particularly with our customers with whom we've already done business, we also provide them more assurance that they are going to get the quality of service and the value from the marketing investment that they make and we have seen that prove out particularly as I have said in the past around Speakeasy, where more than half of their customers are current customers of the Dallas Morning News and we've introduce them to Speakeasy.

The areas that we continue to look at, more things around digital marketing services is high on our list. We have been looking -- we've talked about in the past at direct marketing, direct mail marketing, but only those that employ digital variable printing, which marries up digital printing technology with databases so that you can customize each piece of mail to the home. We think that that's a strong complement to Distribion, whose basic business is that it can take 70 million customer records, cut them by 350 different kinds of demographic and psychographic attributes and send them email marketing. So if you take that email marketing channel and you marry it up with a piece that complements it and reinforces it through direct mail again on a personalized basis, we think that would be a very powerful addon to our Distribion acquisition.

So I would say those are the kinds of things that we are looking at. We still look a little bit at the Hispanic market. It is harder. The TV stations, the networks, Telemundo and Univision are so strong. It is just hard to get a foothold there, but it is still something we are looking at because it is an important part of the growth of the Dallas and Dallas-Fort Worth market. So those are probably the primary targets right now and we are finding some opportunities. We just don't have anything yet that we could announce.

Barry Lucas - *Gabelli & Co. - Analyst*

Great. Thanks so much, Jim.

Operator

David Cohen, Minerva Advisors.

David Cohen - *Minerva Advisors - Analyst*

Jim, I am just sort of in the camp of this is a brave new world that you are entering in terms of the marketing services business. And we are still a little concerned about how easy a business that is going to be to generate a lot of profit in. And so all I have really to look at is, right now, particularly with regard to the acquisition, is the performance of the acquired company in these first almost three months since you closed the acquisition. And you had given a $9 million to $11 million revenue range. We essentially owned it for the whole quarter and generated it sounds like $1.9 million, which only annualizes to about $7.6 million. And originally, you guys had said $800,000 to $1.3 million of EBITDA. I think Grant now said $800,000 to $1.2 million. You didn't give us a contribution number, so I can't really judge that.

But it just feels to me like this is going to be slow in developing, something which you've somewhat acknowledged. But given that, I just feel a little concerned about your stated goal of going out and making more acquisitions before this strategy has really been proven. And I would love it if you could take a minute to try and set our minds at ease as to why, without any real proof of concept in terms of profitability, you feel comfortable with spending more of this hard-earned cash that is sitting on the balance sheet.

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

So, David, I appreciate the question. A couple of things. The organic growth process, developing new products to me has much more volatility and uncertainty than acquiring a business that has already a demonstrated track record of operating and operating success. So we have been, I think, successful so far with Speakeasy, particularly; CrowdSource following right up behind it. We've had more struggles with 508, but in some way and not to overdo this analogy, but that's a little bit of VC work. Nobody had ever created a content marketing agency, to the best of my knowledge, in the United States when we started that business up. And yet today it is profitable and it has got, I don't know what the current number is, 75 customers and it's a growing business.

CrowdSource, again, we did not have an event marketing company. It is growing well and profitably and I see nothing but more upside coming from that.

508, as I said, is still contributing a lot of revenue, not nearly as much profitability as we would like, but it is profitable when we consider all the companies it has brought to our Company to do business with both using the 508 services and other services of the Dallas Morning News in our different marketing channels. And I look at those and I say, gee, that is pretty tough work to start things up and to make them work. I don't think that it is as difficult, but I'm not saying -- I am not minimizing the challenge -- that when we stick to our criteria -- number one, the business has to have an established track record of several years. It has to already be profitable and the owner of that business has to be willing to continue to run that business for at least three years and to keep skin in the game for at least 20% to 30%. We accomplished all those things with DMV and so in essence, it is not just us running this business, it is the person who founded in this case and has been running it who is continuing to operate it.

So I don't feel like there is a great amount of downside in this because he was already showing year-over-year growth in revenue and profitability when we bought it. The question is can we add our resources to it and leverage, or, if you will, improve the trajectory of those sales and EBITDA. And I will grant you that that is the challenge for us to demonstrate to you, our investors and to our Board of Directors. And we think that this is still a winning strategy and we are going to continue to pursue it.

I would ask that you give us, like anything, a few quarters to demonstrate that we can do what we have told you that we are set out to do and that is not just to acquire the Company and have it run at the rate it was running before, but through our resources and support actually improve the trajectory of its revenue growth and expansion in EBITDA or profitability.

So I don't think, David, you're going to see us go on any sort of mad streak of announcing every six weeks a new acquisition and you are not going to see us make a real big bet in terms of size of acquisition. We are going to try to sequence these so that we can bring one in, learn what we can learn from integrating it and aligning our resources to it and apply that to the next one and hopefully the one after that. So Grant, did you have something to add?

Grant Moise - *A.H. Belo Corporation - SVP, Business Development and Niche Products*

Yes, just one thing, David, that I will add is because, to your point, that you said what can you do to help set my mind at ease. It's really a similar question that our Board asks us and what I have focused on in these preliminary or first phase of these acquisition is to make sure that these are things where we -- a lot of things, these things, our salesforce has already sold these types of services. We just may have been brokering them out to outside companies historically and so what we are doing in a lot of cases is we are not teaching our salesforce how to sell new things; we are actually upgrading what they are selling, but they are actually selling into our own companies now where we are building our own equity rather than building equity for other companies on the backs of our salesforce. So we are staying focused on things that our salesforce has shown us over the past year, two, three years that they've been able to sell and that gives us a greater sense of confidence as well.

David Cohen - *Minerva Advisors - Analyst*

Okay. Well, fair enough. I won't belabor the point, except to say that we hope that the patients, which we have always exhibited as long as we've owned stock in the Company, we hope you exhibit an equal amount of patience in terms of spending hard-earned and hard-maintained cash as we go forward. So let me just ask one or two other questions.

First of all, I am assuming that the growth in full-time employment from 1100 at year-end to 1200 at the end of the first quarter, obviously it relates to the acquisition, but it also relates to some incremental strategic hires that you have made. Is there any way that you can quantify the amount of incremental investment that went through the P&L in the first quarter?

Katy Murray - *A.H. Belo Corporation - SVP & CFO*

I think, at this point, I can give you a rough headcount number. When you look at the DMV acquisition, we are talking about sub 100 total employees even with their new investment, but we are not at a point right now where we can break out the incremental expenses associated with that. There were some, as Grant mentioned, there are investments around headcount to continue to drive top-line revenue growth.

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

And David, I just would also add, we, like I'm sure a lot of newspaper companies, were holding a lot of positions open as we went through what was a challenging September and even parts of the fourth quarter, more than we anticipated. And so the year-end number sometimes is a bit artificially low. It's not that we hired new people. It's that we began during the quarter to fill positions that came open during the year that we left open as long as we possibly could in order to recognize some savings and yet evaluated then that this number -- some of these jobs that we'd held open are critical enough that we needed to go back and fill them. So it's both a combination of employees from DMV that are indeed new, some new employees with CrowdSource and Speakeasy that are growing and then it was some open headcount positions that got filled.

David Cohen - *Minerva Advisors - Analyst*

Okay. Thank you. And then the last question relates to the purchase price accounting for the acquisition, which seems to also relate to your rather favorable tax rate in the first quarter. This $4 million deferred tax asset reversal or realization with regard to the DMV acquisition, should we view that as adjusting down the announced price of the original acquisition by $4 million, or did the announced price of the original acquisition already reflect $4 million less from this tax benefit?

Mike Lavey - *A.H. Belo Corporation - VP & Controller*

The situation here was that, as a result of the acquisition, we acquired $4 million in deferred tax liabilities of the DMV entities. As a result of us holding over 80% of their stock, we will now be able to consolidate them into our income tax return and that has therefore covered, shall we say, $4 million of deferred tax assets on the A. H. Belo side that had previously existed and allowed us to reduce our valuation allowance by that $4 million.

Katy Murray - *A.H. Belo Corporation - SVP & CFO*

But to your question, the purchase price of the acquisition reflects the balance sheet at the time, which included the valuation allowance that was in place -- or the deferred tax liabilities that were already in place, so the purchase price already included that.

David Cohen - *Minerva Advisors - Analyst*

Okay. Great. Thank you.

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

David, I just want to add one more thing to generally the question that you asked. I genuinely believe that newspaper companies are going to have to develop strategies that are not solely dependent on digital advertising and digital-only subscriptions, which have tended to be the two go-to ways that newspaper companies are trying to improve their revenue and grow their profitability. I think both of those are great opportunities that every newspaper company should be getting after all the digital advertising that they can and depending on how they feel about the growth of their audiences, deciding to put a pay wall or meter in place and charging some of the people that access their content that is distributed digitally, asking them to pay for it.

We just don't believe that those two things even taken together and done well with companies like ours whose scale is somewhat limited in digital audience by the fact that we are a local news and information provider, we are not a global or even national company like the New York times, the Wall Street Journal or even the Washington Post, certainly not like [BOX] or Buzz Feed. We are trying to appeal and our only point of differentiation is information and news about the Dallas-Fort Worth, North Texas and to a degree state of Texas and we are just never going to scale our audience so that the low CPMs from digital advertising can return the kind of revenue that we were traditionally associating with newspaper advertising.

So whether or not I believe we will demonstrate to you and others that this is a strategy that will work for newspaper companies, I believe that newspaper companies need to come up with something other than what has tended to be the two go-to areas, digital advertising and digital only substitutions, or they are not going to outrun their print declines and that is going to cause them to continue to cut into the franchise and at some point, as we all know, cutting is not a strategy and it certainly at some point can reach a tipping point and we are trying our very best not to face either one of those situations.

David Cohen - *Minerva Advisors - Analyst*

Got it. Thank you. We certainly appreciate the effort and we will stay tuned.

Operator

Bradley Tesoriero, CRT Capital.

Bradley Tesoriero - *CRT Capital - Analyst*

We had one big-picture question on A. H. Belo going forward on the newspaper side. Specifically during a time when many competitors are talking about increasing newspaper M&A, you guys kind of went the other way with the sale of your Rhode Island assets and your California paper. As we look towards the future, is the plan pretty much to operate more or less as a single asset entity here in Dallas and growth of the buildout of marketing services like you elaborated on earlier, or will you guys also be partaking in select newspaper M&A perhaps closer to home where there might be more synergy opportunities?

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

Bradley, we are more the former than the latter. One of the biggest opportunities we might have had to do some kind of newspaper acquisition or something that would improve EBITDA for us would have been to do something with the Fort Worth Star-Telegram and when we took on their printing that would've been a big part of the value of even acquiring them, let's say. Because the big value in acquiring newspapers first comes from being able to consolidate your printing operations, so you need geographic proximity and unfortunately, the state of Texas doesn't provide you much geographic proximity to get a live edition paper off the presses and drive it as far as you have to go to find the next big market like Oklahoma City, Little Rock, Waco, Austin. They are just too far away for us to print them and get their papers to them with any kind of deadline information in it and still delivered to people by 6:00.

If you are in the Northeast and you have lots of cities with very close proximity to one another then you have a lot more opportunity to consolidate not only your printing, but your next big opportunity, which is distribution. So we don't see that opportunity so much for a city located like Dallas-Fort Worth and looking towards other cities with enough critical mass to make it worth bringing in those printing jobs. So instead, as you know, we print the New York Times here, the Wall Street Journal here, USAToday and so forth, but we don't see that opportunity for cost take-out by acquiring other geographically, at least somewhat proximate newspapers.

The other thing you can do, of course, is you can try to consolidate a lot of your back end into a single office like Tribune does here, in fact, in the Lewisville area and that is something that while we gave that up, not having the two coastal properties, we are not -- that is not enough of a cost savings to warrant trying to go out and acquire a bunch of more newspapers, particularly when so far none of us, I guess, have declared we have found the model, the business model or business models that we have demonstrated will make these franchises sustainably profitable for the long term.

And so I don't think that unless we have that formula, that doesn't seem very smart on our part to go out and buy more newspapers when we are still making great progress, I would like to say, but I would not sit here and tell you that we are declaring victory with one quarter of total revenue growth. So we have instead decided to focus on exactly what you said. We're going to focus on this great market called Dallas-Fort Worth, one of the very best markets economically in the entire United States and we think there's a lot of opportunities to grow marketing services businesses built around our core franchise, the Dallas Morning News and that is our best opportunity to deploy capital and earn a return for our shareholders.

Bradley Tesoriero - *CRT Capital - Analyst*

Thanks very much.

Operator

Chris Mooney, Esposito.

Chris Mooney - *Esposito - Analyst*

This kind of qualifies as follow-up questions to Barry's really, but there is a March 8 article in the Boston Herald interviewing a Providence, I guess, based developer who said he had a deal to buy your building. Are you still negotiating with him, or is that transaction --?

Dan Blizzard - *A.H. Belo Corporation - SVP & Secretary*

We are still negotiating with prospective buyers.

Chris Mooney - *Esposito - Analyst*

Okay.

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

Got a little ahead of himself.

Chris Mooney - *Esposito - Analyst*

Apparently, since he said it was -- had till the end of March to be closed. On the print advertising, can you just give us a little more color. Is it national advertising, local, because it clearly is slipping off at a pretty good clip?

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

Yes, the general advertising or national advertising is still the category that continues to be under the most pressure. I think it is the first category that was hit the hardest when the rotation out of print newspaper advertising began to happen towards digital display advertising. And I think that it's the first category of business that is going heavily to the programmatic side. We're seeing much more of that from national advertisers than we do with local and regional and I think that is adding to the problems. We still have -- the retail category also again continues to be under pressure from a decline in the investments they are making. In print advertising, we talked about the FSIs.

So Chris, I wish I could tell you it is all just one area, but I think unfortunately this just continues a rate of decline that we have seen for several years now and I wish we had the ability to turn it around singularly in the Dallas-Fort Worth market, but particularly on the national side or in our retail category where some of that money is big-box national retailers, we just separate it out of the general category, those decisions are being made at a corporate level in terms of how they are going to invest their marketing dollars and there just isn't much opportunity to change that here in the local marketplace.

Again, I wish it were different, but -- and we're, by the way, working hard in every way we can to see if we can find more ways to bring dollars from those national retailers or national advertisers, but we spend more of our time focused on the local and regional companies whose decision-makers are here in Dallas and focused on the Dallas-Fort Worth market because that's where they do their primary business.

Chris Mooney - *Esposito - Analyst*

Okay. From your early comments, it sounded like Speakeasy had a very successful quarter. Can you give us some color on that?

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

Yes, we had our best quarter by far. We had -- I don't know if you have the percent revenue growth, Grant, in your head.

Katy Murray - *A.H. Belo Corporation - SVP & CFO*

43%.

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

So it was 43%. And really what we did, Chris, is we really focused on our advertising -- our customer base and we are very much of a service hourly-based kind of company in terms of how the Company is run. Everything is billed by the hour and we went and looked at some customers that frankly were consuming more resources than they were returning to us and we culled out some of those, which I think is a natural in a startup kind of business. You take on a lot of things that just to start help building a base and getting experience and then you get down the road and say this just isn't really very profitable business. So while we grew the revenues, we even did a better job in expanding our margin. And I think also has to do with the fact that our lead people in the business now are more seasoned than they were when we opened the doors in September of 2012. So I think we're just learning how to run the business smarter and better and all hopes that that will continue to be the case throughout 2015.

Chris Mooney - *Esposito - Analyst*

And so that would fit into my next question, which is your expectations that you would have material, I guess, organic growth. Is that --?

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

Yes, we have a few new products -- I will let Grant talk about them -- that we have already launched in Q1, or maybe right up on the launchpad -- do you just want to go over a couple of those, Grant?

Grant Moise - *A.H. Belo Corporation - SVP, Business Development and Niche Products*

Sure. Yes, the organic growth strategies, just to list a few of what we are continuing to build here is, for example, we have launched, Chris, what we are calling a premium magazine strategy. Jim had mentioned our CrowdSource business, which is event marketing. What we've done is a premium magazine that we launched in the first quarter called Pallet which was a magazine that we had both subscription revenue and advertising revenue tied to it, which complemented the Savor event, which is the food and wine festival that CrowdSource put on in the first quarter. We are going to launch three more of those magazines this year.

As you know and probably have tracked with us, we have had magazines in the past which have been exclusively advertising-based from a revenue strategy and now we are adding subscription-based revenue into that. That is something we've been very aggressive with. We also have relaunched our GuideLive and arts and entertainment platform, which is actually our first public-facing -- if you have gone to GuideLive.com, it's all of the go, see, do and all of those things in Dallas-Fort Worth where we know that it is such a large part of our audience, it wants to help -- need help planning their weekends, help planning their activities for both family and for young people and that is having a very nice traction in the market and also nice revenue traction along with it. So those are just a couple of examples of what we are continuing to innovate and organically build and grow into the future.

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

And Chris, I would add too that, it came up earlier, but a big organic investment that we are making is this whole programmatic platform. It is not something we started in this first quarter, but we are continuing to build it out so that it has the same capabilities as any other programmatic platform and marketplace that any advertiser or media buyer is using with any other company across the United States. We can play in that technology space. It's not all that -- takes all that much investment. So that's another thing that we are also doing that we consider new product growth.

And I guess I should mention, I don't know if we talked about it before, but when we had the FD Luxury magazine brand, we extended that to the FD Love, which is the bridal magazine that comes out twice a year and then we launched our first home-centered addition of FD called FD House. It launched in March to April and we'll have three more of those additions this year, all four of those then being brand-new to this year and that is again like I said organic growth. Anything we can do, whether it's new product or extending the line of a current product or taking a current product and improving it in some way so that it brings in new incremental revenue.

Chris Mooney - *Esposito - Analyst*

Yes, as I have mentioned to you, Jim, the Pallet was I thought a tremendous publication and look forward to the next additions that are coming and I certainly have noticed the FD publications as well. All of this leads to where my final interest is. It sounds to me like you are going to have a fair amount of spending for organic projects in this year and it is beginning to sound like 2015 is more or less a transition year. Are you yet prepared to talk about budgeting of how many dollars you expect to spend on that type of thing over the course of the year beyond the $8 million to $10 million (multiple speakers)?

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

Yes, I don't think that's a great secret. I think we are putting this year probably about $2.2 million, $2.3 million of investment across a whole range of organic products, some of which like Pallet and frankly also FD House are typically self-liquidating. Even in their first edition, they drive enough revenue to cover their costs if not provide some margin whereas the investment in programmatic or the investment in the relaunching of the GuideLive.com platform are indeed investments, if you will, through the P&L ahead of the revenue that would cover them. So that is kind of the magnitude of what we are doing.

Chris Mooney - *Esposito - Analyst*

And related to that, I had in my notes a number of additional salespeople, both for the Dallas Morning News and related to DMV, that were being hired. Have you been able -- are you (multiple speakers)?

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

On the Dallas Morning News side, we ended the year with quite a few open positions, which wasn't necessarily trying to leave those open from an expense standpoint. It was just a difficulty in trying to bring on salespeople after we had lost salespeople, or actually managed some out during the fourth quarter. It's just very difficult to do that, but we are now back up at full staff for the core Dallas Morning News staff and then, Grant --.

Grant Moise - *A.H. Belo Corporation - SVP, Business Development and Niche Products*

Chris, on DMV, as we had said I believe in the first quarter, we started, there were only three salespeople at DMV when we started. We will be at 14 by the end of the year and we currently are at seven. So we're kind of right on track with where we thought we would be on that hiring process of sales staff.

Chris Mooney - *Esposito - Analyst*

Okay, great. Thank you, gentlemen.

Operator

I'll turn it back to our presenters for closing remarks.

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

Well, thank all of you all. We appreciate your time and your interest. Great questions and I think anything that we possibly wanted to say to you, you asked us so that we could say it, so productive call for us. I hope it was for you all and thank you very much.

Operator

Thank you. Ladies and gentlemen, this conference call will be made available for replay that begins today at 3PM Central. The replay runs through May 5 at midnight Central. You can access the AT&T Teleconference Replay System by dialing 1-800-475-6701. Please enter the replay access code, 357654. International participants may dial 320-365-3844 and again, the replay access code, 357654. That concludes our teleconference for today. Thank you for your participation and for using AT&T's Executive Teleconference Service. You may now disconnect.
