

FINAL TRANSCRIPT

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AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Event Date/Time: Nov. 02. 2011 / 7:00PM GMT



Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Third Quarter 2011 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, Vice President of Investor Relations, Mr. David Gross. Please go ahead Sir.

David Gross - A. H. Belo Corporation - VP, IR

Thank you, Tony, and good afternoon everyone. Welcome to AH Belo Corporation's third quarter 2011 conference call. After the market closed yesterday we issued a press release announcing third quarter 2011 financial results and a quarterly cash dividend of \$0.06 per share.

Robert Decherd, our Chief Executive Officer, will lead today's call. Jim Moroney, Executive Vice President of the Company will provide an update on the Company's digital strategy. Allie Engel, our Chief Financial Officer, and John McKeon, President and General Manager of the Dallas Morning News are available for Q&A.

Nov. 02, 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

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

In addition, we mention non-gap financial measures during this conference call. We believe that non-gap financial measures including, but not limited to, EBITDA and adjusted EBITDA provide useful supplemental information to assist investors in determining performance comparisons to our peers.

Reconciliations to the most directly comparable financial measures presented in accordance with gap are provided in our press release and on our website at ahbelo.com under the Investor Relations section.

Now, I'd like to introduce our Chief Executive Officer, Robert Decherd. Robert?

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

Thank you, David, and good afternoon, everyone. As we did in the second quarter, we will be concise in our prepared remarks and leave plenty of time for Q and A. Jim, as David noted, is going to talk about our digital initiatives. I'll hit the highlights of financial performance on the front end.

A.H. Belo Corporation announced a net loss of \$135,000 or \$0.01 per share for the third quarter of 2011 compared to net income of \$4.6 million or \$0.20 per share in the third quarter of 2010. Earnings before interest, taxes, depreciation, and amortization or EBITDA was \$9.2 million in the third quarter of 2011, a decrease of \$5 million compared to the third quarter of 2010.

When pension and impairment expenses are added back to EBITDA in both periods, adjusted EBITDA in the third quarter was \$10.8 million, a decrease of \$5.9 million compared to the prior year. Total revenue decreased 7.7% compared to 2010. Inconsistent advertising trends persisted throughout the quarter resulting in our taking additional steps to align expenses with lower revenue expectations for the remainder of this year and for 2012.

We anticipate full year 2011 adjusted EBITDA of approximately \$45 million, which assumes no gains from real estate dispositions. As of September 30, 2011, we had approximately \$46 million of cash and cash equivalents, had no borrowings outstanding under our bank and credit facility and remained in compliance with bank covenants.

Returning cash to shareholders remains a top priority and the Board of Directors recently declared a fourth quarter cash dividend of \$0.06 per share payable on December 2, 2011, to shareholders of record at the close of business on November 10, 2011.

Now, I'll turn it over to Jim for our update on digital operations, and will return for questions from you. Jim?

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

Thank you, Robert. I'm going to restrict my remarks to our subscriber content initiative in the industry parlance -- our pay wall strategy and if you'd like to ask questions about other digital operations we'll be happy to answer those in the Q&A.

If you recall, I think from our last call and other comments we've made, the original and most compelling reason that we started our subscriber content initiative was to add value to our current print subscribers by giving them access to all of our digitally distributed content while those who were not print subscribers would have to pay in order to access the content that we originate at the Dallas Morning News.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

So, just to sort of reset the stage presently, our print subscribers -- our seven day print subscribers are paying \$33.95 a month or roughly \$407 a year to get the seven day print product and also to get access to all of the content that we distribute digitally through any channel or on any device.

It's important to note that as of September of this year, our monthly net average seven day rate is \$31.42 or 93% of the rack rate of \$33.95 and that's up 15% or \$4.15 from the average price of 2010, which was \$27.27.

This represents how aggressive we've been on pricing the home delivery subscriptions and how little discounting we're doing. In fact, we expect the total circulation revenue for the Dallas Morning News to be up in low single digits in 2011, which will be the fourth consecutive year the circulation revenue has grown at the Dallas Morning News, beginning in 2008.

Also, it's important to note that on October the 1st of this year if you're a new subscriber to the Dallas Morning News the rate you're going to pay is \$36.95 or \$3 more than the rate that was in place for people already subscribing and we are, for the first time, going to offer you the opportunity to take a print only subscription, which would be for \$35.10.

So, the \$36.95 is a bundled price. If you balk at that, we would offer you the print only for \$35.10. Again, as a reminder, our non-print subscribers that want to access our local content can pay \$16.95 for access to all of our digital products or \$9.99 for any single channel and those are per month prices and I will tell you that the greatest proportion of the people paying us for digital access are using the bundled rate of \$16.95.

As of last week, we have 91,500 of our print subscribers who have authenticated their subscriptions in order to gain digital access to the content we distribute digitally. Those authentications are increasing at a rate of about 1,750 per week and that keeps us on our path to reach 125,000 authenticated print subscribers by March of next year, the one year anniversary of our subscriber content initiative.

And that would represent 50% of our print subscriber base, which we believe validates the incremental value concept that we had when we initiated this for our print subscribers. It's important, also, to note that our digital only paid subscribers are growing each week.

We added the Android operating system on smart phones and tablets on July 3rd of this year, the first time that folks with an Android operating system device would be able to access us through our subscriber content initiative.

Also, since March, our unique visitors to the dallasnews.com, since we've put in the subscriber content initiative are down, on average, about 15% and our page views are down, on average, 20% which, I believe on the last call, we noted was less than the amount of -- of remnant impressions as a percent of all our impressions that we were selling before we went into this.

We are continuing to enhance our iPad app with additional features that are driving incremental traffic to it. We launched a new e-addition, an enhanced -- digitally enhanced e-addition, replica edition, on the iPad on October 1st and we've already had 5,400 downloads of that to date.

And, we continue to -- to develop niche apps. Most importantly, our high school game time app that we updated and have been providing real-time scoring to that app for 50 of the most important high school games each week and since the high school football season started.

And, in a statistic that we find very encouraging, the average length of engagement per visit to this app is over eight minutes, which is a number three and one half or four times more than the usual average visit.

So, we feel real good about where we are on our subscriber content initiative and, as I've said, if there's other questions about other parts of our digital strategy and operations, we'll be glad to answer them.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Robert?

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

Jim, thank you. We're ready to go to questions Operator.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

And our first question in cue will come from Kevin Cohen with Imperial Capital. Please go ahead.

Kevin Cohen - *Imperial Capital - Analyst*

Good afternoon. Thanks for taking the questions, I guess. How do you guys think about the ability to raise prices incrementally at the Dallas Morning News just given to your earlier comments, recent price increases in recent years the ability to margin. Do you still see that as something you can do or at what point do, sort of, subscribers become more sensitive, if you will, to price?

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

Kevin, great question, one that we talk about all the time as you can imagine. We have -- we continue to believe that there is still some head room, not nearly the head room that we had when we began this in 2008 and 2009 and, hence, we took the price up for new subscribers as I -- as I've mentioned.

I will tell you that presently, at least for the first half of 2012, for our current subscribers, those already subscribing to us, we are not going to put in a -- an increase. We may have one in the second half of the year and if we did I imagine it would be similar to the one that we have in place now.

We've had a -- a history, if you will, or a tradition since we started raising price of once we get to a particular inflection point we actually start with new subscribers, put that price out there, see how they respond to it, see what kind of uptake we get and pushback we get.

And if that tends to be favorable then we in sort of an empirical way understand that our current subscribers will probably behave in a similar way and we will or wouldn't then put the price increase in place.

We did this -- the last time that we did a price increase we saw that the new subscribers were reacting favorably to it and we put it in place for all those. So, we're going to have some time to learn about this between October the 1st and July the 1st to decide whether we will do a price increase. Again, it would be somewhere in that low single digit to maybe up to 10% range if we do it.

Kevin Cohen - *Imperial Capital - Analyst*

And then, what was the unit volume trend of the Dallas Morning News in the third quarter? Do you have any color on that?

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

John McKeon - Dallas Morning News - President and General Manager

We just released our publisher's statement and the overall circulation for the Dallas Morning News was reported as over 400,000 copies daily. Now, that included our branded editions, which include our paid Denton Record Chronicle.

The Dallas Morning News proper had a total average circulation, excluding branded editions, of 255,600. That was versed just under 255,000 in the September publisher's statement. There was some erosion, as you can expect, from the numbers Jim quoted on the pricing. That's not all reflected in that six month period but that's the most recently released data.

Kevin Cohen - Imperial Capital - Analyst

That's definitely how it folds then I guess. In terms of pension, how do you guys -- balancing sort of how you deploy the free cash flow with the debt free balance sheet at about \$2.20 a share of net cash on the balance sheet. How do you think about pension in 2012? Will there be any voluntary contributions or would it only be the minimum mandatory required?

Robert Decherd - A. H. Belo Corporation - CEO

Kevin, we -- we haven't addressed that yet. I would leave the door open but we have, obviously, competing uses for cash, as we've discussed before, and until the Board sees what the pension -- the actuarial numbers are in the pension at the end of the year, we wouldn't spend a lot of time on that.

What I can tell you, as I'm sure you've heard from other pension plan sponsors, is with the discount rate continuing to drop and the investment return being about flat for the year, every plan sponsor in the country is going to be looking at some big numbers in terms of changes which could be perceived as negative changes in pension funding liability.

But, the fact is that, over time, as the, ultimately, and interest rates go in the other direction and we have better returns on our investments, that pendulum swings in the opposite direction, meaning favorably.

So, we're not going to overreact to that, we just have to be mindful that -- that with the continuing drop in interest rates, at least in the short-term, it's punitive for all plan sponsors. Those are non-cash measurements in one sense but they do represent an obligation that's computed annually and we'll take a look at it and see what we do.

Kevin Cohen - Imperial Capital - Analyst

And then, I guess I'll get back in the cue after one more question. But, I guess the advertising sales trends, down a little over 12% year-over-year in the quarter was a bit weaker than what we had expected and seemed a bit weak versus the other companies that we follow that have reported so far.

Is there any sort of color of what was going on particularly in the quarter and what are you seeing subsequent to the end of the quarter relative to that sort of 12.3% drop?

Robert Decherd - A. H. Belo Corporation - CEO

Kevin, I think everybody in the industry was surprised by the performance in the third quarter, meaning it was below expectations we all had established internally. As to trends, it obviously was moving downward during the quarter.

I'm going to let Jim and John talk about where we are and what we see for the rest of the year but, having seen a downward trend for two consecutive quarters, meaning second and third, we're planning very cautiously for the remainder of the year.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

But, when you circle back to our expectation of EBITDA for the full year, we're obviously anticipating that the fourth quarter performs closer to our expectations than the third quarter did.

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

Just a couple of things, first, you know, we -- we still have a difficult market in southern California. I think all of the other papers there would attest to that. The difference with us is it's one of our three operating companies and, therefore, probably overweights a bit our results.

Providence isn't an easy market these days either, still up above 12% unemployment and, so, taken all together, makes it a little tougher for us. Frankly, I think we did well, all things considered, in Providence.

It's been a tougher fight there in Riverside. In Dallas, we would have had numbers that would have been a little better than the industry numbers except for September and we had an aberrational month in September that we're still analyzing to try to understand what happened.

It's very similar on our call -- last call, I talked about May in Dallas being aberrational and when I say that, both of those months were more than 500 basis points force on a year over year decline basis than any other month, not only of their quarter but of the year.

And, those two months have -- have taken a toll on us. In Dallas, we noted that our -- our friends across the turnpike had some difficult experiences in the third quarter as well so there may be some things that were occurring in the September -- in the month of September in the Dallas-Fort Worth market that didn't necessarily -- wasn't replicated in other markets across the country. I don't know if John wants to add any more color to that.

John McKeon - *Dallas Morning News - President and General Manager*

Kevin, just to Jim's point, I'd only say that there were -- the whole change and trajectory at the Dallas Morning News was in the category we refer to as display and within that category two sub-segments that we classify under our national business or outside the local market -- pharmaceutical, there were a half dozen accounts in pharmaceutical last year that spent in excess of \$1 million with us in the third quarter that did not repeat this year.

That business has a tendency to come and go. And, in the financial category there were five banks -- financial institution, that spent in excess of \$1.1 million and they did not -- they did not repeat this third quarter.

So, as we look at things, that seems to be the biggest shift in our business. The local business, as it were, in Dallas remained pretty consistent with the former trends in the first and second quarter.

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

Also, I just want to add that our expectations going into the fourth quarter were that they'd probably be fairly similar to the third. We've actually seen a little improvement in October, particularly in Dallas, some of that related to a very good job that the Sales Department that the Dallas Morning News did in terms of selling in and around the World Series that the Texas Rangers were in. But, we've had a little bit of an encouraging sign in October and that's good news.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Kevin Cohen - *Imperial Capital - Analyst*

And, I guess lastly, if you sort of think ahead to 2012, I know it's a little bit early, perhaps, but how do you think about adjusted EBITDA potentially, just in the context of the company largely probably having taken out already all the key costs that it can at this point and being a lot more seemingly exposed to just sort of the -- the ad trends, not able to mitigate that from the costs.

Are we -- are we thinking about that right or is there still a lot more to do on the cost side that could mitigate that if -- if the ad trends remain similarly weak as what you're sort of expecting in the fourth quarter and what you saw in the third, heading into 2012?

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

Kevin, we -- we're still working on the 2012 plan, as you would expect. I think the way to respond to the leverage factor is we -- we have said all along that if ad trends continue to diminish that we believe we have ways to compensate for that.

It gets tougher as time goes on. We, and everyone in the industry, are ready for something to stabilize in ad category and remain so. But, in the event the downdraft continues, we -- we believe that we can take appropriate steps while preserving the brand equity we have in these great -- great newspaper name plates.

So, we hope not to have to do that. We're not planning to do it but we also have not finished the 2012 plan, and what we are thinking about is what to invest in for the future that can create revenue streams that are, I'll say, additive to our overall revenue picture and our sustainable -- these would be very modest bets though. We're not talking about some large swing at the plate.

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

I just also wanted to add that a lot of the cost reductions that we did or have done -- have been done this year have been mid to the latter half of the year so we're going to have some rollover benefit in those expense reductions as Robert said were important and meaningful financially. So, we're going to get some of that helping us out just off -- off the start.

Kevin Cohen - *Imperial Capital - Analyst*

All right, that's helpful. I'll get back in the cue.

Operator

Thank you.

(Operator Instructions)

And, next in cue, we'll go to the line of Barry Lucas with Gabelli and Company. Please go ahead.

Barry Lucas - *Gabelli and Company - Analyst*

Thanks and good afternoon. John and Jim, maybe you could just clarify when you said October is better in Dallas, are we talking about better than a really tough September or better than the entire quarter?

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Jim Moroney - A. H. Belo Corporation - EVP

Well, it being so far, it's better than the average of the quarter and would probably be as close to -- well, let's say it's better than the average for the quarter. If we took September out, it'd still be a little better than that.

Ali Engel - A. H. Belo Corporation - CFO

It was also better than what we were expecting in October.

Jim Moroney - A. H. Belo Corporation - EVP

Yes, what we planned for October, it's better.

Barry Lucas - Gabelli and Company - Analyst

Okay, and this, maybe just even looking through the windshield instead of the rearview mirror, we're, what, three weeks away from Black Friday here. Any -- any sense on the holiday season? How are -- how are the local retailers feeling and their plans and anything -- any color you can provide there would be helpful.

Robert Dechard - A. H. Belo Corporation - CEO

We'll let John pick it up.

John McKeon - Dallas Morning News - President and General Manager

Yes, Barry, on the early read and the bookings that we have in place for November, November is looking very much like the October that Jim just described to you. So, better than the third quarter, better by a degree even than the September number, clearly, and comparable, at this point, with the positive we're seeing in October.

Barry Lucas - Gabelli and Company - Analyst

Short term, longer term, Jim, provided a fair amount of detail on -- on the digital front. One thing I didn't hear was the number of digital only subs, those people who are -- who are just paying for the content in the paper on electronic devices.

Jim Moroney - A. H. Belo Corporation - EVP

Yes, Barry, we're, as I mentioned, the last call, we're going to not publish that number quite yet. We're getting closer but the moment that number comes out, everything else that we talk about, all the positive things that we mentioned regardless of what number we use, it's going to be -- it's just going to be the center of attention.

And, so, we're trying to not only keep ourselves focused but, in some sense, the industry around what we're really trying to accomplish and that will -- we'll get that number out but it's not going to be this quarter.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Barry Lucas - *Gabelli and Company - Analyst*

Okay, maybe looking at a slightly different aspect, you alluded to high school sports as being an important application that people want information about. What are the other areas that you find that are providing either the most interest, most engagement, however you want to describe it.

What do people really want when they access the -- your proprietary content through digital devices?

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

Well, it really tracks with what they tell us they want from us generally, no matter what the platform happens to be. The first thing they want is important and relevant local news, community news, news about where they live.

They depend on us because of the breadth and depth of resources that newspaper companies have that, frankly, television stations, when you have 16, 18 -- like in Dallas incorporated communities, you've got to go to a lot of different city council meetings, a lot of different fire, police, press conferences, and so forth.

And, so, they depend on us for that and that's number one and the second thing they want and expect from us that comes up in every survey is investigative journalism. They expect us to be the watchdog for them over government and those two things, Barry, for the 10 years that I've been here at the Dallas Morning News, consumer survey after consumer survey, are always one and two and nothing else really --.

I mean, there's a lot of important things but they are, by a distance, the most important and, so, we see that in terms of what people are accessing.

The only probably difference in Dallas is we have such a strong sports tradition and franchise in Sports Day -- our was sports page, obviously, now, also digital, that we derive a lot of traffic from both professional, college, and high school sports as a portion of all of our traffic and I would bet more than a lot of our peer papers around the country just because of the longstanding tradition of the resources that we've used to cover the sports franchises and colleges and high schools in our area.

Barry Lucas - *Gabelli and Company - Analyst*

The last area on -- on this topic, Jim, and that is, have you learned enough -- are you comfortable enough to set a timeframe for Providence or is it not on the table?

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

No, no, Providence actually did what I would call a subscriber content initiative light that they just put in place in the middle of September and there are plans for them to do what we're doing next year and probably the same thing with -- with Riverside.

Again, a little dicier in Riverside because you have so many competitive daily newspapers that are in the region though none that cover the Riverside County and City of Riverside like we do.

There's also a matter of the resources that we have and technology to get both of those things done next year in addition to all the other things we're doing but Providence we will definitely do next year and they'll benefit from all the learning the Dallas Morning News has had.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Jim Moroney - A. H. Belo Corporation - EVP

I wanted John to -- he had one other comment, maybe, that he wanted to add about when you were asking about some of our subscriber content initiatives and -- and what we learned.

John McKeon - Dallas Morning News - President and General Manager

Well, Barry, all I was going to say is that with what you had mentioned in our September pricing to consumers, every new consumer now that joins the Dallas Morning News family makes the decision to pay for digital. They have to pay for it separately. So, that's a little bit different than the other strategies you see executed out there.

And we're encouraged by the results of that. The second aspect, in addition to all the great content areas Jim talked about, one of the reasons I think the new e-edition we have launched has met with the success he mentioned is that it also includes all the ROP advertising in the paper that people look for.

That's commercial information that they do seek out and value and we see that in their usage of the e-edition.

Jim Moroney - A. H. Belo Corporation - EVP

And, John, do our uptake on the new subscribers who are opting for the bundle versus opting out to save the \$1.85 is?

John McKeon - Dallas Morning News - President and General Manager

It's running north of 95% or accepting the additional -- and now this is only a month's worth of data but --

Unidentified Company Representative

But, still.

John McKeon - Dallas Morning News - President and General Manager

-- 95% plus are accepting the additional incremental charge, only five -- about 5% are actually choosing to opt out of it and only accept the print edition.

Barry Lucas - Gabelli and Company - Analyst

Great. Thanks for -- thanks for all the color.

Operator

Thank you.

(Operator Instructions)

And our next question will come from Kevin Cohen. Please go ahead.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Kevin Cohen - Imperial Capital - Analyst

Thanks for taking the follow-up questions I guess. How should we think about the optimal amount of cash the company should keep on the balance sheet, just kind of given what you're seeing. Is there any sort of internal number you guys gravitate toward?

Robert Decherd - A. H. Belo Corporation - CEO

Kevin, we -- we don't, as we've discussed previously and really nothing's changed in the last 90 days insofar as how we're thinking about that. We're very comfortable with the balance sheet as it presently stands. You know, we continue to work on monetizing non-core assets. We don't have any significant progress there but we see a little bit.

And -- and really, until there are much, much higher levels of cash where we have to address the best uses of those, we're just comfortable where we are and I know that reflects the Board's view. So, if we finish the year at \$45 million-plus cash position, that's a comfortable place to be and not terribly different than last year.

Kevin Cohen - Imperial Capital - Analyst

And how do you think about (inaudible) for 2012?

Ali Engel - A. H. Belo Corporation - CFO

I don't think it would be materially different from what we're thinking for this year over -- again, we're still working on finalizing the 2012 plan and discussing that with the Board over the next month or so but we're not looking at anything materially different from the past few years.

Kevin Cohen - Imperial Capital - Analyst

And then, I guess in terms of the dividend yield, how do you -- how does the company or the Board approach the dividend yield if you're sort of thinking about incremental changes to the dividend policy, perhaps increasing it down the road, is it a targeted dividend yield?

And the reason I ask this is just because the performance of the stock has clearly changed the dividend yield today versus when it was initially instated, I guess. How do you guys think about the dividend yield? Is it an absolute amount of cash return or more of a dividend yield approach based off of the stock price or some combination of those two?

Robert Decherd - A. H. Belo Corporation - CEO

Really the former, Kevin. You know, as volatile as the sector is, as thinly traded as our stock can be -- we see price movements that are pretty significant in percent week in and week out in this market.

So, when we then compare that to where we were trading in May when we first made the decision to reinstate a regular dividend it's really more about the absolute amount of cash that we're moving out and that circles back to the choices as to how to use cash that we generate, excess cash, and gets into the dynamics around the balance sheet and, obviously, is influenced by all the other points that you've made and others have made on the call.

So, it's not a yield issue. We're not, I mean, honestly haven't had a serious conversation about the fact that the yield is very high. You know, it's a consequence of a very volatile market but we're not going to manage the dividend based on yield. It's more about cash.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Kevin Cohen - *Imperial Capital - Analyst*

And then, I guess, looking ahead to 2012 on the protocol spending front, how much of a benefit do you think the Company might garner from that. I guess, looking at prior election cycles, is there any sort of hard dollar amount that you could say, incrementally, the company gets in an even year or any thoughts around that?

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

I wouldn't build much into your model. This is so different than the, for example, the local television business. Traditionally, newspapers get a lot less. There are no significant statewide races other than US Senate and how much we get in Dallas really depends on who the candidates turn out to be and what their strategies are.

It could come our way but it's measured in tens and hundreds of thousands of dollars, it's not millions. And, certainly, from the standpoint of the presidential race, that's -- that just bypasses most newspapers and that would be our expectation for '12.

Kevin Cohen - *Imperial Capital - Analyst*

And, I guess when you look ahead to 2012, how much revenue benefit was there 2011 from the Rangers and the Mavericks being in their respective league finals. Is there a big number associated with that in total?

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

Let me ask John to plug that in but, of course, we're counting on that again in '12, so.

John McKeon - *Dallas Morning News - President and General Manager*

We're getting very used to it, Kevin, but, there was between the Super Bowl, not that we had our local team represented but since it was here in Dallas and then, obviously, the Mavericks run and the Rangers run, it was approaching \$3 million in spending in that.

Now, the other benefit coming out of this, if we can get a basketball season back, is we have plans in place with our category structure that with our sports department working well on it to convert more of that business away from the one-time event of a successful post season run into the full year kind of approach on the whole season. And, so, we're working on that right now in anticipation of these things.

Kevin Cohen - *Imperial Capital - Analyst*

And, I guess, what is the approach to sort of turning around the stock price. I mean, everyone is seeing what's happened in the last few months for the industry, broadly speaking, and the company, specifically, has fared a bit worse than the peers despite an unlevered balance sheet. I guess, what are the -- what are some of the levers, I guess, to think about that you can pursue to change that path?

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

Well, first of all, you've got to look at it more than one year. We outperformed the group significantly in 2010 and, going back to our original, meaning December of 2008, we still had the best return of any of our peers.



Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

But, that doesn't answer the question, I know, and it's more historical reference than anything else. I think that the only operating opportunity we have is for the Dallas market to continue to perform in a more consistent way or to begin to perform in a more consistent way.

There is a tremendous and appropriate emphasis on the Dallas market and the Dallas Morning News. The innovation that Jim and John have talked about is working in our favor. We think as the industry settles out a little bit and we really expect that to happen, this has been a very unusual year.

It was much more volatile than anyone anticipated. But, I think there's a reasonable chance in 2012 that evens out and people begin to look at the fundamentals of our company that add up to the value in the stock.

You look at the assets that we are working to monetize. Some of those, eventually, are going to come to pass. How we distribute that cash or use that cash will be important in informing investors as to how they place value on our stock.

What we know we're not going to do is leverage the balance sheet. We've been clear about that. And, that's probably at least one turn in terms of multiple. So, it's all of the things that a company like ours, very focused on its operating strategy, need to cause to happen within our influence and we need some things to go our way in terms of industry ad patterns and the local Dallas/Fort Worth market.

If you look at Riverside and Providence I think it would be a fair statement that you can expect some modest stability and upsize in those markets because they just cannot continue to decline at the rates that they have and you have other ways of looking into the Southern California or the Rhode Island market as do others on the call.

That's what we're counting on is there has to be a stabilization there. All that, Kevin, basically adds up to an operating approach to improving share price and it worked pretty darn well until the second quarter of this year.

Kevin Cohen - *Imperial Capital - Analyst*

And I guess in terms of the footprint, is there any reason to own assets outside of Dallas? I mean, you look at the portfolio and there's clearly, a real franchise in the Dallas Morning News. The other two newspapers, I don't think anyone would disagree, are not nearly as compelling as a value proposition. Is there any reason to continue to own those?

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

Well, we -- we've addressed that, as you know, on numerous occasions including an investor day. We like the footprint we have. We think that we are benefited by having some diversity, albeit, in the near term these are tough markets in which to operate. It begs to question about use of proceeds, if we did something in a partnership or other kind of transaction.

But, we also are very alert, as we said at investor day, to the dynamics in the industry and in the two regions where those newspapers operate. I don't think it's a clear answer one way or another. It's something we pay attention to and, certainly, are mindful of the changes in ownership and strategy of the companies that are operating in those regions.

Kevin Cohen - *Imperial Capital - Analyst*

Do you think the company will be proactive as opposed to simply only being alert in those two regions or is alert all we can expect at this point?

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

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

I'd just say we're alert.

Kevin Cohen - *Imperial Capital - Analyst*

Got it. All right. Thanks a lot. Good luck guys.

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

You bet.

Operator

Thank you.

(Operator Instructions)

And our next question will come from Chad Quinn with Bennett Management. Please go ahead. And, Mr. Quinn, your line is open. Please check your mute key.

John Koerber - *Bennett Management - Analyst*

It's actually John Koerber here. I want to ask a couple of questions that Kevin seemed to have missed. One was, with your outlook on newsprint, do you have any anticipation of what price trends will be in 2012 and would you change the -- your -- and shrink the format of your paper if prices went up?

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

Right now, our anticipation is for mostly flat pricing for next year. We would be -- we would welcome any decrease but we're not, at this point, anticipating it, though we're not anticipating increases either. If you're just speaking hypothetically, the process of decreasing the width of the Dallas Morning News is, at this point, a very capital intensive project and the ROI on that would be pretty steep to overcome.

We have, as you know, decreased the width but just the way our presses are built and so forth that next step would be a hard one to take. It would be less difficult in either of the other two markets and we would always be looking at it, particularly in the Southern California market if most of the competitive newspapers that are circulated are at a width that's less than what ours is. That would make it an easier step to take from a consumer acceptance standpoint.

John Koerber - *Bennett Management - Analyst*

Okay. The second question was about there's nothing really to report on monetizing the assets that are not core. Do you have an outside timeframe in which you will monetize those assets, i.e., a three year timeframe, or do you even think in those terms?



Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Robert Dechard - A. H. Belo Corporation - CEO

John, we don't put an absolute timeframe against it but we are working very, I'll say, assertively to move along the real estate processes and there are a number of them and there are processes in all three markets.

We have taken steps in the last couple of years to make it easier for us to deal with the real estate assets in the three markets and I am including Dallas in that. The commercial real estate market has not been very amenable, as you know.

And, what we have said and continue to believe is there's no reason, given our balance sheet and cash position, to sell these valuable assets for less than the market suggests that they're worth. So -- is it one year, three years, five years? We certainly hope it's on the nearer end of that timeline.

John Koerber - Bennett Management - Analyst

Has it been two full years that you've been looking for -- to sell the assets or is it like more 18 months to a year.

Robert Dechard - A. H. Belo Corporation - CEO

I would say that we've been doing this in earnest for about a year. You know, after the spin off there were a lot of distractions, the market was really challenging at that point, meaning the financial markets.

The only asset that we've had for sale and I would say in a real salable condition or position is the south plant in Dallas. It's been on the market for about two years. It's a very specialized facility, though, and the brokers that we've had representing us are looking for buyers who would pay us for the facility and the equipment inside of it as opposed to just the land value.

But, aside from the South Plant, I would say most of the real effort has been exerted in the last 12 months and we're reasonably confident that we will see an improving real estate market that would give us some good opportunities.

John Koerber - Bennett Management - Analyst

Third, and my final question, and -- I believe you were trying to develop a kind of a digital platform for -- and -- for outside vendors in south California -- Southern California marketplace and I really didn't articulate that question very well, but, what is happening there, if anything?

Jim Moroney - A. H. Belo Corporation - EVP

Well, can you help clarify a little bit? I'm not actually sure what you were referring to.

John Koerber - Bennett Management - Analyst

I thought there was some attempt to use your facilities to -- for other vendors in the area.

Ali Engel - A. H. Belo Corporation - CFO

What, to sublease our facilities?

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

John Koerber - *Bennett Management - Analyst*

No, more --

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

Hosting.

John Koerber - *Bennett Management - Analyst*

-- hosting.

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

Hosting small and medium businesses, I think.

John Koerber - *Bennett Management - Analyst*

Yes.

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

Yes, we, like everyone else, have taken various -- made various attempts at figuring how to approach the large number of small and medium size businesses and if the idea was to host those companies on our side or a developed site that's really not proved up and I think that we and others are going in another direction.

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

And, I'll just say -- and I don't -- maybe this is -- I don't know if this is where you're headed, but we have been interested in and have been talking to different folks about adding commercial printing into our facility there and, so, that's a -- another --

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

That's an ongoing.

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

-- ongoing thing that we've been doing. I didn't know if that might be what you were thinking about.

John Koerber - *Bennett Management - Analyst*

All right. Thank you very much.

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

Okay. Thank you, John.



Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Operator

Thank you. Our next question in cue, that will come from the line of Rick Gesoff with Panda. Please go ahead.

Rick Gesoff - - Panda

Hi, Robert.

Robert Dechard - A. H. Belo Corporation - CEO

Rick, how are you?

Rick Gesoff - - Panda

I'm good, thanks. Two quick questions. One, could you update us as to what your -- what the values of the real estate are estimated to be since the investor day? I mean, any change? And could you just remind me of what that number was?

Robert Dechard - A. H. Belo Corporation - CEO

Rick, in the investor day presentation we were saying the estimated market value was a range from a low of \$23 million to a high of \$37 million and that potential pre-tax proceeds were a range of \$21 million to \$33 million. And, back to John's question, we said then it was a one to three year horizon that we expected to move them.

Rick Gesoff - - Panda

Right. Right.

Robert Dechard - A. H. Belo Corporation - CEO

There really hasn't been any change. The positive movement is we know a lot more about the markets than we did in May. We, certainly, have, I think, developed further the go to market strategy for certain of these properties.

Dan Blizzard, our colleague who addressed this at investor day works this vigorously on a regular basis and that, again, was John Koerber's question. I think it's important to say this is not an idle consideration for us. It's something that we're working on quite diligently.

Rick Gesoff - - Panda

And my second question is, can you point -- could you -- have there been any transactions in -- in any of the investments in classified that -- where you could help us with the valuation of, say, apartments.com and cars.com?

Robert Dechard - A. H. Belo Corporation - CEO

Rick, we really have to turn that one back to classified ventures that they are -- it's a private company. We have a seat on the Board and Executive Committee but, really, we're only an investor and unless they release that information we're -- we're pretty restricted in what we can say.

Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

Rick Gesoff - - *Panda*

I understand. Is there an expectation that there will be a dividend this year like there was last year?

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

Well, we hope so but, until they reach a conclusion about that, it'd be a little premature to say, so.

Rick Gesoff - - *Panda*

And, Robert, I just can't help myself. You guys have done a terrific job of controlling expenses in a very difficult timeframe and as a shareholder I appreciate it very much.

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

Well, we -- I appreciate that comment. Jim and John and Ali and Dan have been the point persons on that. It is not easy and we all know that but when you look at just by percent the amount of cost that's come out from the starting point of the spin, the way we've had to completely reconstruct the employee cohort to be able to do that and still have a very upbeat environment is a real testimony to the four of them and I thank you for that comment.

Rick Gesoff - - *Panda*

You're welcome.

Operator

Thank you. We do have a follow-up question from Kevin Cohen. Please go ahead.

Kevin Cohen - *Imperial Capital - Analyst*

One last question. I was kind of disappointed to hear that I might have missed one so I figured I might as well get back in the cue.

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

There you go.

Kevin Cohen - *Imperial Capital - Analyst*

But, all joking aside, I guess, if the revenue declines do continue at a roughly similar rate, at what point do you think industry consolidation starts to become more of a central theme for the industry and for AH Belo directly if at all?



Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

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

Kevin, for the industry, I don't think it is necessarily driven by revenue declines. I think, as we've commented before, that there are good reasons in certain parts of the industry or certain regions for there to be modest consolidation.

There have been some quite modest deals that have been announced where a mid-size newspaper has brought a group of suburbans nearby and so forth. So, I think the motivation on a geographic basis is there regardless of revenue patterns and, as -- what -- what I would say is the industry, everyone in the industry is looking for things to stabilize and if they do for any prolonged period of time, and by that I probably mean four or five quarters, I think some of those natural combinations might begin to take place.

Larger transactions -- big companies merging or acquiring one another, that might be driven more by advertising trends, revenue trends, but, our hope is that that doesn't turn out to be the driver and, as we've said on many occasions, we like where we are. We're going to be keen observers and be very alert.

Kevin Cohen - *Imperial Capital - Analyst*

All right. I think that does exhaust my question list and I do mean it this time.

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

Okay, thanks, Kevin.

Kevin Cohen - *Imperial Capital - Analyst*

Good luck.

Operator

Thank you. We also have a follow-up question in cue from Barry Lucas. Please go ahead.

Barry Lucas - *Gabelli and Company - Analyst*

Thank you. I just wanted to take that a step further, Robert. We had an announcement today from Freedom that they've finally come to their senses and selling their television assets to Sinclair so that leaves the print and there's also been some speculation that the interminable bankruptcy of Tribune may be coming to an end.

So, are those the kind of shoes that need to drop before we could see some consolidation in Southern California?

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

Well, they're -- they're certainly an important part of it. You know, the San Diego paper is presently for sale. There are various people, I'm told, looking at it. We're not.

You know, Barry, I -- there are -- there -- it's known that there are four or five players in that region and, in fact, to Kevin's question, if you look at any of the other regions where geographical factors would suggest there is consolidation, it's -- it's pretty easy at this point to pick out the players because the industry has had a shakeout of pretty substantial proportion.



Nov. 02. 2011 / 7:00PM, AHC - Third Quarter 2011 A. H. Belo Corporation Financial Results Conference Call

My answer to your question is yes. Could I put timing on that? I haven't read a lot about the Freedom deal but they've got four to six to eight months for the FCC to approve that. The Tribune, I'd say, has some motivation now to -- or the investors and owners of the Tribune have motivation to resolve that situation.

But, those are individual decisions that those companies need to make and like us, they have competing demands for their time and capital. So, I'm not sure that it's a one to one but, certainly, those are factors.

Barry Lucas - *Gabelli and Company - Analyst*

Okay, thank you Robert.

Operator

Thank you.

(Operator Instructions)

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

Okay, Tony, I think we're going to call it an hour. We're almost running up to 3 o'clock Central Time, so thanks everyone for joining us. We look forward to speaking with you in the new year and hope that the -- the good feeling that we've got in Dallas is going to continue through the end of the year. Thanks to everybody.

Operator

Thank you and ladies and gentlemen this conference will be available for replay after 4 p.m. Central Time today running through November 9, 2011, at midnight. You may access the AT&T executive playback service at any time by dialing 800-475-6701 and entering the access code of 219814. International participants may dial 320-365-3844.

Once again those telephone numbers are 800-475-6701 and 320-365-3844 using the access code of 219814. That does conclude our conference for today. We do thank you for your participation and for using AT&T's executive teleconference. You may now disconnect.

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