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Q4 2020 A. H. Belo Corp Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the fourth quarter and full year 2020 results. (Operator Instructions) As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Katy Murray. Please go ahead.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Good morning, everyone, and welcome to our fourth quarter and full year 2020 investor call. I am joined by Robert Dechard, Chairman, President and Chief Executive Officer of A. H. Belo Corporation; and Grant Moise, Publisher and President of The Dallas Morning News, who are also available for Q&A.

Yesterday afternoon, we issued a press release announcing fourth quarter and full year 2020 results. We have posted this release on our website under the Investor Relations section. Unless otherwise specified, comparison views on today's call measure fourth quarter 2020 and full year 2020 performance against fourth quarter 2019 and full year 2019 performance. Our discussion today will include forward-looking statements. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements. The company assumes no obligation to update the information in this communication, except as otherwise required by law. Additional information about these factors is detailed in the company's press releases and publicly available filings with the SEC.

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. A reconciliation of GAAP to non-GAAP financial measures is included with our press release.

We reported a fourth quarter net loss of \$1.7 million or \$0.08 per share and an operating loss of \$4 million compared to a net loss of \$1.1 million or \$0.05 per share and an operating loss of \$2.4 million reported in the fourth quarter of 2019. For the full year 2020, the company reported a net loss of \$6.9 million or \$0.32 per share and an operating loss of \$15.6 million.

For the full year 2019, the company reported net income of \$9.3 million or \$0.43 per fully diluted share and operating income of \$9.5 million, driven by a pretax gain of \$25.9 million from the sale of our previous headquarters.

Adjusted operating income, which adjusts GAAP operating income or loss, to exclude severance expense, depreciation, amortization and asset disposals and impairments, was \$500,000 for the fourth quarter, an improvement of \$400,000 when compared to adjusted operating income of \$100,000 reported in the fourth quarter of last year.

For the full year 2020, adjusted operating loss was \$4.9 million, a decline of \$2.8 million when compared to an adjusted operating loss of \$2.1 million reported for the full year 2019.

Fourth quarter total GAAP revenue was \$40.8 million, a decrease of \$6 million or 12.8% when compared to the \$46.8 million reported for the fourth quarter of last year. Total revenue for the year was \$154.3 million, a decrease of \$29.3 million or 15.9% when compared to last year. Approximately \$15.9 million of the year-over-year revenue decline is in print advertising revenue, which has been significantly

impacted by the COVID-19 pandemic.

Digital advertising revenue decreased \$7.7 million, primarily attributable to the termination of The Dallas Morning News' affiliate relationship with Cars.com in September of 2019. Digital circulation revenue was \$1.9 million in the fourth quarter of this year, an increase of \$500,000 or 39.7% compared to the fourth quarter of last year. For the year, digital circulation was \$6.5 million, an increase of \$1.6 million or 32%.

The News ended the year with 48,903 paid digital-only subscriptions, an increase of 13,144 or 36.8% year-over-year and an increase of 2,180 subscriptions since the third quarter. And as of this last month, I'm very pleased to report that The News has now surpassed 50,000 digital-only subscriptions. A summary of digital-only subscriptions by quarter and year is posted on our website under the Investor Relations section.

Print circulation revenue for the fourth quarter was \$14.8 million, a decrease of \$1 million or 6.4% compared to the fourth quarter of last year. For the year, print circulation revenue was \$58.4 million, a \$4.9 million or 7.7% decline. The decrease is primarily the result of a 24.7% year-over-year decline in single copy sales. COVID-19 has significantly reduced the number of locations where the paper is typically for sale. Home delivery was only down 5.5% year-over-year.

Other revenue reported in the fourth quarter of 2020 was \$4.3 million compared to \$4.7 million reported in the fourth quarter of last year. For the year, other revenue decreased \$2.3 million or 11.8% to \$17.2 million. The full year decline is due to an expected \$3.6 million decrease in commercial printing revenue.

Fourth quarter total GAAP operating expense was \$44.8 million, a decrease of \$4.4 million or 8.9% compared to the fourth quarter of last year. Full year operating expense was \$169.9 million, a decrease of \$4.2 million or 2.4%. Excluding the \$25.9 million gain from the 2019 real estate sale, the improvement is primarily due to expense reductions of \$8.4 million in employee compensation and benefits, \$6.4 million in newsprint, \$6.3 million in outside services, \$2 million in depreciation, \$1.4 million in distribution, \$1.2 million in advertising and promotion and \$900,000 in travel and entertainment expense.

As of December 31, headcount was 743, a decrease of 87 or 10.5% from December of 2019. The company had approximately \$42 million in cash and cash equivalents and no debt. Cash as of Friday, March 5 was \$39 million. And for this year, we expect capital expenditures to be approximately \$1 million.

As a reminder, the company's note receivable with Charter Holdings in connection with the 2019 sale of our former headquarters is due on June 30 of this year. While Charter Holdings is in compliance with the terms of the note and is publicly indicating its intent to develop the property, new commercial real estate development everywhere has been impacted by the economic effects of the pandemic. We continue to monitor the situation closely and stay in contact with Charter Holdings.

With regard to the company's pension plans, we do not have any mandatory contributions in 2021 and do not expect to have any for several years.

The company recorded a tax benefit of \$1.7 million for this -- for 2020. And for this year, we expect cash taxes to be approximately \$700,000 related to the Texas margin tax.

Thanks to the operating decisions implemented over the past year, including actions we took in response to the financial impacts of the COVID-19 pandemic, we remain well positioned with a strong balance sheet and are very pleased with what we are seeing this year so far.

Now that we've covered the financials, I'd like to highlight a few operational success stories. With the recent storm that battered Texas, both the newsroom and the north plant demonstrated the power and importance of a successful metro paper. Our reporters led coverage with important information on changes in the weather, boil water notices and much more. We never missed the data print while other newspapers across the state were not able to do so. Over the past 2 years, the editorial page has led on pushing for significant reforms in

human trafficking. The Dallas Police Department has adopted a policing strategy we called for targeting traffickers instead of women being sold on our streets. And notably, Texas Governor, Greg Abbott, took 2 significant steps we called on him to do. He pardoned a trafficking victim and created a special process for trafficking and domestic violence victims to apply for clemency.

It is unlikely that any of this would have happened without our advocacy on this topic. Our digital product development team continues to enhance the quality of our digital experience. We partnered with the Texas Tribune on election coverage to deliver real-time results, which attracted large election audiences. Every article on our website now has an artificial intelligence audio feature, which will allow the member to determine whether they want to read or listen to our articles.

Within the last few weeks, our digital subscriptions have surpassed 50,000. In addition, our print stops were down 28% year-over-year, which helped fuel print and digital membership volume growth. Our monthly average membership grew by 384 members in 2020 versus losing 839 members in 2019. Belo + Company started the year by retaining their 15 largest agency clients. These clients are trending to grow 9% in revenue in the first quarter of this year over the fourth quarter of last year.

Last year, we announced a senior leadership position focused on diversity, equity and inclusion. An internal counsel of employees is working together to provide feedback and guidance focused on key areas, such as work environment, communication, growth and development, recruiting and hiring, retention and community outreach. These efforts will ensure that we put talent first and that we are ingrain diversity, equity and inclusion at the forefront of everything we do. We are incredibly proud of our successes last year and the momentum we have going into this year.

I will now turn the call over to Robert.

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

Katy, thank you, and good morning, everyone. There are 2 unusual items in this year's proxy that will require shareholder approval. The first is authorization for the Board to effect a reverse stock split at a time and within a prescribed ratio as the directors deem to be in the best interests of the company and its shareholders. We announced on our investor call last October that the company became noncompliant with New York Stock Exchange listing requirements as of the end of the third quarter of 2020. Katy has been working closely with the exchange to engage in its procedures for addressing noncompliance. Most recently, we have involved the company's outside counsel and investment bankers to identify actions the company can take to meet the listing requirements going forward. The Board reviewed all of these factors at its regular meeting last Thursday and concluded that a reverse stock split is the best course of action provided market conditions and other external factors are similar to what the company is presently experiencing. A reverse stock split is commonly used in cases like ours. Katy will be in touch with our largest shareholders to solicit your support of this proposal, which will be described in detail in the preliminary proxy statement we expect to file next Tuesday, March 16.

The second matter included in this year's proxy is a proposal to change the company's name from A. H. Belo Corporation to DallasNews Corporation. While this new name aligns with the Company's specific purposes and adds another dimension to our brand strategy, the impetus is my conviction and my recommendation to the Board that we must collectively support our readers, our employees and our fellow citizens by embracing the social justice movement underway in America.

Since I first gained influence over the Company's broadest priorities in the early 1980s and throughout my tenures as Chief Executive Officer, I have strived to set high standards for diversity, equity and inclusion. Our company has often been a first mover at both the operating and corporate levels, and we recently redoubled our efforts as an enterprise that, while smaller than before, is just as resolute about DEI. Over the course of 60 years, G. B. Dealey became one of the most imminent civic leaders in Dallas history. When Dealey bought our company in 1926, he kept the name of A. H. Belo, who had built up the business from the newspaper Belo purchased outright in 1881, The Galveston News. Belo was one of the most admired newspaper owners in America by the time of his death in 1901, and he had given Dealey the chance to embark on his own distinguished career when he assigned Dealey to start-up The Dallas Morning News in 1885 at the age of 26.

What is far more important today, however, is that our company understand and respect the experiences and feelings of each and every person with whom we engage and upon whom we depend. This compact requires me and my colleagues to establish and maintain an

unemotional perspective on Belo himself. A. H. Belo grew up in North Carolina during the pre-civil war era. His family was prominent in the town of Salem, and he volunteered for the confederate army at the age of 21. He engaged in numerous battles, was gravely wounded and advanced to the rank of Colonel. Belo's family owned a number of slaves. Belo himself never did. We are keenly aware that the relationship of our company's name to a person who figured prominently in the confederate army is the source of discomfort, even pain for many of our fellow citizens, and that is intolerable to the leaders of this enterprise.

The decision to adopt the name DallasNews Corporation is made out of respect for all of the company's many valued constituents, and we look forward to a bright future as DallasNews Corporation.

We are now, I think, ready for Q&A. So Stacey, we're turning it over to you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will go to Chris Mooney with Wedbush Securities.

Chris Mooney

Robert, thank you for that very interesting history lesson. I didn't know some of what you were just telling us.

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

That's just the surface.

Chris Mooney

Yes, yes, yes. Well, I would look forward to a conversation with more detail at some point. Since you were talking about the potential for a reverse stock split, would you first clarify exactly what the issue is with the New York Stock Exchange for shareholders?

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

I will tag team that response with Katy. There are 2 standards that the exchange has, and we do not qualify for either presently. And then it also relates to stock price. So there's a combination of factors. The only way to cure the situation in our view, the Board's and our advisers', is to conduct the reverse stock split, get the price up to a level where we have ample cushion to anticipate future market conditions, but the simple reality is we don't think we can get there in terms of compliance during the 18 months that we are permitted to remediate, if you will, the places where we're out of compliance. But let me ask Katy to elaborate on specifically those 2 factors.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Chris, the 2 standards are, and it's an either/or, you have to maintain a \$50 million market cap over a 30-day average. And the other is you have to maintain a stockholders' equity of \$50 million as well. And at the end of October -- or the end of September, we fell below the stockholders' equity. We had already fallen below the \$50 million market cap, 30-day average earlier in the year. And so while we have an 18-month period of getting back in compliance with the New York Stock Exchange, as you know, a reverse stock split requires shareholder approval. With the shareholder meeting in May, felt that it was the right thing to do to go ahead and seek the approval from our shareholders to give the Board the authority to conduct a reverse stock split. And what you'll see in the proxy is that it's going to be we can conduct a reverse stock split up until the end of this year. And again, it's an alternative for us when you look at other exchanges. If in the event that we cannot regain compliance with New York Stock Exchange or don't feel like we can. If you look at other exchanges, most of them have a requirement for a \$3 or a \$4 stock to join the exchange. So really, this is a proposal that gives us the flexibility that we will need going forward when we need to make a decision around either regaining compliance on New York or looking at other exchanges.

Chris Mooney

Okay. I guess, I'll say, I'll vote in favor, I would say, not that I count that much. Some -- a whole list of questions. Is there a bunch of people in the queue? If not, I've got like 5 or 6 questions.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Right now, you're the only one.

Chris Mooney

Okay. I was on your website last night, you have listed 28 job openings. 8 of them, I guess, are in Campbell Center, so that would be Belo + Company, 17 in Downtown, The Dallas Morning News, 3 in Tulsa, and it also shows that you have a Denver location now. Maybe you did before, and I didn't realize it.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

So Chris, you're correct. We do have personnel in Denver. We don't have an office in Denver. This is in the world of remote and working from anywhere, we've identified some talent. They are part of Belo + Company and are revenue generators. And you are correct, we do have a number of openings in our news department here. We also, in Tulsa, as you know, that was the location of Cubic, so that is our creative agency and our creative and strategy services, and do have some opportunities and openings there. Again, it's a great market for us, where we can hire some talent. But I'm going to turn this over to Grant as well to let him add some commentary on that.

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

Yes, I was going to say, Chris. I mean, obviously, we've got positions that we're trying to fill yet, obviously, in the loss position that we're in, we're looking very closely at every position we fill, and we often ask ourselves was this a position that I was more intended for our legacy business or is it a position that can help us grow into the future with a digital-first mindset. So especially being able to expand the areas like Denver specifically, we have found that attracting tech talent and developer talent even to broaden that base in the areas where we can have those employees has proven valuable to us in terms of finding the best talent in the digital-first business.

Chris Mooney

Okay. That's interesting. And since you're on, can you comment about the -- I know there was a brief comment about Belo + Company. Can you give us some additional detail on how things are going there?

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

Yes, Chris, I'm happy to. I think let me start with kind of the challenge, which is the print side of the business. We have some of our largest areas of our print advertisers who, especially given the context of the pandemic, obviously, have had pressured businesses as a result of it. The 2 categories I would highlight is our furniture category and grocery categories, which are rather large for us in print. And we've been in frequent communication with those advertisers. But on the furniture side, things like inventory has been so difficult that their advertising spend has gone down because they don't have enough inventory to market the volume of furniture that they would like to sell. Grocery has been a different challenge where actually, their demand for what they've had because of restaurant closures has gone up to where they have not had the need to advertise.

I will tell you, on the digital side, I've been very pleased with how much -- the digital side has rebounded more quickly than the print side, and I think it was really reflected in kind of the quicker bounce back that we saw in the fourth quarter. And all of the signs we see continuing to look positive on that digital growth, which I think we have just found to be much quicker to rebound than the print side.

Chris Mooney

Okay. Yes. And Belo + Co?

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

Just with the company overall, look, we've -- retaining the clients has been the number one piece of that equation. As you can remember, Chris, very well, if we rewound the clock about 2 years ago, we were experiencing significant client churn at Belo + Company, which was a big part of our problem of why we were having a trouble finding stability in those revenue lines. I'm very pleased to say, as Katy referred to in the script, that our top 15 advertisers between the fourth and first quarter, which is when we have our largest renewal periods on contracts, we have retained all of them. So the client retention has been our number one priority. Keeping them is a very positive sign.

Now whatever their business model that's impacted by the pandemic and when they choose to basically reestablish normal spending

levels as the pandemic, hopefully, continues to soften, I think it looks very positive for us because we're -- we have a loyalty of that client base. So I'm very, very pleased with the progress that has been made on the Belo + Company side.

Chris Mooney

And just briefly, those 15 or whatever more are -- you have some type of retainer relationship with them so they are revenue generating?

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

We do, yes. Yes, exactly. They're all on revenue-based contracts.

Chris Mooney

Okay. Great. Katy, on the pension plan, you've commented in the past that we -- maybe as many as 10 years before we're required to make a payment. Can you comment about that? You said it would be several years. And then can you -- is it possible to tell us what the allocation was between debt and equity, et cetera, coming into the new year?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Absolutely. So Chris, I'm really pleased to say that our pension plans, again, given a lot of very smart decisions made historically, our pension plan is over 90% funded. And which is very different than a lot of our peer groups. And from a payment perspective, I don't expect the payment in the next 10 years based on where we are. We have been looking at our investment allocation and that has been part of our derisking strategy. Last year or the year before, we actually did move from 50-50 to a 45-55, 55 on the liability hedging. And to your question, for this year, we have actually moved more significantly down the glide path and are now at a 10% asset return and a 90% hedging. It's important to note on this, though, that from an investment allocation, you have the flexibility to revisit that at any point in time. There are no fees to change that. It's just the fees of whatever the investment is that you may be in. But the Pension Investment Committee did feel that being 90% plus funded, we took the opportunity to take some of the gains that we saw on the asset side last year and see how the market performs.

Chris Mooney

Congratulations. You all seem to be doing a very good job of dealing with that.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Thank you.

Chris Mooney

There's a line item in the income statement that seems to be getting larger as we -- over the last couple of years. Other income, net, what is that?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Let me look at the other income. Other income net, so that is going to be, one, we have interest income in there. That's where our Charter Holdings note is -- the interest is coming in. So that's predominantly what that number is, Chris. And the pension credit, that's the other item that's sitting in there as well. But it really is the interest income. Right now, if you think about 2020, we have increased the interest. It went to 4.5%. So almost \$1 million this year compared to '19, where we only had 2 quarters of interest payment. So that is the significant growth year-over-year.

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

On Charter. That's the Charter note.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

On Charter, right. On the Charter note.

Chris Mooney

Okay. And -- great. And on charter, are they continuing the -- they started demolition. Have they continued to sort of the build-out phase in their first phase?

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

Chris, we are told, not having inspected the property ourselves, that the demolition of The Dallas Morning News building, the interior demolition is essentially complete. That's a big project. So that would be well more than \$1 million of demolition. Our further understanding is that the -- what's called the TXCN building behind it is essentially in the condition it was when we sold the building. It's occupiable in other words. There's been no further development on the site. You can imagine that the full stop of the pandemic caused Ray Washburne and Charter to suspend any active construction and they're revisiting, as we're told, through civic organizations, revisiting exactly what the mix would be of uses there. But when you sort through it all, Ray has somewhere around \$8 million to \$9 million invested in this property. So he's got a pretty big stake there.

Chris Mooney

Yes. And I would assume you'd be able to resell it if you get it back.

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

Sure. That end of downtown is coming along nicely. You may have seen recent announcements adjacent to the site. There are \$200 million, \$300 million total investments by other substantial individual investors and backed by financial partners who are sophisticated in commercial development.

Chris Mooney

Yes. No, that's the -- that side of downtown is doing quite well. Have you all had any further communication with Dolphin?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

No.

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

No.

Chris Mooney

Okay. Is it -- I have never actually -- I don't see them when I look at the holders list. Do they show as a different entity than Dolphin?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Chris, we don't know either, but we do know that they're below 5%. But don't know exactly how the shares are held or in how many funds or names.

Chris Mooney

Okay. There was a fairly high-profile event in Australia recently dealing with payment from, I guess, Facebook to the publishers in Australia. Is there anything similar potentially or happening in the U.S.?

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

Chris, let me kick off that subject, and Grant can amplify. Google is really the entity that's most prominent in everyone's thinking about how this might play out. Yes, there have been payments by Facebook, including to us. And we talked about that last year. We don't want to be over enthusiastic about this development, but it is very significant for the newspaper and print industry, print by meaning print publications. This is the -- really the centerpiece of 20 years of discussion, negotiation, maybe disagreement about whether we own our content and should be paid for it. And if this continues to move in a positive direction, which Grant can describe, it certainly is a potential benefit for us and for any publisher with high-quality content. So this comes back to the value and the content is its quality and its breadth, which is what we have invested in all these years. And so really, we feel optimistic that we may be in a reasonably strong position here, along with the other publications that have a similar philosophy. Grant is on the Board of the industry organization that's following this most closely. Let me let him elaborate.

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

Yes, Chris. This is -- it is something we've been focused on as an industry for quite some time, and we're extremely pleased to see that some of the momentum that's happened not only in Australia, but it also happened in France prior to that. And so we've been watching what's happening internationally and then seeing when that will come to the United States. What is the most important about what happened in Australia is that News Corp has quite a few Australia holdings in addition to the Wall Street Journal. And so what was reported there, obviously, is that the Wall Street Journal also was the first -- I believe, the first domestic publishing organization and newspaper to basically come to a licensing deal. Our hope is that, that begins the process of that now coming more deeply into the United States so that, that happens across the board. And from everything that I'm hearing is that at least those early conversations are beginning, which is very positive.

Chris Mooney

Okay. Well, I'll remain hopeful. Let's see. Katy, are there any unusual or non-normal expenses expected during 2021?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Chris, I can't think of anything that I would call out of the ordinary. What I would say, though, is that, in 2020, we saw some real benefit from lower newsprint costs. What I would say is going into '21, we are starting to see that newsprint pricing may come under pressure, and we are paying close attention to that. That's really the only kind of expense that I would say that we may see go the other way in '21 as an increase versus the favorability that we saw in 2020. What I would say on other expense lines, I would continue to see opportunity in the comp and the ben line, compensation and benefits. Again, our headcount is lower than where it has been. And from a trend perspective, obviously, we'll continue to monitor that. But other than that, those are really the 2 key expense lines in our P&L, as you know.

Chris Mooney

Yes. And anything on the revenue side that would be positive?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

There's nothing that I can call out. I mean, the very -- or the variance that we have on the digital side is the Cars.com relationship ended in September of '19. So that has now moved on. And so our year-over-year comparisons will no longer include that nor on the commercial print side. That also happened in the first quarter of '19. So that variance has now moved. I think the biggest fluctuation you're going to see year-over-year is just the comps compared to 2020, especially in the second and third quarter. And just given the challenges that we saw, and that goes back to what Grant said and I'll let him add some comments on the revenue side.

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

Yes. No, I was just going to say, Chris, I think we're in such a unique phase of this pandemic, which is seeing what categories -- for example, the tourism category was just devastated for us last year. We oftentimes will have quite a bit of travel advertising to Mexico as an example or the ski areas of Colorado as an example. And so I think it's just going to be big question marks for us of seeing kind of how things return to normal and how quickly marketing budgets return to normal. I feel that the lines of our subscription revenue are far more controllable for us than things from the advertising spend on the Belo + Company side.

Chris Mooney

Okay. And just trends, I guess, the -- going into this year, have you noted any improvement?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

What I would say, and I'm going to let Grant talk on this, but on circulation revenue, obviously, we've been very pleased with what we're seeing, not only with the growth on the digital subscriber, but as I mentioned, we were in a net add position for our subscribers, and that has been a positive coming out of 2020.

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

Yes. The only other thing I would say, too, Chris, is on the ROP side of print, which is our display advertising inside the pages of the newspaper. I've been very pleased with seeing that rebound in the first couple of months of the year. Our insert or preprint line is not rebounding quite to the same rate that the ROP line is.

Operator

And we'll go to Bill Nasgovitz with Heartland Advisors.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

Congratulations on, boy, I missed that number in terms of print subs. What was that number again, Katy?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

We did not have the print sub number in there, but our print subscription, if you think about kind of our Sunday as our stake hold, is probably right around 100,000. And so when you think about that, plus our digital we're north of 150,000 when you look at our total membership, which is how we're looking at the business.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

Okay. Well, congratulations on the digital growth, too, and keeping the print subs. So what would be the average selling price than for a digital customer today?

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

Digital customer, Bill, it's Grant, is about a little over \$13, about \$13.30 a month as opposed to our print side, which is now averaging around \$42 a month.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

Okay. And then any trends that you'd like to comment on in terms of digital growth and also eventual price increases?

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

Yes. I mean, Bill, I mean, part of what we've tried to do is not only on the volume, and my team hears me preach this all the time, is you could go discount your digital subscriptions to \$1 a year, and we could be adding tens of thousands. It just wouldn't -- it wouldn't benefit you as you would by getting them to pay you \$14 or more per month. I've been pleased that we have gotten and improved actually our rate on the digital and print side more in the past 18 months than we had in our -- about our 3 years prior. So I'm really pleased. We're trying to always kind of balance that rate versus volume equation. And so not only are we very pleased about the volumes that we experienced in 2020, but we're also equally as pleased with how we've been able to retain those members at a higher rate. So we're always just trying to figure out where is that optimal balance.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

Okay. So in your release, Grant, you and Katy were mentioned, I think, by Robert as continuing to make investments in operations to enable the company to build sustainable, profitable digital business, and you're going to be defining this path. Could you just amplify on what that path might be? And what do we need to break this company even?

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

Yes. I mean, I think, Bill, part of it is we're trying to make investments in our growth areas, right? And for that to -- the easiest example of that is to talk about developers. People who are developing the digital product or the developers and engineers that are making the digital subscription and digital advertising parts of this equation work, we continue to need more of them, we continue to seek more of them. It's part of what I was referring to even with Chris Mooney of saying that our footprint geographically, we even expand at times to allow ourselves to attract the best talent. And so I would say, when we really talk about the investments, it's not only in the technology itself, where we moved to things like the Arc platform in 2020, which is the platform owned by The Washington Post Company and Jeff Bezos, but it's also the developers to develop on top of that platform so that our digital products can be second to none.

I mean, we just know that for the type of prices that we are asking people and want to continue to ask those digital members to pay that they're going to put us up against the most sophisticated digital products in the country. And so we have to continue to improve. Not only do we have to continue to have first-class content but it has to be within a first-class digital product. And so those are the kind of investments we need to make to ensure that a digital future is not only growing, but it's growing profitably.

William Richard Nasgovitz *Heartland Advisors, Inc. - CEO, Portfolio Manager & Director*

And Arc was added when?

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

The arc, we launched what was called -- there's 2 pieces of Arc. There's the content management system, which we launched in the fourth quarter of 2019, and then we launched on their subscription technology in the third quarter of 2020.

William Richard Nasgovitz *Heartland Advisors, Inc. - CEO, Portfolio Manager & Director*

So it's relatively new. Well, it sounds exciting. So I know you touched on this, about \$3.3 million was spent last year in terms of severance and impairment. And you don't anticipate anything close to that this year? Is that how we read this?

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

No, Bill. Yes. I mean, on the impairment side, no. We have impaired all the goodwill and intangibles and the like. When we think about severance, this kind of goes back to even that what you and Grant were just talking about. Grant and I continually look at the business. Obviously, aware of the market conditions and realize the importance of what it's going to take to get back to profitability and being able to breakeven. And not sure at this point in time, whether that would include anything around having to do anything on headcount. But as we look at this year, we don't have anything planned for severance right now, but continue to keep that in mind.

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

Bill, this is Robert. Going back to the work we did in 2019 and, as you know, we had a very significant effort looking at with outside advisers what the 3, 5, 7 year scenarios look like. The thing for anyone to follow from an investor standpoint, I think, is the transition of the cost structure ultimately to align with a revenue base driven more by digital subscriptions than print subscriptions. If anybody has the real time line on that, call me, I'm not talking just investors. I mean, anybody in the industry, but that's what everyone is looking at. We're in the early stages, I think, of that transition. But ultimately, when we talk about a sustainably profitable digital enterprise, it has to be one where the revenue generated by our digital subscriptions, digital members is, as Grant said, at the right price point, can be increased over time as we provide them value for their subscription and ultimately get to a place where we are not as dependent on things that really are old school. I mean, newsprint pricing, we have no control over newsprint pricing. Publishers never have.

Years ago, we vertically integrated and all. We're in the newsprint business and invested in newsprint production plants and so forth. Even then, we couldn't control it. So the beauty of a digital world is we have more control over more things if we have a sufficient number of members at the right price point. And that's where we're trying to arrive as soon as possible.

William Richard Nasgovitz *Heartland Advisors, Inc. - CEO, Portfolio Manager & Director*

Well, on that point, Texas and Dallas, too, of course, has been in the news nationally as a beneficiary of some macro mega trends going on in the country, and that has to have had a positive effect on the business. So can you amplify on that a bit?

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

Bill, we've had a lot of things go our way as an economy, but this is more about media habits. It doesn't matter whether you're in South Dakota, Washington State or North Texas, we're dealing with a generational shift, obviously, that's been underway for more than 2 decades. And what we have to do is capture the -- first, the interest of those cohorts, whichever [Nom De Plume] you want to put on them and then give them a reason to invest in a subscription to become a member. So the economies have boost. There are more people here. There are more -- you could argue more middle and upper income folks who are digitally oriented, but we still got to go get them. And that's the challenge every newspaper has.

William Richard Nasgovitz *Heartland Advisors, Inc. - CEO, Portfolio Manager & Director*

Congratulations on the move or the proposal for The Dallas, the change -- the name change, I think that's -- congratulations.

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

Thank you.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

Perhaps I missed it. I haven't found your K for the year. So what is the NOL?

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Our NOL going into this year is approximately \$35 million or actually a little bit more than that, like [\$27 million] (corrected by company after the call). Of that, \$17 million expires in 2037 and then \$10 million has no expiration. And on the timing of the K, we are working on that. Again, we were able to have the earnings call, the press release out for our financials are done. We're just working through the mechanics of getting the 10-K filed and hope to have that done as soon as possible.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

That would be helpful. And then finally, The Tribune is being bought out. What do you think of that development? And how does that affect our business?

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

Bill, it doesn't affect our business, and I want to be even about this. The consolidation that's gone on with private equity and hedge funds has created entities that are following a different strategy than ours. It's not about creating a digital business, as I just described. It's about -- it's a financial engineering approach, I think, more so, and it has resulted in all sorts of disruptions in newspaper companies across the country. There is a tremendous amount of consolidation. But the quality component of content and how a newspaper or a group of newspapers goes to market is -- exists only with a few companies at this point. And I will spare you my view of whether that's a good or bad for the country, but it's just a fact. And we purposely reduced the size of our company to focus on Dallas Morning News, where we believe we have the opportunity to succeed in this transition and where we think our long-standing commitment to delivering really outstanding news and information, the projects and initiatives, such as the ones Katy mentioned earlier, is the way home. And I would not be as sanguine about the financial engineering strategy, frankly.

William Richard Nasgovitz Heartland Advisors, Inc. - CEO, Portfolio Manager & Director

Okay. And then just finally, Katy, in your presentation, there were a lot of facts and figures there and trends that would be helpful for shareholders. If we could have a replay of that? I know it's verbally, but also in print, that would be helpful so that we don't miss any of the details.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Absolutely. Bill, that should be on our website within, I would say, probably the next 24 to 48 hours, not only the audio, but there will actually be a hard copy of that as well.

Operator

(Operator Instructions) And at this time, there are no questions in queue. Please continue.

Mary Kathryn Murray A.H. Belo Corporation - Executive VP, CFO, Treasurer & Assistant Secretary

Well, Stacey, thank you very much. I think we're coming up on the hour. We'd like to thank everybody for listening to our fourth quarter and full year earnings and investor update and look forward to keeping in touch with everybody and our next earnings call after our first quarter. Thank you.

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

Thank you.

Operator

Thank you, ladies and gentlemen. That does conclude your conference for today. Thank you for your participation and for using AT&T Teleconference Center. You may now disconnect.

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