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AHC - Q3 2013 A. H. Belo Corporation Earnings Conference Call

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## CORPORATE PARTICIPANTS

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

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

**Grant Moise** *A. H. Belo Corporation - SVP*

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

## CONFERENCE CALL PARTICIPANTS

**Dennis Leibowitz** *Act II Partners - Analyst*

**Barry Lucas** *Gabelli & Company - Analyst*

**Richard Diamond** *Strait Lane Capital - Analyst*

**John Kearney** *JK Media - Analyst*

**Chris Mooney** *Esposito Global - Analyst*

**Fred Nagle** *Trowbridge International - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen thank you for standing by, and welcome to A. H. Belo Corporation's Third Quarter 2013 Financial Results. At this time, all participants are in a listen-only mode, and later we will conduct a question and answer session. Instructions will be given at that time.

(Operator Instructions)

As a reminder, today's conference is being recorded. I would now like to turn the conference over to your host, Miss Ali Engel, Senior Vice President and Chief Financial Officer. Please go ahead.

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

Thank you, Caley. Good afternoon, everyone. Welcome to A. H. Belo Corporation's Third Quarter 2013 Conference Call. Jim Moroney, our Chief Executive Officer, will lead today's call. Then, I will provide a brief look at our third quarter results, leaving plenty of time for q and a.

This morning, we issued a press release announcing third quarter results. We have posted this release on our website under the Investor Relations section. Unless otherwise specified, comparisons used on today's call measure third quarter 2013 performance from continuing operations against third quarter 2012 performance from continuing operations.

In conjunction with the completed sale of the five-story office building, and the pending sale of our newspaper operations, both in Riverside, California, The Press-Enterprise newspaper operations, and the sale of such building and assets are now reported as discontinued operations in the Company's financial statements.

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



Finally, today's discussion will include non-GAAP financial measures. We believe that non-GAAP financial measures provide useful supplemental information to assist investors in determining performance comparisons to our peers. Reconciliations to the most directly comparable financial measures, presented in accordance with GAAP are provided in our press release, and on our website under the Investor Relations section.

Now I will turn it over to Jim. Jim.

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

Thank you, Ally, and good afternoon everyone. Earlier today, A. H. Belo Corporation announced third quarter net income of \$0.09 per share from continuing operations. Earnings before interest, taxes, depreciation, amortization, or EBITDA, from continuing operations was \$7.9 million in the quarter.

Increases in revenues from new business is offset just under half of the core print revenue declines in the third quarter, and strong expense management contributed to the positive results for the quarter.

We are pleased to have completed the sale of the five-story office building and related assets in Riverside, California to the County of Riverside, and will look forward to closing on the previously announced sale of the newspaper operations of The Press-Enterprise to Freedom Communications in mid-November. The cash proceeds from each of these transactions will allow the company to continue to pursue opportunities to diversify and grow revenues and EBITDA, and reduce our reliance on core print advertising revenues, which remain challenged.

A. H. Belo 's management team and its board of directors have reviewed A. H. Belo 's previously disclosed financial and operating strategies in anticipation of the sale of substantially all of the assets of The Press-Enterprise.

The company plans to explore further opportunities to invest in or buy advertising or marketing services companies with established financial performance, and strong management teams in order to diversify and grow revenue and EBITDA, and in the future, consider modifying share repurchase programs after balancing the potential for acquisitions or investments with the possibility of generating additional cash proceeds.

The company's acquisition and investment efforts are focused on businesses with products and services that complement the existing advertising and marketing services currently offered by its newspapers. Grant Moise, Senior Vice President Business Development, who is with us on the call today, is leading an effort to identify and evaluate qualified businesses. While the level of investment is not currently known, the company anticipates that it will exceed previous investments, which were in the \$3 million to \$5 million range.

The company remains focused on returning capital to shareholders, primarily through its quarterly dividend, which was increased to \$0.08 per share in the third quarter of this year, and through modest share repurchases. The company will evaluate the ability to modify share repurchase levels in the future after balancing the acquisitions and investment potential with a possibility of generating additional cash proceeds.

Ally will now provide more detail around third quarter financial results. Ally.

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

Thank you, Jim. A. H. Belo reported third quarter 2000 (sic -- 2013) net income of \$0.09 per share from continuing operations compared to net income of \$0.11 per share from continuing operations in the third quarter of 2012.

Third quarter 2012 net income from continuing operations included a non-recurring credit of \$2.5 million for a consent judgment related to past tax assessments of real estate by the city of Providence. Total revenue for the third quarter of 2013 decreased 2% compared to the prior year period.

Revenue from advertising and marketing services, including print and digital revenues, decreased 4%. Digital revenue increased 22% over the prior year quarter primarily due to continued growth in automotive digital revenue at The Dallas Morning News, and marketing services revenue associated with 508 Digital and Speakeasy.

Increases in digital revenue were offset by declines in display, preprint, and classified advertising revenues, which decreased 11%, 3%, and 13%, respectively.

Circulation revenue decreased 1% in the third quarter of 2013 compared to the prior year period due to home delivery and single-copy volume declines, mostly offset by increased average rate for home delivery.

Printing and distribution revenue increased 6% in the third quarter of 2013, primarily due to the expansion of the distribution of outside newspapers at The Providence Journal.

Total consolidate operating expense in the third quarter was \$88.9 million, a 1% decrease compared to the prior year period, as headcount related expenses, newsprint, distribution, outside solicitation, and depreciation expenses all decreased.

In the third quarter of 2013, the company made voluntary contributions to its pension plans of \$4.6 million, and required contributions of \$5.1 million, which included the acceleration of the scheduled fourth quarter pension payment. No further pension contributions will be made in 2013.

As of September 30, we have \$56.4 million of cash and cash equivalents, and no debt.

Now I'll turn it back over to Jim for some final remarks. Jim.

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

Before I open up the call for questions, I want to give a brief update on our digital circulation strategy. In October, we took down our paywall and launched a new premium digital experience for subscribers. Consumers can now opt to pay for their news in an online environment with enhanced design and navigation, limited advertising, and access to unique subscriber benefits, such as tickets to attractive public events, and exclusive access to Dallas Morning News events.

The Morning News' research found that when seven-day subscribers were offered digital access for a price that was as much as 90% less than the average print subscription rate, only 5% said they'd be willing to give up their seven-day print edition for digital access. From this research we concluded that subscribers were not paying so much for the content as paying for how they wanted to consume the content we published. In essence, they were paying for the print experience. Now we want to see if there are consumers who will pay for a premium digital experience.

Since the launch of the new premium site, we've had over 7,300 comments from subscribers and non-subscribers. Overall, the feedback has been positive. In response to some of the feedback, we have made design changes to the premium website, which have improved things like navigation. The traffic on the site has improved every week since the launch, so early results are good, and we will update you on the progress of this initiative further on the year-end earnings call in February next year.

Caley, we are now ready for questions.

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## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions). We'll go to the line of Dennis Leibowitz with Act II Partners. Please go ahead.



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**Dennis Leibowitz** - *Act II Partners - Analyst*

All right. Two questions. One, the guidance you gave earlier in the year, I don't know what might have been included from Riverside, but wondered if you could update us on that.

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

Yes, it's in this -- when we've closed on that transaction, we're going to update everyone on the guidance, and we'll do that later this month.

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**Dennis Leibowitz** - *Act II Partners - Analyst*

I assume it was profitable.

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

It was profitable to break even on an EBITDA basis. On a net basis with B&A, no, but it was profitable on an EBITDA basis, yes. We've always said that it's been profitable, but to a much lesser extent than the Providence and Dallas properties.

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**Dennis Leibowitz** - *Act II Partners - Analyst*

Okay. So we might wanted to know what's left in terms of your unfunded pension liabilities, and is that likely to go down further because of interest rates at the end of the year --

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

Sure. Dennis, we haven't updated what the unfunded is going to be because we haven't settled yet on the year-end discount rate. But we've had, obviously, meetings with our actuaries and pension advisers all throughout the year. Discount rates have improved during the year.

We have had good returns on our assets during the year, so I think we can expected a definite decrease in the unfunded liability, and at year-end we'll all give further guidance on cash contributions to the plan once we've presented our final budget, and cash plan to our board and gotten their approval on that.

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**Dennis Leibowitz** - *Act II Partners - Analyst*

Okay. If I could just add one more, I'm sorry.

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

Well, sure.

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**Dennis Leibowitz** - *Act II Partners - Analyst*

When you talk about investments being more than they were, the investments you've made so far are in starting up businesses, or aspects of the business, and what you're talking about in the future -- I'm trying to see if we're talking about apples and oranges in terms of investments and acquisitions as opposed to the P&L impact of start up businesses.

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

Yes, I think we're talking about -- what our strategy has been in the past, I'll talk to that and I'll let Jim talk to what we're going to feature, in the past what we've done is made minority investments in small or start up businesses. Some of those were newspaper initiatives across the country, like Wonderful Media, Cars.com.

We've invested in some start ups like Sawbuck, which is now Homesnap, and Response Logix, which is now Digital Air Strike. So we typically make small minority investments. Some of those products we resold, some we didn't. And then, we're investing in those businesses.

So then we have what we did last year, which is where we started new businesses internally, and developed the products, or resold the products, like 508 Digital, and I think we're taking a real change in that direction. So, I'll let Jim talk to what we're doing now.

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

Yes, Dennis, there were two small acquisitions last year among the five that -- the other three were things we started up. We did acquire DG Publishing, which had two magazines that were published each twice a year. That was a small acquisition. And also Pegasus, which was a go-and-do entertainment site that was arguably the second most trafficked site in Dallas. So when combined with our guidelive.com site really gave us the two top-tier destinations. So those were two very small acquisitions.

What we're looking at in going forward are more ways to complement the marketing channels that we already own and operate. So we're looking for things that give us new ways to reach audiences for our customers. But we're looking for businesses with a proven track record, and a good management team, and typically those come at a higher cost than something that's just in a start up phase.

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

We're a minority investment, which is a very small investment compared to potentially making a much larger investment.

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

That's right. We'll be looking at things we either can buy all of or buy at least a controlling interest in.

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**Dennis Leibowitz** - Act II Partners - Analyst

Okay. All right. Thank you.

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

Thanks, Dennis.

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**Operator**

Thank you. We'll go to the line of Barry Lucas at Gabelli & Company.

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**Barry Lucas** - *Gabelli & Company - Analyst*

Thank, and good afternoon. I have a couple as well, if I may. Firstly, on the pension, is it at least fair to assume that with rising rates and decent asset returns and the potential with the voluntary contributions to, see a lower unfunded that the cash contribution for '14 should be less than the roughly \$20 million that you put in this year?

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

Yes, those are fair assumptions. We put in \$12 million this year, Barry. We put in about \$8 million in required, and \$4 million in voluntary, roughly. So, I think contributions -- there will be less \$20 million on a required basis, for sure. There'll be less than the total \$12 million on a required basis, likely.

What we decide to do on a voluntary basis, we haven't talked to the board about, and finalized that yet, if we decide to do anything. So, yes, they will be less than what we have done this year, or spoke -- relatively close. But, yes, and the unfunded will go down. Absolutely.

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**Barry Lucas** - *Gabelli & Company - Analyst*

Great. Okay. And just on the housekeeping side, there was a note on changes to the way you calculate or describe adjusted EBITDA, and just wondering what the variance would be when you -- versus past quarters.

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

Well, we used to -- adjusted EBITDA is EBITDA adjusted for pension, the withdrawal from the pension plan. In the tables we have in this press release, we didn't have any periods where any of those adjustments were presented, so we just presented EBITDA. We're not adjusting EBITDA for pension expense any more. We made that change a quarter or two ago.

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**Barry Lucas** - *Gabelli & Company - Analyst*

Right.

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

So, EBITDAs for this -- these periods that are presented as clean, and doesn't have any adjustments. For year-end, we'll still have -- look at the year-to-date for '10 and '11. They'll have some of those still about withdrawal from the pension plan items that we'll address for.

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**Barry Lucas** - *Gabelli & Company - Analyst*

Okay. Two more quickies, if I may. One on the paywall, Jim, this is a fairly extensive launch not that long ago. So, other than your conclusion that it's the way your subscribers want to consume the content, as opposed to the content, what else was kind of either triggered this or motivated or what kind of feedback we're you getting that said -- well, wait a second, we've got to maybe get back to square one or two, and rethink this strategy?

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

Sure, so Barry if you recall, we actually launched our sort of paywall initiative back in March of 2011, slightly ahead of The New York Times. So, I think we were among the major metros, about the first one in. So we've had as much or more experience with this than any of our other metro brethren, and we have still not seen digital-only subscriptions rise to a level, say, greater than 10% of our print subscriber base.



And as I've talked to my colleagues around the country, I haven't really come across any, I'll put The New York Times, The Wall Street Journal out as exceptions. When I get back into just the general metro large market newspapers, I'm not finding any that have sort of really shown a steady and growing trajectory that's getting through even that 10% level.

So, while there are plenty of other newspapers out there trying the metered model, and again, not yet, still not certain that they won't, but not seeing the kind of progress or trajectory that hope to see, and we weren't seeing it either, we decided to try something new. So, that led us to this single URL, so that everything is free at dallasnews.com. If you want to pay for a better design, navigation, less ads, and some loyalty incentives, then we're going to see whether we can coax our users into paying for that experience.

We want to experiment and try something different. I think the industry would benefit from more experiments, not everybody trying the exact same thing, that are, frankly, because we'll have dallasnews.com at the basic level free, we'll probably increase page views, and that will add some advertising, digital advertising revenue back into our ad bucket, and the cost of launching this has actually not been that great. So we neither spent a lot of money to make this change, and in fact, probably have helped our ad revenue by doing it.

Whether it drives the digital subscriptions that we want, both in number and growing trajectory, obviously, way too early to tell, but that's what we're looking for. That's how we'll measure success with this effort. If it works, that's great.

If it doesn't and the metered model proves to work because of the way we have this set up, we already have a metered deployed. We could switch over to a metered model very quickly. If the metered model isn't working, and this one isn't working, we'll try to figure out some other experiment to do. I think we just -- we've got to be out there trying different things.

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**Barry Lucas** - *Gabelli & Company - Analyst*

Great. Okay. Thanks, Jim. Last item would be the, maybe going back to Dennis' question, and I don't know if you can put your arms around the -- either the size of the acquisition, any kind of metrics you might throw out in terms of what you might pay, in terms of valuation, or even, I don't know, proportion of revenues, if we were to put marketing services as a stand-alone, as opposed to the advertising related to the papers, and their websites.

I mean, is there a portion of overall revenues that you would like to see that become? Because -- I don't want to say my sense is, but we've had an awful lot of M&A activity over the last 12 to 20 months, and I'm just wondering, is it a little bit late to get involved in a strategic shift at this point?

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

Good questions, and thank you. So, if we look at the first three quarters of this year for Dallas Morning News, those five businesses that we acquired last year, their incremental year-over-year revenues were within 80% of the decrease in print ad revenues for The Dallas Morning News. Clearly, if we need to get top line growth started, we are assuming that print ad revenues will continue to decline, since that's been the case for close to seven years, and if we're going to do that we're going to have to find complementary businesses.

What we're trying to do ultimately is provide a growing top line revenue with EBITDA following right behind it, growing EBITDA, so that we can get this company growing again, and -- instead of continuing to cut expenses to align with the decline in the core print ad revenues. I'm going to let Grant describe to you some of the categories that we're looking at, but I think it's safe to say that the businesses, for the most part, we're looking at would be more local or regional based.

These are not national size companies, so I believe that begins to bring in some the possible acquisition price. But of course, it will still depend on what kind of track record they've built up, how profitable they are, and the particular categories have different multiples.

Just to give you a sense of what we're looking at, to show you how these businesses would complement what we already do, which is try to give our customers a way to sell goods and services through different channels, I'm going to have Grant just talk about the 5 that we're looking at.

**Grant Moise** - A. H. Belo Corporation - SVP

Sure. Thanks, Jim. Barry to your question, we can put them into a couple buckets. I would say the first one, obviously, is growth being in digital, two of the businesses we launched with 508 Digital and Speakeasy, we have found some needs in the areas of video production, as well as website, as well as app development. So those are web and app development companies are of interest to us, as well as video production companies. Those are obviously experiencing large growth still at this point, and we see as very complementary to some of the things we've already built.

The other three categories that we're focused on, first, would be the -- anything targeting the growing Hispanic demographic. As we know, the Hispanic demographic is growing widely across the country, but especially here in North Texas, and that includes both media assets that have Hispanic focus as well as media services companies serving Hispanic, both advertisers focusing on that demographic.

The other two areas are the outdoor space. We are interested in the outdoor and out-of-home space, as well as direct marketing, which many of those companies have a focus on direct mail, and especially the growing niche within that space, which is considered to be digital variable printing, is of especial interest to us within the printing and direct mail area.

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

And Barry, somebody might arch an eyebrow a little bit, and say -- gee, outdoor and direct mail, those are kind of traditional businesses, and aren't they having the same problems that you have with newspaper print advertising, or radio, or magazines. But I'm sure you, and others on the call, know that not only does direct mail continue to have the largest share of the overall US advertising budget, but they've been able to hold on to most of that even through this last six, seven years when other businesses, like ours, have seen decline in traditional advertising.

The same can be said also for outdoor. It's great, limited supply, high demand, and they've been able not only to keep their share, but actually grow it a little bit as they've been taking traditional poster boards, and taken them to digital.

So, we're looking for those kinds of businesses that we can leverage our strength into and provide them a competitive advantage here in the North Texas marketplace.

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**Barry Lucas** - Gabelli & Company - Analyst

Thanks for the color, Jim.

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**Operator**

Thank you. We'll go next to the line of Richard Diamond with Strait Lane Capital.

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**Richard Diamond** - Strait Lane Capital - Analyst

You know, Jim, not to beat you up over this, in a lot of ways it feels today like 1998, and the only thing we learned from history is we've learned nothing from history. I mean, if you do buy an app company, or web company, how do you ensure that it's not value destructive? Outdoor marketing, direct mail, the Tina marketing, that makes perfect sense to me. But on some of the other companies, they're very expensive. It's to be determined if the valuations are realistic or not.

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

I think, Richard, it's a good point. You'll be happy to know that our order of interest is probably direct mail, outdoor, Hispanic, and then app, and then video. So, the two that you brought up are on the bottom of our list of five, and we're actually focused on the top 3 right now. We're not actively really looking too hard at the other two.

I think the real answer to your question, though, is that we would not be looking at some of the companies that have already developed a good track record in, if you will, long track records I should say, in the app development or in the video production business. There are still some closer to start up companies here in the North Texas area that are doing great work, but haven't yet had a track record where they could -- if they get a large multiple it's off a very small base.

But those come, obviously, with more risk, because they haven't really demonstrated they can kind of stand the competition that already is in this market. We have one of the best app development companies in the country here, Bottle Rocket. That's not a company where even if they were for sale, they wouldn't be on our radar screen because they're already doing too well, and as you point out, the multiple is very, very high. So I think, maybe, my best --

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

Can I add to that?

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

Yes, go ahead.

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

I mean, I would also add to that that there would be a lot of synergies, because we outsource and pay for a lot of that work with these types of companies. And so, we do think there are in that space some internal cost savings and synergies by having that in-house rather than outsourcing.

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

Yes. I think the best answer, Richard though, is likely in the near term we're going to be in that top three more than likely than in the app or video production space.

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**Richard Diamond** - Strait Lane Capital - Analyst

Thank you very much.

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

Yes.

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

Thanks, Richard.



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**Operator**

Thank you. We'll now go next to the line of [John Kearney] with JK Media. Please go ahead.

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**John Kearney - JK Media - Analyst**

Very quickly. What's the nine months of corporate overhead, and can you give us -- should we just annualize that, and assume that's go that way -- going to wind up for the year?

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

Yes, it was about \$4.5 million for the third quarter. I don't have it here for the 9 months, John, I can email it to you, but I mean I think you can annualize that.

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**John Kearney - JK Media - Analyst**

Is the \$4.5 million after any special credits, because that sounds low?

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

No.

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**John Kearney - JK Media - Analyst**

I thought you were running like \$7 million and or so per quarter.

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

No, no. We whittled it down over the past few years. It's been running in that \$4.5 million to \$5.5 million.

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**John Kearney - JK Media - Analyst**

So you're in this slightly sub-\$20 million range?

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

Yes, that's correct.

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**John Kearney - JK Media - Analyst**

I look forward to hearing updates in November, because like Dennis, my overriding question is what the hell happened to 37 to 41? So, we'll wait on that. Thank you.

**Operator**

We'll go next to the line of Chris Mooney, Esposito Global.

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**Chris Mooney - Esposito Global - Analyst**

Good afternoon, folks. Let's switch back to dispositions for a second. Jim, in the interview post the announcement of the sale of Riverside in The Dallas Morning News, you were quoted I believe as saying that the Providence newspaper would not be for sale?

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

That's correct. I said The Providence Journal was not for sale at the time of that interview. That's what I said.

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**Chris Mooney - Esposito Global - Analyst**

Okay. So at the time of that interviews.

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

Yes.

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**Chris Mooney - Esposito Global - Analyst**

Then, can you update us on where we are in real estate, because you still have quite a number of potential sales in the future?

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

Yes, I'll let Dan take that.

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**Chris Mooney - Esposito Global - Analyst**

Thank you.

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

Chris, in California we still have an industrial property that we think would produce net proceeds of \$1.4 million to \$1.6 million. Here in Dallas, we have unused assets in Southern Dallas, our former South Plant facility that's been on the market for a couple of years that we continue to see broad activity and interest in prospective buyers, as well as a 98-acre piece of vacant land nearby that site that's also for sale.

We then have properties in Providence, a couple parking lots in downtown Providence, and we continue to pursue a sale-leaseback on The Providence Journal building itself. And then we have a vacant piece of land, which is across the street from the production plant in Providence that's also on the market that would be a kind of a mid-rise, or mid-box retail usage.

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**Chris Mooney** - *Esposito Global - Analyst*

And Dan, are you still comfortable, I think if I take the math from the Investor Day and back out what has been sold, we'd still have like \$40 million worth of potential?

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

That's correct.

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**Chris Mooney** - *Esposito Global - Analyst*

Okay. That's all for me.

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

Thanks, Chris.

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**Operator**

(Operator Instructions). We'll go to the line of Fred Nagle with Trowbridge International. Please go ahead.

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**Fred Nagle** - *Trowbridge International - Analyst*

Jim, good afternoon.

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

Hi, Fred.

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**Fred Nagle** - *Trowbridge International - Analyst*

Okay, there was an article in The Wall Street Journal on the 31st about, the title is -- Cuts in State Aid Leaves Cities Reeling. It talks about Providence and what they describe is not terribly attractive. In looking forward in terms of your strategies, what does that mean? And clearly the other side of the coin is, that Texas is a great economy, unlike the rest of the country, and where does that also lead you?

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

Well, Fred, just I think the analogy here -- Southern California, LA market, we very much believe was and is going to continue to roll up, and I don't think we wanted to be the last sort of single newspaper standing in that marketplace after a lot of the roll up might have already finished. So, we were fortunate that we were reached out to by Aaron Kushner and Freedom, and we look forward to closing that transaction on the 15th of this month.

Providence still is a good financial contributor to our company, and that's really where we are. Of course, we love being in Texas. It is a great market, and certainly have plans to stay here.

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**Fred Nagle** - *Trowbridge International - Analyst*

Okay, thanks very much.

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

Thank you, Fred.

**Operator**

Thank you. (Operator Instructions). And ladies and gentlemen, there are no further questions from the phones at this time.

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

All right, Caley, thank you.

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

Thank you, Caley.

**Operator**

Thank you. And ladies and gentlemen, today's conference will be available for replay after 4 pm Central Time today, running through November 11 at midnight. You may access the AT&T teleconference replay system by dialing 1-800-475-6701 and entering the access code of 304953. International participants may dial 320-365-3844. Those numbers again are 1-800-475-6701 and 320-365-3844 with the access code of 304953.

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