

A. H. Belo Corp  
Form 10-Q  
November 03, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file no. 1-33741

A. H. Belo Corporation

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

38-3765318  
(I.R.S. Employer Identification No.)

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P. O. Box 224866, Dallas, Texas 75222-4866 (214) 977-8200  
(Address of principal executive offices, including zip code) (Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report.

None

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest possible date.

| Class                         | Outstanding at<br>October 30, 2015 |
|-------------------------------|------------------------------------|
| Common Stock, \$.01 par value | 21,545,545                         |

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Total Common Stock consists of 19,158,036 shares of Series A Common Stock and 2,387,509 shares of Series B Common Stock.

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A. H. BELO CORPORATION

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## PART I

## Item 1. Financial Information

## A. H. Belo Corporation and Subsidiaries

## Condensed Consolidated Statements of Operations

| In thousands, except share and per share amounts<br>(unaudited)             | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|-----------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                                                             | 2015                                | 2014      | 2015                               | 2014       |
| Net Operating Revenue                                                       |                                     |           |                                    |            |
| Advertising and marketing services                                          | \$ 39,184                           | \$ 36,941 | \$ 114,281                         | \$ 114,918 |
| Circulation                                                                 | 20,279                              | 21,219    | 62,133                             | 63,458     |
| Printing, distribution and other                                            | 7,445                               | 7,763     | 22,606                             | 21,200     |
| Total net operating revenue                                                 | 66,908                              | 65,923    | 199,020                            | 199,576    |
| Operating Costs and Expense                                                 |                                     |           |                                    |            |
| Employee compensation and benefits                                          | 29,041                              | 24,265    | 81,649                             | 78,151     |
| Other production, distribution and operating costs                          | 30,562                              | 29,846    | 93,037                             | 87,930     |
| Newsprint, ink and other supplies                                           | 7,266                               | 7,910     | 23,275                             | 24,012     |
| Depreciation                                                                | 2,780                               | 3,341     | 8,695                              | 10,099     |
| Amortization                                                                | 361                                 | 61        | 1,107                              | 121        |
| Total operating costs and expense                                           | 70,010                              | 65,423    | 207,763                            | 200,313    |
| Operating income (loss)                                                     | (3,102)                             | 500       | (8,743)                            | (737)      |
| Other Income (Expense), Net                                                 |                                     |           |                                    |            |
| Income (loss) on equity method investments, net                             | (564)                               | (953)     | (288)                              | 17,206     |
| Other income (loss), net                                                    | (489)                               | 3,878     | (912)                              | 4,136      |
| Total other income (expense), net                                           | (1,053)                             | 2,925     | (1,200)                            | 21,342     |
| Income (Loss) from Continuing Operations Before<br>Income Taxes             | (4,155)                             | 3,425     | (9,943)                            | 20,605     |
| Income tax provision (benefit)                                              | (188)                               | 1,156     | (5,601)                            | 3,475      |
| Income (Loss) from Continuing Operations                                    | (3,967)                             | 2,269     | (4,342)                            | 17,130     |
| Income from discontinued operations                                         | —                                   | 643       | —                                  | 3,766      |
| Income (loss) related to the divestiture of discontinued<br>operations, net | (52)                                | 17,134    | (62)                               | 17,109     |
| Tax expense from discontinued operations                                    | —                                   | 1,652     | —                                  | 1,698      |
| Gain (Loss) from Discontinued Operations, Net                               | (52)                                | 16,125    | (62)                               | 19,177     |
| Net Income (Loss)                                                           | (4,019)                             | 18,394    | (4,404)                            | 36,307     |

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|                                                          |            |            |            |            |
|----------------------------------------------------------|------------|------------|------------|------------|
| Net loss attributable to noncontrolling interests        | (63)       | (50)       | (219)      | (80)       |
| Net Income (Loss) Attributable to A. H. Belo Corporation | \$ (3,956) | \$ 18,444  | \$ (4,185) | \$ 36,387  |
| Per Share Basis                                          |            |            |            |            |
| Basic and Diluted                                        |            |            |            |            |
| Continuing operations                                    | \$ (0.18)  | \$ 0.10    | \$ (0.19)  | \$ 0.74    |
| Discontinued operations                                  | —          | 0.74       | —          | 0.87       |
| Net income (loss) attributable to A. H. Belo Corporation | \$ (0.18)  | \$ 0.84    | \$ (0.19)  | \$ 1.61    |
| Weighted average shares outstanding                      |            |            |            |            |
| Basic                                                    | 21,651,670 | 21,890,754 | 21,721,875 | 21,927,920 |
| Diluted                                                  | 21,651,670 | 21,991,716 | 21,721,875 | 22,039,248 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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A. H. Belo Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

| In thousands (unaudited)                                                 | Three Months Ended |           | Nine Months Ended |           |
|--------------------------------------------------------------------------|--------------------|-----------|-------------------|-----------|
|                                                                          | September 30,      |           | September 30,     |           |
|                                                                          | 2015               | 2014      | 2015              | 2014      |
| Net Income (Loss)                                                        | \$ (4,019)         | \$ 18,394 | \$ (4,404)        | \$ 36,307 |
| Other Comprehensive Income (Loss), Net of Tax:                           |                    |           |                   |           |
| Amortization of net actuarial (gain) loss                                | 313                | (173)     | 938               | (520)     |
| Total other comprehensive income (loss)                                  | 313                | (173)     | 938               | (520)     |
| Comprehensive Income (Loss)                                              | (3,706)            | 18,221    | (3,466)           | 35,787    |
| Comprehensive loss attributable to noncontrolling interests              | (63)               | (50)      | (219)             | (80)      |
| Total Comprehensive Income (Loss) Attributable to A. H. Belo Corporation | \$ (3,643)         | \$ 18,271 | \$ (3,247)        | \$ 35,867 |

See accompanying Notes to Condensed Consolidated Financial Statements.



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## A. H. Belo Corporation and Subsidiaries

## Condensed Consolidated Balance Sheets

| In thousands, except share amounts (unaudited)                                                                          | September 30,<br>2015 | December 31,<br>2014 |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Assets                                                                                                                  |                       |                      |
| Current assets:                                                                                                         |                       |                      |
| Cash and cash equivalents                                                                                               | \$ 79,681             | \$ 158,171           |
| Accounts receivable (net of allowance of \$1,464 and \$1,262 at September 30, 2015 and December 31, 2014, respectively) | 32,259                | 34,396               |
| Inventories                                                                                                             | 3,163                 | 4,901                |
| Prepays and other current assets                                                                                        | 12,097                | 8,422                |
| Deferred income taxes, net                                                                                              | 49                    | —                    |
| Assets of discontinued operations                                                                                       | —                     | 565                  |
| Total current assets                                                                                                    | 127,249               | 206,455              |
| Property, plant and equipment, at cost                                                                                  | 445,095               | 472,186              |
| Less accumulated depreciation                                                                                           | (394,115)             | (410,597)            |
| Property, plant and equipment, net                                                                                      | 50,980                | 61,589               |
| Intangible assets, net                                                                                                  | 11,539                | 656                  |
| Goodwill                                                                                                                | 34,085                | 24,582               |
| Investments                                                                                                             | 1,738                 | 2,572                |
| Other assets                                                                                                            | 2,556                 | 2,893                |
| Total assets                                                                                                            | \$ 228,147            | \$ 298,747           |
| Liabilities and Shareholders' Equity                                                                                    |                       |                      |
| Current liabilities:                                                                                                    |                       |                      |
| Accounts payable                                                                                                        | \$ 12,522             | \$ 12,904            |
| Accrued compensation and benefits                                                                                       | 10,040                | 8,233                |
| Dividends payable                                                                                                       | —                     | 50,148               |
| Other accrued expense                                                                                                   | 4,685                 | 14,227               |
| Advance subscription payments                                                                                           | 15,356                | 15,894               |
| Total current liabilities                                                                                               | 42,603                | 101,406              |
| Long-term pension liabilities                                                                                           | 61,455                | 65,859               |
| Other post-employment benefits                                                                                          | 2,523                 | 2,656                |
| Deferred income taxes                                                                                                   | 577                   | 530                  |
| Other liabilities                                                                                                       | 1,805                 | 2,277                |
| Total liabilities                                                                                                       | 108,963               | 172,728              |
| Noncontrolling interests - redeemable                                                                                   | 1,263                 | —                    |
| Shareholders' equity:                                                                                                   |                       |                      |
| Preferred stock, \$.01 par value; Authorized 2,000,000 shares; none issued                                              | —                     | —                    |
| Common stock, \$.01 par value; Authorized 125,000,000 shares                                                            |                       |                      |

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|                                                                                                                                      |            |            |
|--------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Series A: issued 20,515,326 and 20,341,501 shares at September 30, 2015<br>and December 31, 2014, respectively                       | 205        | 203        |
| Series B: issued 2,387,509 and 2,388,237 shares at September 30, 2015<br>and December 31, 2014, respectively                         | 24         | 24         |
| Treasury stock, Series A, at cost; 1,314,588 and 944,636 shares held at<br>September 30, 2015<br>and December 31, 2014, respectively | (10,676)   | (8,087)    |
| Additional paid-in capital                                                                                                           | 500,472    | 499,320    |
| Accumulated other comprehensive loss                                                                                                 | (56,429)   | (57,367)   |
| Accumulated deficit                                                                                                                  | (317,817)  | (308,330)  |
| Total shareholders' equity attributable to A. H. Belo Corporation                                                                    | 115,779    | 125,763    |
| Noncontrolling interests                                                                                                             | 2,142      | 256        |
| Total shareholders' equity                                                                                                           | 117,921    | 126,019    |
| Total liabilities and shareholders' equity                                                                                           | \$ 228,147 | \$ 298,747 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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## A. H. Belo Corporation and Subsidiaries

## Condensed Consolidated Statements of Shareholders' Equity

| In thousands, except<br>share amounts<br>(unaudited)    | Common Stock       |                    |        |                                  | Treasury Stock     |            | Accumulated<br>Other<br>Comprehensive<br>Loss |                        | Non-controlling<br>Interests |            |
|---------------------------------------------------------|--------------------|--------------------|--------|----------------------------------|--------------------|------------|-----------------------------------------------|------------------------|------------------------------|------------|
|                                                         | Shares<br>Series A | Shares<br>Series B | Amount | Additional<br>Paid-in<br>Capital | Shares<br>Series A | Amount     | Loss                                          | Accumulated<br>Deficit | Total                        |            |
| Balance at<br>December 31, 2013                         | 19,931,599         | 2,397,155          | \$ 223 | \$ 496,682                       | (495,200)          | \$ (3,113) | \$ (15,093)                                   | \$ (310,099)           | \$ 176                       | \$ 168,387 |
| Net income (loss)                                       | —                  | —                  | —      | —                                | —                  | —          | —                                             | 36,387                 | (80)                         | 36,307     |
| Other<br>comprehensive loss                             | —                  | —                  | —      | —                                | —                  | —          | (520)                                         | —                      | —                            | (520)      |
| Capital contributions<br>of noncontrolling<br>interests | —                  | —                  | —      | —                                | —                  | —          | —                                             | —                      | 232                          | 232        |
| Treasury stock<br>purchases                             | —                  | —                  | —      | —                                | (326,249)          | (3,542)    | —                                             | —                      | —                            | (3,542)    |
| Issuance of shares<br>for restricted stock<br>units     | 210,522            | —                  | 2      | (2)                              | —                  | —          | —                                             | —                      | —                            | —          |
| Issuance of shares<br>for stock option<br>exercises     | 178,192            | —                  | 2      | 859                              | —                  | —          | —                                             | —                      | —                            | 861        |
| Income tax benefit<br>on options and<br>RSUs            | —                  | —                  | —      | 873                              | —                  | —          | —                                             | —                      | —                            | 873        |
| Share-based<br>compensation                             | —                  | —                  | —      | 756                              | —                  | —          | —                                             | —                      | —                            | 756        |
| Conversion of Series<br>B to Series A                   | 8,864              | (8,864)            | —      | —                                | —                  | —          | —                                             | —                      | —                            | —          |
| Dividends                                               | —                  | —                  | —      | —                                | —                  | —          | —                                             | (39,225)               | —                            | (39,225)   |
| Balance at<br>September 30, 2014                        | 20,329,177         | 2,388,291          | \$ 227 | \$ 499,168                       | (821,449)          | \$ (6,655) | \$ (15,613)                                   | \$ (312,937)           | \$ 328                       | \$ 164,328 |
| Balance at<br>December 31, 2014                         | 20,341,501         | 2,388,237          | \$ 227 | \$ 499,320                       | (944,636)          | \$ (8,087) | \$ (57,367)                                   | \$ (308,330)           | \$ 256                       | \$ 126,886 |
| Net loss                                                | —                  | —                  | —      | —                                | —                  | —          | —                                             | (4,185)                | (219)                        | (4,404)    |
| Other<br>comprehensive                                  | —                  | —                  | —      | —                                | —                  | —          | 938                                           | —                      | —                            | 938        |

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|                       |            |           |        |            |             |             |             |              |          |         |  |
|-----------------------|------------|-----------|--------|------------|-------------|-------------|-------------|--------------|----------|---------|--|
| income                |            |           |        |            |             |             |             |              |          |         |  |
| Capital contributions |            |           |        |            |             |             |             |              |          |         |  |
| by noncontrolling     |            |           |        |            |             |             |             |              |          |         |  |
| interests             | —          | —         | —      | —          | —           | —           | —           | —            | 2,105    | 2,105   |  |
| Treasury stock        |            |           |        |            |             |             |             |              |          |         |  |
| purchases             | —          | —         | —      | —          | (369,952)   | (2,589)     | —           | —            | —        | (2,589) |  |
| Issuance of shares    |            |           |        |            |             |             |             |              |          |         |  |
| for restricted stock  |            |           |        |            |             |             |             |              |          |         |  |
| units                 | 155,097    | —         | 2      | (2)        | —           | —           | —           | —            | —        | —       |  |
| Issuance of shares    |            |           |        |            |             |             |             |              |          |         |  |
| for stock option      |            |           |        |            |             |             |             |              |          |         |  |
| exercises             | 18,000     | —         | —      | 71         | —           | —           | —           | —            | —        | 71      |  |
| Income tax benefit    |            |           |        |            |             |             |             |              |          |         |  |
| on options and        |            |           |        |            |             |             |             |              |          |         |  |
| RSUs                  | —          | —         | —      | 546        | —           | —           | —           | —            | —        | 546     |  |
| Share-based           |            |           |        |            |             |             |             |              |          |         |  |
| compensation          | —          | —         | —      | 537        | —           | —           | —           | —            | —        | 537     |  |
| Conversion of Series  |            |           |        |            |             |             |             |              |          |         |  |
| B to Series A         | 728        | (728)     | —      | —          | —           | —           | —           | —            | —        | —       |  |
| Dividends             | —          | —         | —      | —          | —           | —           | —           | (5,302)      | —        | (5,302) |  |
| Balance at            |            |           |        |            |             |             |             |              |          |         |  |
| September 30, 2015    | 20,515,326 | 2,387,509 | \$ 229 | \$ 500,472 | (1,314,588) | \$ (10,676) | \$ (56,429) | \$ (317,817) | \$ 2,142 | \$ 117, |  |

See accompanying Notes to Condensed Consolidated Financial Statements.

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## A. H. Belo Corporation and Subsidiaries

## Condensed Consolidated Statements of Cash Flows

|                                                                                           | Nine Months Ended<br>September 30, |           |
|-------------------------------------------------------------------------------------------|------------------------------------|-----------|
|                                                                                           | 2015                               | 2014      |
| In thousands (unaudited)                                                                  |                                    |           |
| Operating Activities                                                                      |                                    |           |
| Net Income (Loss)                                                                         | \$ (4,404)                         | \$ 36,307 |
| Adjustments to reconcile net income (loss) to net cash (used for) provided by operations: |                                    |           |
| Net (income) loss from discontinued operations                                            | 62                                 | (19,177)  |
| Depreciation and amortization                                                             | 9,802                              | 10,220    |
| Net periodic benefit and contributions related to employee benefit plans                  | (3,425)                            | (13,125)  |
| Equity method investment losses                                                           | 1,334                              | (19,077)  |
| Share-based compensation                                                                  | 528                                | 698       |
| Deferred income taxes                                                                     | (3,978)                            | 915       |
| Gain on investment related activity, net                                                  | (1,046)                            | (1,669)   |
| (Gain) loss on disposal of fixed asset                                                    | 810                                | (867)     |
| Other operating activities                                                                | 675                                | (651)     |
| Changes in working capital and other operating assets and liabilities, net                | (9,203)                            | 2,401     |
| Net cash used for continuing operations                                                   | (8,845)                            | (4,025)   |
| Net cash (used for) provided by discontinued operations                                   | (23)                               | 6,386     |
| Net cash (used for) provided by operating activities                                      | (8,868)                            | 2,361     |
| Investing Activities                                                                      |                                    |           |
| Acquisitions                                                                              | (14,111)                           | —         |
| Proceeds from the sale or disposal of fixed assets                                        | 5,911                              | 3,401     |
| Capital expenditures, net                                                                 | (4,546)                            | (4,594)   |
| Other investment related proceeds                                                         | 1,046                              | 23,166    |
| Purchase of investments                                                                   | (500)                              | (2,279)   |
| Net cash (used for) provided by continuing investing activities                           | (12,200)                           | 19,694    |
| Net cash provided by discontinued investing activities                                    | -                                  | 44,799    |
| Net cash (used for) provided by investing activities                                      | (12,200)                           | 64,493    |
| Financing Activities                                                                      |                                    |           |
| Dividends paid                                                                            | (55,450)                           | (39,225)  |
| Purchase of treasury stock                                                                | (2,589)                            | (3,542)   |
| Net proceeds from exercise of stock options                                               | 71                                 | 861       |
| Income tax benefit on options and RSUs                                                    | 546                                | 873       |
| Capital contributions by noncontrolling interests                                         | -                                  | 49        |
| Net cash used for financing activities                                                    | (57,422)                           | (40,984)  |
| Net increase (decrease) in cash and cash equivalents                                      | (78,490)                           | 25,870    |
| Cash and cash equivalents at beginning of period                                          | 158,171                            | 82,193    |

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|                                                   |           |            |
|---------------------------------------------------|-----------|------------|
| Cash and cash equivalents at end of period        | \$ 79,681 | \$ 108,063 |
| Supplemental Disclosures                          |           |            |
| Income tax paid, net of refunds                   | \$ 11,599 | \$ 2,203   |
| Noncash investing and financing activities:       |           |            |
| Noncash contributions by noncontrolling interests | \$ 3,368  | \$ 183     |
| Impairment of equity method investment            | \$ —      | \$ 934     |

See accompanying Notes to Condensed Consolidated Financial Statements.

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A. H. Belo Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Description of Business. A. H. Belo Corporation and subsidiaries (“A. H. Belo” or the “Company”), headquartered in Dallas, Texas, is a leading local news and information publishing company with commercial printing, distribution and direct mail capabilities, as well as expertise in emerging media and marketing services. With a continued focus on extending the Company’s media platform, A. H. Belo is able to deliver news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles.

The Company publishes The Dallas Morning News ([www.dallasnews.com](http://www.dallasnews.com)), Texas’ leading newspaper and winner of nine Pulitzer Prizes; the Denton Record-Chronicle ([www.dentonrc.com](http://www.dentonrc.com)), a daily newspaper operating in Denton, Texas, and various niche publications targeting specific audiences. A. H. Belo also offers digital and other business marketing solutions as well as event marketing.

Basis of Presentation. These consolidated financial statements include the accounts of A. H. Belo and its subsidiaries. The Company follows the guidance set by the Financial Accounting Standards Board (“FASB”) or other authoritative accounting standards-setting bodies. Under Accounting Standards Codification (“ASC”) 810 – Consolidation, the Company determines whether subsidiaries, joint ventures, partnerships and other arrangements should be consolidated. Transactions between the consolidated companies are eliminated and noncontrolling interests in less than wholly-owned subsidiaries are reflected in the consolidated financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, all adjustments considered necessary for a fair presentation are included. All dollar amounts are presented in thousands, except per share amounts, unless the context requires otherwise.

Presentation of current and prior period amounts in the consolidated financial statements and notes thereto reflect continuing operations of the Company, unless otherwise noted. Amounts presented for 2014 are exclusive of results related to discontinued operations as well as prior year results of businesses subsequently acquired in 2015.

New Accounting Pronouncements. The FASB issued the following Accounting Standards Updates (“ASU”) which could have potential impact to the Company’s financial statements:

ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance generally clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The update is effective for fiscal years and interim periods beginning after December 15, 2016, and interim periods in those years. In the second quarter of 2015, the FASB deferred the effective date of the standard by one year to December 15, 2017. The Company is currently evaluating the impact this update will have on its recognition and presentation of revenues within the consolidated statements of operations.

ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40). This standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not anticipate the adoption of this standard to have a material impact on the presentation of the consolidated financial statements or disclosures.

ASU 2015-02, Consolidation (Topic 810). This update modifies requirements for consolidating certain legal entities. The standard removes the previous presumption that a general partner controls a limited partnership, revises when fees paid to a decision maker or service provider are a variable interest, and places additional emphasis on risk of loss in determining a controlling financial interest. The standard is effective for fiscal years and interim periods beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the impact this update will have on its consolidation of legal entities within the consolidated financial statements.



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ASU 2015-04, Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets (ASC 715) This update provides clarification on the accounting for contributions to a defined benefit plan and significant events requiring remeasurement, such as settlements or curtailments, that occur during the period between a month-end measurement date and the employers' fiscal year-end. The standard is effective for fiscal years and interim periods beginning after December 15, 2015. The Company is currently evaluating the impact this update will have on the consolidated financial statements and related disclosures.

ASU 2015-05, Goodwill and Other - Internal-Use Software (Subtopic 350-40). This update clarifies requirements for a customer's accounting for fees paid in a cloud computing arrangement. The standard stipulates that if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The standard is effective for fiscal years and interim periods beginning after December 15, 2015, with early adoption permitted. The Company must elect to adopt either retrospectively or prospectively. The Company is currently evaluating the impact this update will have on the consolidated financial statements and related disclosures.

Note 2: Acquisitions

On January 2, 2015, the Company acquired an 80 percent voting interest in DMV Digital Holdings Company, Inc. ("DMV") which holds all outstanding ownership interests of three Dallas-based businesses, Distribion, Inc., Vertical Nerve, Inc. and CDFX, LLC (d/b/a MarketingFX). These businesses specialize in marketing automation, search engine marketing, direct mail and promotional products, respectively. This acquisition complements and expands the product and service offerings currently available to A. H. Belo clients, thereby strengthening the Company's diversified product portfolio and allowing for greater penetration in a competitive advertising market.

The Company's interest in DMV was acquired for a cash purchase price of \$14,111, net of \$152 cash acquired. Transaction costs related to the purchase are a component of other production, distribution and operating costs and totaled \$1,288, of which \$725 were incurred in 2015. The estimated fair value of the acquired businesses totaled \$17,478, of which \$3,368 was attributed to noncontrolling interests. Approximately \$693 of goodwill acquired is expected to be deductible for tax purposes. As further discussed in Note 11 – Contingencies, the contribution agreement included provisions for two pro-rata dividends and an embedded put arrangement with certain noncontrolling shareholders of DMV. The Company is in the process of finalizing the business valuation and its allocation to underlying assets and liabilities. The preliminary allocation of the purchase price, which is subject to adjustment upon finalization, is summarized as follows:

|                                       | Estimated<br>Fair Value |
|---------------------------------------|-------------------------|
| Working capital, net of acquired cash | \$ (79)                 |
| Property, plant and equipment         | 57                      |
| Other intangible assets               | 11,990                  |
| Goodwill                              | 9,503                   |
| Deferred income tax liabilities       | (3,993)                 |
|                                       | \$ 17,478               |

Operating results of the businesses acquired have been included in the Condensed Consolidated Statements of Operations from the acquisition date forward. Revenue from marketing services is recognized at the time services are delivered. For arrangements that include multiple deliverables, revenue and upfront fees are allocated to each unit of accounting based on their relative fair values. For the three and nine months ended September 30, 2015, operating results included \$2,370 and \$6,124 of net operating revenue and a pretax loss of \$65 and \$308 before adjusting for noncontrolling interests, respectively. Pro forma results of the Company, assuming the acquisition had occurred at the beginning of each period presented, would not be materially different from the results reported.

### Note 3: Discontinued Operations and Sales of Assets

**Discontinued Operations.** On September 3, 2014, The Providence Journal Company, a wholly-owned subsidiary of the Company, completed a transaction for the (i) sale of substantially all of the assets comprising the newspaper operations of The Providence Journal and related real property located in Providence, Rhode Island, and (ii) assumption of certain liabilities by LMG Rhode Island Holdings, Inc. ("LMG"), a subsidiary of New Media Investment Group Inc. The purchase price and working capital adjustment was \$48,654 and the Company recorded a pretax gain on the sale of \$17,134 during the three and nine months ended September 30, 2014.

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Upon completion of this divestiture, the Company no longer owns the newspaper operations in Providence, Rhode Island. The Company continues to hold and market for sale certain land in Providence, Rhode Island. The Company also retains the obligation for the A. H. Belo Pension Plan II, which provides benefits to employees of The Providence Journal Company.

As a result of the above transaction, the activity and balance of The Providence Journal is presented as discontinued operations. During the three and nine months ended September 30, 2014, income from discontinued operations included revenues of \$15,079 and \$58,591, respectively, and expenses of \$14,436 and \$54,825, respectively, related to The Providence Journal. The Company adjusted the gain on the sale of The Providence Journal in the three and nine months ended September 30, 2015, by \$(52) and \$(62), respectively.

**Other Dispositions.** On June 19, 2015, the Company completed the sale of the land and building which served as the administrative headquarters of The Providence Journal. Net proceeds of \$6,119 were received upon closing of the transaction, generating a loss of \$265. Also during the third quarter of 2015, the Company demolished the existing structures on another owned property in Providence, Rhode Island generating a loss of \$412.

**Note 4: Goodwill and Intangible Assets**

As presented in Note 2 – Acquisitions, the Company acquired \$9,503 of goodwill and \$11,990 of finite-lived intangible assets during the nine months ended September 30, 2015, in connection with its acquisition of DMV. Amortization expense of \$274 and \$840 was recorded for the three and nine months ended September 30, 2015, respectively. The identification, valuation and amortization of these assets is not complete and is subject to adjustment upon finalization. The finite-lived intangible assets are presented below as Other intangible assets, gross.

Goodwill recorded from the Company's previous acquisitions, exclusive of DMV, had a carrying value of \$24,582 as of September 30, 2015 and December 31, 2014. Finite-lived intangible assets from previous acquisitions consisted primarily of customer relationships, amortized over an estimated useful life of three years. The carrying value of finite-lived intangible assets, exclusive of DMV, was \$389 and \$656 as of September 30, 2015 and December 31, 2014, respectively. Amortization expense related to customer relationships from previous acquisitions was \$87 and \$267 for the three and nine months ended September 30, 2015 and \$61 and \$121 for the three and nine months ended September 30, 2014, respectively.

The carrying value of finite-lived intangible assets is set forth in the table below.

|                                       | September 30,<br>2015 | December 31,<br>2014 |
|---------------------------------------|-----------------------|----------------------|
| Customer relationships, gross         | \$ 975                | \$ 975               |
| Other intangible assets, gross        | 11,990                | —                    |
| Finite-lived intangible assets, gross | 12,965                | 975                  |
| Accumulated amortization              | (1,426)               | (319)                |
| Finite-lived intangible assets, net   | \$ 11,539             | \$ 656               |

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## Note 5: Investments and Other Assets

Investments. Investment interests in various entities which are recorded under the equity method or cost method of accounting, or consolidated if the Company holds a controlling financial interest. Under the equity method, the Company records its share of the investee's earnings or losses each period as a component of other income, net, in the consolidated statements of operations. Under the cost method, the Company records earnings or losses when such amounts are realized. The Company evaluates the recoverability of its investments each period and estimates the fair value of its investments if identified events or circumstances indicate a significant adverse effect on the carrying value. Net gains on equity method investments were \$564 and \$953 for the three months ended September 30, 2015 and 2014, respectively, and \$288 and \$17,206 for the nine months ended September 30, 2015 and 2014, respectively. The table below sets forth the Company's investments.

|                           | September 30,<br>2015 | December 31,<br>2014 |
|---------------------------|-----------------------|----------------------|
| Equity method investments | \$ 306                | \$ 1,640             |
| Cost method investments   | 1,432                 | 932                  |
| Total investments         | \$ 1,738              | \$ 2,572             |

Equity method investments - Investments recorded under the equity method of accounting include the following:

- Wanderful Media, LLC ("Wanderful") - The Company owns a 13.0 percent interest in Wanderful, which operates FindnSave.com, a digital shopping platform where consumers can find national and local retail goods and services for sale. This platform combines local media participation with advanced search and database technology to allow consumers to view local advertised offers and online sales circulars or search for an item and receive a list of local advertisers and the price and terms offered for the searched item. It also utilizes location-based technology and incentives to drive consumers to retailer locations.

During the nine months ended September 30, 2014, the Company determined that an other-than-temporary decline occurred in the value of its investment in Wanderful Media after evaluating the estimated fair value of the investee as determined by an independent valuation specialist, which resulted in an impairment charge of \$934. The Company attributes the impairment primarily to a decline in business related to Wanderful Media's legacy products. An additional contribution of \$1,909 was made during the nine months ended September 30, 2014, to provide capital for development of new product offerings as Wanderful Media established its market presence.

- Classified Ventures, LLC (“Classified Ventures”) - The Company owned a 3.3 percent interest in Classified Ventures through its sale date in the fourth quarter of 2014. The principal businesses of Classified Ventures included the operations of cars.com and apartments.com. During the nine months ended September 30, 2014, Classified Ventures sold the operations related to apartments.com and the Company recorded a gain of \$18,479 related to the transaction. On October 1, 2014, the Company completed a transaction with Gannett Co. Inc. and other unit holders of Classified Ventures whereby Gannett acquired all membership interests from the unit holders of Classified Ventures, resulting in a gain on the sale of \$77,092 during the fourth quarter of 2014. At December 31, 2014, the Company recorded a receivable of \$3,280 for escrow funds held by Classified Ventures related to the sale of its membership interests, which were collected in October 2015. Additional proceeds totaling \$1,046three and nine months ended September 30, 2015, which represented additional distributions related to Classified Ventures sale of apartments.com and increased the gain on this transaction.

Other income of \$3,540 was recorded during the three and nine months ended September 30, 2014, for the receipt of an economic parity payment from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company’s investment in Classified Ventures.

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Consolidated investments - The Company consolidates the following investments in which it has a controlling financial interest:

- Your Speakeasy, LLC (“Speakeasy”) - 70.0 percent ownership - targets middle-market business customers and provides turnkey social media account management and content development services.
- Untapped Festivals, LLC (“Untapped”) - 51.0 percent ownership - hosts events providing craft beer and entertainment events across major Texas cities.
- DMV Digital Holdings Company, Inc. - 80.0 percent ownership - specializes in marketing automation, search engine marketing, direct mail and promotional products.

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Other Assets. As of September 30, 2015, the Company held \$675 in convertible notes receivable issued by a digital audio news and information entity between 2013 and 2015. Based on the weak financial performance and liquidity of the issuer, the notes have been fully reserved and a loss of \$675 was recorded to other loss during the three and nine months ended September 30, 2015.

## Note 6: Long-term Incentive Plans

A. H. Belo sponsors a long-term incentive plan under which 8,000,000 common shares were authorized for equity based awards. Awards may be granted to A. H. Belo employees and outside directors in the form of non-qualified stock options, incentive stock options, restricted shares, RSUs, performance shares, performance units or stock appreciation rights. In addition, stock options may be accompanied by full and limited stock appreciation rights. Rights and limited stock appreciation rights may also be issued without accompanying stock options.

## Stock Options.

The table below sets forth a summary of stock option activity under its long-term incentive plan.

|                                   | Number of<br>Options | Weighted–Average<br>Exercise Price |
|-----------------------------------|----------------------|------------------------------------|
| Outstanding at December 31, 2014  | 432,723              | \$ 13.15                           |
| Exercised                         | (18,000)             | 3.95                               |
| Canceled                          | (44,172)             | 23.51                              |
| Outstanding at September 30, 2015 | 370,551              | \$ 12.36                           |

In the three months ended September 30, 2015, no options were exercised. In the three months ended September 30, 2014, the intrinsic value of options exercised was \$146. The intrinsic value of options exercised in the nine months ended September 30, 2015 and 2014, was \$100 and \$1,044, respectively. The intrinsic value of outstanding options at September 30, 2015 was \$276. The vested and exercisable weighted average remaining contractual term of stock options outstanding as of September 30, 2015 was 2.0 years. The expense associated with all outstanding options was fully recognized in prior years.

Restricted Stock Units. Under A. H. Belo's long-term incentive plan, the Company's board of directors periodically awards RSUs. The RSUs have service conditions and vest over a period of up to three years. Vested RSUs are redeemed 60 percent in A. H. Belo Series A common stock and 40 percent in cash. As of September 30, 2015, the liability for the portion of the award to be redeemed in cash was \$532. The table below sets forth a summary of RSU activity under its long-term incentive plan.

|                                  | Total<br>RSUs | Issuance of<br>Common<br>Stock | RSUs<br>Redeemed in<br>Cash | Cash<br>Payments at<br>Closing Price<br>of Stock | Weighted-<br>Average Price<br>on Date of<br>Grant |
|----------------------------------|---------------|--------------------------------|-----------------------------|--------------------------------------------------|---------------------------------------------------|
| Non-vested at December 31, 2014  | 501,158       |                                |                             |                                                  | \$ 6.81                                           |
| Granted                          | 134,812       |                                |                             |                                                  | 7.66                                              |
| Vested                           | (258,502)     | 155,097                        | 103,405                     | \$ 821                                           | 5.81                                              |
| Canceled                         | (48,239)      |                                |                             |                                                  | 7.47                                              |
| Non-vested at September 30, 2015 | 329,229       |                                |                             |                                                  | \$ 7.85                                           |



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Compensation Expense. A. H. Belo recognizes compensation expense for RSUs issued to its employees and directors under its long-term incentive plan over the vesting period of the award, as set forth in the table below.

|                                 | RSUs Redeemable in Stock | RSUs Redeemable in Cash | Total RSU Awards Expense |
|---------------------------------|--------------------------|-------------------------|--------------------------|
| Three months ended              |                          |                         |                          |
| September 30,                   |                          |                         |                          |
| 2015                            | \$ 77                    | \$ (32)                 | \$ 45                    |
| 2014                            | 106                      | (127)                   | (21)                     |
| Nine months ended September 30, |                          |                         |                          |
| 2015                            | \$ 528                   | \$ (399)                | \$ 129                   |
| 2014                            | 698                      | 1,206                   | 1,904                    |

## Note 7: Income Taxes

Income taxes are recorded using the asset and liability method. The provision for taxes reflects the Company's estimate of the effective tax rate expected to be applied for the full fiscal year, adjusted for any discrete transactions which are reported in the period in which they occur. The estimated effective tax rate is re-evaluated each quarter based on the Company's estimated tax expense for the year. If a reliable estimate cannot be made of the annual effective tax rate, which could be caused by the significant variability in rates when marginal earnings are expected for the year and significant permanent or temporary differences exist, a discrete tax rate is calculated for the period.

The Company recognized income tax provision (benefit) from continuing operations of \$(188) and \$1,156 for the three months ended September 30, 2015 and 2014, respectively, and \$(5,601) and \$3,475 for the nine months ended September 30, 2015 and 2014, respectively. Effective income tax rates from continuing operations were 56.3 percent and 16.9 percent for 2015 and 2014, respectively. The effective tax rate is affected by recurring items such as tax rates and income in jurisdictions which we expect to be fairly consistent in the near term. The tax benefit recorded for the three months ended September 30, 2015, primarily reflects taxable losses from operations and changes in estimates on certain tax positions. The tax benefit recorded for the nine months ended September 30, 2015, also reflects a reduction in the valuation allowance for deferred tax assets of \$3,993 as a result of DMV acquisition-date deferred tax liabilities assumed. The Company expects to recover current year tax benefits through a carry back against taxes paid in 2014.

Note 8: Pension and Other Retirement Plans

Defined Benefit Plans. The Company sponsors two defined benefit pension plans, the A. H. Belo Pension Plans I and II (collectively the “A. H. Belo Pension Plans”). A. H. Belo Pension Plan I provides benefits to certain employees primarily employed with The Dallas Morning News or the A. H. Belo corporate offices. A. H. Belo Pension Plan II provides benefits to certain employees of The Providence Journal Company, the obligation for which was retained by the Company in the sale transaction of the newspaper operations of The Providence Journal. No additional benefits are accruing under the A. H. Belo Pension Plans, as future benefits were frozen prior to the plans’ effective date.

During the three and nine months ended September 30, 2014, the Company made required contributions of \$5,801 and \$9,927, respectively, to the A. H. Belo Pension Plans. No contributions are required to the A. H. Belo Pension Plans in 2015. Management believes the assumed rate of return on the plans’ assets of 6.5 percent continues to be appropriate.

From time to time, the Company, as sponsor of the pension plans, will offer lump sum distributions to plan participants in order to reduce risks to the Company associated with actuarial factors such as returns on the plans’ assets and changes in interest and mortality rates. The Company currently has an outstanding offer for lump sum distributions to certain plan participants representing approximately 85 percent of the total projected benefit obligations. The acceptance and settlement of these obligations by the pension plans is expected to be finalized in the fourth quarter of 2015, at which time the Company will measure and record the resulting gain (loss) to accumulated other comprehensive income and pension expense, as applicable.

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## Net Periodic Pension Benefit

The Company estimates net periodic pension expense or benefit based on the expected return on plan assets, the interest on projected pension obligations and the amortization of actuarial gains and losses in accumulated other comprehensive loss, if required. The table below sets forth components of net periodic pension benefit.

|                                        | Three Months Ended |          | Nine Months Ended |            |
|----------------------------------------|--------------------|----------|-------------------|------------|
|                                        | September 30,      |          | September 30,     |            |
|                                        | 2015               | 2014     | 2015              | 2014       |
| Interest cost                          | \$ 3,540           | \$ 4,330 | \$ 10,620         | \$ 12,990  |
| Expected return on plans' assets       | (5,008)            | (5,215)  | (15,024)          | (15,645)   |
| Amortization of actuarial loss         | 313                | —        | 938               | —          |
| Net periodic pension expense (benefit) | \$ (1,155)         | \$ (885) | \$ (3,466)        | \$ (2,655) |

Defined Contribution Plans. The A. H. Belo Savings Plan, a defined contribution 401(k) plan, covers substantially all employees of A. H. Belo. Participants may elect to contribute a portion of their pretax compensation, as provided by the plan and the Internal Revenue Code. Employees can contribute up to 100 percent of their annual eligible compensation (less required withholdings and deductions) up to statutory limits. The Company provides an ongoing dollar-for-dollar match of eligible employee contributions, up to 1.5 percent of the employees' compensation on a per-pay-period basis. During the three months ended September 30, 2015 and 2014, the Company recorded expense of \$239 and \$222, respectively, and during the nine months ended September 30, 2015 and 2014, the Company recorded expense of \$765 and \$743, respectively, for matching contributions to this plan.

## Note 9: Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss contains actuarial gains and losses associated with the A. H. Belo Pension Plans and gains and losses resulting from negative plan amendments and other actuarial experience related to other post-employment benefit plans. The Company records amortization of accumulated other comprehensive loss in employee compensation and benefits in its consolidated statements of operations. Gains and losses associated with the A. H. Belo Pension Plans are amortized over the weighted average remaining life expectancy of the participants. Gains and losses associated with the Company's other post-employment benefit plans are amortized over the average remaining service period of active plan participants. The net deferred tax assets associated with accumulated other

comprehensive loss are fully reserved.

The table below sets forth the changes in accumulated other comprehensive loss, net of taxes.

|                              | Three Months Ended September 30,<br>2015 |                                        |                                            | 2014        |                                        |                                            |
|------------------------------|------------------------------------------|----------------------------------------|--------------------------------------------|-------------|----------------------------------------|--------------------------------------------|
|                              | Total                                    | Defined<br>benefit<br>pension<br>plans | Other post-<br>employment<br>benefit plans | Total       | Defined<br>benefit<br>pension<br>plans | Other post-<br>employment<br>benefit plans |
| Balance, beginning of period | \$ (56,742)                              | \$ (57,028)                            | \$ 286                                     | \$ (15,440) | \$ (16,059)                            | \$ 619                                     |
| Amortization                 | 313                                      | 314                                    | (1)                                        | (173)       | —                                      | (173)                                      |
| Balance, end of period       | \$ (56,429)                              | \$ (56,714)                            | \$ 285                                     | \$ (15,613) | \$ (16,059)                            | \$ 446                                     |

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|                              | Nine Months Ended September 30,<br>2015 |                                        |                                            | 2014        |                                        |                                            |
|------------------------------|-----------------------------------------|----------------------------------------|--------------------------------------------|-------------|----------------------------------------|--------------------------------------------|
|                              | Total                                   | Defined<br>benefit<br>pension<br>plans | Other post-<br>employment<br>benefit plans | Total       | Defined<br>benefit<br>pension<br>plans | Other post-<br>employment<br>benefit plans |
| Balance, beginning of period | \$ (57,367)                             | \$ (57,654)                            | \$ 287                                     | \$ (15,093) | \$ (16,059)                            | \$ 966                                     |
| Amortization                 | 938                                     | 940                                    | (2)                                        | (520)       | —                                      | (520)                                      |
| Balance, end of period       | \$ (56,429)                             | \$ (56,714)                            | \$ 285                                     | \$ (15,613) | \$ (16,059)                            | \$ 446                                     |

## Note 10: Earnings Per Share

The table below sets forth the reconciliations for net income (loss) and weighted average shares used for calculating basic and diluted earnings per share ("EPS"). The Company's shares of Series A and B common stock equally share equally in the distributed and undistributed earnings.

|                                                                               | Three Months Ended<br>September 30,<br>2015 |  | 2014       | Nine Months Ended<br>September 30,<br>2015 |            | 2014       |
|-------------------------------------------------------------------------------|---------------------------------------------|--|------------|--------------------------------------------|------------|------------|
| Earnings (numerator)                                                          |                                             |  |            |                                            |            |            |
| Net income (loss) attributable to A. H. Belo Corporation                      | \$ (3,956)                                  |  | \$ 18,444  |                                            | \$ (4,185) | \$ 36,387  |
| Less: Income (loss) from discontinued operations, net                         | (52)                                        |  | 16,125     |                                            | (62)       | 19,177     |
| Less: Income (loss) to participating securities                               | 26                                          |  | 41         |                                            | 88         | 910        |
| Net income (loss) available to common shareholders from continuing operations | \$ (3,930)                                  |  | \$ 2,278   |                                            | \$ (4,211) | \$ 16,300  |
| Shares (denominator)                                                          |                                             |  |            |                                            |            |            |
| Weighted average common shares outstanding (basic)                            | 21,651,670                                  |  | 21,890,754 |                                            | 21,721,875 | 21,927,920 |
| Effect of dilutive securities                                                 | —                                           |  | 100,962    |                                            | —          | 111,328    |
| Adjusted weighted average shares outstanding (diluted)                        | 21,651,670                                  |  | 21,991,716 |                                            | 21,721,875 | 22,039,248 |
| Earnings per share from continuing operations                                 |                                             |  |            |                                            |            |            |
| Basic and diluted                                                             | \$ (0.18)                                   |  | \$ 0.10    |                                            | \$ (0.19)  | \$ 0.74    |

Holders of service-based RSUs participate in A. H. Belo dividends on a one-for-one share basis. Distributed and undistributed income associated with participating securities is included in the calculation of EPS under the two-class method as prescribed under ASC 260 – Earnings Per Share.

A total of 699,780 and 995,709 options and RSUs outstanding during the three and nine months ended September 30, 2015, and 2014, respectively were excluded from the calculation because they did not affect the earnings per share for common shareholders or the effect was anti-dilutive.

#### Note 11: Contingencies

Legal proceedings. A number of legal proceedings are pending against A. H. Belo. In the opinion of management, liabilities, if any, arising from these legal proceedings would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

Pro-rata dividends. In conjunction with the acquisition of DMV, the contribution agreement provides for a pro-rata dividend of 100 percent and 50 percent of DMV's free-cash flow for fiscal years 2015 and 2016, respectively. Free-cash-flow is defined as earnings before interest, taxes, depreciation and amortization less capital expenditures, debt amortization and interest expense, as applicable.

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Redeemable noncontrolling interest. In connection with the acquisition of DMV, the Company entered into a shareholder agreement which provides for a put option to a noncontrolling shareholder. The put option provides the shareholder with the right to require the Company to purchase up to 25 percent of his ownership interest between the second and third anniversaries of the agreement and up to 50 percent of his ownership interest between the fourth and fifth anniversaries of the agreement.

The exercisability of the noncontrolling interest put arrangement is outside of the control of the Company. As such, the redeemable noncontrolling interest of \$1,263 is reported in the mezzanine equity section in the condensed consolidated balance sheets as of September 30, 2015. In the event that the put options expire unexercised, the related portion of noncontrolling interest would be classified as a component of equity in the condensed consolidated balance sheets.

Redeemable noncontrolling interests are recorded at fair value on the acquisition date and the carrying value adjusted each period to the greater of the estimated redemption value or the value that would otherwise be assigned if the interests were not redeemable. Changes in redemption value are recorded to retained earnings or additional paid in capital, as applicable, and have no effect to earnings of the Company. No adjustments to the carrying value of redeemable noncontrolling interests have been recorded since the January 2, 2015 acquisition date of DMV.

Note 12: Segment Reporting

The Company has identified two reportable segments based on management and internal reporting structures as well as product and service offerings: Publishing and Marketing and Event Marketing Services (“MEMS”).

The Publishing segment includes the Company’s core print operations associated with its newspapers, niche publications and related websites, which generate print and digital advertising and subscription sales. Also included are the commercial printing and distribution services primarily related to national and regional newspapers and preprint advertisers as these services leverage the production and other operating assets of this segment to provide additional contribution margin. The Company evaluates Publishing operations based on operating profit and cash flows from operating activities.

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The MEMS segment is comprised of the Company's marketing services and event marketing businesses. Marketing services includes the operations related to the January 2015 acquisition of DMV as well as operations related to Speakeasy and 508 Digital. Event marketing includes the operations of Crowdsourcing and Untapped Festivals. The Company evaluates MEMS operations based on revenue growth and operating profit as these businesses continue to expand within their respective markets.

The following tables set forth information related to our reportable segments.

The following tables set forth information related to our reportable segments.

|                         | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|-------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                         | 2015                                | 2014      | 2015                               | 2014       |
| Net Operating Revenue   |                                     |           |                                    |            |
| Publishing              | \$ 60,975                           | \$ 63,419 | \$ 183,828                         | \$ 193,150 |
| MEMS                    | 5,933                               | 2,504     | 15,192                             | 6,426      |
| Total                   | \$ 66,908                           | \$ 65,923 | \$ 199,020                         | \$ 199,576 |
| Operating Income (Loss) |                                     |           |                                    |            |
| Publishing              | \$ (2,845)                          | \$ 1,028  | \$ (7,023)                         | \$ 976     |
| MEMS                    | (257)                               | (528)     | (1,720)                            | (1,713)    |
| Total                   | \$ (3,102)                          | \$ 500    | \$ (8,743)                         | \$ (737)   |

|              | September 30,<br>2015 | December 31,<br>2014 |
|--------------|-----------------------|----------------------|
| Total Assets |                       |                      |
| Publishing   | \$ 199,798            | \$ 295,788           |
| MEMS         | 28,349                | 2,959                |
| Total        | \$ 228,147            | \$ 298,747           |



Note 13: Severance Costs

The Company has initiated cost reductions through a voluntary severance option offered to certain newsroom employees and other headcount reductions. Through these initiatives, the Company eliminated 70 positions resulting in severance and other related costs of approximately \$2,800 in employee compensation and benefits for the three and nine months ended September 30, 2015. As of September 30, 2015, the Company recorded a liability in other accrued expenses of \$533 for additional employee separations to occur through February 2016. The combined impact of these reductions will allow the Company to add new positions to support a growing digital platform.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

A. H. Belo intends for the discussion of its financial condition and results of operations that follows to provide information that will assist in understanding its financial statements, the changes in certain key items in those statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect its financial statements. The following information should be read in conjunction with the Company's Condensed Consolidated Financial Statements and related Notes filed as part of this report. Amounts presented for 2014 are exclusive of results related to discontinued operations and businesses acquired in 2015. Unless otherwise noted, amounts in Management's Discussion and Analysis reflect continuing operations of the Company, and all dollar amounts are presented in thousands, except per share amounts.

OVERVIEW

A. H. Belo, headquartered in Dallas, Texas, is a leading local news and information publishing company with commercial printing, distribution and direct mail capabilities, as well as expertise in emerging media and marketing services. With a continued focus on extending the Company's media platform, A. H. Belo is able to deliver news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles.

The Company publishes The Dallas Morning News ([www.dallasnews.com](http://www.dallasnews.com)), Texas' leading newspaper and winner of nine Pulitzer Prizes; the Denton Record-Chronicle ([www.dentonrc.com](http://www.dentonrc.com)), a daily newspaper operating in Denton, Texas, and various niche publications targeting specific audiences. A. H. Belo offers digital and other business marketing solutions and provides event promotion and marketing services.

On January 2, 2015, the Company acquired an 80 percent voting interest in DMV Digital Holdings Company, Inc. ("DMV"), into which the stock of three Dallas-based companies, Distribion, Inc. ("Distribion"), Vertical Nerve, Inc. ("Vertical Nerve") and CDFX, LLC (d/b/a "MarketingFX"), were contributed. These businesses specialize in local marketing automation, search engine marketing, direct mail and promotional products, respectively. This acquisition complements and expands the product and service offerings currently available to A. H. Belo clients, thereby strengthening the Company's diversified product portfolio and allowing for greater penetration in a competitive advertising market.



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## RESULTS OF CONTINUING OPERATIONS

## Consolidated Results of Continuing Operations

The table below sets forth the components of A. H. Belo's net operating revenue.

|                                    | Segment    | Three Months Ended<br>September 30, |                      | 2014      | Nine Months Ended September 30, |                      |            |
|------------------------------------|------------|-------------------------------------|----------------------|-----------|---------------------------------|----------------------|------------|
|                                    |            | 2015                                | Percentage<br>Change |           | 2015                            | Percentage<br>Change | 2014       |
| Advertising and marketing services |            | \$ 39,184                           | 6.1%                 | \$ 36,941 | \$ 114,281                      | -0.6%                | \$ 114,918 |
| Display advertising                | Publishing | 10,108                              | -6.1%                | 10,764    | 32,167                          | -9.7%                | 35,614     |
| Classified advertising             | Publishing | 4,871                               | -13.4%               | 5,625     | 15,437                          | -12.0%               | 17,535     |
| Preprint advertising               | Publishing | 12,392                              | -0.2%                | 12,414    | 35,530                          | -6.7%                | 38,067     |
| Digital advertising                | Publishing | 6,453                               | 12.6%                | 5,732     | 18,058                          | 2.3%                 | 17,654     |
| Marketing services                 | MEMS       | 5,360                               | 122.8%               | 2,406     | 13,089                          | 116.4%               | 6,048      |
| Circulation                        | Publishing | 20,279                              | -4.4%                | 21,219    | 62,133                          | -2.1%                | 63,458     |
| Printing, distribution and other   |            | 7,445                               | -4.1%                | 7,763     | 22,606                          | 6.6%                 | 21,200     |
| Commercial print and distribution  | Publishing | 6,872                               | -10.3%               | 7,665     | 20,503                          | -1.5%                | 20,822     |
| Event marketing and other          | MEMS       | 573                                 | 484.7%               | 98        | 2,103                           | 456.3%               | 378        |
| Total net operating revenue        |            | \$ 66,908                           | 1.5%                 | \$ 65,923 | \$ 199,020                      | -0.3%                | \$ 199,576 |
| Publishing                         |            | 60,975                              | -3.9%                | 63,419    | 183,828                         | -4.8%                | 193,150    |
| Other                              |            | 5,933                               | 136.9%               | 2,504     | 15,192                          | 136.4%               | 6,426      |

## Advertising and marketing services revenue

The Company's traditional revenues are generated from advertising within its core newspapers, niche publications and related websites and from subscription and single copy sales of its printed newspapers. As a result of competitive conditions, the Company and the newspaper industry have faced a significant decline in core advertising revenue over

the past decade. The Company has sought to diversify its revenues through development of product extensions and new products and investment in companies acquired to add new channels of marketing, increased home delivery rates and leveraging of its existing assets to offer cost efficient printing and distribution services to its local markets. The Company is focused on stabilizing revenue primarily through expansion of its marketing services operations, as evidenced through the acquisition of DMV in January 2015, and through growth of its event marketing services provided by Crowdsourcing and Untapped.

Advertising revenue from core newspapers continues to be adversely affected by decreased national advertiser spending as well as the shift of advertiser spending to other forms of media. Decreases in print display and classified categories are indicative of continuing trends by advertisers towards digital advertising, which is widely available from many sources. Companies are redistributing more of their advertising budgets towards programmatic channels to acquire digital advertising on multiple platforms which provides for targeted delivery and measurement. The Company has responded to these challenges by expanding its use of programmatic channels and developing its own programmatic platform to meet customer demands for digital ad placement opportunities in display, mobile, video and social categories.

Expanded digital and marketing services product offerings have allowed the Company to leverage the Company's existing resources and relationships to offer additional value to present and new advertising clients. Through Speakeasy and 508 Digital, business customers are offered turn-key solutions for social media and online reputation management, content development for mobile website and email marketing, search engine marketing and optimization, and advertising analytics. The businesses comprising the DMV acquisition specialize in marketing automation, search engine marketing, direct mail and promotional products, respectively. This acquisition complements and expands the product and service offerings currently available to A. H. Belo clients, thereby strengthening the Company's diversified product portfolio and allowing for greater penetration in a competitive advertising market.

The following summarizes year-over-year performance in advertising and marketing service revenue for the three and nine months ended September 30, 2015, by category.

Display advertising – As advertisers continue to diversify marketing budgets to incorporate more and varied avenues of reaching consumers, traditional display advertising continues to decline. Although volumes have remained relatively flat in 2015, lower rates are being offered to customers in response to competitive pressures. Overall rates received from advertisers declined by approximately

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14 percent and 13 percent, for the three and nine months ended September 30, 2015, respectively. Revenue decreased for most display categories, with electronics and furniture advertisements accounting for most declines in both periods.

Classified advertising – Classified advertising remains challenged as alternative digital outlets continue to emerge. Overall classified revenue decreased in both periods due to lower volumes in all categories except legal advertising. This decline was partially offset by higher rates in the employment category.

Preprint advertising – Revenue was flat during the three months ended September 30, 2015, due to stabilization of preprint newspaper inserts and decreased in the nine months ended September 30, 2015, due to a decline in the volume of preprint newspaper inserts, consistent with the decline in circulation volumes and due to lower volumes in home delivery mail advertising.

Digital advertising – Digital revenue is primarily comprised of online display and classified advertising which consists of advertising placed on the Company's websites or through programmatic advertising channels. Online classified is comprised of digital listings in auto, real estate, employment and other categories, including the Company's resale of affiliate products such as cars.com. Online banner and other display advertising increased by 29.5 percent and 13.7 percent to \$2,369 and \$6,575 during the three and nine months ended September 30, 2015, respectively. Online classified increased (decreased) by 4.7 percent and (3.3) percent to \$4,084 and \$11,479 during the three and nine months ended September 30, 2015, respectively. In the fourth quarter of 2014, the Company divested of its membership interest in Classified Ventures, the owner of cars.com, and entered into a modified affiliate agreement allowing The Dallas Morning News to resell cars.com products and services exclusively in its local market. The modified agreement increases the wholesale rate that the Company pays to Classified Ventures for selling on the cars.com platform. Declines in online classified advertising are driven by decreases of \$124 and \$618 related to cars.com in the three and nine months ended September 30, 2015, respectively.

Marketing services – The Company began generating marketing services revenue in 2013 with 508 Digital and Speakeasy. The acquisition of DMV in January 2015 added three more marketing services companies. Marketing services revenue more than doubled as a result of growth at Speakeasy of approximately \$679 and \$1,355 in the three and nine months ended September 30, 2015, as well as \$2,370 and \$6,124, respectively, of incremental revenue from the acquired entities in the three and nine months ended September 30, 2015.

Circulation revenue

Circulation revenue declined slightly from the prior year as the benefit from recent rate increases substantially offset volume declines. Volumes have decreased for both home delivery and single copy sales, with more notable decline in single copy sales as newspapers compete for prime retail placement. Home delivery and single copy paid print circulation volumes declined 8.9 percent and 12.5 percent, respectively, for the three months ended September 30, 2015, and 8.3 percent and 15.8 percent, respectively, for the nine months ended September 30, 2015. These declines were offset by an effective rate increase of approximately 6.7 percent for home delivery throughout the year. Effective rates for single copy increased for the year by approximately 10 percent but were lower in the third quarter from the prior year by 4 percent.

#### Printing, distribution and other revenue

Commercial print and distribution – The Company’s newspapers aggressively market the capacity of their printing and distribution assets to other newspapers that would benefit from cost sharing arrangements. Revenue decreased for the three months ended September 30, 2015, by \$405 due to lower circulation volumes and increased for the nine months ended September 30, 2015, by \$812 primarily due to the commencement of commercial printing services in March 2014 for various regional and community newspapers. Additional revenue declines of \$246 and \$968 were recognized for the three and nine months ended September 30, 2015, respectively, due to the loss of a significant contract for mailed insert advertisements.

Event marketing and other – Event marketing revenues increased \$473 and \$1,570 for the three and nine months ended September 30, 2015, respectively, as Crowdsourcing expanded its service offerings to include Savor Dallas, a local restaurant event promotion and Untapped, a weekend craft beer and music event, expanded its events across major Texas metropolitan areas.

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## Operating Costs and Expenses

The table below sets forth the components of the Company's operating expenses.

|                                                       | Three Months Ended<br>September 30, |                      |           | Nine Months Ended September 30, |                      |            |
|-------------------------------------------------------|-------------------------------------|----------------------|-----------|---------------------------------|----------------------|------------|
|                                                       | 2015                                | Percentage<br>Change | 2014      | 2015                            | Percentage<br>Change | 2014       |
| Operating Costs and Expense                           |                                     |                      |           |                                 |                      |            |
| Employee compensation and benefits                    | \$ 29,041                           | 19.7%                | \$ 24,265 | \$ 81,649                       | 4.5%                 | \$ 78,151  |
| Publishing                                            | 26,538                              | 13.6%                | 23,363    | 74,530                          | -1.1%                | 75,361     |
| MEMS                                                  | 2,503                               | 177.5%               | 902       | 7,119                           | 155.2%               | 2,790      |
| Other production, distribution and<br>operating costs | 30,562                              | 2.4%                 | 29,846    | 93,037                          | 5.8%                 | 87,930     |
| Publishing                                            | 27,361                              | -1.7%                | 27,825    | 84,851                          | 2.5%                 | 82,812     |
| MEMS                                                  | 3,201                               | 58.4%                | 2,021     | 8,186                           | 59.9%                | 5,118      |
| Newsprint, ink and other supplies                     | 7,266                               | -8.1%                | 7,910     | 23,275                          | -3.1%                | 24,012     |
| Publishing                                            | 7,145                               | -9.4%                | 7,890     | 22,772                          | -4.8%                | 23,920     |
| MEMS                                                  | 121                                 | 505.0%               | 20        | 503                             | 446.7%               | 92         |
| Depreciation                                          | 2,780                               | -16.8%               | 3,341     | 8,695                           | -13.9%               | 10,099     |
| Publishing                                            | 2,745                               | -16.4%               | 3,283     | 8,607                           | -13.9%               | 9,991      |
| MEMS                                                  | 35                                  | -39.7%               | 58        | 88                              | -18.5%               | 108        |
| Amortization                                          | 361                                 | n/m                  | 61        | 1,107                           | n/m                  | 121        |
| Publishing                                            | 31                                  | 3.3%                 | 30        | 91                              | 1.1%                 | 90         |
| MEMS                                                  | 330                                 | 100.0%               | 31        | 1,016                           | 100.0%               | 31         |
| Total operating costs and expense                     | \$ 70,010                           | 7.0%                 | \$ 65,423 | \$ 207,763                      | 3.7%                 | \$ 200,313 |
| Publishing                                            | 63,820                              | 2.3%                 | 62,391    | 190,851                         | -0.7%                | 192,174    |
| MEMS                                                  | 6,190                               | 104.2%               | 3,032     | 16,912                          | 107.8%               | 8,139      |
| Operating income (loss)                               | \$ (3,102)                          | -720.4%              | \$ 500    | \$ (8,743)                      | 1086.3%              | \$ (737)   |
| Publishing                                            | (2,845)                             | -376.8%              | 1,028     | (7,023)                         | -819.6%              | 976        |
| MEMS                                                  | (257)                               | -51.3%               | (528)     | (1,720)                         | 0.4%                 | (1,713)    |



Employee compensation and benefits – The Company continues to implement measures to optimize its workforce and reduce risk associated with future obligations related to its sponsored pension plans. Employee compensation and benefits increased in the three and nine months ended September 30, 2015, by \$4,776 and \$3,498, respectively, primarily attributed to severance expense of approximately \$2,800 for the three and nine months ended September 30, 2015, as described in Note 13 – Severance Costs. The annualized compensation and benefit savings of the reductions, net of the addition of new digitally-focused positions, is estimated to be \$4,611. Expenses within the Company's Publishing segment decreased in the nine months ended September 30, 2015 due to lower incentive compensation due to fewer annual equity awards and a reduced market price of the Company's stock, as well as reduced salaries and commissions in response to lower sales. For the three and nine months ended September 30, 2015, employee related costs for MEMS grew by \$1,601 and \$4,329, respectively, primarily due to higher salaries related to expanded marketing services resulting from the acquisition of DMV and its approximately 45 employees.

Other production, distribution and operating costs – Expenses increased in the Company's Publishing segment as a result of continuing initiatives to develop new products and service offerings. Year-to-date increases were primarily due to increased wholesale fees related to the cars.com affiliate agreement and higher costs associated with programmatic platform development to support expanded digital advertising and to accommodate greater interactive play between mobile devices; and higher consulting costs to optimize the Company's sales and operating activities. Within the MEMS segment, expenses increased due to higher costs associated with the Company's marketing services and event marketing operations as those businesses continue to grow. For the three and nine months ended September 30, 2015, MEMS expenses grew by \$1,180 and \$3,068, respectively.

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Newsprint, ink and other supplies – Expenses decreased due to reduced newsprint rates and lower consumption, consistent with lower circulation volumes of Company and certain third-party newspapers, offset by higher costs for purchased supplements and inserts. Newsprint consumption for the three months ended September 30, 2015 and 2014, approximated 7,516 and 8,607 metric tons, respectively, at an average cost per metric ton of \$550 and \$618, respectively. Newsprint consumption approximated 23,162 and 25,354 metric tons for the nine months ended September 30, 2015 and 2014, respectively, at an average cost per metric ton of \$543 and \$580, respectively.

Depreciation – Expenses decreased due to a lower depreciable asset base as a higher level of in-service assets are fully depreciated.

Amortization – Expense increased due to the amortization of finite-lived intangible assets acquired in conjunction with the Company's purchase of DMV.

## Other

The table below sets forth the other components of the Company's results of operations.

|                                                 | Three Months Ended<br>September 30, |                      |          | Nine Months Ended<br>September 30, |                      |           |  |
|-------------------------------------------------|-------------------------------------|----------------------|----------|------------------------------------|----------------------|-----------|--|
|                                                 | 2015                                | Percentage<br>Change | 2014     | 2015                               | Percentage<br>Change | 2014      |  |
| Other Income (Expense), Net                     |                                     |                      |          |                                    |                      |           |  |
| Income (loss) on equity method investments, net | \$ (564)                            | (96.3) %             | \$ (953) | \$ (288)                           | (98.5) %             | \$ 17,206 |  |
| Other income (expense), net                     | (489)                               | (477.3) %            | 3,878    | (912)                              | 264.0 %              | 4,136     |  |
| Total other income (expense), net               | \$ (1,053)                          | (99.2) %             | \$ 2,925 | \$ (1,200)                         | (100.8) %            | \$ 21,342 |  |
| Income tax provision (benefit)                  | \$ (188)                            | (77.8) %             | \$ 1,156 | \$ (5,601)                         | n/m                  | \$ 3,475  |  |

Other Income (Expense) – Other income (expense) is primarily comprised of gains (losses) from equity method investments and gains (losses) from the sale or disposition of fixed assets. In the three and nine months ended September 30, 2015, losses from operations of equity method investments related to the investment in Wonderful

Media. The Company recorded an impairment loss of \$934 in the nine months ended December 31, 2014, after determining that an other-than-temporary decline occurred in the fair value of the Wanderful Media as determined by an independent valuation specialist. The Company attributed the impairment primarily to a decline in business related to Wanderful Media's legacy products. Gains in the nine months ended September 30, 2014, included an \$18,479 gain on the sale of apartments.com by Classified Ventures.

In the three months ended September 30, 2015, other expense included a loss of \$675 as the Company fully reserved certain convertible notes receivable issued by a digital audio news and information entity. For the nine months ended September 30, 2015, other expense also included a loss of \$292 related to the sale of a building and land in Providence, Rhode Island which formerly served as the administrative headquarters of The Providence Journal, and \$412 of costs for the demolition of existing structures on another Providence, Rhode Island property to achieve more favorable market value. Other income of \$3,540 was recorded in the three and nine months ended September 30, 2014, for the receipt of an economic parity payment from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company's investment in Classified Ventures.

Tax provision – The Company recognized income tax provision (benefit) from continuing operations of \$(188) and \$1,156 for the three months ended September 30, 2015 and 2014, respectively, and \$(5,601) and \$3,475 for the nine months ended September 30, 2015 and 2014, respectively. Effective income tax rates from continuing operations were 56.3 percent and 16.9 percent for 2015 and 2014, respectively. The effective tax rate is affected by recurring items such as tax rates and income in jurisdictions which we expect to be fairly consistent in the near term. The tax benefit recorded for the three months ended September 30, 2015, primarily reflects taxable losses from operations and changes in estimates on certain tax positions. The tax benefit recorded for the nine months ended September 30, 2015, also reflects a reduction in the valuation allowance for deferred tax assets of \$3,993 as a result of DMV acquisition-date deferred tax liabilities assumed. The Company expects to recover current year tax benefits through a carry back against taxes paid in 2014. See the Condensed Consolidated Financial Statements, Note 7 – Income Taxes.

#### Discontinued Operations

On September 3, 2014, The Providence Journal Company, a wholly-owned subsidiary of the Company, completed a transaction for the (i) sale of substantially all of the assets comprising the newspaper operations of The Providence Journal and related real property located in Providence, Rhode Island, and (ii) assumption of certain liabilities by LMG Rhode Island Holdings, Inc. ("LMG"), a

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subsidiary of New Media Investment Group Inc. The purchase price and working capital adjustment was \$48,654, and the Company recorded a pretax gain on the sale of \$17,134 during the three and nine months ended September 30, 2014.

As a result of the above transaction, the activity and balance of The Providence Journal is presented as discontinued operations. During the three and nine months ended September 30, 2014, income from discontinued operations included revenues of \$15,079 and \$58,591, respectively, and expenses of \$14,436 and \$54,825, respectively, related to The Providence Journal. The Company adjusted the gain on the sale of The Providence Journal in the three and nine months ended September 30, 2015, by \$52 and \$62, respectively.

On June 19, 2015, the Company completed the sale of the land and building which served as the administrative headquarters of The Providence Journal. Net proceeds of \$6,119 were received in the second quarter of 2015, upon closing of the transaction, generating a loss of approximately \$265. For the nine months ended September 30, 2015, the Company demolished the existing structures on another owned property in Providence, Rhode Island generating a loss of \$412.

Upon completion of these transactions, the Company no longer owns the newspaper operations in Providence, Rhode Island. The Company continues to own and market for sale certain land in Providence, Rhode Island. The Company also retains the obligation for the A. H Belo Pension Plan II, which provides benefits to employees of The Providence Journal Company.

Liquidity and Capital Resources

The Company's cash balance as of September 30, 2015 and December 31, 2014, was \$79,681 and \$158,171, respectively. Working capital as of September 30, 2015 and December 31, 2014, was \$84,646 and \$105,049, respectively. The decrease in cash is primarily a result of distributions to shareholders of a portion of the cash proceeds generated in 2014 from the sale of the Company's interest in Classified Ventures and the sale of The Providence Journal, which collectively generated cash proceeds of approximately \$146,000. Other significant uses of cash included acquisition of new businesses and payment of taxes related to the gains on the 2014 divestiture transactions.

In 2015, the Company returned \$58,039 to shareholders through quarterly and special dividends and through its stock repurchase program, as discussed below in Financing Cash Flows. The share repurchase program will expire December 31, 2015, and declaration of future dividends will be dependent upon available cash after considering future operating and investing requirements and cannot be guaranteed.

In January 2015, the Company acquired DMV for \$14,111 through a newly-formed holding company in which the Company has an 80 percent voting interest as described in Note 2 – Acquisitions. The Company paid cash for the acquisition, and transaction costs were \$1,287, of which \$725 were incurred in 2015. This acquisition is part of the Company's revenue diversification strategy, and the Company continues to seek future acquisitions which will complement and leverage the Company's existing products.

In June 2015, the Company completed the sale of a building and land in Providence, Rhode Island which formerly served as the administrative headquarters of The Providence Journal. Net sales proceeds of \$6,119 were received and a loss of \$292 was recorded related to the divestiture. For the nine months ended September 30, 2015, costs of \$412 were incurred related to the demolition of existing structures on another Providence, Rhode Island property.

Cash used for continuing operating activities in 2015 totaled \$8,845, which included \$11,599 of tax payments primarily related to the gains on the divestiture of assets in 2014. Cash flows from operations are expected to grow throughout the year as benefits from cost cutting measures are realized and as revenues are expected to increase in the subsequent quarter, consistent with historical trends. The Company is not required to make any pension contributions in 2015 and discretionary spending will be managed according to operating results.

The Company intends to deploy its cash in the long-term interests of the Company, its shareholders and employees as it seeks potential acquisition or investment opportunities complementing its advertising and marketing services products. Management works aggressively to align the current expense structure with changes in revenue and believes existing cash and cash generated from operations will be sufficient to meet foreseeable cash flow requirements for operations, capital spending and pension contributions. The following discusses the changes in cash flows by operating, investing and financing activities.

#### Operating Cash Flows

Net cash used for continuing operating activities for 2015 and 2014 was \$8,845 and \$4,025, respectively. Cash flows from continuing operations decreased in 2015 due to tax payments of \$11,599 primarily related to the gains on the divestiture of assets in 2014 and

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severance payments of approximately \$2,800. These expenditures were offset by savings related to cost containment measures. Cash flows (used for) provided by discontinued operations for 2015 and 2014, were \$(23) and \$6,386, respectively, and primarily represented the results of operations from The Providence Journal.

Investing Cash Flows

Net cash (used for) provided by continuing investing activities was \$(12,200) and \$19,694 in 2015 and 2014, respectively. Cash flows used for continuing investing activities in 2015 included payments of \$14,111 and \$500 related to acquisitions and investments during the period, respectively. Sales proceeds, net of disposal costs for fixed assets, of \$5,911 were received during 2015 related to the sale of non-core real estate in Providence, Rhode Island. Net sales proceeds of \$3,401 were received in 2014 related to the sale of non-core real estate in Riverside, California and Dallas, Texas. Other investment related proceeds of \$1,046 and \$23,166 were received primarily related to distributions from Classified Ventures, LLC in 2015 and 2014, respectively. Cash flows used for continuing investing activities also included \$4,546 and \$4,594 of capital spending in 2015 and 2014, respectively. Cash flows provided by investing activities of discontinued operations in 2014 were \$44,799 and represented proceeds received from the divestiture of The Providence Journal.

Financing Cash Flows

Net cash used for continuing financing activities was \$57,422 and \$40,984 in 2015 and 2014, respectively. Cash used for continuing financing activities included dividend payments of \$55,450 and \$39,225 in 2015 and 2014, respectively. Dividends paid in 2015 included a special dividend of \$2.25 per share declared and recorded in 2014, returning \$50,148 to shareholders and holders of RSUs. In 2015 and 2014, the Company purchased 369,952 and 326,249 shares of its Series A common stock at a cost of \$2,589 and \$3,542, respectively, under its share repurchase program.

Financing Arrangements

None.

Contractual Obligations

No contributions to the A. H. Belo Pension Plans are required in 2015.

On September 10, 2015, the Company announced a \$0.08 per share dividend to shareholders of record and holders of RSUs as of the close of business on November 13, 2015, which will be paid on December 4, 2015.

Additional information related to the Company's contractual obligations is available in Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed on March 6, 2015, with the SEC.

#### Critical Accounting Policies and Estimates

No material changes were made to the Company's critical accounting policies as set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2014.

#### Forward-Looking Statements

Statements in this communication concerning A. H. Belo's business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends, capital expenditures, investments, dispositions, impairments, business initiatives, acquisitions, pension plan contributions and obligations, real estate sales, working capital, future financings and other financial and non-financial items that are not historical facts, are "forward-looking statements" as the term is defined under applicable federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements.

Such risks, uncertainties and factors include, but are not limited to the following: changes in capital market conditions and prospects, changes in advertising demand and newsprint prices; newspaper circulation trends and other circulation matters, including changes in readership methods, patterns and demography; audits and related actions by the Alliance for Audited Media; challenges implementing increased subscription pricing and new pricing structures; challenges in achieving expense reduction goals in a timely manner and the resulting potential effect on operations; challenges attracting and retaining key personnel; challenges in

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consummating asset acquisitions or dispositions upon acceptable terms; technological changes; development of Internet commerce; industry cycles; changes in pricing or other actions by new and existing competitors and suppliers; consumer acceptance of new products and business initiatives; labor relations; regulatory, tax and legal changes; adoption of new accounting standards or changes in existing accounting standards by the Financial Accounting Standards Board or other accounting standard-setting bodies or authorities; the effects of Company acquisitions, dispositions and co-owned ventures and investments; pension plan matters; general economic conditions and changes in interest rates; significant armed conflict; acts of terrorism; and other factors beyond the Company's control, as well as other risks described elsewhere in this Annual Report on Form 10-K and in the Company's other public disclosures and filings with the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in A. H. Belo Corporation's exposure to market risk from the disclosure included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) required by Securities Exchange Act Rules 13a-15(b) or 15d-15(b), the Company's Chief Executive Officer and the Company's Chief Financial Officer have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

(b) Changes in internal controls. There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II



Item 1. Legal Proceedings

A number of legal proceedings are pending against A. H. Belo. In the opinion of management, liabilities, if any, arising from these legal proceedings would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

Item 1A. Risk Factors

There were no material changes from the risk factors disclosed under the heading "Risk Factors" in Item 1A in the Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of the Company's equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The Company repurchases shares of its common stock from time to time pursuant to publicly announced share repurchase programs. During 2015, the Company repurchased 369,952 Series A shares at a cost of \$2,589. All purchases were made through open market transactions and were recorded as treasury stock.

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The following table contains information for shares repurchased during the third quarter of 2015. None of the shares in this table were repurchased directly from any of our officers or directors.

| Period         | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|----------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| July 2015      | 43,639                           | \$ 5.27                      | 1,232,758                                                                        | 1,267,242 (a)                                                                  |
| August 2015    | 41,320                           | 5.03                         | 1,274,078                                                                        | 1,225,922 (a)                                                                  |
| September 2015 | 40,510                           | 5.03                         | 1,314,588                                                                        | 1,185,412 (a)                                                                  |

(a) Share repurchases are made pursuant to a share repurchase program authorized by the Company's board of directors. On May 14, 2015, the Company's board of directors authorized the repurchase of up to an additional 1,000,000 shares of the Company's Series A Common Stock, par value \$0.01 per share or Series B Common Stock, par value \$0.01 per share. A total of 2,5000,000 shares have been authorized for repurchase.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

None.



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Item 6. Exhibits

Exhibits marked with an asterisk (\*) are incorporated by reference to documents previously filed by the Company with the SEC, as indicated. In accordance with Regulation S-T, the XBRL-related information marked with a double asterisk (\*\*) in Exhibit No. 101 to this Quarterly Report on Form 10-Q is deemed filed. All other documents are filed with this report. Exhibits marked with a tilde (~) are management contracts, compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

Exhibit

Number Description

- 3.1 \* Amended and Restated Certificate of Incorporation of the Company (Exhibit 3.1 to Amendment No. 3 to the Company's Form 10 dated January 18, 2008 (Securities and Exchange Commission File No. 001 33741) (the "Third Amendment to Form 10"))
- 3.2 \* Certificate of Designations of Series A Junior Participating Preferred Stock of the Company dated January 11, 2008 (Exhibit 3.2 to Post Effective Amendment No. 1 to Form 10 filed January 31, 2008 (Securities and Exchange Commission File No. 001 33741))
- 3.3 \* Amended and Restated Bylaws of the Company, effective December 11, 2014 (Exhibit 3.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2014 (Securities and Exchange Commission File No. 001-33741))
- 4.1 \* Certain rights of the holders of the Company's Common Stock set forth in Exhibits 3.1 3.3 above
- 4.2 \* Specimen Form of Certificate representing shares of the

- Company's Series A Common Stock  
(Exhibit 4.2 to the Third  
Amendment to Form 10)
- 4.3 \* Specimen Form of Certificate  
representing shares of the  
Company's Series B Common Stock  
(Exhibit 4.3 to the Third  
Amendment to Form 10)
- 4.4 \* Rights Agreement dated as of  
January 11, 2008 between the  
Company and Mellon Investor  
Services LLC (Exhibit 4.4 to the  
Third Amendment to Form 10)
- 10.1 \* Material Contracts
- ~(1) \* Form of Limited  
Guaranty by and  
between  
A. H. Belo Corporation  
and Freedom  
Communications  
Holdings, Inc  
(Exhibit 10.2 to A. H.  
Belo Corporation's  
Current Report on Form  
8-K filed with the  
Securities and  
Exchange Commission  
on October 11, 2013  
(Securities and  
Exchange Commission  
File No. 001-33741))
- ~(2) \* Asset Purchase  
Agreement among The  
Providence Journal  
Company and LMG  
Rhode Island Holdings,  
Inc. dated as of July 22,  
2014 (Exhibit 10.1 to  
A. H. Belo  
Corporation's Current  
Report on Form 8-K  
filed with the Securities  
and Exchange  
Commission on July 25,  
2014 (Securities and  
Exchange Commission  
File No. 001-33741)  
(the "July 25, 2014 Form  
8-K"))
- ~(3) \* Form of Limited  
Guaranty by and

between  
A. H. Belo Corporation  
and LMG Rhode Island  
Holdings, Inc  
(Exhibit 10.2 to the July  
25, 2014 Form 8-K)

~(4) \* Unit Purchase  
Agreement dated  
August 5, 2014 by and  
among Gannett  
Company, Inc.,  
Classified Ventures,  
LLC, and Unitholders  
of Classified Ventures,  
LLC (Exhibit 2.1 to A.  
H. Belo Corporation's  
Current Report on Form  
8-K filed with the  
Securities and  
Exchange Commission  
on August 6, 2014  
(Securities and  
Exchange Commission  
file no. 001-33741))

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Exhibit

NumberDescription

10.2 \* Compensatory plans and arrangements:

- ~(1) \* A. H. Belo Savings Plan as Amended and Restated Effective January 1, 2015 (Exhibit 10.2 (1) to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2015 (Securities and Exchange Commission File No. 001-33741))
- ~(2) \* A. H. Belo Corporation 2008 Incentive Compensation Plan (Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741) (the "February 12, 2008 Form 8-K"))
  - \* (a) First Amendment to A. H. Belo 2008 Incentive Compensation Plan effective July 23, 2008 (Exhibit 10.2(2)(a) to the Company's Quarterly Report on Form 10 Q filed with the Securities and Exchange Commission on August 14, 2008 (Securities and Exchange Commission File No. 001 33741))
  - \* (b) Form of A. H. Belo 2008 Incentive Compensation Plan Non Employee Director Evidence of Grant (for Non Employee Director Awards) (Exhibit 10.2(2)(b) to the Company's Quarterly Report on Form 10 Q filed with the Securities and Exchange Commission on May 13, 2010 (Securities and Exchange Commission File No. 001 33741) (the "1st Quarter 2010 Form 10 Q"))
  - \* (c) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.2(2)(c) to the 1st Quarter 2010 Form 10 Q)
  - \* (d) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8 K filed with the Securities and Exchange Commission on March 12, 2012 (Securities and Exchange Commission File No. 001 33741) (the "March 12, 2012 Form 8-K"))
  - \* (e) Form of A. H. Belo Cash Long Term Incentive Evidence of Grant (Exhibit 10.2 to the March 12, 2012 Form 8-K)
- ~(3) \* A. H. Belo Pension Transition Supplement Restoration Plan effective January 1, 2008 (Exhibit 10.6 to the February 12, 2008 Form 8 K)
  - \* (a) First Amendment to the A. H. Belo Pension Transition Supplement Restoration Plan dated March 31, 2009 (Exhibit 10.4 to the April 2, 2009 Form 8 K)
- ~(4) \* A. H. Belo Corporation Change In Control Severance Plan (Exhibit 10.7 to the February 12, 2008 Form 8 K)
  - \* (a) Amendment to the A. H. Belo Change in Control Severance Plan dated March 31, 2009 (Exhibit 10.3 to the April 2, 2009 Form 8 K)
- ~(5) \* Robert W. Decherd Compensation Arrangements dated June 19, 2013 (Exhibit 10.1 to the June 19, 2013 Form 8-K)
- ~(6) \* Daniel J. Blizzard Letter Agreement dated December 11, 2014 (Exhibit 10.1 to the December 11, 2014 Form 8-K)

10.3 Agreements relating to the separation of A. H. Belo from its former parent company:

- (1) \* Separation and Distribution Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 2.1 to the February 12, 2008 Form 8 K)
- (2) \* Pension Plan Transfer Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of October 6, 2010 (Exhibit 10.1 to the Company's Current Report on Form 8 K filed with the Securities and Exchange Commission on October 8, 2010 (Securities and Exchange Commission File No. 001-33741))

- (3) \* Agreement among the Company, Belo Corp., and The Pension Benefit Guaranty Corporation, effective March 9, 2011 (Exhibit 10.3(6) to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2011 (Securities and Exchange Commission File No. 001-33741))



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Exhibit

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- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 101.INS \*\* XBRL Instance Document
- 101.SCH \*\* XBRL Taxonomy Extension Schema
- 101.CAL \*\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF \*\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB \*\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE \*\* XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

A. H. BELO CORPORATION

By:    /s/ Katy Murray  
          Katy Murray  
          Senior Vice President/Chief Financial Officer  
          (Principal Financial Officer)

Dated: November 2, 2015

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EXHIBIT INDEX

| Exhibit<br>Number | Description                                                                                                                                                                    |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1              | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002                                                                             |
| 31.2              | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002                                                                             |
| 32                | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 |
| 101.INS           | ** XBRL Instance Document                                                                                                                                                      |
| 101.SCH           | ** XBRL Taxonomy Extension Schema                                                                                                                                              |
| 101.CAL           | ** XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                       |
| 101.DEF           | ** XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                        |
| 101.LAB           | ** XBRL Taxonomy Extension Label Linkbase Document                                                                                                                             |
| 101.PRE           | ** XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                      |

In accordance with Regulation S-T, the XBRL-related information marked with a double asterisk (\*\*) in Exhibit No. 101 to this Quarterly Report on Form 10-Q is deemed filed.