

A. H. Belo Corp
Form 10-Q
October 31, 2017
Table of Contents

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, 2017

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)

Edgar Filing: A. H. Belo Corp - Form 10-Q

Delaware 38-3765318
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

P. O. Box 224866, Dallas, Texas 75222-4866 (214) 977-8222
(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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.

Edgar Filing: A. H. Belo Corp - Form 10-Q

Class	Outstanding at October 26, 2017
Common Stock, \$.01 par value	21,753,166

Total Common Stock consists of 19,281,011 shares of Series A Common Stock and 2,472,155 shares of Series B Common Stock.

Table of Contents

A. H. BELO CORPORATION

FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I</u>	
Item 1.	<u>Financial</u> <u>Information</u> <u>PAGE 3</u> <u>Management's</u> <u>Discussion</u> <u>and Analysis</u> <u>of Financial</u> <u>Condition</u> <u>and Results</u>
Item 2.	<u>of Operations</u> <u>PAGE 17</u> <u>Quantitative</u> <u>and</u> <u>Qualitative</u> <u>Disclosures</u> <u>about Market</u>
Item 3.	<u>Risk</u> <u>PAGE 24</u> <u>Controls and</u>
Item 4.	<u>Procedures</u> <u>PAGE 24</u>
<u>PART II</u>	
Item 1.	<u>Legal</u> <u>Proceedings</u> <u>PAGE 24</u>
Item 1A.	<u>Risk Factors</u> <u>PAGE 24</u> <u>Unregistered</u> <u>Sales of</u> <u>Equity</u> <u>Securities</u> <u>and Use of</u>
Item 2.	<u>Proceeds</u> <u>PAGE 24</u>

Edgar Filing: A. H. Belo Corp - Form 10-Q

	<u>Defaults</u>	
	<u>Upon Senior</u>	
Item 3.	<u>Securities</u>	<u>PAGE 25</u>
	<u>Mine Safety</u>	
Item 4.	<u>Disclosures</u>	<u>PAGE 25</u>
	<u>Other</u>	
Item 5.	<u>Information</u>	<u>PAGE 25</u>
Item 6.	<u>Exhibits</u>	<u>PAGE 26</u>
	<u>Signatures</u>	<u>PAGE 29</u>
	<u>Exhibit Index</u>	<u>PAGE 30</u>

A. H. Belo Corporation Third Quarter 2017 on Form 10-Q

Table of Contents

PART I

Item 1. Financial Information

A. H. Belo Corporation and Subsidiaries

Consolidated Statements of Operations

In thousands, except share and per share amounts (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Operating Revenue:				
Advertising and marketing services	\$ 34,875	\$ 38,304	\$ 106,101	\$ 111,581
Circulation	18,845	19,633	57,099	59,806
Printing, distribution and other	6,839	6,843	21,349	22,502
Total net operating revenue	60,559	64,780	184,549	193,889
Operating Costs and Expense:				
Employee compensation and benefits	29,693	25,626	82,421	77,417
Other production, distribution and operating costs	27,460	30,615	85,522	88,844
Newsprint, ink and other supplies	5,648	6,315	17,542	18,834
Depreciation	2,607	2,488	7,840	7,725
Amortization	200	225	599	680
Goodwill impairment	—	—	228	—
Total operating costs and expense	65,608	65,269	194,152	193,500
Operating income (loss)	(5,049)	(489)	(9,603)	389
Other income, net	7,639	114	7,209	601
Income (Loss) from Continuing Operations Before Income Taxes	2,590	(375)	(2,394)	990
Income tax provision	10	77	261	1,361
Net Income (Loss)	2,580	(452)	(2,655)	(371)
Net income attributable to noncontrolling interests	—	45	—	65
Net Income (Loss) Attributable to A. H. Belo Corporation	\$ 2,580	\$ (497)	\$ (2,655)	\$ (436)

Per Share Basis

Edgar Filing: A. H. Belo Corp - Form 10-Q

Net income (loss) attributable to A. H. Belo Corporation

Basic and diluted	\$ 0.12	\$ (0.02)	\$ (0.13)	\$ (0.02)
-------------------	---------	-----------	-----------	-----------

Number of common shares used in the per share calculation:

Basic	21,753,166	21,676,260	21,729,212	21,601,828
-------	------------	------------	------------	------------

Diluted	21,754,627	21,676,260	21,729,212	21,601,828
---------	------------	------------	------------	------------

See the accompanying Notes to the Consolidated Financial Statements.

A. H. Belo Corporation Third Quarter 2017 on Form 10-Q 3

Table of Contents

A. H. Belo Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

In thousands (unaudited)	Three Months		Nine Months	
	Ended September 30, 2017	2016	Ended September 30, 2017	2016
Net Income (Loss)	\$ 2,580	\$ (452)	\$ (2,655)	\$ (371)
Other Comprehensive Income (Loss), Net of Tax:				
Actuarial gains	3,648	—	3,648	—
Amortization of actuarial (gains) losses	5,967	(17)	6,080	(49)
Total other comprehensive income (loss)	9,615	(17)	9,728	(49)
Comprehensive Income (Loss)	12,195	(469)	7,073	(420)
Comprehensive income attributable to noncontrolling interests	—	45	—	65
Total Comprehensive Income (Loss) Attributable to A. H. Belo Corporation	\$ 12,195	\$ (514)	\$ 7,073	\$ (485)

See the accompanying Notes to the Consolidated Financial Statements.

Table of Contents

A. H. Belo Corporation and Subsidiaries

Consolidated Balance Sheets

In thousands, except share amounts (unaudited)	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,955	\$ 80,071
Accounts receivable (net of allowance of \$937 and \$1,115 at September 30, 2017 and December 31, 2016, respectively)	25,914	29,114
Inventories	3,417	3,386
Prepays and other current assets	10,185	9,553
Assets held for sale	5,510	—
Total current assets	94,981	122,124
Property, plant and equipment, at cost	440,432	445,874
Less accumulated depreciation	(406,841)	(402,115)
Property, plant and equipment, net	33,591	43,759
Intangible assets, net	4,273	4,872
Goodwill	13,973	14,201
Other assets	6,975	7,775
Total assets	\$ 153,793	\$ 192,731
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,121	\$ 9,036
Accrued compensation and benefits	7,641	8,657
Other accrued expense	5,395	6,318
Advance subscription payments	12,179	13,243
Total current liabilities	34,336	37,254
Long-term pension liabilities	28,413	54,843
Other post-employment benefits	2,189	2,329
Other liabilities	3,919	6,483
Total liabilities	68,857	100,909
Noncontrolling interest - redeemable	—	2,670
Shareholders' equity:		
Preferred stock, \$.01 par value; Authorized 2,000,000 shares; none issued	—	—
Common stock, \$.01 par value; Authorized 125,000,000 shares Series A: issued 20,697,892 and 20,620,461 shares at September 30, 2017 and December 31, 2016, respectively	208	207

Edgar Filing: A. H. Belo Corp - Form 10-Q

Series B: issued 2,472,155 and 2,472,680 shares at September 30, 2017

and December 31, 2016, respectively	24	24
Treasury stock, Series A, at cost; 1,416,881 shares held at September 30, 2017 and December 31, 2016	(11,233)	(11,233)
Additional paid-in capital	494,820	499,552
Accumulated other comprehensive loss	(29,580)	(39,308)
Accumulated deficit	(369,303)	(361,324)
Total shareholders' equity attributable to A. H. Belo Corporation	84,936	87,918
Noncontrolling interests	—	1,234
Total shareholders' equity	84,936	89,152
Total liabilities and shareholders' equity	\$ 153,793	\$ 192,731

See the accompanying Notes to the Consolidated Financial Statements.

A. H. Belo Corporation Third Quarter 2017 on Form 10-Q 5

Table of Contents

A. H. Belo Corporation and Subsidiaries

Consolidated Statements of Shareholders' Equity

In thousands, except share amounts (unaudited)	Common Stock				Treasury Stock		Accumulated Other Comprehensive Income		Noncontro Interests T
	Shares Series A	Shares Series B	Amount	Additional Paid-in Capital	Shares Series A	Amount	Loss	Accumulated Deficit	
Balance at December 31, 2015	20,522,503	2,387,509	\$ 229	\$ 500,449	(1,416,881)	\$ (11,233)	\$ (38,442)	\$ (333,222)	\$ 1,069
Net income (loss)	—	—	—	—	—	—	—	(436)	52
Other comprehensive loss	—	—	—	—	—	—	(49)	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(236)
Capital contributions from noncontrolling interests	—	—	—	(396)	—	—	—	—	396
Issuance of shares for restricted stock units	97,203	—	1	(1)	—	—	—	—	—
Issuance of shares for stock option exercises	—	85,926	1	155	—	—	—	—	—