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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, 2020**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file no. **1-33741**


B+C BELO + COMPANY

# A. H. Belo Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Texas** | **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) 977-7342** |
| (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**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Series A Common Stock, $0.01 par value | AHC | New York Stock Exchange |

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.:

| | | | | |
|---|---|---|---|---|
| Large Accelerated Filer: ☐ | Accelerated Filer: ☑ | Non-Accelerated Filer: ☐ | 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 ☑

Shares of Common Stock outstanding at October 22, 2020: 21,410,423 shares (consisting of 18,941,340 shares of Series A Common Stock and 2,469,083 shares of Series B Common Stock).

# A. H. BELO CORPORATION

# FORM 10-Q

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# 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, 2020* | *Three Months Ended September 30, 2019* | *Nine Months Ended September 30, 2020* | *Nine Months Ended September 30, 2019* |
|---|---|---|---|---|
| **Net Operating Revenue:** | | | | |
| Advertising and marketing services | $ 17,474 | $ 21,616 | $ 52,392 | $ 70,957 |
| Circulation | 16,111 | 16,809 | 48,248 | 51,095 |
| Printing, distribution and other | 4,157 | 4,632 | 12,860 | 14,709 |
| Total net operating revenue | 37,742 | 43,057 | 113,500 | 136,761 |
| **Operating Costs and Expense:** | | | | |
| Employee compensation and benefits | 16,499 | 19,504 | 52,512 | 60,456 |
| Other production, distribution and operating costs | 19,307 | 21,171 | 58,958 | 67,200 |
| Newsprint, ink and other supplies | 2,476 | 3,972 | 8,018 | 12,741 |
| Depreciation | 1,753 | 2,289 | 5,320 | 7,008 |
| Amortization | 63 | 140 | 191 | 356 |
| (Gain) loss on sale/disposal of assets, net | 61 | 1,362 | 56 | (24,546) |
| Asset impairments | — | 1,593 | — | 1,593 |
| Total operating costs and expense | 40,159 | 50,031 | 125,055 | 124,808 |
| Operating income (loss) | (2,417) | (6,974) | (11,555) | 11,953 |
| Other income, net | 2,095 | 1,161 | 4,778 | 3,123 |
| **Income (Loss) Before Income Taxes** | (322) | (5,813) | (6,777) | 15,076 |
| Income tax provision (benefit) | (224) | (1,808) | (1,644) | 4,688 |
| **Net Income (Loss)** | $ (98) | $ (4,005) | $ (5,133) | $ 10,388 |
| | | | | |
| **Per Share Basis** | | | | |
| Net income (loss) | | | | |
| Basic and diluted | $ (0.00) | $ (0.19) | $ (0.24) | $ 0.48 |
| Number of common shares used in the per share calculation: | | | | |
| Basic and diluted | 21,410,423 | 21,476,029 | 21,410,423 | 21,553,625 |

*See the accompanying Notes to the Consolidated Financial Statements.*

**A. H. Belo Corporation and Subsidiaries**
**Consolidated Statements of Comprehensive Income (Loss)**

| *In thousands (unaudited)* | *Three Months Ended September 30,* 2020 | 2019 | *Nine Months Ended September 30,* 2020 | 2019 |
|---|---|---|---|---|
| **Net Income (Loss)** | $ (98) | $ (4,005) | $ (5,133) | $ 10,388 |
| **Other Comprehensive Income (Loss), Net of Tax:** | | | | |
| Amortization of actuarial losses | 219 | 63 | 657 | 188 |
| Total other comprehensive income, net of tax | 219 | 63 | 657 | 188 |
| **Total Comprehensive Income (Loss)** | $ 121 | $ (3,942) | $ (4,476) | $ 10,576 |

*See the accompanying Notes to the Consolidated Financial Statements.*

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**A. H. Belo Corporation and Subsidiaries**
**Consolidated Balance Sheets**

| *In thousands, except share amounts (unaudited)* | | *September 30, 2020* | | *December 31, 2019* |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 43,174 | $ | 48,626 |
| Accounts receivable (net of allowance of $829 and $671 at September 30, 2020 and December 31, 2019, respectively) | | 15,174 | | 18,441 |
| Notes receivable | | 22,775 | | — |
| Inventories | | 2,062 | | 2,573 |
| Prepaids and other current assets | | 8,344 | | 5,164 |
| Total current assets | | 91,529 | | 74,804 |
| Property, plant and equipment, at cost | | 313,667 | | 343,893 |
| Less accumulated depreciation | | (300,188) | | (325,440) |
| Property, plant and equipment, net | | 13,479 | | 18,453 |
| Operating lease right-of-use assets | | 21,496 | | 21,371 |
| Intangible assets, net | | 128 | | 319 |
| Deferred income taxes, net | | 27 | | 50 |
| Long-term note receivable | | — | | 22,400 |
| Other assets | | 2,608 | | 3,648 |
| Total assets | $ | 129,267 | $ | 141,045 |
| **Liabilities and Shareholders' Equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ | 5,792 | $ | 6,103 |
| Accrued compensation and benefits | | 6,835 | | 7,407 |
| Other accrued expense | | 5,778 | | 5,930 |
| Contract liabilities | | 14,860 | | 12,098 |
| Total current liabilities | | 33,265 | | 31,538 |
| Long-term pension liabilities | | 18,893 | | 23,039 |
| Long-term operating lease liabilities | | 22,555 | | 23,120 |
| Other post-employment benefits | | 1,322 | | 1,347 |
| Other liabilities | | 3,396 | | 4,264 |
| Total liabilities | | 79,431 | | 83,308 |
| Shareholders' equity: | | | | |
| Preferred stock, $0.01 par value; Authorized 2,000,000 shares; none issued | | — | | — |
| Common stock, $0.01 par value; Authorized 125,000,000 shares | | | | |
| Series A: issued 20,855,200 and 20,854,975 shares at September 30, 2020 and December 31, 2019, respectively | | 209 | | 209 |
| Series B: issued 2,469,083 and 2,469,308 shares at September 30, 2020 and December 31, 2019, respectively | | 24 | | 24 |
| Treasury stock, Series A, at cost; 1,913,860 shares held at September 30, 2020 and December 31, 2019 | | (13,443) | | (13,443) |
| Additional paid-in capital | | 494,389 | | 494,389 |
| Accumulated other comprehensive loss | | (31,637) | | (32,294) |
| Accumulated deficit | | (399,706) | | (391,148) |
| Total shareholders' equity | | 49,836 | | 57,737 |
| Total liabilities and shareholders' equity | $ | 129,267 | $ | 141,045 |

*See the accompanying Notes to the Consolidated Financial Statements.*

## A. H. Belo Corporation and Subsidiaries
## Consolidated Statements of Shareholders' Equity

| | Nine Months Ended September 30, 2020 and 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | | Treasury Stock | | | | |
| *In thousands, except share amounts (unaudited)* | Shares Series A | Shares Series B | Amount | Additional Paid-in Capital | Shares Series A | Amount | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total |
| Balance at December 31, 2018 | 20,854,728 | 2,469,555 | $ 233 | $ 494,389 | (1,697,370) | $ (12,601) | $ (37,641) | $ (393,582) | $ 50,798 |
| Net income | — | — | — | — | — | — | — | 10,388 | 10,388 |
| Other comprehensive income | — | — | — | — | — | — | 188 | — | 188 |
| Shares repurchased | — | — | — | — | (183,458) | (719) | — | — | (719) |
| Conversion of Series B to Series A | 207 | (207) | — | — | — | — | — | — | — |
| Dividends declared ($0.24 per share) | — | — | — | — | — | — | — | (5,148) | (5,148) |
| Balance at September 30, 2019 | 20,854,935 | 2,469,348 | $ 233 | $ 494,389 | (1,880,828) | $ (13,320) | $ (37,453) | $ (388,342) | $ 55,507 |
| Balance at December 31, 2019 | 20,854,975 | 2,469,308 | $ 233 | $ 494,389 | (1,913,860) | $ (13,443) | $ (32,294) | $ (391,148) | $ 57,737 |
| Net loss | — | — | — | — | — | — | — | (5,133) | (5,133) |
| Other comprehensive income | — | — | — | — | — | — | 657 | — | 657 |
| Conversion of Series B to Series A | 225 | (225) | — | — | — | — | — | — | — |
| Dividends declared ($0.16 per share) | — | — | — | — | — | — | — | (3,425) | (3,425) |
| Balance at September 30, 2020 | 20,855,200 | 2,469,083 | $ 233 | $ 494,389 | (1,913,860) | $ (13,443) | $ (31,637) | $ (399,706) | $ 49,836 |

| | Three Months Ended September 30, 2020 and 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | | Treasury Stock | | | | |
| *In thousands, except share amounts (unaudited)* | Shares Series A | Shares Series B | Amount | Additional Paid-in Capital | Shares Series A | Amount | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total |
| Balance at June 30, 2019 | 20,854,771 | 2,469,512 | $ 233 | $ 494,389 | (1,828,983) | $ (13,128) | $ (37,516) | $ (382,625) | $ 61,353 |
| Net loss | — | — | — | — | — | — | — | (4,005) | (4,005) |
| Other comprehensive income | — | — | — | — | — | — | 63 | — | 63 |
| Shares repurchased | — | — | — | — | (51,845) | (192) | — | — | (192) |
| Conversion of Series B to Series A | 164 | (164) | — | — | — | — | — | — | — |
| Dividends declared ($0.08 per share) | — | — | — | — | — | — | — | (1,712) | (1,712) |
| Balance at September 30, 2019 | 20,854,935 | 2,469,348 | $ 233 | $ 494,389 | (1,880,828) | $ (13,320) | $ (37,453) | $ (388,342) | $ 55,507 |
| Balance at June 30, 2020 | 20,855,200 | 2,469,083 | $ 233 | $ 494,389 | (1,913,860) | $ (13,443) | $ (31,856) | $ (398,752) | $ 50,571 |
| Net loss | — | — | — | — | — | — | — | (98) | (98) |
| Other comprehensive income | — | — | — | — | — | — | 219 | — | 219 |
| Dividends declared ($0.04 per share) | — | — | — | — | — | — | — | (856) | (856) |
| Balance at September 30, 2020 | 20,855,200 | 2,469,083 | $ 233 | $ 494,389 | (1,913,860) | $ (13,443) | $ (31,637) | $ (399,706) | $ 49,836 |

*See the accompanying Notes to the Consolidated Financial Statements.*

**A. H. Belo Corporation and Subsidiaries**
**Consolidated Statements of Cash Flows**

| *In thousands (unaudited)* | *Nine Months Ended September 30,* 2020 | 2019 |
|---|---|---|
| **Operating Activities** | | |
| Net income (loss) | $ (5,133) | $ 10,388 |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 5,511 | 7,364 |
| Net periodic pension and other post-employment benefit | (3,461) | (2,455) |
| Bad debt expense | 490 | 710 |
| Deferred income taxes | 23 | 3,818 |
| (Gain) loss on sale/disposal of assets, net | 56 | (24,546) |
| Asset impairments | — | 1,593 |
| Gain on investment related activity | (732) | — |
| Changes in working capital and other operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 2,402 | 5,189 |
| Inventories, prepaids and other current assets | (2,669) | 851 |
| Other assets | 1,022 | 1,851 |
| Accounts payable | (311) | (928) |
| Compensation and benefit obligations | (572) | (1,054) |
| Other accrued expenses | (615) | 150 |
| Contract liabilities | 2,762 | (101) |
| Other post-employment benefits | (53) | (45) |
| Net cash provided by (used for) operating activities | (1,280) | 2,785 |
| **Investing Activities** | | |
| Purchases of assets | (645) | (1,207) |
| Sales of assets | 5 | 4,597 |
| Proceeds from sale of investment | 750 | — |
| Acquisitions, net of cash acquired | — | (2,356) |
| Net cash provided by investing activities | 110 | 1,034 |
| **Financing Activities** | | |
| Dividends paid | (4,282) | (5,164) |
| Shares repurchased | — | (719) |
| Net cash used for financing activities | (4,282) | (5,883) |
| Net decrease in cash and cash equivalents | (5,452) | (2,064) |
| Cash and cash equivalents, beginning of period | 48,626 | 55,313 |
| Cash and cash equivalents, end of period | $ 43,174 | $ 53,249 |
| | | |
| **Supplemental Disclosures** | | |
| Income tax paid, net (refund) | $ 751 | $ 897 |
| Noncash investing and financing activities: | | |
| Investments in property, plant and equipment payable | — | 245 |
| Dividends payable | 856 | 1,715 |
| Notes receivable for asset sales | 375 | 22,400 |

*See the accompanying Notes to the Consolidated Financial Statements.*

**A. H. Belo Corporation and Subsidiaries**
**Notes to the Consolidated Financial Statements**

## Note 1: Basis of Presentation and Recently Issued Accounting Standards

**Description of Business.** A. H. Belo Corporation and subsidiaries are referred to collectively herein as "A. H. Belo" or the "Company." The Company, headquartered in Dallas, Texas, is the leading local news and information publishing company in Texas. The Company has a growing presence in emerging media and digital marketing, and maintains capabilities related to commercial printing, distribution and direct mail. A. H. Belo delivers news and information in innovative ways to a broad range of audiences with diverse interests and lifestyles.

The Company publishes *The Dallas Morning News* (www.dallasnews.com), Texas' leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. Its newspaper operations also provide commercial printing and distribution services to several large national newspapers. In addition, the Company has the capabilities of a full-service strategy, creative and media agency that focuses on strategic and digital marketing, and data intelligence that provide a measurable return on investment to its clients.

**COVID-19 Pandemic.** Currently, the rapid spread of coronavirus (COVID-19) globally has resulted in increased travel restrictions, and disruption and shutdown of businesses. The outbreak and any preventative or protective actions that the Company has taken and may continue to take, or may be imposed on the Company by governmental intervention, in respect of this virus may result in a period of disruption to the Company's financial reporting capabilities, its printing operations, and its operations generally. COVID-19 is impacting, and may continue to impact, the Company's customers, distribution partners, advertisers, production facilities, and third parties, and could result in additional loss of advertising revenue or supply chain disruption. The Company has been following the recommendations of local government and health authorities to minimize exposure risk for employees, including the temporary closure of some of the Company's offices and having employees work remotely. Employees, including financial reporting staff, have been working remotely since on or about March 10, 2020, even as the stay-at-home orders were lifted in Texas. If the virus were to affect a significant number of the workforce employed in printing operations, the Company may experience delays or be unable to produce, print and deliver its publications and other third-party print publications on a timely basis. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and will include emerging information concerning the severity and length of the coronavirus pandemic and the actions taken by governments and private businesses to contain the coronavirus. The coronavirus is likely to have an adverse impact on the Company's business, results of operations and financial condition at least for the near term.

Media was designated an essential business, therefore the Company's operations have continued throughout the pandemic. The Company is experiencing an increase in digital subscriptions, which currently does not offset the loss of advertising revenue. On April 6, 2020, the Company announced that it was taking several actions in response to the financial impact of COVID-19. The Company reduced operating and capital expenditures, and lowered the quarterly dividend rate to $0.04 per share for dividends declared. Beginning with the 2020 annual meeting of shareholders, the board of directors' compensation was reduced and the board was reduced in size by two. In addition, employees' base compensation was reduced Company-wide, and the annual bonus tied to financial metrics for eligible employees may be reduced if financial results are adversely affected. In October, the Company restored base salaries prospectively for all employees, with the exception of the management committee that reports to the Chief Executive Officer. The Company continues to evaluate the future material impacts on its consolidated financial statements that may result from the actions taken by the Company and its customers in respect of this virus.

**Basis of Presentation.** The interim consolidated financial statements included herein are unaudited; however, they include adjustments of a normal recurring nature which, in the Company's opinion, are necessary to present fairly the interim consolidated financial information as of and for the periods indicated. All intercompany balances and transactions have been eliminated in consolidation. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. All dollar amounts presented herein, except share and per share amounts, are in thousands, unless the context indicates otherwise.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net operating revenues and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

The COVID-19 pandemic has caused increased uncertainty in management's estimates and assumptions affecting these interim consolidated financial statements. Areas where significant estimates are used include pension and other post-employment benefit obligation assumptions, income taxes, leases, self-insured liabilities, and long-lived assets impairment review.

**Recently Adopted Accounting Pronouncements.**

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15 – *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This update clarifies the accounting for implementation costs incurred in a cloud computing arrangement, or hosting arrangement, that is a service contract. Costs for implementation activities incurred during the application development stage will be capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post implementation stages will be expensed as the activities are performed. The capitalized implementation costs will be expensed over the term of the hosting arrangement. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted ASU 2018-15 prospectively as of January 1, 2020, and it did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. ASU 2019-12 removes specific exceptions to the general principles in Topic 740 in order to reduce the complexity of its application. ASU 2019-12 also improves consistency and simplifies existing guidance by clarifying and amending certain specific areas of Topic 740. The guidance will be effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted and is to be adopted prospectively, modified retrospectively or retrospectively depending on the associated exception. It was determined that only two of the items were applicable to the Company. These two items are the exception to the incremental approach for intra-period tax allocation and the exception in interim-period income tax accounting for year-to-date losses that exceed anticipated losses. Both of these items are to be adopted prospectively. The Company early adopted this standard prospectively in the third quarter of 2020, and it did not have a material impact on the Company's consolidated financial statements and related disclosures.

**New Accounting Pronouncements.** The FASB issued the following accounting pronouncements and guidance, which may be applicable to the Company but have not yet become effective.

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. Since June 2016, the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance will be effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the requirements of this update and has not yet determined its impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14 – *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. This update modifies the annual disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing disclosures that are no longer considered cost beneficial, clarifying the specific requirements of disclosures and adding disclosure requirements identified as relevant. The guidance will be effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company will adopt this standard retrospectively as of its fiscal year ending December 31, 2020, but does not expect a material impact on the Company's consolidated financial statements and related disclosures.

## Note 2: Segment Reporting

Based on the Company's structure and organizational chart, the Company's chief operating decision-maker (the "CODM") is its Chief Executive Officer, Robert W. Decherd.

In the third quarter of 2019, in conjunction with a strategic change to move to a single decision-making reporting structure and based on how the Company's CODM makes decisions about allocating resources and assessing performance, the Company determined it has one reportable segment. See Note 4 – Revenue for disaggregated revenue by source.

## Note 3: Acquisitions

In April 2019, the Company completed the acquisition of certain assets of Cubic, Inc. for a cash purchase price of $2,356, net of $213 cash acquired. Transaction costs related to the purchase were a component of other production, distribution and operating costs in the Consolidated Statements of Operations and totaled $92, of which $0 were incurred in the nine months ended September 30, 2020, and $0 and $86 were incurred in the three and nine months ended September 30, 2019, respectively.

The new entity Cubic Creative, Inc. ("Cubic Creative") is located in Tulsa, Oklahoma. This acquisition added creative strategy services, which complement service offerings currently available to A. H. Belo clients. The expected benefit from providing these additional services was attributed to goodwill, all of which is expected to be deductible for tax purposes.

The table below sets forth the finalized allocation of the purchase price.

| | Estimated Fair Value |
|---|---|
| Working capital, net of acquired cash | $ 228 |
| Property, plant and equipment | 25 |
| Other intangible assets - customer relationships | 510 |
| Goodwill | 1,593 |
| Total | $ 2,356 |

Operating results of the business acquired have been included in the Consolidated Statements of Operations from the acquisition date forward. 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. The fair value of the assets acquired would be classified as Level III assets (unobservable inputs) in the fair value hierarchy. In the third quarter of 2019, in conjunction with the Company's organizational changes, the Company conducted an impairment review of goodwill and long-lived assets. As a result, the Company's goodwill was fully impaired in the third quarter of 2019. As of January 1, 2020, Cubic Creative's operations were fully incorporated into *The Dallas Morning News*.

## Note 4: Revenue

### Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This occurs when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services, typically at contract price or determined by stand-alone selling price. The Company has an estimated allowance for credits, refunds and similar obligations. Sales tax collected concurrent with revenue-producing activities are excluded from revenue.

Accounts receivable are reported net of a valuation reserve that represents an estimate of amounts considered uncollectible. The Company estimates the allowance for doubtful accounts based on historical write-off experience and the Company's knowledge of the customers' ability to pay amounts due. Accounts are written-off after all collection efforts fail; generally, after one year has expired. Expense for such uncollectible amounts is included in other production, distribution and operating costs. Credit terms are customary.

The table below sets forth revenue disaggregated by revenue source. Due to the third quarter 2019 change to a single decision-making reporting structure (see Note 2 – Segment Reporting), the Company determined that disaggregating revenue by print and digital products best aligned with the new Company structure.

| | *Three Months Ended September 30,* | | *Nine Months Ended September 30,* | |
|---|---|---|---|---|
| | *2020* | *2019* | *2020* | *2019* |
| **Advertising and Marketing Services** | | | | |
| Print advertising | $ 11,529 | $ 13,878 | $ 33,219 | $ 45,434 |
| Digital advertising and marketing services | 5,945 | 7,738 | 19,173 | 25,523 |
| Total | $ 17,474 | $ 21,616 | $ 52,392 | $ 70,957 |
| **Circulation** | | | | |
| Print circulation | $ 14,360 | $ 15,507 | $ 43,606 | $ 47,501 |
| Digital circulation | 1,751 | 1,302 | 4,642 | 3,594 |
| Total | $ 16,111 | $ 16,809 | $ 48,248 | $ 51,095 |
| **Printing, Distribution and Other** | $ 4,157 | $ 4,632 | $ 12,860 | $ 14,709 |
| **Total Revenue** | **$ 37,742** | **$ 43,057** | **$ 113,500** | **$ 136,761** |

**Advertising and Marketing Services**

Print advertising revenue represents sales of advertising space within the Company's core and niche newspapers, as well as preprinted advertisements inserted into the Company's core newspapers and niche publications or distributed to non-subscribers through the mail.

Digital advertising and marketing services revenue consists of strategic marketing management, consulting, creative services, targeted and multi-channel (programmatic) advertising placed on third-party websites, digital sales of banner, classified and native advertisements on the Company's news and entertainment-related websites and mobile apps, social media management, search optimization, direct mail and the sale of promotional materials. The Company's auto sales division offered targeted advertising to auto dealerships primarily in the North Texas region desiring to advertise their inventory on the *cars.com* platform through September 30, 2019.

Advertising and marketing services revenue is primarily recognized at a point in time when the ad or service is complete and delivered, based on the customers' contract price. Barter advertising transactions are recognized at estimated fair value based on the negotiated contract price and the range of prices for similar advertising from customers unrelated to the barter transaction. The Company expenses barter costs as incurred, which is independent from the timing of revenue recognition. In addition, certain digital advertising revenue related to website access is recognized over time, based on the customers' monthly rate. The Company typically extends credit to advertising and marketing services customers, although for certain advertising campaigns the customer may pay in advance.

For ads placed on certain third-party websites, the Company must evaluate whether it is acting as the principal, where revenue is reported on a gross basis, or acting as the agent, where revenue is reported on a net basis. Generally, the Company reports advertising revenue for ads placed on third-party websites on a net basis, meaning the amount recorded to revenue is the amount billed to the customer net of amounts paid to the publisher of the third-party website. The Company is acting as the agent because the publisher controls the advertising inventory.

**Circulation**

Print circulation revenue is generated primarily by selling home delivery subscriptions and from single copy sales to non-subscribers. Home delivery revenue is recognized over the subscription period based on the days of actual delivery over the total subscription days and single copy revenue is recognized at a point in time when the paper is purchased. Revenue is directly reduced for any non-payment for the grace period of home delivery subscriptions where the Company recorded revenue for newspapers delivered after a subscription expired.

Digital circulation revenue is generated by digital-only subscriptions and is recognized over the subscription period based on daily or monthly access to the content in the subscription period.

Payment of circulation fees is typically received in advance and deferred over the subscription period.

**Printing, Distribution and Other**

Printing, distribution and other revenue is primarily generated from printing and distribution of other newspapers, as well as production of preprinted advertisements for other newspapers. Printing, distribution and other revenue is recognized at a point in time when the product or service is delivered. The Company typically extends credit to printing and distribution customers.

**Deferred Revenue**

Deferred revenue is recorded when cash payments are received in advance of the Company's performance, including amounts which are refundable. The Company's primary sources of deferred revenue are from circulation subscriptions and advertising paid in advance of the service provided. These up-front payments are recorded upon receipt as contract liabilities in the Consolidated Balance Sheets and the revenue is recognized when the Company's obligations under the terms of the contract are satisfied. In the three and nine months ended September 30, 2020, the Company recognized $1,222 and $9,714, respectively, of revenue that was included in the contract liabilities balance as of December 31, 2019. The Company typically recognizes deferred revenue within 1 to 12 months.

**Practical Expedients and Exemptions**

The Company generally expenses sales commissions and circulation acquisition costs when incurred because the amortization period would have been one year or less. These costs are recorded within employee compensation and benefits expense and other production, distribution and operating costs expense, respectively.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which revenue is recognized at the amount invoiced for services performed.

## Note 5: Leases

**Lease Accounting**

The Company has various operating leases primarily for office space and other distribution centers, some of which include escalating lease payments and options to extend or terminate the lease. The Company's leases have remaining terms of less than 1 year to 14 years. The Company determines if a contract is a lease at the inception of the arrangement.

Operating lease right-of-use assets and liabilities are recognized at commencement date of lease agreements greater than one year based on the present value of lease payments over the lease term. In determining the present value of lease payments, the implicit rate was not readily determinable in the Company's lease agreements. Therefore, the Company used an estimated secured incremental borrowing rate, based on the Company's credit rating, adjusted for the weighted average term of each lease. Lease expense is recognized on a straight-line basis over the lease term and variable lease costs are expensed as incurred. For leases with terms of 12 months or less, no asset or liability is recorded and lease expense is recognized on a straight-line basis over the lease term. The exercise of lease renewal options are at the Company's sole discretion and options are recognized when it is reasonably certain the Company will exercise the option. The recognized right-of-use assets and lease liabilities as calculated do not assume renewal options. The Company does not have lease agreements with residual value guarantees, sale leaseback terms or material restrictive covenants. Additionally, the Company does not separately identify lease and nonlease components, such as maintenance costs.

The Company has a sublease with Denton Publishing Company for a remaining term of approximately three years. Additionally, the Company has various subleases with distributors, for distribution center space, with varying remaining lease terms of less than one year to two years and are cancellable with notice by either party. Sublease income is included in printing, distribution and other revenue in the Consolidated Statements of Operations. As of September 30, 2020, sublease income is expected to approximate $140 for the remainder of 2020, $440 in 2021, $240 in 2022, and $130 in 2023.

In the third quarter of 2020, the Company recorded an additional right-of-use asset and liability of $249 for a lease that commenced on August 1, 2020, with a lease term of three years. As of September 30, 2020, the Company did not have any significant operating leases that have not yet commenced.

The table below sets forth supplemental Consolidated Balance Sheet information for the Company's leases.

| | Classification | September 30, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Operating | Operating lease right-of-use assets | $ 21,496 | $ 21,371 |
| | | | |
| **Liabilities** | | | |
| Operating | | | |
| Current | Other accrued expense | $ 2,276 | $ 1,579 |
| Noncurrent | Long-term operating lease liabilities | 22,555 | 23,120 |
| Total lease liabilities | | $ 24,831 | $ 24,699 |
| | | | |
| **Lease Term and Discount Rate** | | | |
| Operating leases | | | |
| Weighted average remaining lease term (years) | | 10.7 | 11.7 |
| Weighted average discount rate (%) | | 7.3 | 7.5 |

The table below sets forth components of lease cost and supplemental cash flow information for the Company's leases.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Lease Cost** | | | | |
| Operating lease cost | $ 1,073 | $ 1,072 | $ 3,192 | $ 3,172 |
| Short-term lease cost | — | 30 | 13 | 121 |
| Variable lease cost | 140 | 175 | 426 | 420 |
| Sublease income | (191) | (172) | (564) | (515) |
| Total lease cost | $ 1,022 | $ 1,105 | $ 3,067 | $ 3,198 |
| | | | | |
| **Supplemental Cash Flow Information** | | | | |
| Cash paid for operating leases included in operating activities | | | $ 3,091 | $ 3,057 |
| Right-of-use assets obtained in exchange for operating lease liabilities | | | 1,789 | 23,886 |

The table below sets forth the remaining maturities of the Company's lease liabilities as of September 30, 2020.

| Years Ending December 31, | Operating Leases |
|---|---|
| 2020 | $ 732 |
| 2021 | 4,330 |
| 2022 | 4,230 |
| 2023 | 3,324 |
| 2024 | 2,467 |
| Thereafter | 22,121 |
| Total lease payments | 37,204 |
| Less: imputed interest | 12,373 |
| Total lease liabilities | $ 24,831 |

## Note 6: Intangible Assets

The table below sets forth intangible assets as of September 30, 2020 and December 31, 2019.

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Intangible Assets** | | |
| Cost | $ 2,030 | $ 2,030 |
| Accumulated Amortization | (1,902) | (1,711) |
| Net Carrying Value | $ 128 | $ 319 |

The intangible assets include $1,520 of developed technology with an estimated useful life of five years, fully amortized in 2019, and $510 of customer relationships with estimated useful lives of two years and net carrying value of $128. Aggregate amortization expense was $63 and $140 for the three months ended September 30, 2020 and 2019, respectively, and $191 and $356 for the nine months ended September 30, 2020 and 2019, respectively.

As of September 30, 2020, the Company performed a review of potential impairment indicators for its long-lived assets, including intangible assets, property, plant and equipment, and right-of-use assets. The Company determined there were indicators of possible impairment and conducted a long-lived assets impairment review. Upon completion, it was determined the undiscounted cash flows from operations and disposition of the assets exceeded the carrying value of the asset group, thus no impairment was indicated.

## Note 7: Related Party Transactions

In 2017, the Company extended a term note to eSite Analytics, Inc. (“eSite”) of $750. The note had a term of three years, matured February 8, 2020, and incurred interest at a rate of 5.5 percent. The note provided for quarterly interest and principal payments of approximately $60. In March 2019, the Company extended a line of credit of $200 to eSite. In November 2019, the $200 line of credit was rolled into the term note and the note was extended until September 30, 2022. As of December 31, 2019, the note receivable was $573. On February 13, 2020, eSite paid off their loan, including interest. On September 24, 2020, the Company’s shares of eSite were repurchased by eSite for $750, recognized in other income, net in the Consolidated Statements of Operations. The Company no longer has any investment in or influence over the business.

## Note 8: Income Taxes

The Company calculated the income tax benefit for the 2020 and 2019 interim periods using an estimated annual effective tax rate based on its expected annual income (loss) before income taxes, adjusted for permanent differences, which it applied to the year-to-date income (loss) before income taxes and specific events that are discretely recognized as they occur.

The Company recognized income tax provision (benefit) of $(224) and $(1,808) for the three months ended September 30, 2020 and 2019, respectively, and $(1,644) and $4,688 for the nine months ended September 30, 2020 and 2019, respectively. Effective income tax rates were 24.3 percent and 31.1 percent for the nine months ended September 30, 2020 and 2019, respectively. The income tax benefit for the three months ended September 30, 2020, was due to a change in the Company’s estimated annual effective tax rate and additional losses generated from operations. The income tax benefit for the nine months ended September 30, 2020, was due to the recognition of the 2018 net operating loss carryback permitted by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), partially offset by the effect of the Texas margin tax.

The income tax benefit for the three months ended September 30, 2019, was due to the Texas margin tax, offset by losses generated from operations in the third quarter. The income tax provision for the nine months ended September 30, 2019, was due to the Texas margin tax and applying the estimated annual effective tax rate to year-to-date income, which included effects of the income generated from the sale of the Company’s former headquarters (see Note 13 – Disposal of Assets).

In response to COVID-19, the CARES Act was signed into law on March 27, 2020. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain refundable employee retention credits. The Company has benefited from the temporary five year net operating loss carryback provision and the technical correction for qualified leasehold improvements, which changes 39-year property to 15-year property, eligible for 100 percent tax bonus depreciation. Applying the technical correction to 2018 has resulted in reporting additional tax depreciation of $1,017 and increased the 2018 net operating loss to approximately $6,829. The loss was carried back against 2014 taxes paid at the federal statutory rate of 35 percent that was previously in effect, resulting in an expected cash refund of $2,345, recorded in prepaids and other current assets in the Consolidated Balance Sheet as of September 30, 2020. On October 2, 2020, the refund plus interest was received.

## Note 9: Pension and Other Retirement Plans

**Defined Benefit Plans.** The Company sponsors the A. H. Belo Pension Plans (the "Pension Plans"), which provide benefits to approximately 1,400 current and former employees of the Company. A. H. Belo Pension Plan I provides benefits to certain current and former 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 former employees of The Providence Journal Company. This obligation was retained by the Company upon the sale 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.

No contributions are required to the A. H. Belo Pension Plans in 2020 under the applicable tax and labor laws governing pension plan funding.

*Net Periodic Pension Benefit*

The Company's estimates of net periodic pension expense or benefit are based on the expected return on plan assets, interest on the projected benefit obligations and the amortization of actuarial gains and losses that are deferred in accumulated other comprehensive loss. Participation in and accrual of new benefits to participants has been frozen since 2007 and, accordingly, on-going service costs are not a component of net periodic pension expense (benefit).

The table below sets forth components of net periodic pension benefit, which are included in other income, net in the Consolidated Statements of Operations.

| | *Three Months Ended September 30,* | | *Nine Months Ended September 30,* | |
|---|---|---|---|---|
| | *2020* | *2019* | *2020* | *2019* |
| Interest cost | $ 1,559 | $ 1,973 | $ 4,677 | $ 5,922 |
| Expected return on plans' assets | (2,941) | (2,866) | (8,822) | (8,599) |
| Amortization of actuarial loss | 220 | 70 | 660 | 209 |
| Net periodic pension benefit | $ (1,162) | $ (823) | $ (3,485) | $ (2,468) |

**Defined Contribution Plans.** The A. H. Belo Savings Plan (the "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 Savings 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. During the three months ended September 30, 2020 and 2019, the Company recorded expense of $167 and $178, respectively, and during the nine months ended September 30, 2020 and 2019, the Company recorded expense of $570 and $503, respectively, for matching contributions to the Savings Plan.

## Note 10: Shareholders' Equity

**Dividends.** On September 24, 2020, the Company's board of directors declared a $0.04 per share dividend to shareholders of record as of the close of business on November 13, 2020, which is payable on December 4, 2020.

**Treasury Stock.** In 2019, the Company repurchased shares of its common stock pursuant to a publicly announced share repurchase program authorized by the Company's board of directors. The agreement to repurchase the Company's stock expired in the fourth quarter of 2019 and was not renewed.

**Outstanding Shares.** The Company had Series A and Series B common stock outstanding of 18,941,340 and 2,469,083, respectively, net of treasury shares at September 30, 2020. At December 31, 2019, the Company had Series A and Series B common stock outstanding of 18,941,115 and 2,469,308, respectively, net of treasury shares.

**Accumulated other comprehensive loss.** Accumulated other comprehensive loss consists of actuarial gains and losses attributable to the A. H. Belo Pension Plans, gains and losses resulting from Pension Plans' amendments and other actuarial experience attributable to other post-employment benefit ("OPEB") plans. The Company records amortization of the components of accumulated other comprehensive loss in other income, net in its Consolidated Statements of Operations. Gains and losses are amortized over the weighted average remaining life expectancy of the OPEB plans and Pension Plans' participants.

The table below set forth the changes in accumulated other comprehensive loss, net of tax, as presented in the Company's consolidated financial statements.

| | *Three Months Ended September 30,* | | | | | |
|---|---|---|---|---|---|---|
| | *2020* | | | *2019* | | |
| | **Total** | **Defined benefit pension plans** | **Other post-employment benefit plans** | **Total** | **Defined benefit pension plans** | **Other post-employment benefit plans** |
| Balance, beginning of period | $ (31,856) | $ (32,003) | $ 147 | $ (37,516) | $ (37,864) | $ 348 |
| Amortization | 219 | 220 | (1) | 63 | 70 | (7) |
| Balance, end of period | $ (31,637) | $ (31,783) | $ 146 | $ (37,453) | $ (37,794) | $ 341 |

| | *Nine Months Ended September 30,* | | | | | |
|---|---|---|---|---|---|---|
| | *2020* | | | *2019* | | |
| | **Total** | **Defined benefit pension plans** | **Other post-employment benefit plans** | **Total** | **Defined benefit pension plans** | **Other post-employment benefit plans** |
| Balance, beginning of period | $ (32,294) | $ (32,443) | $ 149 | $ (37,641) | $ (38,003) | $ 362 |
| Amortization | 657 | 660 | (3) | 188 | 209 | (21) |
| Balance, end of period | $ (31,637) | $ (31,783) | $ 146 | $ (37,453) | $ (37,794) | $ 341 |

## Note 11: Earnings Per Share

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

| | *Three Months Ended September 30,* | | *Nine Months Ended September 30,* | |
|---|---|---|---|---|
| | *2020* | *2019* | *2020* | *2019* |
| **Earnings (Numerator)** | | | | |
| Net income (loss) available to common shareholders | $ (98) | $ (4,005) | $ (5,133) | $ 10,388 |
| **Shares (Denominator)** | | | | |
| Weighted average common shares outstanding (basic and diluted) | 21,410,423 | 21,476,029 | 21,410,423 | 21,553,625 |
| **Income (Loss) Per Share** | | | | |
| Basic and diluted | $ (0.00) | $ (0.19) | $ (0.24) | $ 0.48 |

There were no options or RSUs outstanding as of September 30, 2020 and 2019, that would result in dilution of shares or the calculation of EPS under the two-class method as prescribed under ASC 260 – *Earnings Per Share*.

## Note 12: Contingencies

**Legal proceedings.** From time to time, the Company is involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. Management routinely assesses the likelihood of adverse judgments or outcomes in these matters, as well as the ranges of probable losses to the extent losses are reasonably estimable. Accruals for contingencies are recorded when, in the judgment of management, adverse judgments or outcomes are probable and the financial impact, should an adverse outcome occur, is reasonably estimable. The determination of likely outcomes of litigation matters relates to factors that include, but are not limited to, past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

## Note 13: Disposal of Assets

In the third quarter of 2019, the Company recorded a loss of $1,362 on the disposal of newspaper production assets and publishing software that was replaced by a new digital content platform. The loss is included in the (gain) loss on sale/disposal of assets, net in the Consolidated Statements of Operations. The newspaper production assets were disposed as a result of the Company's strategic decision, in the first quarter of 2019, to eliminate its brokered printing business and reduce the number of local and national commercial print customers it serves from more than 30 to 5.

In May 2019, the Company finalized a Purchase and Sale Agreement with Charter DMN Holdings, LP (the "Purchaser") for the sale of the real estate assets in downtown Dallas, Texas, previously used as the Company's headquarters for a sale price of $28,000. The sale price consisted of $4,597 cash received, after selling costs of approximately $1,000, and a two year seller-financed promissory note (the "Promissory Note") of $22,400, included in long-term note receivable in the Consolidated Balance sheet as of December 31, 2019, and included in current notes receivable as of September 30, 2020. The sale provided the Company an additional $1,000 contingency payment if certain conditions were met. The contingency expired as of June 30, 2020, with no payment made by the Purchaser related to the contingency. In the second quarter of 2019, the Company recorded a pretax gain of $25,908, included in (gain) loss on sale/disposal of assets, net in the Consolidated Statements of Operations. Due to the offset by existing net operating loss carryforwards, the Company did not record any current tax expense related to the sale transaction.

The Promissory Note is secured by a first lien deed of trust covering the property and bears interest payable in quarterly installments that began on July 1, 2019, continuing through its maturity on June 30, 2021, and includes a pre-payment feature. Interest will be accrued at 3.5 percent during the first year and at 4.5 percent during the second year.

As a direct result of COVID-19 uncertainties, on April 3, 2020, the Company and the Purchaser entered into an amendment to the Promissory Note deferring the Purchaser's interest payment of $195 that was due April 1, 2020, and adding it to a second promissory note (the "Second Promissory Note"). In addition, the Second Promissory Note includes a 2019 real property tax reconciliation payment due from the Purchaser under the Purchase and Sale Agreement in the amount of $180. The Second Promissory Note, in the principal amount of $375, included in current notes receivable in the Consolidated Balance Sheet, is secured by a second lien deed of trust covering the property and due June 30, 2021. The Company has evaluated the collectability of the note as a result of the request to defer an interest payment by the Purchaser. Management believes that as of September 30, 2020, the Promissory Note is recoverable since the underlying collateral value has not materially changed from the sale date per Dallas County tax records. In addition, on October 1, 2020, the Purchaser paid the third quarter 2020 interest payment of $253. Management continues to monitor the credit worthiness of the Purchaser and the value of the underlying collateral given current economic conditions.

Notes receivable are recorded net of an allowance for doubtful accounts. Interest income is accrued on the unpaid principal balance, included in other income, net in the Consolidated Statements of Operations. The Company puts notes receivable on non-accrual status and provides an allowance against accrued interest if it is determined the likelihood of collecting substantially all of the note and accrued interest is not probable. Notes are written-off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote.

**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 consolidated financial statements and related notes filed as part of this report. All dollar amounts presented herein, except share and per share amounts, are in thousands, unless the context indicates otherwise.

This section and other parts of this Quarterly Report on Form 10-Q contain certain forward-looking statements. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements. See *Forward-Looking Statements* and 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, 2019.

## OVERVIEW

A. H. Belo, headquartered in Dallas, Texas, is the leading local news and information publishing company in Texas. The Company has a growing presence in emerging media and digital marketing, and maintains capabilities related to commercial printing, distribution and direct mail. A. H. Belo delivers news and information in innovative ways to a broad range of audiences with diverse interests and lifestyles. The Company publishes *The Dallas Morning News* (*www.dallasnews.com*), Texas' leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. Its newspaper operations also provide commercial printing and distribution services to several large national newspapers. In addition, the Company has the capabilities of a full-service strategy, creative and media agency that focuses on strategic and digital marketing, and data intelligence that provide a measurable return on investment to its clients.

In the third quarter of 2019, in conjunction with a strategic change to move to a single decision-making reporting structure and based on how the Company's chief operating decision-maker makes decisions about allocating resources and assessing performance, the Company determined it has one reportable segment. With this reorganization, the Company has focused on enhancing its capabilities to provide customers with strategic, creative and media marketing solutions.

Currently, the rapid spread of coronavirus (COVID-19) globally has resulted in increased travel restrictions, and disruption and shutdown of businesses. The outbreak and any preventative or protective actions that the Company has taken and may continue to take, or may be imposed on the Company by governmental intervention, in respect of this virus may result in a period of disruption to the Company's financial reporting capabilities, its printing operations, and its operations generally. COVID-19 is impacting, and may continue to impact, the Company's customers, distribution partners, advertisers, production facilities, and third parties, and could result in additional loss of advertising revenue or supply chain disruption. Media was designated an essential business, therefore the Company's operations have continued throughout the pandemic. While digital subscriptions grew in the first half of 2020, the Company experienced decreased demand for its print and digital advertising. As a result, the Company implemented measures to reduce costs and preserve cash flow. These measures include reduction in the quarterly dividend rate, decreases in employee compensation, as well as reductions in discretionary spending. In addition, the Company will benefit from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). However, these measures may not be sufficient to fully offset the impact of the COVID-19 pandemic on the Company's business and, as such, the Company's results of operations may be negatively impacted.

As of September 30, 2020, the Company performed a review of potential impairment indicators for its long-lived assets, including intangible assets, property, plant and equipment, and right-of-use assets. The Company determined there were indicators of possible impairment and conducted a long-lived assets impairment review. Upon completion, it was determined the undiscounted cash flows from operations and disposition of the assets exceeded the carrying value of the asset group, thus no impairment was indicated.

## RESULTS OF OPERATIONS

**Consolidated Results of Operations (unaudited)**

This section contains discussion and analysis of net operating revenue, expense and other information relevant to an understanding of results of operations for the three and nine months ended September 30, 2020 and 2019. In the third quarter of 2019, in conjunction with the Company's organizational changes, the Company determined it has one reportable segment (see Note 2 – Segment Reporting). The Company determined that disaggregating revenue by print and digital products best aligned with the new Company structure.

The table below sets forth the components of A. H. Belo's operating income (loss).

| | *Three Months Ended September 30,* | | | *Nine Months Ended September 30,* | | |
|---|---|---|---|---|---|---|
| | *2020* | *Percentage Change* | *2019* | *2020* | *Percentage Change* | *2019* |
| Advertising and marketing services | $ 17,474 | (19.2)% | $ 21,616 | $ 52,392 | (26.2)% | $ 70,957 |
| Circulation | 16,111 | (4.2)% | 16,809 | 48,248 | (5.6)% | 51,095 |
| Printing, distribution and other | 4,157 | (10.3)% | 4,632 | 12,860 | (12.6)% | 14,709 |
| **Total Net Operating Revenue** | 37,742 | (12.3)% | 43,057 | 113,500 | (17.0)% | 136,761 |
| | | | | | | |
| **Total Operating Costs and Expense** | 40,159 | (19.7)% | 50,031 | 125,055 | 0.2 % | 124,808 |
| | | | | | | |
| **Operating Income (Loss)** | **$ (2,417)** | **65.3 %** | **$ (6,974)** | **$ (11,555)** | **(196.7)%** | **$ 11,953** |

Traditionally, the Company's primary 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 and economic conditions, the newspaper industry has faced a significant revenue decline over the past decade. Therefore, the Company has sought to diversify its revenues through development and investment in new product offerings, increased circulation rates and leveraging of its existing assets to offer cost efficient commercial printing and distribution services to its local markets. The Company continually evaluates the overall performance of its core products to ensure existing assets are deployed adequately to maximize return.

The Company's advertising revenue from its core newspapers continues to be adversely affected by the shift of advertiser spending to other forms of media and the increased accessibility of free online news content, as well as news content from other sources, which resulted in declines in advertising and paid print circulation volumes and revenue. Decreases in print display and classified categories are indicative of continuing trends by advertisers towards digital platforms, which are widely available from many sources. In the current environment, companies are allocating more of their advertising spending towards programmatic channels that provide digital advertising on multiple platforms with enhanced technology for targeted delivery and measurement. In addition, the Company did experience declines resulting from the COVID-19 pandemic beginning late in the first quarter.

In response to the decline in print revenue, the Company has developed agency and digital advertising capabilities through multiple media channels. The Company leverages its news content to improve engagement on the Company's digital platforms that results in increased digital subscriptions and associated revenue. The Company also continues to diversify its revenue base by leveraging the available capacity of its existing assets to provide print and distribution services for newspapers and other customers requiring these services, by introducing new advertising and marketing services products, and by increasing circulation prices.

Because of declining print circulation, the Company has developed broad digital strategies designed to provide readers with multiple platforms for obtaining online access to local news. The Company redesigned and expanded its website platforms and mobile applications in 2019 to provide a better customer experience with its digital news and information content. The Company continues to obtain additional key demographic data from readers, which allows the Company to provide content desired by readers and to modify marketing and distribution strategies to target and reach audiences valued by advertisers. The Company has implemented a programmatic digital advertising platform that provides digital ad placement and targeting efficiencies and increases utilization of digital inventory within the Company's websites and external websites.

***Advertising and marketing services revenue***

Advertising and marketing services revenue was 46.3 percent and 46.2 percent of total revenue for the three and nine months ended September 30, 2020, respectively, and 50.2 percent and 51.9 percent for the three and nine months ended September 30, 2019, respectively.

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2020 | Percentage Change | 2019 | 2020 | Percentage Change | 2019 |
| Print advertising | $ 11,529 | (16.9)% | $ 13,878 | $ 33,219 | (26.9)% | $ 45,434 |
| Digital advertising and marketing services | 5,945 | (23.2)% | 7,738 | 19,173 | (24.9)% | 25,523 |
| **Advertising and Marketing Services** | **$ 17,474** | **(19.2)%** | **$ 21,616** | **$ 52,392** | **(26.2)%** | **$ 70,957** |

**Print advertising**

Print advertising is comprised of display, classified and preprint advertising revenue.

Display and classified print revenue primarily represents sales of advertising space within the Company’s core and niche newspapers. As advertisers continue to diversify marketing budgets to incorporate more and varied avenues of reaching consumers, traditional display and classified advertising continues to decline. Display and classified print revenue decreased $1,296 and $7,507 in the three and nine months ended September 30, 2020, respectively, primarily due a revenue decline in all advertising categories, with the largest declines in the retail categories. In addition to the general trends adversely impacting the publishing industry, the Company experienced unfavorable impacts resulting from the COVID-19 pandemic, which started in the latter part of the first quarter of 2020.

Preprint revenue primarily reflects preprinted advertisements inserted into the Company’s core newspapers and niche publications, or distributed to non-subscribers through the mail. Revenue decreased $1,053 and $4,708 in the three and nine months ended September 30, 2020, respectively, due to a volume decline consistent with the circulation volumes discussed below and due to the impact of the COVID-19 pandemic.

**Digital advertising and marketing services**

Digital advertising and marketing services revenue consists of strategic marketing management, consulting, creative services, targeted and multi-channel (programmatic) advertising placed on third-party websites, digital sales of banner, classified and native advertisements on the Company’s news and entertainment-related websites and mobile apps, social media management, search optimization, direct mail and the sale of promotional materials. The Company’s auto sales division offered targeted advertising to auto dealerships primarily in the North Texas region desiring to advertise their inventory on the *cars.com* platform through September 30, 2019. Revenue decreased $1,793 and $6,350 in the three and nine months ended September 30, 2020, primarily due to the *cars.com* agreement ending.

***Circulation revenue***

Circulation revenue was 42.7 percent and 42.5 percent of total revenue for the three and nine months ended September 30, 2020, respectively, and 39.0 percent and 37.4 percent for the three and nine months ended September 30, 2019, respectively.

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2020 | Percentage Change | 2019 | 2020 | Percentage Change | 2019 |
| Print circulation | $ 14,360 | (7.4)% | $ 15,507 | $ 43,606 | (8.2)% | $ 47,501 |
| Digital circulation | 1,751 | 34.5 % | 1,302 | 4,642 | 29.2 % | 3,594 |
| **Circulation** | **$ 16,111** | **(4.2)%** | **$ 16,809** | **$ 48,248** | **(5.6)%** | **$ 51,095** |

**Print circulation**

Revenue decreased primarily due to a decline in home delivery revenue, driven by a volume decline of 9.0 percent and 10.6 percent for the three and nine months ended September 30, 2020, respectively. The volume declines were partially offset by rate increases. Single copy revenue also decreased compared to prior year, due to single copy paid print circulation volume declines of 29.7 percent and 24.2 percent for the three and nine months ended September 30, 2020, respectively.

**Digital circulation**

Revenue increased in the three and nine months ended September 30, 2020, due to an increase in digital-only subscriptions of 38.8 percent when compared to September 30, 2019, primarily resulting from increased interest in news related to the COVID-19 pandemic.

***Printing, distribution and other revenue***

Printing, distribution and other revenue was 11.0 percent and 11.3 percent of total revenue for the three and nine months ended September 30, 2020, respectively, 10.8 percent and 10.7 percent for the three and nine months ended September 30, 2019, respectively.

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2020 | Percentage Change | 2019 | 2020 | Percentage Change | 2019 |
| **Printing, Distribution and Other** | **$ 4,157** | **(10.3)%** | **$ 4,632** | **$ 12,860** | **(12.6)%** | **$ 14,709** |

Revenue decreased in the three and nine months ended September 30, 2020, primarily due to a decline in commercial printing revenue partially offset by an increase in shared mail packaging revenue.

***Operating Costs and Expense***

The table below sets forth the components of the Company's operating costs and expense.

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | *2020* | *Percentage Change* | *2019* | *2020* | *Percentage Change* | *2019* |
| Employee compensation and benefits | $ 16,499 | (15.4) % | $ 19,504 | $ 52,512 | (13.1) % | $ 60,456 |
| Other production, distribution and operating costs | 19,307 | (8.8) % | 21,171 | 58,958 | (12.3) % | 67,200 |
| Newsprint, ink and other supplies | 2,476 | (37.7) % | 3,972 | 8,018 | (37.1) % | 12,741 |
| Depreciation | 1,753 | (23.4) % | 2,289 | 5,320 | (24.1) % | 7,008 |
| Amortization | 63 | (55.0) % | 140 | 191 | (46.3) % | 356 |
| (Gain) loss on sale/disposal of assets, net | 61 | (95.5) % | 1,362 | 56 | 100.2 % | (24,546) |
| Asset impairments | — | (100.0) % | 1,593 | — | (100.0) % | 1,593 |
| **Total Operating Costs and Expense** | **$ 40,159** | **(19.7) %** | **$ 50,031** | **$ 125,055** | **0.2 %** | **$ 124,808** |

**Employee compensation and benefits** – The Company continues to implement measures to optimize its workforce and evaluate strategies to reduce risk associated with future obligations for employee benefit plans. Employee compensation and benefits decreased $3,005 and $7,944 in the three and nine months ended September 30, 2020, respectively, primarily due to headcount reductions of 120 since September 30, 2019, and as a result of the Company reducing employees' compensation, including variable compensation related to bonuses, starting in the second quarter of 2020 in order to mitigate the financial impact of COVID-19.

**Other production, distribution and operating costs** – Expense decreased $1,864 and $8,242 in three and nine months ended September 30, 2020, respectively, primarily due to a reduction in outside services expense and the continued management of discretionary spending, which will continue as a result of measures the Company is taking in response to COVID-19.

**Newsprint, ink and other supplies** – Expense decreased $1,496 and $4,723 in the three and nine months ended September 30, 2020, respectively, due to competitive pricing available under its paper supply agreement, reduced newsprint costs associated with lower circulation volumes and the decline in commercial printing. Newsprint consumption for the three months ended September 30, 2020 and 2019, approximated 2,500 and 2,921 metric tons, respectively, and 7,348 and 9,770 metric tons for the nine months ended September 30, 2020 and 2019, respectively.

**Depreciation** – Expense decreased due to a lower depreciable asset base as a higher level of in-service assets are now fully depreciated and the Company has reduced capital spending.

**Amortization** – Expense decreased due to an intangible asset being fully amortized in 2019, and the only remaining intangible asset is comprised of customer relationships.

**(Gain) loss on sale/disposal of assets, net** – In 2020, the Company disposed assets and sold production related assets that were no longer in use. In the third quarter of 2019, the Company recorded a loss of $1,362 on the disposal of newspaper production assets, as a result of reduced brokered and commercial printing, and publishing software that was replaced by a new digital content platform. In the second quarter of 2019, the Company completed the sale of real estate previously used as the Company's headquarters for $28,000, resulting in a pretax gain of $25,908.

**Asset impairments** – In the third quarter of 2019, in conjunction with the Company's organizational changes, the Company conducted an impairment review of goodwill and long-lived assets. As a result, the Company recorded a noncash goodwill impairment charge of $1,593 in the third quarter of 2019, fully impairing goodwill.

***Other***

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

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2020 | Percentage Change | 2019 | 2020 | Percentage Change | 2019 |
| Other income, net | $ 2,095 | 80.4 % | $ 1,161 | $ 4,778 | 53.0 % | $ 3,123 |
| Income tax provision (benefit) | $ (224) | 87.6% | $ (1,808) | $ (1,644) | (135.1)% | $ 4,688 |

**Other income, net** – Other income, net is primarily comprised of net periodic pension and other post-employment benefit of $1,154 and $3,461 for the three and nine months ended September 30, 2020, respectively, and $818 and $2,455 for the three and nine months ended September 30, 2019, respectively. On September 24, 2020, the Company's shares of eSite Analytics, Inc. ("eSite") were repurchased by eSite for $750, recognized in other income, net. Interest income (expense) is also included in other income, net.

**Income tax provision (benefit)** – The Company recognized income tax provision (benefit) of $(224) and $(1,808) for the three months ended September 30, 2020 and 2019, respectively, and $(1,644) and $4,688 for the nine months ended September 30, 2020 and 2019, respectively. Effective income tax rates were 24.3 percent and 31.1 percent for the nine months ended September 30, 2020 and 2019, respectively. The income tax benefit for the three months ended September 30, 2020, was due to a change in the Company's estimated annual effective tax rate and additional losses generated from operations. The income tax benefit for the nine months ended September 30, 2020, was due to the recognition of the 2018 net operating loss carryback permitted by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), partially offset by the effect of the Texas margin tax.

The income tax benefit for the three months ended September 30, 2019, was due to the Texas margin tax, offset by losses generated from operations in the third quarter. The income tax provision for the nine months ended September 30, 2019, was due to the Texas margin tax and applying the estimated annual effective tax rate to year-to-date income, which included effects of the income generated from the sale of the Company's former headquarters (see Note 13 – Disposal of Assets).

**Legal proceedings** – From time to time, the Company is involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. Management routinely assesses the likelihood of adverse judgments or outcomes in these matters, as well as the ranges of probable losses to the extent losses are reasonably estimable. Accruals for contingencies are recorded when, in the judgment of management, adverse judgments or outcomes are probable and the financial impact, should an adverse outcome occur, is reasonably estimable. The determination of likely outcomes of litigation matters relates to factors that include, but are not limited to, past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

**Liquidity and Capital Resources**

The Company's cash balances as of September 30, 2020 and December 31, 2019, were $43,174 and $48,626, respectively.

The Company intends to hold the majority of existing cash for purposes of future investment opportunities, potential return of capital to shareholders and for contingency purposes. Although revenue is expected to continue to decline in future periods, cash on hand, cash flows, relief from the CARES Act, and other cost cutting measures, including the actions in response to the financial impact of COVID-19 described below, are expected to be sufficient to fund operating activities and capital spending of less than $500 over the remainder of the year.

The future approval of dividends is dependent upon available cash after considering future operating and investing requirements and cannot be guaranteed. The Company continues to have a board-authorized repurchase authority. However, the agreement to repurchase the Company's stock expired in the fourth quarter of 2019 and was not renewed. Current holdings of treasury stock can be sold on the open market.

As a result of the recent COVID-19 outbreak that began in January 2020, the Company is experiencing an increase in digital subscriptions, which currently does not offset the loss of advertising revenue. On April 6, 2020, the Company announced that it was taking several actions to reduce cash outflow in response to the financial impact of COVID-19. The Company reduced operating expenses, reduced capital expenditures to less than $1,000 in 2020, and lowered the quarterly dividend rate to $0.04 per share for dividends declared. Beginning with the 2020 annual meeting of shareholders, the board of directors' compensation was reduced and the board was reduced in size by two. In addition, employees' base compensation was reduced Company-wide, and the annual bonus tied to financial metrics for eligible employees may be reduced if financial results are adversely affected. In October, the Company restored base salaries prospectively for all employees, with the exception of the management committee that reports to the Chief Executive Officer.

In response to COVID-19, the CARES Act was signed into law on March 27, 2020. The CARES Act provides numerous tax provisions and other stimulus measures. The Company has benefited from the temporary five-year net operating loss carryback provision and the technical correction for qualified leasehold improvements, which changes 39-year property to 15-year property, eligible for 100 percent tax bonus depreciation. Applying the technical correction to 2018 has resulted in reporting additional tax depreciation of $1,017 and increased the 2018 net operating loss to approximately $6,829. The loss was carried back against 2014 taxes paid at the federal statutory rate of 35 percent that was previously in effect, resulting in an expected cash refund of $2,345, recorded in prepaids and other current assets in the Consolidated Balance Sheet as of September 30, 2020. On October 2, 2020, the refund plus interest was received.

As a direct result of COVID-19 uncertainties, on April 3, 2020, the Company and the Purchaser entered into an amendment to the two-year seller-financed promissory note of $22,400, for the sale of the real estate assets previously used as the Company's headquarters. The second promissory note, in the principal amount of $375, includes a deferred interest payment of $195 that was due April 1, 2020, and a 2019 real property tax reconciliation payment due from the Purchaser. The Company has evaluated the collectability of the note as a result of the request to defer an interest payment by the Purchaser. Management believes that as of September 30, 2020, the Promissory Note is recoverable since the underlying collateral value has not materially changed from the sale date per Dallas County tax records. In addition, on October 1, 2020, the Purchaser paid the third quarter 2020 interest payment of $253. Management continues to monitor the credit worthiness of the Purchaser and the value of the underlying collateral given current economic conditions.

The Company continues to evaluate the future material impacts on its consolidated financial statements that may result from the actions taken by the Company and its customers in respect of this virus.

The following discusses the changes in cash flows by operating, investing and financing activities.

**Operating Cash Flows**

Net cash provided by (used for) operating activities for the nine months ended September 30, 2020 and 2019, was $(1,280) and $2,785, respectively. Cash flows from operating activities decreased by $4,065 during the nine months ended September 30, 2020, when compared to the prior year period, primarily due to a net loss of $5,133 in 2020, and changes in working capital and other operating assets and liabilities.

**Investing Cash Flows**

Net cash provided by investing activities was $110 and $1,034 for the nine months ended September 30, 2020 and 2019, respectively. Cash flows from investing activities decreased due to cash proceeds of $4,597 received during the second quarter of 2019 related to the sale of real estate previously used as the Company's headquarters in downtown Dallas, Texas, partially offset by the acquisition of Cubic, Inc. for $2,425. Cash flows from investing activities also included $750 for the sale of the Company's eSite shares that were repurchased by eSite in the third quarter of 2020. Capital spending was $645 and $1,207 in 2020 and 2019, respectively. The Company reduced its capital spending plan for 2020 in response to the financial impact of COVID-19 as discussed above.

**Financing Cash Flows**

Net cash used for financing activities was $4,282 and $5,883 for the nine months ended September 30, 2020 and 2019, respectively. Cash used for financing activities included dividend payments of $4,282 and $5,164 in 2020 and 2019, respectively. Additionally, in 2019, the Company purchased 183,458 shares of its Series A common stock at a cost of $719 under its board-authorized repurchase authority.

**Financing Arrangements**

None.

**Contractual Obligations**

The Company has contractual obligations for operating leases, primarily for office space and other distribution centers, some of which include escalating lease payments. See Note 5 – Leases for future lease payments by year.

Under the applicable tax and labor laws governing pension plan funding, no contributions to the A. H. Belo Pension Plans are required in 2020.

On September 24, 2020, the Company's board of directors declared a $0.04 per share dividend to shareholders of record as of the close of business on November 13, 2020, which is payable on December 4, 2020.

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, 2019, filed on May 8, 2020, with the Securities and Exchange Commission ("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, 2019.

*Forward-Looking Statements*

*Statements in this communication concerning A. H. Belo Corporation's business outlook or future economic performance, revenues, expenses, 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, trends and uncertainties are, in most instances, beyond the Company's control, and include the current and future impacts of the COVID-19 virus outbreak on the Company's financial reporting capabilities and its operations generally and the potential impact of such virus on the Company's customers, distribution partners, advertisers, production facilities, and third parties, as well as changes in advertising demand and other economic conditions; consumers' tastes; newsprint prices; program costs; labor relations; cybersecurity incidents; technology obsolescence; as well as other risks described in the Company's Annual Report on Form 10-K and in the Company's other public disclosures and filings with the Securities and Exchange Commission. Among other risks, there can be no guarantee that the board of directors will approve a quarterly dividend in future quarters. Forward-looking statements, which are as of the date of this filing, are not updated to reflect events or circumstances after the date of the statement.*

**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, 2019.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are controls that are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, management is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures is also based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Company's management, with the participation of its Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation, management concluded that as of the end of the period covered by this report, due to material weaknesses in internal control over financial reporting described in Management's Report on Internal Control Over Financial Reporting in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Management's Report on Internal Controls"), the Company's disclosure controls and procedures were not effective.

Notwithstanding the material weaknesses, management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. generally accepted accounting principles.

**Management's Report on Internal Control Over Financial Reporting**

The Company's management, with oversight from the Audit Committee of the Board of Directors of the Company, is actively engaged in remediation efforts to address the material weaknesses identified in the Management's Report on Internal Controls. Management evaluated alternatives for modifying the design of certain ineffective controls to remediate the 2019 material weaknesses including the following:

- Modify certain process-level controls over the accuracy and occurrence of revenue.
- Review the design of all process-level revenue controls and improve, as needed.
- In its efforts to remediate the 2018 material weaknesses, the Company enhanced training provided to all personnel who have financial reporting or internal control responsibilities. The training included a review of individual roles and responsibilities related to internal controls, improvements in oversight responsibilities and reemphasized the importance of completing the control procedures. However, in light of the material weaknesses identified for 2019 noted above, the Company concluded that these efforts were not effective and will continue to increase training in conjunction with reviewing the design and operating effectiveness of all revenue controls.

These improvements are targeted at strengthening the Company's internal control over financial reporting and remediating the 2019 material weaknesses. The Company remains committed to an effective internal control environment and management believes that these actions and the improvements management expects to achieve as a result, will effectively remediate the 2019 material weaknesses. However, the material weaknesses in the Company's internal control over financial reporting will not be considered remediated until the controls operate for a sufficient period of time and management has concluded, through testing, that these controls operate effectively. As of the date of filing this Form 10-Q, management is in the process of either final implementation or testing of these additional controls to determine whether they are operating effectively.

**Changes in Internal Control Over Financial Reporting**

Except as related to the mitigation activities associated with the material weaknesses described above, there have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the third fiscal quarter ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's 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, 2019.

### 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 continues to have a board-authorized repurchase authority. However, the agreement to repurchase the Company's stock expired in the fourth quarter of 2019 and was not renewed.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

None.

**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 | | |
|---|---|---|---|---|
| 2.1 | * | Agreement and Plan of Merger dated April 23, 2018 by and between A. H. Belo Corporation and A. H. Belo Texas, Inc. (Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 23, 2018 (Securities and Exchange Commission File No. 001-33741) (the "April 23, 2018 Form 8-K")) | | |
| 3.1 | * | Certificate of Formation of A. H. Belo Corporation (successor to A. H. Belo Texas, Inc.)(Exhibit 3.1 to the April 23, 2018 Form 8-K) | | |
| 3.2 | * | Certificate of Merger (Delaware) of A. H. Belo Corporation with and into A. H. Belo Texas, Inc. (Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 2, 2018 (Securities and Exchange Commission File No. 001-33741) (the "July 2, 2018 Form 8-K")) | | |
| 3.3 | * | Certificate of Merger (Texas) of A. H. Belo Corporation with and into A. H. Belo Texas, Inc. (Exhibit 3.4 to the July 2, 2018 Form 8-K) | | |
| 3.4 | * | Bylaws of A. H. Belo Corporation (successor to A. H. Belo Texas, Inc.) (Exhibit 3.2 to the April 23, 2018 Form 8-K) | | |
| | | (1) | * | Amendment No. 1 to the Amended and Restated Bylaws of A. H. Belo Corporation (Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 6, 2020 (Securities and Exchange Commission File No. 001-33741) (the "April 6, 2020 Form 8-K")) |
| 4.1(a) | * | Certain rights of the holders of the Company's Common Stock set forth in Exhibits 3.1-3.4 above | | |
| 4.1(b) | * | Description of Capital Stock (Exhibit 4.1 to the July 2, 2018 Form 8-K) | | |
| 4.2 | * | Specimen Form of Certificate representing shares of the Company's Series A Common Stock (Exhibit 4.2 to the July 2, 2018 Form 8-K) | | |
| 4.3 | * | Specimen Form of Certificate representing shares of the Company's Series B Common Stock (Exhibit 4.3 to the July 2, 2018 Form 8-K) | | |
| 10.1 | * | Material Contracts | | |
| | | (1) | * | Sublease Agreement for Old Dallas Library Building dated December 30, 2016 (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 3, 2017 (Securities and Exchange Commission File No. 001-33741) (the "January 3, 2017 Form 8-K")) |
| | | (2) | * | Guaranty of Lease dated December 30, 2016 (Exhibit 10.2 to the January 3, 2017 Form 8-K) |
| | | (3) | * | Paper Supply Agreement effective as of August 5, 2019, by and between The Dallas Morning News, Inc. and Gannett Supply Corporation (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2019 (Securities and Exchange Commission File No. 001-33741)) |
| | | (4) | * | Purchase and Sale Agreement effective as of May 17, 2019, by and between The Dallas Morning News, Inc. and Charter DMN Holdings, LP, together with related Promissory Note dated May 17, 2019, in the original principal amount of $22.4 million made by Charter DMN Holdings, LP, payable to The Dallas Morning News, Inc. (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 17, 2019 (Securities and Exchange Commission File No. 001-33741)) |
| | | | * (a) | Modification Agreement effective April 1, 2020 to Promissory Note dated May 17, 2020 (Exhibit 10.1 to the April 6, 2020 Form 8-K) |
| | | | * (b) | Promissory Note (Interest and Property Tax Reconciliation) effective April 1, 2020 (Exhibit 10.2 to the April 6, 2020 Form 8-K) |

| Exhibit Number | | Description | | | |
|---|---|---|---|---|---|
| 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)) |
| | | | * | (a) | First Amendment to the A. H. Belo Savings Plan effective January 1, 2016 (Exhibit 10.2(1)(a) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 1, 2016 (Securities and Exchange Commission File No. 001-33741)) |
| | | | * | (b) | Second Amendment to the A. H. Belo Savings Plan effective September 8, 2016 (Exhibit 10.2(1)(b) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 1, 2016 (Securities and Exchange Commission File No. 001-33741)) |
| | | | * | (c) | Third Amendment to the A. H. Belo Savings Plan dated September 7, 2017 (Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2017 (Securities and Exchange Commission File No. 001-33741)(the "September 8, 2017 Form 8-K")) |
| | | | * | (d) | Fourth Amendment to the A. H. Belo Savings Plan (Exhibit 10.2 to the July 2, 2018 Form 8-K) |
| | | | * | (e) | Fifth Amendment to the A. H. Belo Savings Plan dated November 27, 2018 (Exhibit 10.2(1)(E) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 29, 2019 (Securities and Exchange Commission File No. 001-33741)(the "1st Quarter 2019 Form 10-Q")) |
| | | | * | (f) | Sixth Amendment to the A. H. Belo Savings Plan dated April 1, 2019 (Exhibit 10.2(1)(F) to the 1st Quarter 2019 Form 10-Q) |
| | | | * | (g) | Seventh Amendment to the A. H. Belo Savings Plan dated December 1, 2019 (Exhibit 10.2(1)(G) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 14, 2020 (Securities and Exchange Commission File No. 001-33741)) |
| | | | * | (h) | Eighth Amendment to the A. H. Belo Savings Plan dated July 23, 2020 (Exhibit 10.2(1)(H) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 28, 2020 (Securities and Exchange Commission File No. 001-33741)) |
| | | ~(2) | * | | A. H. Belo 2017 Incentive Compensation Plan (Exhibit I to A. H. Belo Corporation's Schedule 14A Proxy Statement filed with the Securities and Exchange Commission on March 28, 2017) |
| | | | * | (a) | First Amendment to the A. H. Belo 2017 Incentive Compensation Plan (Exhibit 10.1 to the July 2, 2018 Form 8-K) |
| | | | * | (b) | Form of A. H. Belo 2017 Incentive Compensation Plan Evidence of Grant (for Non-Employee Directors) (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 12, 2017 (Securities and Exchange Commission File No. 001-33741) (the "May 12, 2017 Form 8-K")) |
| | | | * | (c) | Form of A. H. Belo 2017 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.2 to the May 12, 2017 Form 8-K) |
| | | ~(3) | * | | Form of A. H. Belo Cash Long-Term Incentive Compensation Evidence of Grant (for Employee Awards) (Exhibit 10.1 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2019 (Securities and Exchange Commission File No. 001-33741)) |
| | | ~(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) |

| Exhibit Number | | Description |
|---|---|---|
| | ~(5) | * Robert W. Decherd Compensation Arrangements dated June 19, 2013 (Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 19, 2013) |
| 10.3 * | | Agreements relating to the separation of A. H. Belo from its former parent company: |
| | (1) | * 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)) |
| | (2) | * 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)) |
| 31.1 | | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | | Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | | Certifications of Chief Executive Officer and principal 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 | | ** Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | | ** Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | | ** Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | | ** Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | | ** Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | | ** Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | | ** Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

## 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
Executive Vice President/Chief Financial Officer
(Principal Financial Officer)

Dated: October 26, 2020

## EXHIBIT INDEX

| Exhibit Number | | Description |
|---|---|---|
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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.

**Exhibit 31.1**

**SECTION 302 CERTIFICATION**

I, Robert W. Decherd, Chairman of the Board, President and Chief Executive Officer of A. H. Belo Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. H. Belo Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Robert W. Decherd
Robert W. Decherd
Chairman of the Board, President and Chief Executive Officer

Date: October 26, 2020

**Exhibit 31.2**

**SECTION 302 CERTIFICATION**

I, Katy Murray, Executive Vice President/Chief Financial Officer of A. H. Belo Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. H. Belo Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Katy Murray

Katy Murray
Executive Vice President/Chief Financial Officer

Date: October 26, 2020

**Exhibit 32**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of A. H. Belo Corporation (the "Company") on Form 10-Q for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert W. Decherd, Chairman of the Board, President and Chief Executive Officer of the Company, and Katy Murray, Executive Vice President/Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Robert W. Decherd
Robert W. Decherd
Chairman of the Board, President and Chief Executive Officer

Date: October 26, 2020

By: /s/ Katy Murray
Katy Murray
Executive Vice President/Chief Financial Officer

Date: October 26, 2020