

# 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, 2021**

OR

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



## DallasNews 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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Series A Common Stock, \$0.01 par value	DALN	The Nasdaq Stock Market LLC

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 21, 2021: 5,352,490 shares (consisting of 4,737,280 shares of Series A Common Stock and 615,210 shares of Series B Common Stock).

# DALLASNEWS CORPORATION

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## PART I

### Item 1. Financial Information

#### DallasNews Corporation and Subsidiaries Consolidated Statements of Operations

<i>In thousands, except share and per share amounts (unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Net Operating Revenue:</b>				
Advertising and marketing services	\$ 18,101	\$ 17,474	\$ 53,471	\$ 52,392
Circulation	16,157	16,111	48,272	48,248
Printing, distribution and other	4,053	4,157	12,051	12,860
Total net operating revenue	38,311	37,742	113,794	113,500
<b>Operating Costs and Expense:</b>				
Employee compensation and benefits	17,131	16,499	53,194	52,512
Other production, distribution and operating costs	20,041	19,307	59,282	58,958
Newsprint, ink and other supplies	2,439	2,476	7,158	8,018
Depreciation	1,018	1,753	3,127	5,320
Amortization	—	63	64	191
Loss on sale/disposal of assets, net	30	61	29	56
Asset impairments	232	—	232	—
Total operating costs and expense	40,891	40,159	123,086	125,055
Operating loss	(2,580)	(2,417)	(9,292)	(11,555)
Other income, net	1,827	2,095	4,694	4,778
<b>Loss Before Income Taxes</b>	<b>(753)</b>	<b>(322)</b>	<b>(4,598)</b>	<b>(6,777)</b>
Income tax benefit	(2,384)	(224)	(1,982)	(1,644)
<b>Net Income (Loss)</b>	<b>\$ 1,631</b>	<b>\$ (98)</b>	<b>\$ (2,616)</b>	<b>\$ (5,133)</b>
<b>Per Share Basis</b>				
Net income (loss)				
Basic and diluted <sup>(1)</sup>	\$ 0.30	\$ (0.02)	\$ (0.49)	\$ (0.96)
Number of common shares used in the per share calculation:				
Basic and diluted <sup>(1)</sup>	5,352,490	5,352,490	5,352,490	5,352,490

(1) Share and per share amounts have been retroactively adjusted to reflect the one-for-four reverse stock split effective June 8, 2021. See [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#) for additional information.

See the accompanying Notes to the Consolidated Financial Statements.

**DallasNews Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**

<i>In thousands (unaudited)</i>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Net Income (Loss)</b>	\$ 1,631	\$ (98)	\$ (2,616)	\$ (5,133)
<b>Other Comprehensive Income, Net of Tax:</b>				
Amortization of actuarial losses	360	219	1,080	657
Total other comprehensive income, net of tax	360	219	1,080	657
<b>Total Comprehensive Income (Loss)</b>	<u>\$ 1,991</u>	<u>\$ 121</u>	<u>\$ (1,536)</u>	<u>\$ (4,476)</u>

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

**DallasNews Corporation and Subsidiaries**  
**Consolidated Balance Sheets**

<i>In thousands, except share amounts (unaudited)</i>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 34,659	\$ 42,015
Accounts receivable (net of allowance of \$584 and \$712 at September 30, 2021 and December 31, 2020, respectively)	14,249	16,562
Notes receivable	22,400	22,775
Inventories	2,201	1,974
Prepays and other current assets	5,216	4,780
Total current assets	<u>78,725</u>	<u>88,106</u>
Property, plant and equipment, at cost	312,664	312,532
Less accumulated depreciation	(303,456)	(300,573)
Property, plant and equipment, net	9,208	11,959
Operating lease right-of-use assets	18,219	20,406
Intangible assets, net	—	64
Deferred income taxes, net	102	76
Other assets	2,203	2,604
Total assets	<u>\$ 108,457</u>	<u>\$ 123,215</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 6,197	\$ 7,759
Accrued compensation and benefits	6,868	5,754
Other accrued expense	5,283	5,075
Contract liabilities	12,139	12,896
Total current liabilities	<u>30,487</u>	<u>31,484</u>
Long-term pension liabilities	14,317	18,520
Long-term operating lease liabilities	19,863	21,890
Other post-employment benefits	1,336	1,372
Other liabilities	151	3,541
Total liabilities	<u>66,154</u>	<u>76,807</u>
Shareholders' equity:		
Preferred stock, \$0.01 par value; Authorized 2,000,000 shares; none issued	—	—
Common stock, \$0.01 par value; Authorized 31,250,000 shares <sup>(1)</sup>		
Series A: issued 5,215,745 and 5,213,710 shares at September 30, 2021 and December 31, 2020, respectively <sup>(1)</sup>	52	209
Series B: issued 615,210 and 617,245 shares at September 30, 2021 and December 31, 2020, respectively <sup>(1)</sup>	6	24
Treasury stock, Series A, at cost; 478,465 shares held at September 30, 2021 and December 31, 2020 <sup>(1)</sup>	(13,443)	(13,443)
Additional paid-in capital	494,563	494,389
Accumulated other comprehensive loss	(31,388)	(32,468)
Accumulated deficit	(407,487)	(402,303)
Total shareholders' equity	<u>42,303</u>	<u>46,408</u>
Total liabilities and shareholders' equity	<u>\$ 108,457</u>	<u>\$ 123,215</u>

(1) Share amounts have been retroactively adjusted to reflect the one-for-four reverse stock split effective June 8, 2021. The number of authorized shares of common stock was reduced proportionately. See [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#) for additional information.

See the accompanying Notes to the Consolidated Financial Statements.

**DallasNews Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**

<i>In thousands, except share and per share amounts (unaudited)</i>	<b>Nine Months Ended September 30, 2021 and 2020</b>								
	<b>Common Stock</b>			<b>Additional Paid-in Capital</b>	<b>Treasury Stock</b>		<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares Series A</b>	<b>Shares Series B</b>	<b>Amount</b>		<b>Shares Series A</b>	<b>Amount</b>			
Balance at December 31, 2019 <sup>(1)</sup>	5,213,654	617,301	\$ 233	\$ 494,389	(478,465)	\$ (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 <sup>(1)</sup>	56	(56)	—	—	—	—	—	—	—
Dividends declared (\$0.64 per share) <sup>(1)</sup>	—	—	—	—	—	—	—	(3,425)	(3,425)
Balance at September 30, 2020 <sup>(1)</sup>	5,213,710	617,245	\$ 233	\$ 494,389	(478,465)	\$ (13,443)	\$ (31,637)	\$ (399,706)	\$ 49,836
Balance at December 31, 2020 <sup>(1)</sup>	5,213,710	617,245	\$ 233	\$ 494,389	(478,465)	\$ (13,443)	\$ (32,468)	\$ (402,303)	\$ 46,408
Net loss	—	—	—	—	—	—	—	(2,616)	(2,616)
Other comprehensive income	—	—	—	—	—	—	1,080	—	1,080
Conversion of Series B to Series A <sup>(1)</sup>	2,035	(2,035)	—	—	—	—	—	—	—
Dividends declared (\$0.48 per share) <sup>(1)</sup>	—	—	—	—	—	—	—	(2,568)	(2,568)
Fractional shares paid out related to the reverse stock split	—	—	—	(1)	—	—	—	—	(1)
Reduction of shares at par value related to the reverse stock split	—	—	(175)	175	—	—	—	—	—
Balance at September 30, 2021	5,215,745	615,210	\$ 58	\$ 494,563	(478,465)	\$ (13,443)	\$ (31,388)	\$ (407,487)	\$ 42,303

<i>In thousands, except share and per share amounts (unaudited)</i>	<b>Three Months Ended September 30, 2021 and 2020</b>								
	<b>Common Stock</b>			<b>Additional Paid-in Capital</b>	<b>Treasury Stock</b>		<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares Series A</b>	<b>Shares Series B</b>	<b>Amount</b>		<b>Shares Series A</b>	<b>Amount</b>			
Balance at June 30, 2020 <sup>(1)</sup>	5,213,710	617,245	\$ 233	\$ 494,389	(478,465)	\$ (13,443)	\$ (31,856)	\$ (398,752)	\$ 50,571
Net loss	—	—	—	—	—	—	—	(98)	(98)
Other comprehensive income	—	—	—	—	—	—	219	—	219
Dividends declared (\$0.16 per share) <sup>(1)</sup>	—	—	—	—	—	—	—	(856)	(856)
Balance at September 30, 2020 <sup>(1)</sup>	5,213,710	617,245	\$ 233	\$ 494,389	(478,465)	\$ (13,443)	\$ (31,637)	\$ (399,706)	\$ 49,836
Balance at June 30, 2021	5,215,740	615,215	\$ 58	\$ 494,563	(478,465)	\$ (13,443)	\$ (31,748)	\$ (408,262)	\$ 41,168
Net income	—	—	—	—	—	—	—	1,631	1,631
Other comprehensive income	—	—	—	—	—	—	360	—	360
Conversion of Series B to Series A	5	(5)	—	—	—	—	—	—	—
Dividends declared (\$0.16 per share)	—	—	—	—	—	—	—	(856)	(856)
Balance at September 30, 2021	5,215,745	615,210	\$ 58	\$ 494,563	(478,465)	\$ (13,443)	\$ (31,388)	\$ (407,487)	\$ 42,303

(1) Share and per share amounts have been retroactively adjusted to reflect the one-for-four reverse stock split effective June 8, 2021. See [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#) for additional information.

See the accompanying Notes to the Consolidated Financial Statements.

**DallasNews Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**

<i>In thousands (unaudited)</i>	<i>Nine Months Ended September 30,</i>	
	<i>2021</i>	<i>2020</i>
<b>Operating Activities</b>		
Net loss	\$ (2,616)	\$ (5,133)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	3,191	5,511
Net periodic pension and other post-employment benefit	(3,105)	(3,461)
Bad debt expense	106	490
Deferred income taxes	(26)	23
Loss on sale/disposal of assets, net	29	56
Gain on investment related activity	—	(732)
Changes in working capital and other operating assets and liabilities:		
Accounts receivable	2,207	2,402
Inventories, prepaids and other current assets	(663)	(2,669)
Other assets	401	1,022
Accounts payable	(1,562)	(311)
Compensation and benefit obligations	1,114	(572)
Other accrued expenses	(2,905)	(615)
Contract liabilities	(757)	2,762
Other post-employment benefits	(54)	(53)
Net cash used for operating activities	<u>(4,640)</u>	<u>(1,280)</u>
<b>Investing Activities</b>		
Purchases of assets	(523)	(645)
Sales of assets	1	5
Proceeds from sale of investment	—	750
Note payment received for asset sales	375	—
Net cash provided by (used for) investing activities	<u>(147)</u>	<u>110</u>
<b>Financing Activities</b>		
Dividends paid	(2,568)	(4,282)
Fractional share payments related to the reverse stock split	(1)	—
Net cash used for financing activities	<u>(2,569)</u>	<u>(4,282)</u>
Net decrease in cash and cash equivalents	(7,356)	(5,452)
Cash and cash equivalents, beginning of period	42,015	48,626
Cash and cash equivalents, end of period	<u>\$ 34,659</u>	<u>\$ 43,174</u>
<b>Supplemental Disclosures</b>		
Income tax paid, net	\$ 693	\$ 751
Noncash investing and financing activities:		
Dividends payable	856	856
Note receivable for asset sales	—	375

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

**DallasNews Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**

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

**Description of Business.** DallasNews Corporation, formerly A. H. Belo Corporation, and its subsidiaries are referred to collectively herein as “DallasNews” 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. DallasNews 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](http://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.

**Name Change and Stock Exchange Listing.** The Company transferred its stock exchange listing from the New York Stock Exchange (“NYSE”) to The Nasdaq Stock Market LLC (“Nasdaq”) and changed its corporate name to DallasNews Corporation. The listing and trading of the Company’s Series A common stock on the NYSE ceased trading at market close on June 28, 2021, and began trading on Nasdaq at market open on June 29, 2021, under the ticker symbol “DALN.”

**Reverse Stock Split.** On May 13, 2021, at the Company’s 2021 annual meeting of shareholders, its shareholders approved a reverse stock split at a ratio of not less than one-for-three and not more than one-for-five, with the exact ratio to be determined by the Company’s board of directors. Following the annual meeting, the Company’s board of directors approved a one-for-four reverse stock split of its issued, outstanding and treasury shares of common stock, par value \$0.01 per share, which became effective June 8, 2021. As a result, every four shares of the Company’s issued and outstanding Series A common stock and Series B common stock (and any such shares held in treasury) were converted into one share of Series A common stock and Series B common stock, respectively. No fractional shares were issued in connection with the reverse stock split. The par value of the Series A and Series B common stock was not adjusted as a result of the reverse stock split and the Company reclassified an amount equal to the reduction in the number of Company shares at par value to additional paid-in capital. All issued and outstanding Series A and Series B common stock and per share amounts in the interim consolidated financial statements and footnotes included herein have been retroactively adjusted to reflect this reverse stock split for all periods presented. Share amounts retroactively adjusted to reflect the reverse stock split exclude 90 fractional shares of Series A common stock and 26 fractional shares of Series B common stock, which were settled in cash.

**COVID-19 Pandemic.** The COVID-19 pandemic that began in January 2020, resulted in increased travel restrictions, and disruption and shutdown of businesses. The pandemic 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 the pandemic 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 pandemic 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 pandemic impacts the Company’s results will depend on future developments, which are highly uncertain and include the actions taken by governments and private businesses in response to the pandemic. The COVID-19 pandemic is likely to continue to have an adverse impact on the Company’s business, results of operations and financial condition at least for the near term. 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 the pandemic.

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Media was designated an essential business, therefore the Company's operations 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 per share. 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 was not achieved. In August 2020, the Company began to restore base salaries and by October, the Company restored base salaries prospectively for all employees, with the exception of the executive officers that report to the Chief Executive Officer. The executive officers' base salaries were restored effective January 1, 2021.

Beginning in June 2021, the Company allowed its employees to return to the office on a voluntary basis. Management continues to review the plan for all employees to return to the office.

**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 consolidated financial information as of and for the periods indicated in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim periods. All intercompany balances and transactions have been eliminated in consolidation. The Company consolidates its majority owned subsidiaries over which the Company exercises control. 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, 2020. All dollar amounts presented herein, except share and per share amounts, are in thousands, unless the context indicates otherwise.

**Use of Estimates.** The preparation of financial statements in conformity with 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.

**Segment Presentation.** 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. Based on how the Company's CODM makes decisions about allocating resources and assessing performance, the Company determined it has one reportable segment.

**Investments.** In September 2020, the Company's shares of eSite Analytics, Inc. ("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.

**Property, Plant and Equipment.** As of September 30, 2021, the Company performed a review of potential impairment indicators for its long-lived assets, including property, plant and equipment, and right-of-use assets. The Company determined there was no significant decrease in the market value of the long-lived assets or significant change in the extent or manner in which the asset group is being used or in its physical condition as of September 30, 2021, and there was no significant adverse change in legal factors or in the business climate during the period that could affect the value of the asset group. Based upon the review of indicators, the Company did not identify any events or changes in circumstances that indicate the carrying amount of long-lived assets may not be recoverable. See [Note 3 – Leases](#) for information on right-of-use asset impairment occurring during the period.

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**New Accounting Pronouncements.** The Financial Accounting Standards Board (“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 Accounting Standards Update 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.

## Note 2: 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.

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Advertising and Marketing Services</b>				
Print advertising	\$ 11,236	\$ 11,529	\$ 34,727	\$ 33,219
Digital advertising and marketing services	6,865	5,945	18,744	19,173
Total	\$ 18,101	\$ 17,474	\$ 53,471	\$ 52,392
<b>Circulation</b>				
Print circulation	\$ 13,661	\$ 14,360	\$ 41,455	\$ 43,606
Digital circulation	2,496	1,751	6,817	4,642
Total	\$ 16,157	\$ 16,111	\$ 48,272	\$ 48,248
<b>Printing, Distribution and Other</b>	\$ 4,053	\$ 4,157	\$ 12,051	\$ 12,860
<b>Total Revenue</b>	<b>\$ 38,311</b>	<b>\$ 37,742</b>	<b>\$ 113,794</b>	<b>\$ 113,500</b>

### 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.

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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, including premium publications, 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, 2021, the Company recognized \$1,195 and \$11,185, respectively, of revenue that was included in the contract liabilities balance as of December 31, 2020. 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 3: 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 13 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 subleases office space to the Denton Publishing Company and office space in Dallas, Texas, both with a remaining lease term of approximately two years. As a result of the Company subleasing additional office space in Dallas, Texas, beginning in the third quarter of 2021, at a lower rate than the head lease, an asset impairment of \$232 was recorded in the third quarter. 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, 2021, sublease income is expected to approximate \$310 for the remainder of 2021, \$1,070 in 2022, and \$540 in 2023.

As of September 30, 2021, the Company had one additional operating lease that will commence on November 1, 2021, with a lease term of one year, resulting in an additional right-of-use asset and liability of approximately \$90 that will be recorded in the fourth quarter of 2021.

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

	Classification	September 30, 2021	December 31, 2020
<b>Assets</b>			
Operating	Operating lease right-of-use assets	\$ 18,219	\$ 20,406
<b>Liabilities</b>			
Operating			
Current	Other accrued expense	\$ 2,423	\$ 2,306
Noncurrent	Long-term operating lease liabilities	19,863	21,890
Total lease liabilities		<u>\$ 22,286</u>	<u>\$ 24,196</u>
<b>Lease Term and Discount Rate</b>			
Operating leases			
Weighted average remaining lease term (years)		10.3	10.6
Weighted average discount rate (%)		7.5	7.4

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

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Lease Cost</b>				
Operating lease cost	\$ 1,075	\$ 1,073	\$ 3,226	\$ 3,192
Short-term lease cost	—	—	—	13
Variable lease cost	194	140	518	426
Sublease income	(256)	(191)	(741)	(564)
Total lease cost	\$ 1,013	\$ 1,022	\$ 3,003	\$ 3,067
<b>Supplemental Cash Flow Information</b>				
Cash paid for operating leases included in operating activities			\$ 3,249	\$ 3,091
Right-of-use assets obtained in exchange for operating lease liabilities			—	1,789

The table below sets forth the remaining maturities of the Company's lease liabilities as of September 30, 2021.

<i>Years Ending December 31,</i>	<b>Operating Leases</b>
2021	\$ 801
2022	4,232
2023	3,325
2024	2,467
2025	2,430
Thereafter	19,691
Total lease payments	32,946
Less: imputed interest	10,660
Total lease liabilities	\$ 22,286

**Note 4: Intangible Assets**

The table below sets forth intangible assets as of September 30, 2021 and December 31, 2020.

	<i>September 30, 2021</i>	<i>December 31, 2020</i>
<b>Intangible Assets</b>		
Cost	\$ 2,030	\$ 2,030
Accumulated Amortization	(2,030)	(1,966)
Net Carrying Value	\$ —	\$ 64

The intangible assets included \$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, fully amortized in the first quarter of 2021. Aggregate amortization expense was \$0 and \$63 for the three months ended September 30, 2021 and 2020, respectively, and \$64 and \$191 for the nine months ended September 30, 2021 and 2020, respectively.

## **Note 5: Income Taxes**

The Company calculated the income tax provision (benefit) for the 2021 and 2020 interim periods using an estimated annual effective tax rate based on its expected annual loss before income taxes, adjusted for permanent differences, which it applied to the year-to-date loss before income taxes and specific events that are discretely recognized as they occur.

The Company recognized income tax benefit of \$2,384 and \$224 for the three months ended September 30, 2021 and 2020, respectively, and \$1,982 and \$1,644 for the nine months ended September 30, 2021 and 2020, respectively. Effective income tax rates were 43.1 percent and 24.3 percent for the nine months ended September 30, 2021 and 2020, respectively. The income tax benefit for the three and nine months ended September 30, 2021, was due to the release of \$2,575, included in other liabilities, for a federal uncertain tax reserve resulting from the statute of limitations lapsing in August 2021, partially offset by the effect of the Texas margin tax. In connection with the release of a federal uncertain tax reserve, the Company released a reserve for interest included in other liabilities and recognized \$548 in other income, net in the three months ended September 30, 2021.

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.

In response to COVID-19, the CARES Act was signed into law in March 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 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 a cash refund of \$2,425, including interest, received in October 2020. The Company also applied the technical correction for qualified leasehold improvements to the 2019 and 2020 tax years, the results of which were reflected in the deferred tax assets and liabilities as of December 31, 2020. The Company will continue to apply the applicable bonus depreciation laws to all future qualified assets.

The Consolidated Appropriations Act, 2021, which includes the COVID-related Tax Relief Act of 2020 and the Taxpayer Certainty and Disaster Tax Relief Act of 2020, was passed and signed into law the last week of 2020. Among others, the provisions in this act included items such as guidance on expenses associated with forgiven Paycheck Protection Program loans, business meals deductions, individual tax rebates and unemployment benefits. The Company did not avail itself of any of the items contained in this act.

In addition, the American Rescue Plan Act of 2021 (the "ARP Act"), was passed and signed into law on March 11, 2021, and was designed to speed up the United States' economic recovery. The ARP Act contains many provisions, including direct cash payments to eligible taxpayers below specified income limits, extended unemployment insurance benefits, additional relief designed to prevent layoffs and business closures at small businesses, and pension relief provisions. The pension relief provisions include extending the interest rate relief passed in previous years, permanently adding a floor to funding interest rates, and permanently changing the amortization period for pension underfunding from 7 to 15 years. All provisions are required to be effective for plan years beginning in 2022, but plan sponsors can elect certain provisions to apply to plan years beginning as early as 2019. The Company expects it will benefit from the shortfall amortization relief provisions and the segment interest rate relief provisions contained in the ARP Act effective for the 2020 plan year.

**Note 6: Pension and Other Retirement Plans**

**Defined Benefit Plans.** The Company sponsors the DallasNews Corporation Pension Plans, formerly the A. H. Belo Pension Plans, (the “Pension Plans”), which provide benefits to approximately 1,400 current and former employees of the Company. DallasNews Pension Plan I provides benefits to certain current and former employees primarily employed with *The Dallas Morning News* or the DallasNews corporate offices. DallasNews 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 DallasNews Pension Plans, as future benefits were frozen.

No contributions are required to the DallasNews Pension Plans in 2021 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.

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Interest cost	\$ 1,174	\$ 1,559	\$ 3,522	\$ 4,677
Expected return on plans' assets	(2,574)	(2,941)	(7,723)	(8,822)
Amortization of actuarial loss	361	220	1,083	660
Net periodic pension benefit	\$ (1,039)	\$ (1,162)	\$ (3,118)	\$ (3,485)

**Defined Contribution Plans.** The DallasNews Savings Plan (the “Savings Plan”), a defined contribution 401(k) plan, covers substantially all employees of DallasNews. 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. Aggregate expense for matching contributions to the Savings Plan was \$175 and \$167 for the three months ended September 30, 2021 and 2020, respectively, and \$568 and \$570 for the nine months ended September 30, 2021 and 2020, respectively.

**Note 7: Shareholders’ Equity**

**Reverse Stock Split.** The Company’s board of directors approved a one-for-four reverse stock split of its issued, outstanding and treasury shares of common stock, par value \$0.01 per share, which became effective June 8, 2021. All share information and balances have been retroactively adjusted to reflect the one-for-four reverse stock split effective June 8, 2021. See [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#) for additional information.

**Dividends.** On September 22, 2021, the Company’s board of directors declared a \$0.16 per share dividend to shareholders of record as of the close of business on November 12, 2021, which is payable on December 3, 2021.

**Outstanding Shares.** The Company had Series A and Series B common stock outstanding of 4,737,280 and 615,210, respectively, net of treasury shares at September 30, 2021. At December 31, 2020, the Company had Series A and Series B common stock outstanding of 4,735,245 and 617,245, respectively, net of treasury shares.

**Accumulated Other Comprehensive Loss.** Accumulated other comprehensive loss consists of actuarial gains and losses attributable to the DallasNews 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.

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

<i>Three Months Ended September 30,</i>					
<i>2021</i>			<i>2020</i>		
<b>Total</b>	<b>Defined benefit pension plans</b>	<b>Other post-employment benefit plans</b>	<b>Total</b>	<b>Defined benefit pension plans</b>	<b>Other post-employment benefit plans</b>
Balance, beginning of period	\$ (31,748)	\$ (31,849)	\$ (31,856)	\$ (32,003)	\$ 147
Amortization	360	361	219	220	(1)
Balance, end of period	<u>\$ (31,388)</u>	<u>\$ (31,488)</u>	<u>\$ (31,637)</u>	<u>\$ (31,783)</u>	<u>\$ 146</u>

  

<i>Nine Months Ended September 30,</i>					
<i>2021</i>			<i>2020</i>		
<b>Total</b>	<b>Defined benefit pension plans</b>	<b>Other post-employment benefit plans</b>	<b>Total</b>	<b>Defined benefit pension plans</b>	<b>Other post-employment benefit plans</b>
Balance, beginning of period	\$ (32,468)	\$ (32,571)	\$ (32,294)	\$ (32,443)	\$ 149
Amortization	1,080	1,083	657	660	(3)
Balance, end of period	<u>\$ (31,388)</u>	<u>\$ (31,488)</u>	<u>\$ (31,637)</u>	<u>\$ (31,783)</u>	<u>\$ 146</u>

**Note 8: 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.

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Earnings (Numerator)</b>				
Net income (loss) available to common shareholders	\$ 1,631	\$ (98)	\$ (2,616)	\$ (5,133)
<b>Shares (Denominator)</b>				
Weighted average common shares outstanding (basic and diluted) <sup>(1)</sup>	5,352,490	5,352,490	5,352,490	5,352,490
<b>Income (Loss) Per Share</b>				
Basic and diluted <sup>(1)</sup>	<u>\$ 0.30</u>	<u>\$ (0.02)</u>	<u>\$ (0.49)</u>	<u>\$ (0.96)</u>

(1) Share and per share amounts have been retroactively adjusted to reflect the one-for-four reverse stock split effective June 8, 2021. See [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#) for additional information.

There were no options or RSUs outstanding as of September 30, 2021 and 2020, 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 9: 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 DallasNews’ results of operations, liquidity or financial condition.

### **Note 10: Disposal of Assets**

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 and a pretax gain of \$25,908. The sale price consisted of \$4,597 cash received, after selling costs of approximately \$1,000, and a two year seller-financed promissory note of \$22,400 (the “Promissory Note”), included in current notes receivable in the Consolidated Balance Sheets. 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.

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 included 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, was secured by a second lien deed of trust covering the property and due June 30, 2021.

On June 29, 2021, the Company’s board of directors approved a second amendment and extension of the maturity date of the Promissory Note to June 30, 2022 (the “Second Modification Agreement”), effective June 30, 2021. In connection with the Second Modification Agreement, the Purchaser paid the Second Promissory Note in full. The unpaid, original principal balance of the Promissory Note will continue to bear interest at the rate of 4.5 percent, with interest payable quarterly through June 30, 2022, the maturity date of the Promissory Note. The Promissory Note will continue to be secured by a first priority lien on the property.

In the three months ended September 30, 2021 and 2020, the Company recorded \$254 and \$251, respectively, and \$774 and \$643 in the nine months ended September 30, 2021 and 2020, respectively, of interest income related to the promissory notes, included in other income, net in the Consolidated Statements of Operations.

The Company evaluated the collectability of the note as a result of the Purchaser’s request to extend the maturity date of the Promissory Note and the continuation of the pandemic. Management believes as of September 30, 2021, the Promissory Note is recoverable since the Purchaser is in compliance with the terms, is publicly indicating its intent to develop the property, and management believes that the value of the collateral has not materially changed from the sale date.

The timing in general of commercial development may have been impacted by the pandemic, and thus capital constraints in commercial real estate markets may exist. Management continues to closely monitor the collectability of the Promissory Note and the value of the underlying collateral. Continued economic and other effects of the pandemic could impact the timing of payment or realization of the note.

Notes receivable are recorded net of an allowance for doubtful accounts. Interest income is accrued on the unpaid principal balance, included in accounts receivable in the Consolidated Balance Sheets. 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. As of September 30, 2021 and December 31, 2020, there was no allowance recorded for the notes receivable or accrued interest receivable.

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

DallasNews Corporation (“DallasNews” or the “Company”) 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](#) of this Quarterly Report for further discussion.

### OVERVIEW

DallasNews, formerly A. H. Belo Corporation, 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. DallasNews 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](http://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.

The Company transferred its stock exchange listing from the New York Stock Exchange (“NYSE”) to The Nasdaq Stock Market LLC (“Nasdaq”) and changed its corporate name to DallasNews Corporation. The listing and trading of the Company’s Series A common stock on the NYSE ceased trading at market close on June 28, 2021, and began trading on Nasdaq at market open on June 29, 2021, under the ticker symbol “DALN.”

On May 13, 2021, at the Company’s 2021 annual meeting of shareholders, its shareholders approved a reverse stock split at a ratio of not less than one-for-three and not more than one-for-five, with the exact ratio to be determined by the Company’s board of directors. Following the annual meeting, the Company’s board of directors approved a one-for-four reverse stock split of its issued, outstanding and treasury shares of common stock, par value \$0.01 per share, which became effective June 8, 2021. As a result, every four shares of the Company’s issued and outstanding Series A common stock and Series B common stock (and any such shares held in treasury) were converted into one share of Series A common stock and Series B common stock, respectively. All fractional shares were settled in cash in connection with the reverse stock split. The par value of the Series A and Series B common stock were not adjusted as a result of the reverse stock split and the Company reclassified an amount equal to the reduction in the number of Company shares at par value to additional paid-in capital. All issued and outstanding Series A and Series B common stock and per share amounts in the interim consolidated financial statements and footnotes included herein have been retroactively adjusted to reflect this reverse stock split for all periods presented.

As a direct result of COVID-19 uncertainties, on April 3, 2020, the Company and Charter DMN Holdings, LP (the “Purchaser”) entered into an amendment to the two-year seller-financed promissory note of \$22,400 (the “Promissory Note”), for the sale of the real estate assets previously used as the Company’s headquarters. The amendment (the “Second Promissory Note”), in the principal amount of \$375, included a deferred interest payment of \$195 that was due April 1, 2020, and a 2019 real property tax reconciliation payment due from the Purchaser. Subsequently, on June 29, 2021, the Company’s board of directors approved a second amendment and extension of the maturity date of the Promissory Note to June 30, 2022 (the “Second Modification Agreement”), effective June 30, 2021. In connection with the Second Modification Agreement, the Purchaser paid the Second Promissory Note in full. The unpaid, original principal balance of the Promissory Note will continue to bear interest at the rate of 4.5 percent, with interest payable quarterly through June 30, 2022, the maturity date of the Promissory Note. The Promissory Note will continue to be secured by a first priority lien on the property.

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The COVID-19 pandemic that began in January 2020, resulted in increased travel restrictions, and disruption and shutdown of businesses. The pandemic 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 the pandemic 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 continued throughout the pandemic. While digital subscriptions continue to grow, the Company experienced decreased demand for its print and digital advertising. As a result, beginning in 2020, the Company implemented measures to reduce costs and preserve cash flow. These measures included reduction in the quarterly dividend rate per share, temporary decreases in employee compensation, as well as reductions in discretionary spending. In addition, the Company benefited from tax provisions permitted under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and expects to benefit from the pension relief provisions under the American Rescue Plan Act of 2021 (the "ARP Act"). However, these measures do not fully offset the impact of the COVID-19 pandemic on the Company's business and, as such, the pandemic is likely to continue to have an adverse impact on the Company's business, results of operations and financial condition at least for the near term. 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 the pandemic.

In the third quarter of 2021, the Company recorded a tax benefit of \$2,384 and \$548 of interest income, primarily due to the release of a federal uncertain tax reserve and related interest resulting from the statute of limitations lapsing in August 2021.

As of September 30, 2021, the Company performed a review of potential impairment indicators for its long-lived assets, including property, plant and equipment, and right-of-use assets. The Company determined there was no significant decrease in the market value of the long-lived assets or significant change in the extent or manner in which the asset group is being used or in its physical condition as of September 30, 2021, and there was no significant adverse change in legal factors or in the business climate during the period that could affect the value of the asset group. Based upon the review of indicators, the Company did not identify any events or changes in circumstances that indicate the carrying amount of long-lived assets may not be recoverable. See [Note 3 – Leases](#) for information on right-of-use asset impairment occurring during the period.

## RESULTS OF OPERATIONS

### Consolidated Results of Operations (unaudited)

This section contains discussion and analysis of net operating revenue, operating costs and expense and other information relevant to an understanding of results of operations for the three and nine months ended September 30, 2021 and 2020. 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.

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

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>
Advertising and marketing services	\$ 18,101	3.6 %	\$ 17,474	\$ 53,471	2.1 %	\$ 52,392
Circulation	16,157	0.3 %	16,111	48,272	0.0 %	48,248
Printing, distribution and other	4,053	(2.5)%	4,157	12,051	(6.3)%	12,860
<b>Total Net Operating Revenue</b>	<b>38,311</b>	<b>1.5 %</b>	<b>37,742</b>	<b>113,794</b>	<b>0.3 %</b>	<b>113,500</b>
<b>Total Operating Costs and Expense</b>	<b>40,891</b>	<b>1.8 %</b>	<b>40,159</b>	<b>123,086</b>	<b>(1.6)%</b>	<b>125,055</b>
<b>Operating Loss</b>	<b>\$ (2,580)</b>	<b>(6.7)%</b>	<b>\$ (2,417)</b>	<b>\$ (9,292)</b>	<b>19.6 %</b>	<b>\$ (11,555)</b>

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.

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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 of 2020 and continuing into early 2021; however, the Company is beginning to see improvement in certain advertising revenue streams as discussed below.

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 access to 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 47.2 percent and 47.0 percent of total revenue for the three and nine months ended September 30, 2021, respectively, and 46.3 percent and 46.2 percent of total revenue for the three and nine months ended September 30, 2020, respectively.

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>
Print advertising	\$ 11,236	(2.5)%	\$ 11,529	\$ 34,727	4.5 %	\$ 33,219
Digital advertising and marketing services	6,865	15.5 %	5,945	18,744	(2.2)%	19,173
<b>Advertising and Marketing Services</b>	<b>\$ 18,101</b>	<b>3.6 %</b>	<b>\$ 17,474</b>	<b>\$ 53,471</b>	<b>2.1 %</b>	<b>\$ 52,392</b>

### **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. Display and classified print revenue increased \$223 and \$1,084 in the three and nine months ended September 30, 2021, respectively, primarily due to the volume of classified advertisements starting to return to pre-pandemic levels.

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 \$516 in the three months ended September 30, 2021, and increased \$424 in the nine months ended September 30, 2021, due to a volume increase in preprint newspaper inserts which are beginning to recover from the unfavorable impacts resulting from the COVID-19 pandemic, offset by a decline in home delivery mail advertisements.

### **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. Revenue increased \$920 in the three months ended September 30, 2021, and decreased \$429 in the nine months ended September 30, 2021, primarily due to an increase in digital advertisements on [dallasnews.com](http://dallasnews.com), offset by a decline in sales of promotional materials related to COVID-19.

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**Circulation revenue**

Circulation revenue was 42.2 percent and 42.4 percent of total revenue for the three and nine months ended September 30, 2021, respectively, and 42.7 percent and 42.5 percent of total revenue for the three and nine months ended September 30, 2020, respectively.

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>
Print circulation	\$ 13,661	(4.9)%	\$ 14,360	\$ 41,455	(4.9)%	\$ 43,606
Digital circulation	2,496	42.5 %	1,751	6,817	46.9 %	4,642
<b>Circulation</b>	<b>\$ 16,157</b>	<b>0.3 %</b>	<b>\$ 16,111</b>	<b>\$ 48,272</b>	<b>0.0 %</b>	<b>\$ 48,248</b>

**Print circulation**

Revenue decreased primarily driven by volume declines, partially offset by rate increases. Home delivery revenue decreased \$600 or 4.6 percent in the three months ended September 30, 2021, and \$1,491 or 3.8 percent in the nine months ended September 30, 2021. Single copy revenue also decreased \$99 or 7.9 percent in the three months ended September 30, 2021, and \$660 or 15.5 percent in the nine months ended September 30, 2021.

**Digital circulation**

Revenue increased in the three and nine months ended September 30, 2021, due to an increase in digital-only subscriptions of 22.2 percent when compared to September 30, 2020, reflecting the Company's continued focus on growing its paid digital memberships and improving the member experience.

**Printing, distribution and other revenue**

Printing, distribution and other revenue was 10.6 percent and 10.6 percent of total revenue for the three and nine months ended September 30, 2021, respectively, and 11.0 percent and 11.3 percent of total revenue for the three and nine months ended September 30, 2020, respectively.

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>	<i>2021</i>	<i>Percentage Change</i>	<i>2020</i>
<b>Printing, Distribution and Other</b>	<b>\$ 4,053</b>	<b>(2.5)%</b>	<b>\$ 4,157</b>	<b>\$ 12,051</b>	<b>(6.3)%</b>	<b>\$ 12,860</b>

Revenue decreased in the three and nine months ended September 30, 2021, primarily due to a decline in commercial printing revenue.

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**Operating Costs and Expense**

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

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2021</u>	<u>Percentage Change</u>	<u>2020</u>	<u>2021</u>	<u>Percentage Change</u>	<u>2020</u>
Employee compensation and benefits	\$ 17,131	3.8 %	\$ 16,499	\$ 53,194	1.3 %	\$ 52,512
Other production, distribution and operating costs	20,041	3.8 %	19,307	59,282	0.5 %	58,958
Newsprint, ink and other supplies	2,439	(1.5)%	2,476	7,158	(10.7)%	8,018
Depreciation	1,018	(41.9)%	1,753	3,127	(41.2)%	5,320
Amortization	—	(100.0)%	63	64	(66.5)%	191
Loss on sale/disposal of assets, net	30	(50.8)%	61	29	(48.2)%	56
Asset impairments	232	N/A	—	232	N/A	—
<b>Total Operating Costs and Expense</b>	<b>\$ 40,891</b>	<b>1.8 %</b>	<b>\$ 40,159</b>	<b>\$ 123,086</b>	<b>(1.6)%</b>	<b>\$ 125,055</b>

**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 increased \$632 and \$682 in the three and nine months ended September 30, 2021, respectively, primarily due to medical cost savings in the third quarter of 2020 and restoring employees' base salaries to pre-pandemic amounts.

**Other production, distribution and operating costs** – Expense increased \$734 and \$324 in the three and nine months ended September 30, 2021, respectively, primarily due to an increase in revenue-related outside services expense.

**Newsprint, ink and other supplies** – Expense decreased \$37 and \$860 in the three and nine months ended September 30, 2021, respectively, reflecting savings from reduced newsprint costs associated with lower circulation volumes and the decline in commercial printing. Competitive pricing is available under the Company's paper supply agreement; however, the price of newsprint has been increasing. Newsprint consumption for the three months ended September 30, 2021 and 2020, approximated 2,035 and 2,500 metric tons, respectively, and 6,298 and 7,348 metric tons for the nine months ended September 30, 2021 and 2020, respectively.

**Depreciation** – Expense decreased \$735 and \$2,193 in the three and nine months ended September 30, 2021, respectively, 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 all intangible assets being fully amortized in the first quarter of 2021.

**Loss on sale/disposal of assets, net** – In 2021 and 2020, the Company disposed assets that were no longer in use. From time to time, the Company will sell disposed assets, primarily production related assets.

**Asset impairments** – In the third quarter of 2021, the Company subleased office space in Dallas, Texas at a lower rate than the head lease, and accordingly an asset impairment of \$232 was recorded in the third quarter.

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

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2021</u>	<u>Percentage Change</u>	<u>2020</u>	<u>2021</u>	<u>Percentage Change</u>	<u>2020</u>
Other income, net	\$ 1,827	(12.8)%	\$ 2,095	\$ 4,694	(1.8)%	\$ 4,778
Income tax benefit	\$ (2,384)	(964.3)%	\$ (224)	\$ (1,982)	(20.6) %	\$ (1,644)

**Other income, net** – Other income, net is primarily comprised of net periodic pension and other post-employment benefit of \$1,035 and \$3,105 for the three and nine months ended September 30, 2021, respectively, and \$1,154 and \$3,461 for the three and nine months ended September 30, 2020, respectively, resulting from a favorable return on pension assets, partially offset by a decrease in the discount rate.

Interest income (expense) and gain (loss) from investments and are also included in other income, net. In the three months ended September 30, 2021 and 2020, the Company recorded \$254 and \$251, respectively, and \$774 and \$643 in the nine months ended September 30, 2021 and 2020, respectively, of interest income related to the promissory notes from the sale of the Company's former headquarters. In addition, in connection with the release of a federal uncertain tax reserve, the Company recorded \$548 of interest income in the three months ended September 30, 2021. In September 2020, the Company's shares of eSite Analytics, Inc. ("eSite") were repurchased by eSite for \$750, recognized in other income, net.

**Income tax benefit** – The Company recognized income tax benefit of \$2,384 and \$224 for the three months ended September 30, 2021 and 2020, respectively, and \$1,982 and \$1,644 for the nine months ended September 30, 2021 and 2020, respectively. Effective income tax rates were 43.1 percent and 24.3 percent for the nine months ended September 30, 2021 and 2020, respectively. The income tax benefit for the three and nine months ended September 30, 2021, was due to the release of \$2,575, included in other liabilities, for a federal uncertain tax reserve resulting from the statute of limitations lapsing in August 2021, partially offset by the effect of the Texas margin tax.

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.

**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 DallasNews' results of operations, liquidity or financial condition.

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### **Liquidity and Capital Resources**

The Company's cash balances as of September 30, 2021 and December 31, 2020, were \$34,659 and \$42,015, 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 flows and other expense reduction measures are expected to be sufficient to fund operating activities and capital spending of approximately \$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 and was not renewed.

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 per share. 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 was not achieved. In August 2020, the Company began to restore base salaries and by October, the Company restored base salaries prospectively for all employees, with the exception of the executive officers that report to the Chief Executive Officer. The executive officers' base salaries were restored effective January 1, 2021.

In response to COVID-19, the CARES Act was signed into law in March 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 a cash refund of \$2,425, including interest, received in October 2020.

The Consolidated Appropriations Act, 2021, which includes the COVID-related Tax Relief Act of 2020 and the Taxpayer Certainty and Disaster Tax Relief Act of 2020, was passed and signed into law the last week of 2020. Among others, the provisions in this act included items such as guidance on expenses associated with forgiven Paycheck Protection Program loans, business meals deductions, individual tax rebates and unemployment benefits. The Company did not avail itself of any of the items contained in this act.

In addition, the ARP Act was passed and signed into law on March 11, 2021, and was designed to speed up the United States' economic recovery. The ARP Act contains many provisions, including direct cash payments to eligible taxpayers below specified income limits, extended unemployment insurance benefits, additional relief designed to prevent layoffs and business closures at small businesses, and pension relief provisions. The pension relief provisions include extending the interest rate relief passed in previous years, permanently adding a floor to funding interest rates, and permanently changing the amortization period for pension underfunding from 7 to 15 years. All provisions are required to be effective for plan years beginning in 2022, but plan sponsors can elect certain provisions to apply to plan years beginning as early as 2019. The Company expects it will benefit from the shortfall amortization relief provisions and the segment interest rate relief provisions contained in the ARP Act effective for the 2020 plan year.

As a direct result of COVID-19 uncertainties, on April 3, 2020, the Company and Charter DMN Holdings, LP (the "Purchaser") entered into an amendment to the two-year seller-financed promissory note of \$22,400 (the "Promissory Note"), for the sale of the real estate assets previously used as the Company's headquarters. The amendment (the "Second Promissory Note"), in the principal amount of \$375, included a deferred interest payment of \$195 that was due April 1, 2020, and a 2019 real property tax reconciliation payment due from the Purchaser. Subsequently, on June 29, 2021, the Company's board of directors approved a second amendment and extension of the maturity date of the Promissory Note to June 30, 2022 (the "Second Modification Agreement"), effective June 30, 2021. In connection with the Second Modification Agreement, the Purchaser paid the Second Promissory Note in full. The unpaid, original principal balance of the Promissory Note will continue to bear interest at the rate of 4.5 percent, with interest payable quarterly through June 30, 2022, the maturity date of the Promissory Note. The Promissory Note will continue to be secured by a first priority lien on the property.

The Company evaluated the collectability of the note as a result of the Purchaser's request to extend the maturity date of the Promissory Note and the continuation of the pandemic. Management believes as of September 30, 2021, the Promissory Note is recoverable since the Purchaser is in compliance with the terms, is publicly indicating its intent to develop the property, and management believes that the value of the collateral has not materially changed from the sale date.

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The timing in general of commercial development may have been impacted by the pandemic, and thus capital constraints in commercial real estate markets may exist. Management continues to closely monitor the collectability of the Promissory Note and the value of the underlying collateral. Continued economic and other effects of the pandemic could impact the timing of payment or realization of the note.

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

### **Operating Cash Flows**

Net cash used for operating activities for the nine months ended September 30, 2021 and 2020, was \$4,640 and \$1,280, respectively. Cash flows used for operating activities increased by \$3,360 during the nine months ended September 30, 2021, when compared to the prior year period, primarily due to changes in working capital and other operating assets and liabilities.

### **Investing Cash Flows**

Net cash provided by (used for) investing activities was \$(147) and \$110 for the nine months ended September 30, 2021 and 2020, respectively. Cash flows from investing activities decreased \$257 due to cash proceeds of \$750 received in the third quarter of 2020 for the sale of the Company's eSite shares that were repurchased by eSite, partially offset by \$375 received in the second quarter of 2021 to pay the Second Promissory Note in full as discussed above. Cash flows from investing activities also included \$523 and \$645 of capital spending in 2021 and 2020, respectively, which continues to be reduced in response to the financial impact of the COVID-19 pandemic.

### **Financing Cash Flows**

Net cash used for financing activities was \$2,569 and \$4,282 for the nine months ended September 30, 2021 and 2020, respectively, primarily attributable to dividend payments. Beginning with the third quarter 2020 dividend, the dividend rate per share was lowered in response to the financial impact of the COVID-19 pandemic as discussed above.

### **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 3 – Leases](#) for future lease payments by year.

Under the applicable tax and labor laws governing pension plan funding, no contributions to the DallasNews Pension Plans are required in 2021.

On September 22, 2021, the Company's board of directors declared a \$0.16 per share dividend to shareholders of record as of the close of business on November 12, 2021, which is payable on December 3, 2021.

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, 2020, filed on March 11, 2021, with the Securities and Exchange Commission ("SEC").

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**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, 2020.

*Forward-Looking Statements*

*Statements in this communication concerning DallasNews Corporation's business outlook or future economic performance, revenues, expenses, and other financial and non-financial items that are not historical facts, including statements of the Company's expectations relating to the reverse stock split, 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 pandemic on the Company's financial reporting capabilities and its operations generally and the potential impact of the pandemic 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; technological 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 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 that evaluation, as of September 30, 2021, management concluded that the Company's disclosure controls and procedures were effective.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting that occurred during the third fiscal quarter ended September 30, 2021, 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 DallasNews. In the opinion of management, liabilities, if any, arising from these legal proceedings would not have a material adverse effect on DallasNews' results of operations, liquidity or financial condition.

### **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 and was not renewed.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

None.

### **Item 5. Other Information**

None.

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### Item 6. Exhibits

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

Exhibit Number	Description
2.1	* <a href="#">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"))</a>
3.1	* <a href="#">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)</a>
3.2	* <a href="#">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"))</a>
3.3	* <a href="#">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)</a>
3.4	* <a href="#">Certificate of Amendment to Certificate of Formation effective June 8, 2021 (Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 8, 2021 (Securities and Exchange Commission File No. 001-33741))</a>
3.5	* <a href="#">Certificate of Amendment to Certificate of Formation (changing Company name to DallasNews Corporation) effective June 29, 2021 (Exhibit 3.1 to the Company's Current Report of Form 8-K filed with the Securities and Exchange Commission on June 30, 2021 (Securities and Exchange Commission File No. 001-33741) (the "June 30, 2021 Form 8-K"))</a>
3.6	* <a href="#">Certificate of Correction to Certificate of Amendment (Exhibit 3.2 to the June 30, 2021 Form 8-K)</a>
3.7	* <a href="#">Amended and Restated Bylaws of DallasNews Corporation (Exhibit 3.3 to the June 30, 2021 Form 8-K)</a>
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)	* <a href="#">Description of Capital Stock (Exhibit 4.1 to the July 2, 2018 Form 8-K)</a>
4.2	* <a href="#">Specimen Form of Certificate representing shares of the Company's Series A Common Stock (Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 26, 2021 (Securities and Exchange Commission File No. 001-33741) (the "2<sup>nd</sup> Quarter 2021 Form 10-Q"))</a>
4.3	* <a href="#">Specimen Form of Certificate representing shares of the Company's Series B Common Stock (Exhibit 4.3 to the 2<sup>nd</sup> Quarter 2021 Form 10-Q)</a>
10.1	* Material Contracts
(1)	* <a href="#">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"))</a>
(2)	* <a href="#">Guaranty of Lease dated December 30, 2016 (Exhibit 10.2 to the January 3, 2017 Form 8-K)</a>
(3)	* <a href="#">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))</a>
(4)	* <a href="#">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>
	* (a) <a href="#">Modification Agreement effective April 1, 2020 to Promissory Note dated May 17, 2020 (Exhibit 10.1 to the April 6, 2020 Form 8-K)</a>
	* (b) <a href="#">Promissory Note (Interest and Property Tax Reconciliation) effective April 1, 2020 (Exhibit 10.2 to the April 6, 2020 Form 8-K)</a>
	* (c) <a href="#">Second Modification Agreement effective June 30, 2021 (Exhibit 10.1 to the June 30, 2021 Form 8-K)</a>

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<b>Exhibit Number</b>	<b>Description</b>
10.2 *	Compensatory plans and arrangements:
~(1) *	<a href="#">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>
*	(a) <a href="#">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))</a>
*	(b) <a href="#">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))</a>
*	(c) <a href="#">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"))</a>
*	(d) <a href="#">Fourth Amendment to the A. H. Belo Savings Plan (Exhibit 10.2 to the July 2, 2018 Form 8-K)</a>
*	(e) <a href="#">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"))</a>
*	(f) <a href="#">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)</a>
*	(g) <a href="#">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))</a>
*	(h) <a href="#">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))</a>
*	(i) <a href="#">Ninth Amendment to the A. H. Belo Savings Plan (changing plan name to DallasNews Savings Plan) effective June 29, 2021 (Exhibit 10.2(1)(i) to the 2nd Quarter 2021 Form 10-Q)</a>
~(2) *	<a href="#">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>
*	(a) <a href="#">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"))</a>
*	(b) <a href="#">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)</a>
*	(c) <a href="#">First Amendment to the A. H. Belo 2017 Incentive Compensation Plan (Exhibit 10.1 to the July 2, 2018 Form 8-K)</a>
*	(d) <a href="#">Second Amendment to the A. H. Belo 2017 Incentive Compensation Plan (Exhibit 10.3 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 11, 2018 (Securities and Exchange Commission File No. 001-33741))</a>
*	(e) <a href="#">Third Amendment to the A. H. Belo 2017 Incentive Compensation Plan (changing name of plan to the DallasNews 2017 Incentive Compensation Plan) (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 18, 2021 (Securities and Exchange Commission File No. 001-33741))</a>
~(3) *	<a href="#">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))</a>

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<b>Exhibit Number</b>	<b>Description</b>
~(4)	* <a href="#">A. H. Belo Corporation Change in Control Severance Plan (Exhibit 10.7 to the February 12, 2008 Form 8-K)</a>
	* (a) <a href="#">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)</a>
	* (b) <a href="#">Second Amendment to the A. H. Belo Change in Control Severance Plan (changing plan name to DallasNews Change in Control Severance Plan) effective June 29, 2021 (Exhibit 10.2(4)(b) to the 2<sup>nd</sup> Quarter 2021 Form 10-Q)</a>
~(5)	* <a href="#">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)</a>
10.3	<sup>a</sup> Agreements relating to the separation of A. H. Belo from its former parent company:
(1)	* <a href="#">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))</a>
(2)	* <a href="#">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))</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32	<a href="#">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</a>
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)



**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
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104	** Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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.