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A. H. Belo Corp
Form 10-K
March 07, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2013

OR

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

Commission file no. 1-33741

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	38-3765318 (I.R.S. Employer Identification No.)
P. O. Box 224866, Dallas, Texas 75222-4866 (Address of principal executive offices, including zip code)	(214) 977-8200 (Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act: Title of each class Series A Common Stock, \$.01 par value Preferred Share Purchase Rights	Name of each exchange on which registered New York Stock Exchange

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

Series B Common Stock, \$.01 par value (Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the registrant’s voting stock held by nonaffiliates on June 30, 2013, based on the closing price for the registrant’s Series A Common Stock on such date as reported on the New York Stock Exchange, was approximately \$130,425,853.*

Shares of Common Stock outstanding at February 28, 2014: 22,003,390 shares (consisting of 19,606,460 shares of Series A Common Stock and 2,396,930 shares of Series B Common Stock).

* For purposes of this calculation, the market value of a share of Series B Common Stock was assumed to be the same as the share of Series A Common Stock into which it is convertible.

Documents incorporated by reference:

Selected designated portions of the registrant’s definitive proxy statement, relating to the Annual Meeting of Shareholders to be held on May 15, 2014, are incorporated by reference into Parts II and III of this Annual Report.

A. H. Belo Corporation 2013 Annual Report on Form 10-K

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PART I

Item 1. Business

A. H. Belo Corporation (“A. H. Belo” or the “Company”), headquartered in Dallas, Texas, is a distinguished newspaper publishing and local news and information company that owns and operates three metropolitan daily newspapers and related websites, with publishing roots that trace to The Galveston Daily News, which began publication in 1842.

A. H. Belo publishes The Dallas Morning News (www.dallasnews.com), Texas’ leading newspaper and winner of nine Pulitzer Prizes; The Providence Journal (www.providencejournal.com), the oldest continuously-published daily newspaper in the United States and winner of four Pulitzer Prizes; and the Denton Record-Chronicle (www.dentonrc.com), a daily newspaper operating in Denton, Texas, approximately 40 miles north of Dallas. The Company’s newspapers also publish various niche publications targeting specific audiences, and its investments include Classified Ventures, LLC, owner of cars.com, and Wonderful Media, LLC, owner of FindnSave.com.

A. H. Belo offers digital marketing solutions through 508 Digital and Your Speakeasy, LLC, and also owns and operates commercial printing, distribution and direct mail service businesses. In February 2008, the Company separated its publishing operations from its former parent in a spin-off transaction (the “Distribution”) and A. H. Belo became an independent registrant listed on the New York Stock Exchange (NYSE trading symbol: AHC). All dollar amounts in this Annual Report on Form 10-K are in thousands, except per share amounts, unless the context requires otherwise.

The Dallas Morning News’ first edition was published on October 1, 1885. It is one of the leading metropolitan newspapers in America and its success is founded upon the highest standards of journalistic excellence, with an emphasis on comprehensive local news and information and community service. The newspaper is distributed primarily in Dallas County and 10 surrounding counties. This coverage area represents the fourth most populous metropolitan area of the country. The Dallas Morning News’ nine Pulitzer Prizes were awarded for news reporting, editorial writing and photography, with the most recent awarded in April 2010. The Dallas Morning News also publishes Briefing, a condensed newspaper distributed four days per week at no charge to nonsubscribers in select coverage areas; and Al Dia, an award-winning Spanish-language newspaper published on Wednesdays and Sundays and distributed at no charge in select coverage areas. Other news products are also published targeting various communities in the North Texas area. The Dallas Morning News’ financial and operating results include the financial and operating results of the Denton Record-Chronicle.

The Providence Journal is the leading newspaper in Rhode Island and southeastern Massachusetts and is the oldest major daily newspaper of general circulation and continuous publication in the United States. The Providence Journal also publishes Journal Express, a weekly publication distributed at no charge to households in select Rhode Island communities. The Company has currently engaged Stephens Inc. to explore a potential sale of The Providence Journal as the Company focuses resources and management time and attention on its core Dallas market.

In 2013, the Company completed the disposition of The Press-Enterprise, a daily newspaper in Riverside, California, its niche publications La Prensa and The Weekly, related websites and substantially all related real estate assets. Upon completion of the divestiture, the Company no longer owns newspaper operations in Riverside, California but continues to own and market for sale the land and buildings associated with a former commercial printing operation in Riverside, California. The disposition and the results of operations associated with The Press-Enterprise are reported as discontinued operations in the Company’s financial statements included herein. Amounts included in this Annual Report on Form 10-K exclude results of operations related to The Press-Enterprise unless otherwise indicated.

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The Company's primary revenue is derived from advertising sold in published issues of its newspapers and on the Company's websites, the sale of newspapers to subscribers and single copy customers, and commercial printing and distribution. The following sets forth the Company's distribution of revenue in 2013, 2012 and 2011 by type:

Advertising and Marketing Services Revenue

Advertising and marketing services revenue accounted for approximately 57.0 percent of total revenue for 2013. The Company has a comprehensive portfolio of print and digital advertising products and marketing services which include:

• Display – Display revenue results from sales of advertising space within the Company's core newspapers and niche publications to local, regional or national businesses with local operations, affiliates or resellers.

• Classified – Classified revenue, which includes automotive, real estate, employment and other, results from sales of advertising space in the classified and other sections of the Company's newspapers.

• Preprint – Preprint revenue results from sales of preprinted advertisements or circulars inserted into the Company's core newspapers and niche publications, or distributed by mail or third-party distributors to households in targeted areas in order to provide total market coverage for advertisers. The Company developed capabilities that allow its advertisers to selectively target preprint distribution at the sub-zip code level in order to optimize coverage for the advertisers' locations.

• Digital – Digital advertising revenue results from sales of banner and other display advertisements and classified advertisements on the Company's websites and on third-party websites, such as cars.com, Yahoo! and monster.com. Marketing services revenue, a component of digital advertising revenue, is generated by the Company's recent product initiatives, 508 Digital and Your Speakeasy, LLC ("Speakeasy"). Services provided are directed towards small to middle-market size businesses and include development of mobile websites, search engine marketing and optimization, social media account management and content development for its customers' web presence.

In addition to daily newspapers, the Company publishes a number of niche publications which provide a vehicle for delivery of display, classified, preprint and digital advertising, typically to nonsubscribers of the Company's core newspapers and typically

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at no charge. These publications target specific demographic groups or geographies and include Spanish-language newspapers and condensed weekly newspapers, as well as luxury and design publications that target high-income consumers in various Texas markets. Most niche publications have related websites and mobile applications, allowing digital access by consumers. The niche publications provide unique content, but also incorporate the news content from the core newspapers while leveraging the Company's printing, distribution and technology infrastructure to drive additional advertising revenue at a low incremental cost.

The Company generally operates the largest newsrooms in the markets it serves. The combined reach of the Company's core daily newspapers, digital platforms and niche publications allows the Company to maintain its position as a leading local media outlet in each of its markets. The Company actively promotes its distribution resources and offerings for direct mail advertising, total market coverage, zoned editions and event-based publications, which enable the Company's advertisers to reach new or targeted markets. These products allow existing advertisers to reach their target audience through integrated advertising campaigns, while also providing the Company a portfolio of products with which to attract new advertisers.

The following sets forth the distribution of the Company's advertising and marketing services revenue in 2013, 2012 and 2011 by product type.

As the newspaper industry continues to face challenges in maintaining display and classified revenues, the Company strategically seeks to stabilize and grow advertising revenues through diversification in advertising and marketing services. The Company has identified new product and investment opportunities that leverage the scale of its news content and its operating infrastructure, as well as complement the Company's advertising customers, subscriber base and digital platforms. In 2012, 508 Digital was formed as a division of The Dallas Morning News, offering digital marketing services to small companies in the Dallas metropolitan area that include development of mobile websites, search engine marketing and optimization and social media marketing for its customers' web presence. Also in 2012, the Company and a Dallas-based advertising agency formed Your Speakeasy, LLC, which targets middle-market business customers and provides turnkey social media account management and content marketing services. In addition to these digital initiatives, the Company repackaged certain niche products, such as FD Luxe, a luxury magazine and website targeting affluent residents in the Dallas area, and acquired luxury design and wedding guide publications and related websites targeting upscale builders, interior designers and wedding related businesses in various Texas markets. The Company also acquired the assets of a Dallas entertainment and events website in order to position The Dallas Morning News as the premier provider of on-line event and entertainment news and advertising in the North Texas area. The Company also leverages its

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subscriber and advertiser base to promote community events, such as One Day University, an educational speaker event sponsored through Crowdfunder, the Company's newly formed division providing marketing and promotional support to event organizers.

The Company is currently exploring further opportunities to grow and diversify revenue through acquisition or investment in advertising or marketing services companies with established financial performance and strong management teams. The Company's acquisition and investment efforts are focused on businesses with products and services that complement the existing advertising and marketing services currently offered by its newspapers in the Dallas market.

Circulation Revenue

Circulation revenue accounted for approximately 32.9 percent of total revenue for 2013, up from 31.0 percent in 2012, and includes subscription and single copy sales revenue related to the Company's core newspapers in print and digital formats. A. H. Belo's steadfast commitment to producing superior, unduplicated local content enables the Company's newspapers to charge premium subscription rates. The Dallas Morning News and The Providence Journal developed and implemented consumer revenue strategies, the goal of which is to maximize the amount of recurring revenue from consumers of the Company's print and digital products and to reduce the Company's reliance on advertising revenue. Although circulation volumes continue to face negative pressures, the Company continuously evaluates the willingness and ability of its subscribers to pay higher rates by geographical area. In 2013, the Company implemented effective rate increases across its Dallas and Rhode Island markets. The Company anticipates additional opportunities for higher rates in 2014 as it continues to explore price sensitivity by local zones within these market areas.

In October 2013, The Dallas Morning News discontinued the paywall established in 2011 which restricted access for nonsubscribers to certain premium content on dallasnews.com. Research conducted since the establishment of the paywall suggested core seven-day subscribers would continue to primarily consume news content through print media even when lower digital subscription rates were offered. Starting in October 2013, news content on dallasnews.com became accessible to everyone, free of charge. The website provides expanded news and entertainment videos and greater access to content through social media sites. A separate premium digital experience is now offered to print subscribers on dallasnews.com that includes enhanced design and navigation, limited advertising and digital replicas of the newspaper through its e-Edition and access to unique subscriber benefits. This content is available to nonsubscribers for a weekly charge.

The Company's websites, which also include providencejournal.com and other related websites, offer users comprehensive news and information, user-generated content, advertising, e-commerce and other services. Since 2011, the Company has introduced several initiatives to strengthen its ability to engage readers across multiple digital platforms with relevant local customized content and advertising. In addition to providing a digital replica of the newspapers through its e-Editions, the Company offers mobile websites and mobile applications for smart phones, tablets and e-readers. The Company's journalists have expanded their reach and deepened their engagement with audiences by delivering news and content through social media platforms, such as blogs, Facebook and Twitter, which directs traffic to its core websites. In 2012, The Dallas Morning News acquired pegasusnews.com, a local entertainment website, as well as two magazines and their related websites, Design Guide Texas and The Texas Wedding Guide. Together with FD Luxe, these acquisitions strengthen The Dallas Morning News' position as a leading provider of online local entertainment and lifestyles news and information in its markets.

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Readership of the Company's newspapers is tracked by Scarborough Research, which estimated the number of individuals reading a newspaper print edition to be approximately 1,408,000 for The Dallas Morning News and 505,000 for The Providence Journal, as reported in the September 2013 Publishers' Statements, which are subject to audit. These readership volumes represent a reach of approximately 30.8 and 50.2 percent of the designated markets for these newspapers, respectively. The average print and digital volumes associated with A. H. Belo's primary daily newspapers and niche publications are reported and verified by a circulation audit agency, as set forth in the table below.

Newspaper	2013		2012		2011	
	Daily Circulation ^(a)	Sunday Circulation	Daily Circulation ^(a)	Sunday Circulation	Daily Circulation ^(a)	Sunday Circulation
The Dallas Morning News Group						
The Dallas Morning News ^(b)	271,189	379,379	267,058	372,930	265,371	374,653
Niche publications ^{(b) (c)}	118,626	324,536	120,299	327,719	174,712	—
Total	389,815	703,915	387,357	700,649	440,083	374,653
The Providence Journal Group						
The Providence Journal ^(d)	81,282	105,810	88,974	119,199	94,357	129,024
Niche publications ^(d)	23,656	—	24,310	—	23,938	—
Total	104,938	105,810	113,284	119,199	118,295	129,024

(a) Daily circulation is defined as a Monday through Saturday six-day average.

Average circulation data for The Dallas Morning News and its niche publications, including the Denton Record-Chronicle, are obtained from its Publisher's Statement for the six-month periods ended September 30, 2013, (b) 2012 and 2011, as filed with the Alliance for Audited Media (the "Audit Bureau"). The September 2013 statements are subject to audit. Year-over-year increases in reported daily circulation for 2013 and 2012 for The Dallas Morning News are due to increased reported digital subscribers for each of these periods.

(c) In 2012, The Dallas Morning News re-branded Briefing and Al Dia's weekend circulation from Saturday to Sunday. On August 4, 2011, niche publication Quick ceased printing.

Average circulation data for The Providence Journal and its niche publications are obtained from its Publisher's (d) Statement for the six months ended September 30, 2013, 2012 and 2011, as filed with the Audit Bureau. The September 2013 statements are subject to audit.

Printing and Distribution Revenue

Printing and distribution revenue accounted for approximately 10.1 percent of total revenue for 2013 and includes commercial printing, distribution and direct mail service. The Company provides commercial printing services for certain national newspapers that require regional printing, such as The Wall Street Journal, The New York Times, USA Today and other local and regional newspapers. Newsprint used in the production of large national newspapers is generally provided by the customer. Home delivery and retail outlet distribution services are also provided for other national and regional newspapers delivered into the Company's coverage areas, such as The New York Post and The Boston Globe. The Company also operates a direct mail service business in Phoenix, Arizona and Las Vegas, Nevada. The Company continuously pursues opportunities to leverage its assets and resources in order to provide printing and distribution services to third-party publishers and advertisers in the geographic areas served by its core newspapers. In 2013, the Company effectively acquired from a competing Rhode Island distributor the contracts to distribute several national, regional and local third-party publications. In the Dallas-Fort Worth market, the Company reached an agreement to print the Fort Worth Star-Telegram starting in 2014.

Raw Materials and Distribution

The basic material used in publishing newspapers is newsprint. Currently, most of the Company's newsprint is obtained through a purchasing consortium. Management believes the Company's sources of newsprint, along with available alternate sources, are adequate for the Company's current needs.

During 2013, Company operations consumed 48,195 metric tons of newsprint at an average cost of \$606 per metric ton. Consumption of newsprint in 2012 was 49,670 metric tons at an average cost of \$618 per metric ton. The Company's newspapers and other commercial print products are produced at Company-owned facilities in each geographic market. Distribution of printed products to subscribers, retailers and newsstands is made under terms of agreements with third-

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party distributors. The Company believes a sufficient number of third-party distributors exist in each geographic market to allow uninterrupted distribution of the Company's products.

Other Interests

In addition to its core newspaper operations, A. H. Belo owns the following investment interests:

Classified Ventures, LLC ("Classified Ventures") – The Company owns a 3.3 percent interest in Classified Ventures, in which the other owners are Gannett Co., Inc., The McClatchy Company, Tribune Company and Graham Holdings Company. The two principal businesses Classified Ventures operates are cars.com and apartments.com. On February 28, 2014, Classified Ventures entered into an agreement to sell its apartments.com business unit for \$585,000. The sale is expected to close in the second quarter of 2014.

Wanderful Media, LLC ("Wanderful") – The Company owns a 12.7 percent interest in Wanderful, which operates FindnSave.com, a digital shopping platform where consumers can find national and local retail goods and services for sale. This platform combines local media participation with advanced search and database technology to allow a consumer to view online sales circulars and local advertised offers, or search for an item and receive a list of local advertisers and the price and terms offered for the searched item.

ResponseLogix, Inc., operating as Digital Air Strike (www.digitalairstrike.com) – The Company owns a 2.1 percent interest in Digital Air Strike, which provides automotive dealers a suite of digital marketing communications, behavioral targeting and social media solutions.

Sawbuck Realty, Inc., operating as Homesnap (www.homesnap.com) – The Company owns a 19.8 percent interest in Homesnap, a free online real estate search platform and broker that can be accessed through its website and mobile applications, allowing users to gather current information on real estate listings.

During the third quarter of 2012, the Company and a Dallas-based advertising agency entered into an operating agreement and formed Speakeasy. The Company owns a 70 percent interest in Speakeasy and, accordingly, consolidates this company's assets, liabilities and results of operations within its consolidated financial statements.

Competitive Strengths and Challenges

The Company's strengths are:

- established, well-known and trusted brands within each of its markets
- a strong, cohesive and stable senior management team, with significant sector experience, focused on strategy and execution
- the ability to develop innovative new product and service offerings which leverage the Company's brand equity, existing content, distribution platforms, technologies and relationships
- sufficient liquidity to allow the Company to opportunistically invest in or acquire businesses that complement the Company's advertising or marketing services business
- three daily metropolitan newspapers with significantly greater scale of news gathering resources to cover the Company's local markets and produce superior local content at a scale competitors are unlikely to duplicate
- an affluent and educated demographic base in its largest market
- the ability to market, print or digital, products and services to large and targeted audiences at low marginal costs
- sales personnel with knowledge of the marketplaces in which the Company conducts its business and relationships with current and potential advertising clients
- the ability to effectively manage operating costs according to market pressures

The Company's newspapers, and the newspaper industry as a whole, continue to experience challenges to maintain and grow advertising and circulation revenue. This results from, among other factors, increased competition from other media, particularly the Internet. The decline in advertising revenue was particularly realized in the display and classified categories, as advertising budgets were reduced and advertisers shifted to other media. In response to these advertising decreases, A. H. Belo continues to

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diversify its revenue base by introducing new advertising and marketing services products, increasing circulation prices and expanding the reach of its distribution resources to wider markets.

The Company also developed broad digital strategies designed to provide readers with multiple platforms for obtaining online access to local news coverage while protecting the Company's core print business. The Company continues its efforts to obtain key demographic data from readers, which allows the Company to provide content most desired by readers and to modify marketing and distribution strategies enabling the Company's newspapers and websites to reach audiences most valued by advertisers. The Company has established strategic relationships with major Internet companies and invested in certain companies with innovative products and technologies. In selected cases, A. H. Belo markets, uses and sells products and services provided by companies in which it has invested.

A. H. Belo also increased its focus on neighborhood and other local community and regional news, both in print and online.

As a result of declining overall revenue, the Company continuously evaluates and implements measures to control operating expenses. These measures include divesting of unprofitable products and services, reducing the costs of outsourced operations, adjusting the Company's workforce and benefits to align with revenues and restructuring the Company's newspapers through organizational realignments.

Strategies and Opportunities

A. H. Belo is committed to publishing newspapers and digital content of the highest quality and integrity and creating and developing innovative print and digital products addressing the needs of consumers and advertisers. The Company's goal is to produce positive net income and cash flow and create value for shareholders over the long-term through stock price appreciation and dividends. The Company intends to achieve these objectives through the following strategies:

- market existing print and digital products in an integrated manner that creates sustainable revenue and earnings
- diversify revenue streams through acquisition or investment in established and profitable businesses complementing the Company's advertising and marketing services
- expand growth of marketing services revenue provided by 508 Digital and Speakeasy
- optimize and leverage marketing and sales capabilities, including consumer demographic data, to implement initiatives that enable advertisers to reach high value consumers more effectively
- produce quality local content in the communities served and efficiently manage content to drive revenue over multiple delivery platforms, including print, the Internet and mobile devices
- continue to keep costs closely aligned with revenue, maintain strong liquidity to support future business and product initiatives and provide flexibility to meet strategic investment opportunities and other cash flow requirements
- strengthen and improve the Company's underlying technology platform to reduce expenses

Competition

The Dallas Morning News competes with one metropolitan daily newspaper in certain areas of the Dallas/Fort Worth metroplex. The Providence Journal competes with four daily newspapers in Rhode Island and southeastern Massachusetts. The Company's newspapers, including its niche publications, face competition for advertising and circulation revenue in varying degrees from other newspapers and specialized publications distributed in its circulation areas, including nationally circulated newspapers, television, radio, magazines, direct-mail, the Internet and other advertising media. The secular shift from print to digital media increased competition for audience and advertising from a wide variety of digital alternatives, including news and social media websites, online advertising networks and exchanges, online classified services, advertisements on mobile devices and other new media formats. The Company's newspapers compete for advertising revenue based on the size and demographics of its subscriber base, advertising results, rates and customer service. Competition for readers is primarily based on the mode of delivery, quality of the Company's journalism, price, timeliness of its interaction with audiences and customer service. The Company's websites and digital applications face competition from Internet sites that provide news, aggregated content from different sources and sites that allow users to generate content. Competition for advertising revenue is encountered from websites providing platforms for classified advertisements and major search engines, such as Google and Yahoo!, which offer search and directory information for local businesses with enhanced functionality, such as mapping and links to reviews. In addition, other forms of digital distribution, such as applications for smart

phones and tablets, compete for digital advertising revenue with the Company's websites and digital applications.

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Seasonality

A. H. Belo's advertising revenues are subject to moderate seasonality, with advertising revenue typically higher in the fourth calendar quarter of each year because of the holiday shopping season. The level of advertising sales in any period may also be affected by advertisers' decisions to increase or decrease their advertising expenditures in response to anticipated consumer demand and general economic conditions.

Employees

As of December 31, 2013, the Company had approximately 1,500 full-time and 60 part-time employees, of which 258 employees are represented by various employee unions. All union-represented employees are located in Providence, Rhode Island. The Company believes its relations with its employees are satisfactory.

Available Information

A. H. Belo maintains its corporate website at www.ahbelo.com. The Company makes available on its website, free of charge, this Annual Report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K and amendments to those reports, as filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, as soon as reasonably practicable after the reports are electronically filed with or furnished to the Securities and Exchange Commission (the "SEC").

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Item 1A. Risk Factors

Sections of this Annual Report on Form 10-K and management's comments from time to time may contain forward-looking statements that are subject to risks and uncertainties. These statements are based on management's current knowledge and estimates of factors affecting the Company's operations, both known and unknown. Readers are cautioned not to place undue reliance on such forward-looking information as actual results may differ materially from those currently anticipated. In addition, a number of other factors (those identified elsewhere in this document and others, both known and unknown) may cause actual results to differ materially from expectations.

A. H. Belo's businesses operate in highly competitive media markets, and the Company's ability to maintain market share and generate revenue depends on how effectively the Company competes with existing and new competition. The Company's businesses operate in highly competitive media markets. A. H. Belo's newspapers compete for advertising and circulation revenue with other newspapers, websites, digital applications, magazines, television, radio, direct mail and other media. The proliferation of the Internet and expansion of digital media and communications, particularly social media, mobile applications and the development of tablet and mobile devices has increased some consumers' preferences to receive all or part of their news and information digitally. Websites such as craigslist.com, monster.com and cars.com provide a cost efficient platform for reaching wide but targeted audiences for classified advertisements. Websites such as Facebook, Twitter, Google and Yahoo! are successful in gathering national, local and entertainment news and information from multiple sources and attracting a broad readership base.

Historically, newspaper publishing was viewed as a cost-effective method of delivery for various forms of advertising to a large audience. The continued development and deployment of new technologies and greater competition from other media increases the challenge to the Company to provide competitive offerings to retain its print, as well as digital, advertisers and subscribers.

A. H. Belo's ability to stabilize advertising and circulation revenue through price and volume increases may be affected by competition from other forms of media and other publications available in the Company's various markets, declining consumer spending on discretionary items like newspapers, decreasing amounts of free time and declining frequency of regular newspaper buying among certain demographic groups. The Company may also incur higher costs competing for paid circulation, and if the Company is not able to compete effectively for advertising dollars and paid circulation, revenue may decline and the Company's financial condition and results of operations may be adversely affected.

Purchasing practices of national advertisers could negatively impact the Company's pricing and ability to up-sell other products, which could result in lower revenues.

Many national advertisers which place advertising in the Company's newspapers are centralizing purchasing functions and streamlining the buying and negotiating process. This has resulted in the commoditization of certain advertising products, which limits the Company's ability to promote its position in the market, the customer service value of its relationship with the advertiser, or the benefits of its suite of products, including the Company's ability to up-sell other products. This also may put the Company in competition with other advertising companies that are able to offer lower prices for a larger geographical area than the Company covers. Accordingly, the Company could experience a decline in pricing which could result in a decline in revenue.

A. H. Belo may be unsuccessful in providing desired types of news and information content on digital platforms. The Company increased the functionality of the websites associated with its core newspapers and offered applications for smart phones, tablet devices and e-readers. These digital platforms provide consumers varying levels of access to similar content offered within the respective newspaper, as well as late-breaking local, national and international news stories and interactive content, such as video, blogs and Twitter feeds. However, the frequency, types and depth of news desired by digital users may not be predictable or consistent with the news and other content offered on the Company's digital platforms and the costs to attract and retain such consumers may be unprofitable to the Company's operations.

The Company has significant cash reserves due to the sale of The Press-Enterprise and may not be able to deploy its current cash reserves in a profitable manner, and if additional capital resources are desired, the Company may not be able to obtain capital on favorable terms, if at all.

At December 31, 2013, the Company held \$82,193 in cash and cash equivalents, largely due to the disposition of substantially all of the assets relating to The Press-Enterprise. The Company's future growth and profitability may be dependent upon its ability to profitably invest its capital in products and businesses that produce profitable revenue and generate acceptable returns on investment. The Company may not be able to find suitable opportunities to reinvest the cash, which could adversely impact the return on capital, or may make investments that do not yield the expected returns. If the Company deploys a substantial portion of the cash reserves, it may need additional financing to execute on current or future business strategies, including: developing

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new products internally, diversifying revenue streams by acquiring or investing in established and profitable businesses; making required investments in its operating infrastructure in order to support revenue growth; or otherwise responding to competitive pressures. The Company's ability to raise financial capital in the future may be hindered due to uncertainty regarding A. H. Belo or the newspaper industry's prospective performance. If adequate funds are not available or are not available on acceptable terms, if and when needed, the Company's ability to conduct acquisitions, make investments in its businesses, take advantage of unanticipated opportunities, or otherwise respond to competitive pressures, could be significantly limited.

There can be no assurance that the Company's product and service initiatives will be successful.

The Company has introduced new product and service initiatives designed to grow advertising and market services revenue and to respond to challenges of maintaining revenue in existing markets. These initiatives may not be successful for advertisers, may not be scalable or profitable and could result in unprofitable financial performance.

Decreases in circulation may adversely affect A. H. Belo's advertising and circulation revenue.

A. H. Belo's newspapers, and the newspaper industry as a whole, are challenged to maintain and grow print circulation volume. To the extent circulation volume declines cannot be offset by rate increases the Company will realize lower circulation revenue. Further, circulation volume declines could also result in lower rates and volumes for advertising revenue.

The Company's potential inability to successfully execute cost control measures could result in total operating costs that are greater than expected.

The primary costs of the Company's operations include employee compensation and benefits; followed by distribution costs, newsprint and other production materials and technology costs. The Company has taken steps to lower its costs through selling or discontinuing production of unprofitable operations and products, reducing personnel and employee benefits and implementing general cost control measures. Although the Company continues its cost control efforts, the Company may be unable to match revenue declines with offsetting cost reductions.

Certain operating costs may not fluctuate directly with the changes in revenue volumes, which could result in lower margins if advertising and circulation volumes decline. The Company could also experience inflationary pressures from suppliers and be unable to generate additional revenue or additional cost reductions to offset these inflationary pressures. The Company utilizes outside service providers to distribute its newspapers, and certain preprint advertisements are distributed through the mail. Higher fuel costs or higher postage rates could result in higher direct costs incurred by the Company to distribute its products. The basic raw material for newspapers is newsprint. The price of newsprint has historically fluctuated significantly. Consolidation in the North American newsprint industry reduced the number of suppliers and led to paper mill closures and conversions to other grades of paper, which in turn decreased overall newsprint capacity and increased the likelihood of higher prices.

Recently implemented health care mandates may require the Company to evaluate the scope of health care benefits offered to its workforce and the method in which health care benefits are delivered. These mandates may require an expansion of coverage and benefits offered to employees that could increase the Company's cost to provide medical benefits to employees. Additionally, as the economy recovers from the recent recession, competition for qualified personnel may require the Company to spend more on compensation costs, including employee benefits, to attract and retain its workforce.

The Company may not be able to pass on to customers these potential cost increases given the significant competition for advertising dollars and the ability of customers to obtain their news from other media at a low cost. If the Company does not achieve expected savings or if operating costs increase due to the creation and development of new products or otherwise, total operating costs may be greater than anticipated.

The Company believes appropriate steps are being taken to control costs. However, if the Company is not successful in matching revenue declines with corresponding cost reductions, the quality of the Company's product's could be affected as well as the Company's ability to generate future profits. These events could result in impairment to the Company's goodwill and other long-lived assets.

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A. H. Belo depends on key personnel and may not be able to operate and grow its business effectively if the Company loses the services of any of its senior executive officers or key operational employees or is unable to attract and retain qualified personnel in the future.

A. H. Belo relies on the efforts of its senior executive officers and other management. The success of the Company's business depends heavily on its ability to retain current management and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense and A. H. Belo may not be able to retain its key personnel. In addition, reductions in staff and in employee benefits could adversely affect the Company's ability to attract and retain key employees. The Company has not entered into employment agreements with key management personnel and does not have "key person" insurance for any of its senior executive officers or other key personnel.

A. H. Belo has a change in control severance plan covering key management personnel that is triggered under certain conditions if a change in control occurs.

A. H. Belo's business may be negatively affected by work stoppages, slowdowns, or strikes by its employees.

One of A. H. Belo's newspapers, The Providence Journal, is a party to collective bargaining agreements with unions representing 258 employees at December 31, 2013. The contract with the Newspaper Guild, covering 162 of these employees, expired on December 31, 2013, and a new contract was ratified in early March 2014. Remaining contracts expire between 2014 and 2016 unless extended. A. H. Belo cannot predict the results of negotiations related to future collective bargaining agreements, whether future collective bargaining agreements will be negotiated without interruptions in the Company's business, or the possible effect of future collective bargaining agreements on the Company's business, financial condition and results of operations. The Company also cannot assume that strikes or work stoppages will not occur in the future in connection with labor negotiations or otherwise. Any prolonged strike or work stoppage could adversely affect the Company's business, financial condition and results of operations.

Market conditions could increase the funding requirements associated with the Company's pension plans.

The Company is the sole sponsor of A. H. Belo Pension Plans I and II (collectively, the "A. H. Belo Pension Plans") and is required to meet certain pension funding requirements as established under the Employment Retirement Income Security Act ("ERISA"). Instability in global and domestic capital markets may result in low returns on the assets contributed to the A. H. Belo Pension Plans. Additionally, low yields on corporate bonds may decrease the discount rate, resulting in a higher funding obligation. Although legislation was enacted into law in 2012 which provided limited funding relief, these conditions could materially increase the funding requirements associated with the A. H. Belo Pension Plans, which could have an adverse impact on the Company's liquidity and financial condition. Adverse results from new litigation or governmental proceedings or investigations could adversely affect A. H. Belo's business, financial condition and results of operations.

From time to time, A. H. Belo and its subsidiaries are subject to litigation, governmental proceedings and investigations. Adverse determinations in any such matters could require A. H. Belo to make monetary payments or result in other sanctions or findings that could affect adversely the Company's business, financial condition and results of operations.

A. H. Belo's directors and executive officers have significant combined voting power and significant influence over its management and affairs.

A. H. Belo directors and executive officers hold approximately 58.1 percent of the voting power of the Company's outstanding voting stock as of December 31, 2013. A. H. Belo's Series A common stock has one vote per share and Series B common stock has 10 votes per share. Except for certain extraordinary corporate transactions, generally all matters to be voted on by A. H. Belo's shareholders must be approved by a majority of the voting power of the Company's outstanding voting stock, voting as a single class. Certain extraordinary corporate transactions, such as a merger, consolidation, sale of all or substantially all of the Company's assets, dissolution of the Company, the alteration, amendment, or repeal of A. H. Belo's bylaws by shareholders and certain amendments to A. H. Belo's certificate of incorporation, require the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding voting stock, voting as a single class. Accordingly, A. H. Belo's directors and executive officers will have significant influence over the Company's management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. This ownership may limit other shareholders' ability to influence corporate matters and, as a result, A. H. Belo may take actions that some shareholders do not view

as beneficial.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's principal operations are located as follows:

Operations	Ownership	Location
A. H. Belo and The Dallas Morning News Corporate and The Dallas Morning News' headquarters ^(a)	Owned	Dallas, Texas, downtown
Printing facilities	Owned	Plano, Texas
Denton Record-Chronicle offices	Owned	Denton, Texas, downtown
Direct mail offices and warehouse	Leased	Phoenix, Arizona; Las Vegas, Nevada

The Providence Journal

Office building	Owned	Providence, Rhode Island, downtown
Printing facilities	Owned	Providence, Rhode Island

The Corporate and The Dallas Morning News' headquarters include two office buildings, a parking garage and adjacent land that are part of a ten-acre campus in downtown Dallas, Texas. Other properties on this campus are (a) owned and used by the former parent company in its operations. The Company leased certain storage facilities in its parking garage and a parcel of land to its former parent company under a long-term ground lease which provides an option to purchase for nominal value.

In addition to the properties above, the Company's newspapers or other businesses hold various real estate assets that are nonessential to operations, including a warehouse/distribution facility in South Dallas that formerly served as a collating facility for The Dallas Morning News, various commercial buildings, parking lots and land. These real estate assets are currently marketed for sale and are included in property, plant and equipment in the Company's consolidated balance sheets.

Item 3. Legal Proceedings

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

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PART II

Item 4. Mine Safety Disclosures

None.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's authorized common equity consists of 125,000,000 shares of common stock, par value \$.01 per share. The Company has two series of common stock outstanding, Series A and Series B. Shares of the two series are identical in all respects except as noted herein. Shares of Series B common stock are entitled to 10 votes per share on all matters submitted to a vote of shareholders, and shares of Series A common stock are entitled to one vote per share. Transferability of the Series B common stock is limited to family members and affiliated entities of the holder. Shares of Series B common stock are convertible at any time on a one-for-one basis into shares of Series A common stock and upon a transfer other than as described above, shares of Series B common stock automatically convert into Series A common stock. Shares of the Company's Series A common stock are traded on the New York Stock Exchange (NYSE trading symbol: AHC) and began trading on February 11, 2008. There is no established public trading market for shares of Series B common stock.

The declaration of dividends is subject to the discretion of A. H. Belo's board of directors. The determination as to the amount declared and its timing depends on, among other things, A. H. Belo's results of operations and financial condition, capital requirements, other contractual restrictions, prospects, applicable law, general economic and business conditions and other future factors that are deemed relevant. The board of directors generally declares dividends the quarter preceding its stated measurement and payment dates. A. H. Belo cannot provide any assurance that future dividends will be declared and paid due to the foregoing factors and the factors discussed in "Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K. The table below sets forth the high and low sales prices reported on the New York Stock Exchange for a share of the Company's common stock and the recorded cash dividends per share declared for the past two years.

	Stock Price			Dividends Declared
	High	Low	Close	
2013				
Fourth quarter	\$8.60	\$6.91	\$7.47	\$0.08
Third quarter	8.05	6.57	7.85	0.08
Second quarter	7.25	5.48	6.86	0.08
First quarter	6.00	4.72	5.84	0.06
2012				
Fourth quarter	\$5.30	\$4.38	\$4.65	\$0.06
Third quarter	5.04	3.96	4.83	0.30
Second quarter	5.01	3.60	4.02	0.06
First quarter	6.49	4.47	4.89	0.06

The closing price of the Company's Series A common stock as reported on the New York Stock Exchange on February 28, 2014, was \$11.04. The approximate number of shareholders of record of the Company's Series A and Series B common stock at the close of business on February 28, 2014, was 449 and 200, respectively.

Equity Compensation Plan Information

The information set forth under the heading "Equity Compensation Plan Information" contained in the definitive Proxy Statement for the Company's Annual Meeting of Shareholders, to be held on May 15, 2014, is incorporated herein by reference.

Issuer Purchases of Equity Securities

The Company repurchases shares of its common stock from time to time pursuant to publicly announced share repurchase programs. During 2013, the Company repurchased 421,070 Series A shares at a cost of \$2,763. All purchases were made through open market transactions and were recorded as treasury stock.

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The following table contains information for shares repurchased during the fourth quarter of 2013. None of the shares in this table were repurchased directly from any of our officers or directors.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 2013	16,071	\$7.75	448,354	551,646
November 2013	39,023	7.49	487,377	512,623
December 2013	7,823	7.66	495,200	1,004,800 ^(a)

Share repurchases are made pursuant to a share repurchase program authorized by the Company's board of (a) directors. A total of 1,000,000 shares were authorized by the Company's board of directors in the fourth quarter of 2012 and an additional 500,000 shares were authorized in the fourth quarter 2013.

Sales of Unregistered Securities

During 2013, 2012 and 2011, shares of the Company's Series B common stock in the amounts of 4,401, 12,961 and 30,057, respectively, were converted, on a one-for-one basis, into shares of Series A common stock. The Company did not register the issuance of these securities under the Securities Act of 1933 (the "Securities Act") in reliance upon the exemption under Section 3(a)(9) of the Securities Act.

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Performance Graph

The following graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or Exchange Act, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph below compares the annual cumulative shareholder return on an investment of \$100 on December 31, 2008, with a closing price of \$2.18 per share, in A. H. Belo’s Series A common stock, based on the market price of the Series A common stock and assuming reinvestment of dividends, with the cumulative total return, assuming reinvestment of dividends, of a similar investment in (1) companies on the Standard & Poor’s 500 Stock Index, and (2) the 2013 group of peer companies selected on a line-of-business basis and weighted for market capitalization. The Company’s peer group includes the following companies: Gannett Co., Inc., The E. W. Scripps Company, Journal Communications, Inc., Lee Enterprises, Incorporated, The McClatchy Company, Media General, Inc and The New York Times Company. A. H. Belo is not included in the calculation of peer group cumulative total shareholder return on investment.

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Item 6. Selected Financial Data

The table below sets forth selected financial data of the Company for each of the years ended 2009 through 2013. For a more complete understanding of this selected financial data, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and accompanying notes.

	As of and for the years ended December 31,				
In thousands, except per share amounts	2013	2012	2011	2010	2009
Total net operating revenue	\$366,250	\$374,690	\$394,196	\$413,898	\$437,738
Total operating costs and expense ^(a)	359,919	367,264	388,483	544,669	546,552
Income (loss) from operations	6,331	7,426	5,713	(130,771)	(108,814)
Total other income (expense), net	2,410	2,751	(962)	6,167	(2,371)
Income tax provision (benefit) ^(b)	1,584	1,804	5,107	(4,372)	(12,475)
Income (loss) from continuing operations	7,157	8,373	(356)	(120,232)	(98,710)
Income (loss) from discontinued operations ^(c)	8,769	(7,954)	(10,577)	(4,002)	(9,185)
Net loss attributable to noncontrolling interests ^(d)	(193)	(107)	—	—	—
Net income (loss) attributable to A. H. Belo Corporation	\$16,119	\$526	\$(10,933)	\$(124,234)	\$(107,895)
Total assets	\$279,218	\$291,939	\$345,088	\$420,049	\$404,427
Total liabilities	\$110,442	\$189,879	\$223,609	\$220,176	\$82,830
Total shareholders’ equity	\$168,776	\$102,060	\$121,479	\$199,873	\$321,597
Cash dividends recorded per share	\$0.28	\$0.48	\$0.18	\$—	\$—

In 2009, the Company recorded a charge of \$80,940 to impair the carrying value of goodwill recorded at The (a) Providence Journal to its fair value and a charge of \$20,000 to impair the carrying value of real estate associated with a collating facility in South Dallas to its appraised value.

In 2010, the Company recorded a loss of \$132,346 related to the withdrawal of the Company from a defined benefit plan of the former parent company. The assets and obligations related to current and former employees participating in this plan were transferred into two newly formed defined benefit pension plans created and sponsored solely by the Company. A final settlement adjustment of \$1,988 was recorded to expense in 2011 relating to the finalization of plan assets and obligations assumed.

In 2009, the Company’s former parent company amended its 2007 federal income tax return in order to generate an (b) \$11,978 tax refund related to Company losses carried back against this return. Additional losses of the Company were carried back against the former parent company’s 2008 federal income tax return in 2010, generating a \$4,732 refund.

In 2013, the Company sold the operations of The Press-Enterprise, which is reported as discontinued operations for (c) the periods presented above.

In 2012, the Company acquired a 70 percent interest in Your Speakeasy, LLC. The Company consolidates the (d) results of operations related to this investment and records the interests of other owners as noncontrolling interests.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following information should be read in conjunction with the other sections of this Annual Report on Form 10-K. Statements in this Annual Report on Form 10-K concerning A. H. Belo's business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends, capital expenditures, investments, dispositions, impairments, business initiatives, acquisitions, pension plan contributions and obligations, real estate sales, working capital, future financings and other financial and non-financial items that are not historical facts, are "forward-looking statements" as the term is defined under applicable federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements.

Such risks, uncertainties and factors include, but are not limited to the following: changes in capital market conditions and prospects, changes in advertising demand and newsprint prices; newspaper circulation trends and other circulation matters, including changes in readership methods, patterns and demography; audits and related actions by the Alliance for Audited Media; challenges implementing increased subscription pricing and new pricing structures; challenges in achieving expense reduction goals in a timely manner and the resulting potential effect on operations; challenges in consummating asset acquisitions or dispositions upon acceptable terms; technological changes; development of Internet commerce; industry cycles; changes in pricing or other actions by new and existing competitors and suppliers; consumer acceptance of new products and business initiatives; labor relations; regulatory, tax and legal changes; adoption of new accounting standards or changes in existing accounting standards by the Financial Accounting Standards Board or other accounting standard-setting bodies or authorities; the effects of Company acquisitions, dispositions and co-owned ventures and investments; pension plan matters; general economic conditions and changes in interest rates; significant armed conflict; acts of terrorism; and other factors beyond the Company's control, as well as other risks described elsewhere in this Annual Report on Form 10-K and in the Company's other public disclosures and filings with the SEC.

OVERVIEW

A. H. Belo Corporation

A. H. Belo Corporation, headquartered in Dallas, Texas, is a distinguished newspaper publishing and local news and information company that owns and operates three metropolitan daily newspapers and related websites, with publishing roots that trace to The Galveston Daily News, which began publication in 1842. A. H. Belo publishes The Dallas Morning News (www.dallasnews.com) (Dallas, Texas), Texas' leading newspaper and winner of nine Pulitzer Prizes; The Providence Journal (www.providencejournal.com) (Providence, Rhode Island), the oldest continuously-published daily newspaper in the United States and winner of four Pulitzer Prizes; and the Denton Record-Chronicle (www.dentonrc.com), a daily newspaper operating in Denton, Texas, approximately 40 miles north of Dallas. The Company publishes various niche publications targeting specific audiences, and its investments include Classified Ventures, LLC, owner of cars.com, and Wonderful Media, LLC, owner of FindnSave.com. A. H. Belo offers digital marketing solutions through 508 Digital and Speakeasy, and also owns and operates commercial printing, distribution and direct mail service businesses.

A. H. Belo intends for the discussion of its financial condition and results of operations that follows to provide information that will assist in understanding its financial statements, the changes in certain key items in those statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect its financial statements. References to terms "revenue" and "expense" as used in Management's Discussion and Analysis refer to income (loss) from continuing operations, unless otherwise noted.

Sale of The Press Enterprise

In 2013, the Company completed the disposition of The Press-Enterprise, a daily newspaper in Riverside, California, its niche publications La Prensa and The Weekly, related websites and substantially all related real estate assets. The disposition and the results of operations associated with The Press-Enterprise are discussed on page 49 and are presented within the Company's financial statements as discontinued operations.

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Significant Transactions from Continuing Operations

During 2013, the results of operations of the Company were influenced by several significant transactions and events. In the first quarter, the Company voluntarily terminated its credit agreement, which had not been drawn upon since 2009. This agreement contained various terms restricting the Company's ability to acquire investments, divest assets, make voluntary pension contributions and return capital to shareholders as described in Liquidity and Capital Resources below.

In the second quarter of 2013, The Providence Journal executed an agreement allowing it to effectively assume the distribution of various national and regional newspapers and magazines previously managed by a third-party distributor. The agreement also settled claims and disputes between The Providence Journal and the third-party distributor. Under the agreement, The Providence Journal is paying the third-party distributor approximately \$1,330 over a two-year period for the acquisition of business and settlement of claims. The Company anticipates profits from the distribution contracts to well exceed the amounts paid under the agreement. The Company allocated approximately one-half of the cost of the agreement as a loss on the settlement of claims and, accordingly, recorded a loss of \$665 in the second quarter of 2013. The remaining amounts to be paid are treated as contract acquisition costs and are being amortized to expense over three years starting in July 2013, consistent with the contract terms between The Providence Journal and the newspaper and magazine publishers.

In the fourth quarter of 2013, The Dallas Morning News, Inc. executed an agreement with Star Telegram, Inc. to provide printing services for the Fort Worth Star-Telegram, a major metropolitan newspaper, whose reported average print circulation volumes per the September 2013 Publisher's Statement were approximately 190,000 copies on Sundays and 110,000 daily copies on Mondays through Fridays. Printing of this newspaper is scheduled to commence in the first quarter of 2014 at the Company's printing operations in Plano, Texas.

Effective September 11, 2013, Robert W. Decherd retired as the Company's Chairman, President and Chief Executive Officer after 40 years of employment with the Company and former parent company. Mr. Decherd was succeeded by James M. Moroney III. Mr. Moroney served as the Company's Executive Vice President since December 2007 and as Publisher and Chief Executive Officer of The Dallas Morning News since June 2001. In September 2013, Mr. Moroney was elected as the Chairman of the Company's board of directors and Mr. Decherd now serves as Vice Chairman of the Company.

In addition to the above, the following significant transactions and events affected A. H. Belo's results of operations and financial position during 2013:

In 2013, 508 Digital and Speakeasy each completed their first full year of operations and generated \$5,773 in revenue. The Company continues to focus on diversifying its revenue streams and in addition to 508 Digital and Speakeasy, the Company began publishing Design Guide and Texas Wedding Guide, luxury design and wedding guide publications and related websites targeting upscale builders, interior designers and wedding related businesses in various Texas markets. The Company also began promoting events, such as One Day University, through its Crowdfunder operation.

The Company concluded the accrual of transition benefits to the A. H. Belo Pension Transition Supplement Plan (the "PTS Plan") in the first quarter. The Company recognized \$1,090 of remaining expense related to the PTS Plan and made \$5,217 of contributions to the plan, representing current and prior year obligations.

As a result of an increase in the discount rate and favorable investment performance, the net unfunded position of the pension plans was \$50,082 as of December 31, 2013, an improvement of \$72,739 from the prior year. The Company made required contributions to its pension plans of \$7,396 and voluntary contributions of \$4,604.

Dividend proceeds of \$2,952 were received from an equity method investee, reducing the carrying value of this investment.

Dividends totaling \$6,356 were recorded and paid to shareholders and to holders of restricted stock units. The quarterly dividend rate was increased from \$0.06 per share to \$0.08 per share effective with the dividend declared in the second quarter and paid in the third quarter.

The Company received a refund of \$1,334 on a tax return amended in a prior year.

The Company acquired 421,070 of its Series A shares through open market transactions for \$2,763, which are recorded as treasury stock.

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RESULTS OF OPERATIONS

Consolidated Results of Continuing Operations

This section contains a discussion and analysis of net operating revenues, expenses and other information relevant to an understanding of results of operations for 2013, 2012 and 2011.

The table below sets forth the components of A. H. Belo's net operating revenues for the last three years.

	Years Ended December 31,						
	2013	Percentage Change		2012	Percentage Change	2011	
Advertising and marketing services	\$208,959	(3.3)%	\$216,108	(8.8)%	\$237,061
Circulation	120,316	(2.4)%	123,224	(2.4)%	126,290
Printing and distribution	36,975	4.6	%	35,358	14.6	%	30,845
	\$366,250	(2.3)%	\$374,690	(4.9)%	\$394,196

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 significant revenue decline over the past decade. 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 printing and distribution services to its local markets. Through these efforts, the Company has achieved in 2013 the lowest year-over-year revenue decline since the Distribution.

In 2013, 2012 and 2011, the Company's advertising revenue from the 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 a loss of advertising and paid circulation volumes and revenue. The most significant loss of advertising revenue was realized in display and classified categories. These categories, which represented 60.1 percent of consolidated revenue in 2011, have declined to 57.0 percent in 2013. The change in the revenue mix not only reflects the revenue loss, but reflects the Company's on-going efforts to develop new revenue sources outside of these traditional product offerings.

In 2012, The Dallas Morning News and its marketing solutions group, DMNmedia, reached an agreement with LocalEdge, Hearst Corporation's full service Internet marketing business, to resell LocalEdge's digital solutions to small businesses under the name of 508 Digital in the Dallas/Fort Worth areas. These solutions include development of mobile websites, search engine marketing and optimization, video, mobile advertising and email marketing. The Dallas Morning News also offers advertising analytics and online reputation management services. The Company also entered into a joint venture with a local advertising agency, forming Speakeasy, which targets middle-market business customers and provides turnkey social media account management and content development services. Revenues from these marketing services initiatives were \$5,773 in 2013, up from \$944 in 2012, offsetting approximately 70 percent of the core print advertising revenue declines at The Dallas Morning News in 2013. Although the Company expects advertising revenues in the Company's core newspapers will continue to decrease in 2014, we anticipate further revenue growth with 508 Digital, Speakeasy and other potential acquisitions to substantially offset these declines. The Company's newspapers aggressively market the capacity of their printing and distribution assets to other newspapers that would benefit from cost sharing arrangements. The Company was successful in growing printing and distribution revenue by 4.6 percent and 14.6 percent in 2013 and 2012, respectively, as a result of expansion of its distribution of third-party newspapers in its Rhode Island markets. Additionally, as a result of executing an agreement to print the Fort Worth Star-Telegram starting in 2014, the Company anticipates additional printing and inserting revenues of \$6,000 to \$6,500 on an annual basis.