A. H. Belo Corp
Form 10-K
March 14, 2019

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, 2018

OR

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

Commissions file no. 1-33741

(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) 977-8222
(Address of principal executive offices, including zip code)	(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Series A Common Stock, $.01 par value	New York Stock Exchange

Preferred Share Purchase Rights

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 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 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.

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

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

The aggregate market value of the registrant's voting stock held by nonaffiliates on June 30, 2018, 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 $88,576,679.*

Shares of Common Stock outstanding at March 5, 2019: 21,549,095 shares (consisting of 19,079,540 shares of Series A Common Stock and 2,469,555 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 9, 2019, are incorporated by reference into Parts II and III of this Annual Report.

A. H. BELO CORPORATION

FORM 10-K

TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	PAGE 3
Item 1A.	Risk Factors	PAGE 9
Item 1B.	Unresolved Staff Comments	PAGE 14
Item 2.	Properties	PAGE 14
Item 3.	Legal Proceedings	PAGE 14
Item 4	Mine Safety Disclosures	PAGE 14
PART II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	PAGE 15
Item 6.	Selected Financial Data	PAGE 16
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	PAGE 17
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	PAGE 26
Item 8.	Financial Statements and Supplementary Data	PAGE 26
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	PAGE 26
Item 9A.	Controls and Procedures	PAGE 26
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	PAGE 28
Item 11.	Executive Compensation	PAGE 28
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	PAGE 28
Item 13.	Certain Relationships and Related Transactions, and Director Independence	PAGE 28
Item 14.	Principal Accountant Fees and Services	PAGE 28
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	PAGE 29
	Signatures	PAGE 32
	INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	
	Report of Independent Registered Public Accounting Firm	PAGE 34
	Consolidated Statements of Operations for the Years Ended December 31, 2018 and 2017	PAGE 37
	Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2018 and 2017	PAGE 38
	Consolidated Balance Sheets as of December 31, 2018 and 2017	PAGE 39
	Consolidated Statements of Shareholders’ Equity for the Years Ended December 31, 2018 and 2017	PAGE 40
	Consolidated Statements of Cash Flows for the Years Ended December 31, 2018 and 2017	PAGE 41
	Notes to the Consolidated Financial Statements	PAGE 42

Table of Contents

PART I

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Statements in this Annual Report on Form 10-K concerning A. H. Belo Corporation'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, trends and uncertainties are, in most instances, beyond the Company's control, and include changes in advertising demand and other economic conditions; consumers' tastes; newsprint prices; program costs; labor relations; and technological obsolescence. 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.

All dollar amounts presented herein the Annual Report on Form 10-K, except share and per share amounts, are presented in thousands, unless the context indicates otherwise.

Item 1. Business

A. H. Belo Corporation and subsidiaries are referred to collectively herein as "A. H. Belo" or the "Company." The Company, headquartered in Dallas, Texas, is the leading local news and information publishing company in Texas with commercial printing, distribution and direct mail capabilities, as well as a presence in emerging media and digital marketing. While focusing on extending the Company's media platforms, A. H. Belo delivers news and information in innovative ways to a broad range of audiences with diverse interests and lifestyles.

A. H. Belo Corporation was formed in February 2008 through a spin-off from its former parent company and is registered on the New York Stock Exchange (NYSE trading symbol: AHC). The Company publishes The Dallas Morning News (www.dallasnews.com), Texas' leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. Its newspaper operations also provide commercial printing and distribution services to large national and regional newspapers and other businesses in the North Texas region. In December 2017, the Company completed the sale of the Denton Record-Chronicle and the Company no longer owns newspaper operations in Denton, Texas.

The Company also provides digital marketing solutions to businesses. The predominance of these services were developed or acquired within the last five years and are provided through the Company's marketing services division and through its subsidiary DMV Digital Holdings Company ("DMV Holdings").

Table of Contents

Business Overview

The Company’s goal is to create value for investors through the following:

- Be the premier provider of relevant and original local journalism in North Texas so citizens can make informed choices about their lives and the life of the communities in which they live. This commitment to excellence in journalism attracts and retains subscribers to both the print edition and digital site and applications.

- Provide customers with a comprehensive suite of innovative marketing solutions.

Since the Company’s spin-off in 2008, the print media industry has encountered continuous declines in revenue primarily due to the secular shift of readers and advertisers to digital platforms. The Company has sought to limit its exposure to these industry risks through greater development and enhancement of digital platforms for delivery of news and advertising, and through diversification of sources of revenue from both organic growth and acquisitions of marketing services.

In 2017, the Company acquired the remaining 20 percent voting interest in DMV Holdings. The initial purchase of 80 percent voting interest in DMV Holdings occurred in January 2015. DMV Holdings holds all outstanding ownership interests of three Dallas-based companies, Distribion, Inc. (“Distribion”), Vertical Nerve, Inc. (“Vertical Nerve”) and CDFX, LLC (“MarketingFX”). These businesses specialize in local marketing automation, search engine marketing, and direct mail and promotional products, respectively. The Company believes this acquisition complements the product and service offerings currently available to A. H. Belo customers, thereby strengthening the Company’s diversified product portfolio and allowing for greater penetration in a competitive advertising market. Additionally, the Company has realized efficiencies through internal fulfillment of work that businesses previously out-sourced to third-party vendors and therefore can provide businesses a more comprehensive suite of marketing solutions. This complements the organic growth realized from the product and service offerings currently available to A. H. Belo customers, including content development, social media management, and multi-channel marketing solutions through targeted and programmatic exchanges. These marketing services have been combined into a single division titled Belo + Company.

The Company has redesigned and expanded its website platforms and mobile apps to provide a better customer experience with its digital news and information reporting. In 2017, the Company invested in and moved to a new corporate office in downtown Dallas that provides for a more flexible office space and a contemporary digital newsroom.

In the first quarter of 2017, the Company reorganized its two reportable segments based on changes in reporting structure and the go-to-market for the Company's service and product offerings. The two reportable segments are Publishing and Marketing Services. The results of operations related to the Company's segments are presented in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's Publishing segment includes the operations of The Dallas Morning News (www.dallasnews.com), Texas' leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. These operations generate revenue from sales of advertising within its newspaper and digital platforms, subscription and retail sales of its newspapers, commercial printing and distribution services, primarily related to national and regional newspapers, and preprint advertising. Businesses within the Publishing segment leverage its production facilities, subscriber and advertiser base, and digital news platforms to provide additional contribution margin.

The Marketing Services segment includes marketing services generated by DMV Holdings and its subsidiaries Distribion, Vertical Nerve and MarketingFX. The Marketing Services segment also includes digital advertising through Connect (programmatic advertising). The Company operates this integrated portfolio of assets within its Marketing Services segment as separate businesses that sell digital marketing and advertising through different channels, including programmatic advertising and content marketing within the social media environment.

Through the Company's technological, capital and organizational investments, management will continue to focus its attention and initiatives on maximizing the return on its print assets and enhancing its digital publishing capabilities, thereby offering marketers performance-based media and marketing solutions through which they can grow their businesses.

Publishing Segment

The Dallas Morning News' first edition was published on October 1, 1885. The Dallas Morning News is one of the leading metropolitan newspapers in the United States. The newspaper is distributed primarily in Dallas County and 10 surrounding counties. This coverage area represents one of the most populous and fastest growing metropolitan areas in the country. The Dallas Morning News has been awarded nine Pulitzer Prizes for news reporting, editorial writing and photography. The Dallas Morning News also publishes Briefing, a newspaper distributed two days per week at no charge to nonsubscribers in select coverage areas, and Al Dia, an award-winning

Table of Contents

Spanish-language newspaper published on Wednesdays and distributed at no charge to households in select coverage areas. Unless otherwise noted, the financial and operating results of all publications are reported as The Dallas Morning News.

Businesses producing and providing services within the print and paper industry have encountered significant declines in revenue as a result of increasing use of the internet for delivery of information. These businesses have been challenged to find alternative solutions to offset the loss of revenue. The majority of revenues within the newspaper industry were historically generated from display and classified advertisements followed by revenues from subscription and retail sales of newspapers. Revenues from subscription and retail sales of newspapers have experienced greater resilience as readers have been willing to pay higher prices for the product, which has substantially offset lower circulation volumes. Since the spin-off from its former parent company in 2008, the Company has faced ongoing revenue declines primarily in advertising.

The following describes the various revenue streams within the Publishing segment.

Advertising Revenue - Advertising revenue accounted for approximately 46 percent of total revenue within the Publishing segment for 2018. The Company has a comprehensive portfolio of print and digital advertising products, which include display, classified, preprint and digital advertising. 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 revenue, which includes automotive, real estate, employment, obituaries and other, results from sales of advertising space in the classified and other sections of the Company's newspapers. 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's capabilities allow its advertisers to selectively target preprint distribution at the sub-zip code level in order to optimize coverage for the advertisers' locations. Digital publishing revenue includes the sales of banner, classified and native advertisements on the Company's news and entertainment-related websites and mobile apps. The Company's auto sales division offers targeted advertising to auto dealerships primarily in the North Texas region desiring to advertise their inventory on the cars.com platform. The Company is under contract to sell this advertising through September 2019.

In addition to daily newspapers, the Company publishes niche publications that provide a vehicle for delivery of display, classified, and preprint advertising, typically to nonsubscribers of the Company's core newspapers and at no charge. These publications target specific demographic groups, geographies and nonsubscriber households. Most niche publications have related websites and mobile applications, allowing digital access by consumers. The niche publications provide unique content and incorporate the news content from the core newspaper while leveraging the Company's printing, distribution and technology infrastructure to print and distribute their publications at lower costs. From time to time, the Company produces magazines or special newspaper editions to promote business, sporting or other events in the North Texas region, such as the Top 100 Places to Work edition. These publications allow the Company to generate revenue through advertising sales in the publications and through increased circulation or fees for the publications.

Circulation Revenue - Circulation revenue includes subscription and single copy sales related to the Company’s core newspapers in print and digital formats. A. H. Belo’s steadfast commitment to producing superior, unduplicated local journalism enables the Company’s newspapers to charge premium subscription rates. The Dallas Morning News’ goal is to maximize the amount of recurring revenue from consumers of the Company’s print and digital products. The Company continuously assesses the journalism provided to subscribers and their willingness and ability to pay higher rates by geographic area. Each year since 2008, the Company has implemented effective rate increases to select subscribers or retailers. A digital replica version of The Dallas Morning News is offered on dallasnews.com for subscribers to purchase if they prefer to consume news through a digital device in a more traditional format.

The Company’s news websites, including dallasnews.com and aldiadallas.com, are leading English and Spanish news and entertainment digital platforms in the North Texas region. The news websites offer users late-breaking and other up-to-date news coverage, user-generated content, advertising, e-commerce and other services. Readers can access news content across multiple digital platforms and obtain relevant local customized content and advertising. 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 direct traffic to its core websites.

Printing, Distribution and Other Revenue - Printing, distribution and other revenue accounted for approximately 14 percent of total revenue within the Publishing segment for 2018 and includes commercial printing, distribution, direct mail and event-based services. The Company provides commercial printing and distribution services, leveraging the capacity of its production and distribution assets. The Company believes the incremental revenue from these services allows a greater return on the Company’s operating assets.

Commercial printing services are provided for certain national newspapers that require regional printing and for various 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. A direct mail business is operated in Phoenix, Arizona, providing mailed advertisements for its business customers.

Table of Contents

Marketing Services Segment

The following describes the various revenue streams within the Marketing Services segment.

Digital marketing services are offered by the Company’s sales and marketing divisions. The Company’s strategy, with regard to the Marketing Services segment, is to be able to offer businesses a comprehensive marketing solutions package while providing a greater percentage of the marketing fulfillment costs internally that was previously outsourced to third-party providers. The Company has aligned management and the Company’s sales teams to provide a cross-functional integrated approach to maximize the development of these businesses. Digital marketing services are provided through the following service offerings:

- Multi-channel marketing solutions through subscription sales of the Company’s cloud-based software, allowing customers to manage and individualize their marketing campaigns. In addition, multi-channel marketing services are provided to customers without access to the proprietary software.
- Provide marketing analytics, search engine marketing and other marketing related services to businesses across the United States.
- Social media account management and content marketing services principally for businesses in the North Texas region.
- Multi-channel advertising campaigns for its customers, allowing customers to target demographic audiences using data analytics and allowing customers to determine the delivery media such as email campaign, banner impressions or video views on third-party websites. Connect is able to design and fulfill customer campaign requirements through acquisition of advertising inventory on programmatic exchanges.
- Produce marketing and promotional products for businesses to supply to employees and customers.

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, though the Company experienced a tightening of supply in the North American newsprint market beginning in the fourth quarter of 2017.

During 2018, Company operations consumed 19,255 metric tons of newsprint at an average cost of $660 per metric ton. Consumption of newsprint in 2017 was 23,296 metric tons at an average cost of $564 per metric ton.

The Company's newspapers and other commercial print products are produced at its facility in Plano, Texas. Distribution of printed products to subscribers, retailers and newsstands is made under terms of agreements with third-party distributors. The Company believes a sufficient number of third-party distributors exist to allow uninterrupted distribution of the Company's products.

Table of Contents

Competitive Strengths and Challenges

The Company's strengths are:

- the largest news gathering operation in North Texas
- the opportunity to build valuable first-party data sets about consumers in North Texas due to the millions of unique visitors who come to the Company's websites and mobile applications monthly
- the ability to develop innovative new product and service offerings which leverage the Company's brand equity, existing content, distribution platforms, technologies and relationships
- product or service offerings that allow the Company to offer advertisers a customized and integrated advertising and marketing solution through desired media channels
- sufficient liquidity to allow the Company to opportunistically invest in, or acquire, businesses that complement the Company's advertising or marketing services businesses
- an affluent and educated demographic base in its market
- the ability to market print or digital products and services to large and targeted audiences at low marginal costs
- a large sales force 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 challenges are:

- timely growth of revenue and profit margins related to the Company's marketing services businesses and digital subscriptions that would provide for an offset to declines in revenue and profit margins of the Company's print operations
- maintaining and growing advertising and circulation revenues in a competitive environment with increased competition from other media, particularly internet-based media
- effective monetization of locally created online content on the Company's websites while balancing the impact of potential lower traffic volumes with an established metered-based model

In response to the decline in print revenue, the Company has developed or acquired capabilities to offer customers advertising and marketing solutions 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, by increasing circulation prices and through growth of the Company's event-based business.

As a result 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 continues to obtain additional key demographic data from readers, which allows the Company to provide content desired by readers and to modify marketing and distribution strategies to target and reach audiences valued by advertisers. The Company has implemented a programmatic digital advertising platform which provides digital ad placement and targeting efficiencies and increases utilization of digital inventory within the Company's and external websites.

Strategy

A. H. Belo is committed to producing quality journalism and providing innovative marketing solutions for its customers, as well as creating value for shareholders over the long-term through stock price appreciation and dividends. The Company continuously evaluates its operations and investments against various economic factors to determine the appropriate holding strategies.

In 2017, the Company completed the disposition of nonessential real estate assets, all at opportunistic prices. Sales proceeds were used to return money to shareholders and provide additional contributions to the Company's pension plans. The Company continuously seeks to implement measures to control operating expenses as it develops and grows new businesses. These measures include divesting of unprofitable products and services, adjusting the Company's workforce and benefits to align with revenues and market conditions, and restructuring operations. Returns on operating and investing assets are evaluated to ensure the appropriate return on investment is achieved and capital is deployed to the benefit of shareholders.

Table of Contents

The Company is committed to providing the leading digital and print platforms for delivering news of the highest quality and integrity in the North Texas area, as well as creating and developing innovative print and digital products that address the needs of consumers and advertisers.

The Company seeks to achieve these objectives through the following strategies:

- produce quality local journalism at scale distributed through digital platforms that improves user engagement that results in increased digital subscriptions and customer retention
- develop new ways to optimize advertising dollars on the Company's digital platforms
- grow recurring Marketing Services revenue through a client-first approach and enhanced product offerings
- acquire businesses and products that will enhance the Company's local marketing solution portfolio and assist in achieving a competitive market place advantage
- improve print revenues and increase utilization of operating assets by maintaining profitable print and distribution services to third-parties
- continue to align costs 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

Competition

The Company's newspapers, niche publications and related websites primarily serve audiences in the North Texas area. The Company competes for advertising revenue for its newspapers and websites with other print and digital media companies. Advertising revenues for the Company's newspapers and websites are responsive to circulation and traffic volumes, demographics of its subscriber base, advertising results, rates and customer service. Advertising on digital platforms is highly competitive and largely dominated by large internet companies. As advertisers reallocate marketing expenditures from print to digital channels, the Company believes its strong local brand, its suite of print and digital advertising and marketing services products and its programmatic digital advertising platform will allow it to offer unique advertising and marketing solutions to local businesses on a competitive scale.

The Dallas Morning News has the highest paid print circulation volumes in the North Texas area while competing with one other metropolitan newspaper in parts of its geographic market. Print circulation revenues are primarily challenged due to free and readily-accessible news, entertainment, advertising and other content available through the internet. This secular shift from print to digital media continues as consumer lifestyles embrace technological advancements, particularly with mobile devices, which provide access to a wide variety of digital news and advertising alternatives, including news and social media websites, online advertising networks and exchanges, online classified services, and direct email advertising. 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. News and other digital content produced by the Company's newspapers and niche publications are available via its websites, mobile applications and through email. The Company offers competitive technology for accessing digital content on mobile devices and via personal computers. Journalists engage online readers through blogs, Twitter and other social media posts. The Company has modified its websites to provide greater video content and advertising, links to other sites sought by readers, improved layouts, and a better interface with mobile applications.

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, 2018, the Company had 982 employees.

Available Information

A. H. Belo maintains its corporate website at www.ahbelo.com, which makes available, 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").

Table of Contents

Item 1A. Risk Factors

The following risk factors 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 the possible risks and outcomes discussed herein. 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.

Risks Relating to A. H. Belo’s Strategic Transformation

The Company’s primary strategy is to transition from a print-focused media company to a digital-first media company focused on growth in its digital subscriber base and growth in its marketing solutions and digital advertising businesses.

The Company’s ability to achieve its strategic transformation from a print-focused media company to a digital-first media company is subject to several risks, including:

- The transformation may require significant investment of financial resources, and these investments may result in lower margins and increased operating expenses and capital expenditures
- The transformation may require a significant amount of time to achieve, and the Company may not be able to increase digital revenues quickly enough to offset print revenue declines
- The Company operates in a highly competitive market for talent, and it may not be successful in recruiting and retaining the type of talent required to operate and grow its digital businesses

Even if the Company implements its strategic transformation successfully, it may not result in an increase in digital revenues that sufficiently offset the declines the Company is experiencing in its traditional print media business. If the Company fails to implement its strategy effectively, or if its strategy ultimately does not result in a sufficient increase in digital revenues, its business, financial condition, and results of operation may be adversely affected.

Risks Relating to the Publishing Segment

A. H. Belo’s Publishing segment operates in a highly competitive media market, and the Company’s ability to generate revenue depends on the effectiveness of the Company’s strategy to promote new and existing products.

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 digital media increase the challenge to provide competitive offerings to retain the Company’s print and digital advertisers. In addition, many national advertisers, which place advertising in the Company’s newspaper, have significantly reduced marketing budgets. These advertisers are centralizing purchasing functions and streamlining the buying and negotiating process. This could result in further 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 advertisers, and the benefits of its suite of products, including the Company’s ability to upsell other products. This may also 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 lower revenues and profitability.

A. H. Belo’s newspaper 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. Circulation volume declines could also result in lower rates and volumes for advertising revenue.

The Company’s ability to stabilize circulation revenue through price increases and by growing its paid digital subscriber base may be affected by competition from other forms of media and other publications available in the Company’s markets, declining consumer spending on discretionary items such as 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. If the Company is not able to compete effectively, revenue may decline and the Company’s financial condition and results of operations may be adversely affected.

The Company competes for advertising and circulation revenue with other newspapers, websites, digital applications, magazines, television, radio, direct mail and other media. The continued expansion of digital media and communications, particularly social media, mobile applications and the proliferation of tablet and mobile devices, has increased some consumers’ preference to receive all or part of their news and information digitally. Websites such as craigslist.org, monster.com and cars.com provide a cost efficient platform for

Table of Contents

reaching wide but targeted audiences for classified advertising. Websites such as Facebook, Twitter, Google and Yahoo! are successful in gathering and making available national and local news and information from multiple sources and attracting a broad readership base.

The Company's success depends on its ability to develop and manage the Publishing segment's digital business in response to the changes in consumers' preferences and behaviors, as well as changes to advertising expenditures, as described above. To be successful, the Company must:

- Attract advertisers to the Company's digital products
- Continue to increase digital audiences by providing consumers important and relevant news content regarding the North Texas market
- Tailor products for mobile devices
- Invest funds and resources in digital opportunities
- Leverage existing print products, brands and technologies to distinguish digital products and services from those of competitors
- Structure its sales force accordingly
- Attract and retain employees with the skills and knowledge needed to support a successful digital business

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

The primary costs of the Company's publishing 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 costs through selling or discontinuing unprofitable operations and products, reducing personnel, restructuring employee benefits, and implementing general cost control measures. Although the Company continues its cost control efforts, it may be unable to continue to match revenue declines with offsetting cost reductions.

Certain operating costs may not fluctuate directly with changes in revenue, which could result in lower margins if advertising and circulation volumes decline. The Company could experience inflationary pressures from newsprint and other suppliers and be unable to generate additional revenue or additional cost reductions to offset these pressures. The Company utilizes outside service providers to distribute its newspaper and certain preprint advertising through the mail. Higher fuel costs and/or postage rates or an increase in rates from outside service providers could result in higher direct costs incurred by the Company.

Increasing costs of healthcare benefits offered to employees requires the Company to evaluate the scope of benefits offered and the method by which health care benefits are delivered. Competition for qualified personnel may require the Company to spend more on compensation costs, including employee benefits, to attract and retain its workforce. There may be other factors outside of the Company's control that could increase employee compensation costs, including, but not limited to, an increase in the minimum wage.

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 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, 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 Company's ability to generate future profits could be affected.

Table of Contents

Newsprint prices are volatile and may increase in the future, and newsprint supply may become increasingly scarce as paper mills exit the market.

The basic raw material for newspapers is newsprint, the cost of which for the last two years has represented between 5.0 percent and 6.0 percent of A. H. Belo's revenues. The Company's publishing operations depend significantly upon the continuing availability of newsprint and the Publishing segment's results of operations may be impacted significantly by changes in newsprint prices. The price of newsprint historically has been volatile. Consolidation in the North American newsprint industry has reduced the number of suppliers and has led to paper mill closures and conversions to other grades of paper, which in turn has decreased overall newsprint capacity and increased the likelihood of higher prices. Other factors that may increase prices for newsprint include:

· The imposition of tariffs or other restrictions on non-U.S. suppliers of paper
· Increases in supplier operating expenses due to rising raw material or energy costs or other factors
· Decreases in the Company's current consumption levels
· The Company's inability to maintain existing relationships with its newsprint suppliers

In addition, the Company's ability to supply its publishing operation with newsprint has been and may continue to be disrupted by such factors as:

· The Company's suppliers may be unable to deliver newsprint due to labor unrest
· Trucks or other means of transporting newsprint may become unavailable
· Paper mills may close at a faster rate than declines in the demand for paper

A. H. Belo currently purchases most of its newsprint through a purchasing consortium. Significant increases in newsprint costs or the Company's inability to obtain an adequate supply of newsprint in the future could adversely affect its financial condition and results of operations.

The Company's reputation and brands are key assets and negative perceptions or publicity could adversely affect the business, financial condition and results of operations.

The Company has a reputation for producing reliable, high-quality journalism and content. The Company's reputation and brands are key assets and must be preserved and leveraged for the Company to continue to be successful. If the Company's reputation is damaged or if consumers perceive the Company's products to be less reliable, the business, financial condition or results of operations may be adversely affected.

Table of Contents

Risks Relating to the Marketing Services Segment

A. H. Belo's Marketing Services segment operates in a highly competitive market. If the Company does not compete effectively, the Marketing Service segment's results could be adversely affected.

The Company has introduced new product and service initiatives designed to grow Marketing Services revenue and digital advertising, and to respond to the challenges of maintaining revenue in existing markets. Marketing Services offerings are rapidly evolving as business customers seek quantifiable results to measure the effectiveness of advertising spending. The Company's Marketing Services customers primarily represent mid-sized businesses with varying degrees of knowledge and familiarity with online marketing and advertising campaigns. The success of the Company's Marketing Services offerings is dependent on various factors, including the ability to:

- Increase the Company's client base and achieve broader market acceptance of its suite of cross-channel, interactive marketing solutions
- Overcome challenges related to the accuracy or perceived accuracy of metrics provided and the ability of the customer to properly interpret the effectiveness of advertising campaigns against benchmarks that may not be reliable
- Educate customers on the benefits of marketing services to their businesses
- Obtain new clients as well as sell additional products and services to existing clients
- Maintain or increase the rates on products
- Leverage existing print products, brands and technologies to distinguish products and services from those of competitors

Growth of the Marketing Services segment is dependent on the Company's ability to market its existing products and services successfully and to develop and invest in new and complimentary products and services.

Technology in the marketing services industry continues to evolve rapidly. The Company's ability to grow its Marketing Services revenue is dependent on continued investment in expanding the functionality of existing products and in the development and acquisition of new, complimentary products and services. The Company may not be able to sustain the level of investment required and even after developing or acquiring additional product and service offerings, may not be able to integrate them successfully into existing product and service offerings.

The success of the Marketing Services segment is dependent on the Company's ability to attract, hire, motivate and retain employees with the skills and technical knowledge required to successfully sell and implement its products.

There is intense competition for scarce talent with skills in new technologies, and the Company may be unable to cost-effectively hire new employees with these skills, which may incur increased costs. The ability to achieve significant future revenue growth will depend on the Company's success in recruiting, training and retaining sufficient numbers of direct sales and implementation professionals. New and planned hires require significant training and time before sales and implementation teams become fully productive. The Company's growth could be hindered if these sales and implementation professionals are not successful in generating a corresponding significant increase in revenue.

Risks Relating to A. H. Belo's Overall Business

Data security breaches, other security threats and information technology system disruptions could negatively impact A. H. Belo's businesses, reputation and results of operations.

The Company's information technology systems are critically important to operating its businesses efficiently and effectively. Information systems may be affected by cybersecurity incidents that can result from deliberate attacks or system failures. Maintaining network security is critical. Threats include, but are not limited to, computer viruses, computer hackings, disruptive software, error or malfeasance by an employee, or other malicious activities. Information systems may also be compromised by natural disasters, fire, power outages, terrorism or other similar events.

The Company depends on the security of its third-party service providers. Unauthorized use of or inappropriate access to the third-party service providers' networks, computer systems and services could potentially jeopardize the security of the Company's systems and confidential information.

Table of Contents

There can be no assurance that the actions and controls implemented by the Company, or its third-party service providers will be sufficient to prevent unauthorized access to the Company's data, release of confidential information, disruptions to critical systems or corruption of data. Cyber-attacks evolve quickly and often are not recognized until after they are launched, and the Company may be unable to anticipate them or implement adequate measures to prevent a breach.

Cyber-attacks, disruptions or failures could result in processing inefficiencies, late or missed publications, loss of sales and customers, and transaction errors, any of which could negatively affect the business or results of operations. The coverage and limits of the Company's insurance policies may not be adequate to reimburse the Company for all losses caused by security breaches and business interruptions.

A. H. Belo relies on third-party service providers for various services.

The Company relies on third-party providers for various technology and services including, but not limited to, network and infrastructure services, email, news content management, customer relationship management, circulation distribution, benefits and payroll processing, and financial management systems. The Company does not control the operations of these service providers, which are subject to similar security threats that the Company could experience, such as malicious activities or natural disasters. The continued and uninterrupted performance of third-party systems and services is critical to the Company's operations and any significant interruption due to system failures could be disruptive to the business. In addition, if third-party service providers face financial difficulties or terminate their relationship with the Company, this could adversely affect the Company's ability to satisfy its customers or operate the business, and could affect results of operations.

The sufficiency of the Company's liquidity is dependent upon meeting future financial goals.

Although the Company's cash holdings are sufficient to meet foreseeable operating needs, the Company must achieve expected financial goals. Unplanned events such as tax obligations, significant loss of revenue, unprofitable operations, deterioration of collections of receivables or mandatory pension plan contributions, could accelerate the use of the Company's cash balances. These factors may impact the Company's ability to pay dividends at the historical rate or to raise financial capital for investments or acquisitions necessary for the Company's long-term growth.

Significant turnover of key employees could expose the Company to loss.

A. H. Belo relies on the efforts of its senior executive officers and other members of management. The Company is located in a vibrant economic region of the United States with low unemployment and strong competition for senior management personnel. The success of the Company's businesses depends heavily on its ability to execute the required responsibilities of these roles as well as the Company's ability to retain current management and to attract and retain qualified personnel in the future. The loss of key personnel would result in additional recruiting and training costs to the Company, and the potential delay of operations until the hires have sufficient knowledge commensurate with their assigned duties.

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, market conditions could materially increase the funding requirements associated with the A. H. Belo Pension Plans, with an adverse effect 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.

A. H. Belo and its subsidiaries may be subject to litigation, including matters relating to alleged libel or defamation, 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 adversely affect the Company's business, financial condition and results of operations. Insurance coverage, if any, may not be adequate to cover all costs and/or losses. In some instances, the Company may have a contractual obligation from a third-party to indemnify liabilities related to litigation or governmental investigation, but if the third-party fails to indemnify us, the Company would be responsible for monetary damages.

Table of Contents

Risks Relating to A. H. Belo's Stock

The market price of A. H. Belo's common stock may be volatile.

Many factors could cause the trading price of the Company's common stock to rise and fall, including, but not limited to, declining newspaper print circulation, gain or loss of significant advertisers or other customers, acquisitions or investments, low stock trading volume, changes in recommendations by securities analysts that elect to follow the Company's stock, and changes in market conditions of the media industry or the economy as a whole.

The Company cannot guarantee the timing, declaration, amount, or payment of dividends on the Company's common stock.

The timing, declaration, amount and payment of future dividends to stockholders falls within the discretion of the board of directors. The board's decision regarding the payment of dividends will depend on many factors such as the Company's financial condition, earnings, capital requirements, potential future mandatory pension contributions and other factors the board deems relevant.

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 50 percent of the voting power of the Company's outstanding voting stock as of December 31, 2018. A. H. Belo's Series A common stock has one vote per share and Series B common stock has 10 votes per share. 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, amendment of the Company's Certificate of Formation and Bylaws, and significant corporate transactions and transactions with or benefitting certain "Interested Shareholders," as defined in the Company's Certificate of Formation. 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Operations	Ownership	Location
Corporate and The Dallas Morning News	Leased	Dallas, Texas
Printing facilities	Owned	Plano, Texas
AHC Dallas Properties, LLC	Leased	Denton, Texas
DMV Digital Holdings Company	Leased	Dallas, Texas
Direct mail office and warehouse	Leased	Phoenix, Arizona

In addition to the properties above, the Company has various leased locations it uses for news reporting and the distribution of the Company’s publications and it owns real estate assets in Dallas, Texas that were previously used as the corporate headquarters. As of December 31, 2018, in aggregate, the Company leased facilities for current use consisting of approximately 328,000 square feet and owned properties that include land and buildings consisting of approximately 1,609,000 square feet.

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.

Item 4. Mine Safety Disclosures

None.

Table of Contents

PART II

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 during 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 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
	High	Low	Close	Declared
2018				
Fourth quarter	$ 4.80	$ 3.35	$ 3.37	$ 0.08
Third quarter	4.70	4.25	4.60	0.08
Second quarter	5.80	4.50	4.70	0.08
First quarter	5.25	4.70	5.15	0.08

2017				
Fourth quarter (a)	$ 5.25	$ 4.35	$ 4.80	$ 0.22
Third quarter	5.60	4.40	4.60	0.08
Second quarter	6.40	5.20	5.50	0.08
First quarter	6.65	5.90	6.15	0.08

(a) A special dividend of $0.14 per share was declared and paid in the fourth quarter of 2017, returning $3,106 to shareholders.

The closing price of the Company's Series A common stock as reported on the New York Stock Exchange on March 5, 2019, was $3.95. The approximate number of shareholders of record of the Company's Series A and Series B common stock at the close of business on March 5, 2019, was 388 and 165, 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 9, 2019, is incorporated herein by reference.

Issuer Purchases of Equity Securities

The Company repurchased shares of its common stock pursuant to a publicly announced share repurchase program authorized by the Company's board of directors. In the fourth quarter of 2017, the Company resumed open market share repurchases under a repurchase plan agreement limited to a total of $2,500. During 2018, the Company repurchased 266,409 shares of its Series A common stock at a total cost of $1,299. All purchases were made through open market transactions and were recorded as treasury stock.

Table of Contents

The following table contains information for shares repurchased during the fourth quarter of 2018. None of the shares in this table were repurchased directly from any of the Company's 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 2018	40,471	$ 4.61	1,682,396	817,604
November 2018	—	—	1,682,396	817,604
December 2018	14,974	3.78	1,697,370	802,630

Sales of Unregistered Securities

During 2018 and 2017, shares of the Company's Series B common stock in the amounts of 200 and 2,925, 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.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

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

OVERVIEW

With a continued focus on extending the Company’s media platforms, A. H. Belo delivers news and information in innovative ways to a broad range of audiences with diverse interests and lifestyles.

The Company’s Publishing segment includes the operations of The Dallas Morning News (www.dallasnews.com), Texas’ leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. Its newspaper operations also provide commercial printing and distribution services to large national and regional newspapers and other businesses in Texas. In addition, the segment includes sales of online automotive classifieds on the cars.com platform.

All other operations are reported within the Company’s Marketing Services segment. These operations primarily include DMV Holdings and its subsidiaries Distribion, Vertical Nerve and MarketingFX. The segment also includes targeted display advertising generated by Connect (programmatic advertising).

Overview of Significant Transactions

Operating results for 2018 and 2017 reflect continued challenges in print advertising revenue trends, primarily due to volume and rate declines, partially offset by increases in the Company’s paid digital subscriptions, digital advertising and Marketing Services revenues. The Company continues its efforts to diversify revenues through leveraging its brand, its personnel and its infrastructure in both organic new product development and in pursuit of acquisitions of related advertising and marketing services companies.

In March 2017, the Company acquired the remaining 20 percent voting interest in DMV Holdings for a cash purchase price of $7,120. The initial purchase of 80 percent voting interest in DMV Holdings occurred in January 2015. DMV Holdings holds all outstanding ownership interests of three Dallas-based businesses, Distribion, Inc., Vertical Nerve, Inc. and CDFX, LLC. These businesses specialize in local marketing automation, search engine marketing, and direct mail and promotional products, respectively. The Company believes this acquisition complements the product and service offerings currently available to A. H. Belo customers, thereby strengthening the Company’s diversified product portfolio and allowing for greater penetration in a competitive marketing environment. Operating results of the businesses acquired have been included in the Consolidated Statements of Operations from the initial acquisition date forward.

As a result of the first quarter 2017 segment reorganization, certain goodwill and intangible assets previously reported in the Marketing Services segment were moved to the Publishing segment, which was fully impaired as of December

31, 2016. Therefore, the Company recorded a noncash goodwill impairment charge of $228 in the first quarter of 2017. The Company tested the Marketing Services segment’s goodwill for impairment as of December 31, 2018, and it was determined the Marketing Services reporting unit’s fair value exceeded its carrying value by approximately 46 percent. Accordingly, no impairment was warranted.

An income tax refund of $4,095 was received in the third quarter of 2018, for a tax benefit recognized in 2017 related to a capital loss on the sale of the Denton Record-Chronicle in the fourth quarter of 2017, of which a portion was carried back against taxes paid in 2014. Tax benefits recognized in 2016 were carried back against taxes paid in 2014 for a refund of $3,210 received in the second quarter of 2018, which is the result of a tax benefit from the abandonment of the Company's ownership interest in Wanderful Media, LLC and the sale of the Company's equity investment in Homesnap, Inc. in the fourth quarter of 2016.

Quarterly dividends of $0.08 per share returned $7,116 and $7,008 to shareholders in 2018 and 2017, respectively. Proceeds generated from the sales of real estate resulted in the declaration of a special dividend of $0.14 per share in 2017, returning $3,106 to shareholders of record and holders of restricted stock units (“RSUs”). On December 6, 2018, the Company’s board of directors declared an $0.08 per share dividend to shareholders of record as of the close of business on February 8, 2019, paid on March 1, 2019.

Additional capital was returned to shareholders through the share repurchase program. In the fourth quarter of 2017, the Company resumed open market stock repurchases under its prior board-authorized repurchase authority and purchased 14,080 shares of its Series A common stock at a total cost of $69. In 2018, the Company purchased 266,409 of its Series A common shares through open market transactions for $1,299. These purchases are recorded as treasury stock.

In the third quarter of 2017, in an effort to de-risk the Pension Plans, the Company made a voluntary contribution of $20,000 to the Pension Plans and using the contribution, in addition to liquidating $23,391 of plan assets, transferred $43,391 of pension liabilities to an insurance company. As a result of this de-risking action, the Company reduced the number of participants in the Company’s Pension Plans by 796, or 36 percent. This transaction resulted in a favorable settlement of the pension obligation of $3,648 and a noncash charge to pension expense of $5,911 for amortization of losses in accumulated other comprehensive loss.

In 2017, the Company sold three parcels of land in downtown Dallas, TX resulting in total cash proceeds of $21,300, generating a gain of approximately $12,500. On December 31, 2017, the Company completed the sale of the Denton Record-Chronicle and the Company no longer owns newspaper operations in Denton, Texas; see Note 13 – Sales of Assets and Other Dispositions.

Table of Contents

RESULTS OF OPERATIONS

Consolidated Results of Operations

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 2018 and 2017. Net periodic pension and other post-employment expense (benefit) is now included in other income, net in the Consolidated Statements of Operations; see Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards. As a result of adopting this guidance retrospectively, Publishing total operating costs and expense and operating loss decreased $2,471 for 2017.

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

	Years Ended December 31,		
	2018	Percentage Change	2017
Publishing			
Advertising and marketing services	$ 83,468	(25.5) %	$ 111,968
Circulation	71,919	(6.5) %	76,884
Printing, distribution and other	24,940	(12.5) %	28,495
Total Net Operating Revenue	180,327	(17.0) %	217,347
Total Operating Costs and Expense	191,473	(16.0) %	228,022
Operating Loss	$ (11,146)	(4.4) %	$ (10,675)
Marketing Services			
Advertising and marketing services	$ 21,960	(29.8) %	$ 31,279
Total Net Operating Revenue	21,960	(29.8) %	31,279
Total Operating Costs and Expense	20,703	(26.5) %	28,186
Operating Income	$ 1,257	(59.4) %	$ 3,093

Traditionally, the Company's primary revenues have been 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 declines for more than a 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.

In 2018, 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 print advertising and paid print circulation volumes and revenue. The most significant decline in advertising revenue has been attributable to print display and classified categories. These categories, which represented 18.9 percent of consolidated revenue in 2017, have declined to 17.9 percent of consolidated revenue in 2018, and further declines are likely in future periods. 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.

The Company has responded to these challenges by expanding programmatic channels through which it works to meet customer demand for digital advertisement opportunities in display, mobile, video and social media categories. By utilizing advertising exchanges to apply marketing insight, the Company believes it offers greater value to customers through focused targeting of advertising to potential customers. The Company has a meter on its website and continues to build a base of paid digital subscribers.

The Company's expanded digital and marketing services product offerings leverage the Company's existing resources and relationships to offer additional value to existing and new advertising customers. Solutions provided by DMV Holdings include development of mobile websites, search engine marketing and optimization, video, mobile advertising, email marketing, advertising analytics and online reputation management services.

Table of Contents

Advertising and marketing services revenue

Advertising and marketing services revenue was 52.1 percent and 57.6 percent of total revenue for 2018 and 2017, respectively.

	Years Ended December 31,		
	2018	Percentage Change	2017
Publishing			
Advertising revenue	$ 83,468	(25.5) %	$ 111,968
Marketing Services			
Digital services	16,982	(35.9) %	26,489
Other services	4,978	3.9 %	4,790
Advertising and Marketing Services	$ 105,428	(26.4) %	$ 143,247

Publishing

Advertising revenue – The Company has a comprehensive portfolio of print and digital advertising products, which include display, classified, preprint and digital advertising. Display and classified revenue primarily represents sales of advertising space within the Company’s core and niche newspapers. As advertisers continue to diversify marketing budgets to incorporate more and varied avenues of reaching consumers, traditional display advertising continues to decline. Display revenue decreased $6,969 in 2018 primarily due to lower retail advertising. In retail, the department store, financial, furniture, medical, real estate, sporting goods and other retail categories experienced the greatest declines with a combined revenue decrease of approximately $3,276. The revenue decrease was driven by a retail volume decline of 26.6 percent. In 2017, display revenue decreased primarily due to lower retail advertising. In retail, the department store, food and beverage, furniture, electronics, automotive and other retail categories experienced the greatest declines with a combined revenue decrease of approximately $4,020 driven by a volume decline of 18.5 percent and a decrease in rates for most of these categories.

In 2018, classified print revenue decreased $3,784 as a result of volume declines in all categories and varying rate decreases in most categories. The decline in 2017 was primarily due to volume declines in all classified categories, except a slight increase in employment, partially offset by varying rate increases across most categories.

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 $8,924 in 2018 due to a volume decline in home delivery mail advertising and preprint newspaper inserts, consistent with the decline in circulation volumes discussed below. In 2017, revenue decreased due to a decline in the rate and volume of preprint newspaper inserts.

Digital Publishing revenue is primarily comprised of banner and real estate classified advertising on The Dallas Morning News' website dallasnews.com, online employment and obituary classified advertising on third-party websites sold under a print/digital bundle package and sales of online automotive classifieds on the cars.com platform. In 2018, revenue decreased $8,823 primarily due to the adoption of the new revenue guidance, see Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards. Under the new revenue guidance, digital advertising on third-party websites, where the Company acts as an agent, is recorded net. Prior to adoption on January 1, 2018, such revenue was generally recorded gross. In 2017, revenue increased primarily due to a higher volume of online banner advertisements on dallasnews.com.

Table of Contents

Marketing Services

Digital services – Digital services revenue includes targeted and multi-channel advertising placed on third-party websites, content development, social media management, search optimization and other consulting. Adoption of the new revenue guidance resulted in a revenue decrease of $3,891 in 2018. In addition, in the first quarter of 2018, the segment had attrition of six accounts with significant pass-through revenue in 2017.

For 2017, digital services revenue increased, primarily due to DMV Holdings revenue, which increased 31.3 percent, or $5,250. The DMV Holdings revenue increase offset approximately 53 percent of the core print advertising revenue decline during 2017.

Other services – Other services revenue increased $188, or 3.9 percent, due to the sale of promotional merchandise.

Circulation revenue

Circulation revenue was 35.6 percent and 30.9 percent of total revenue for 2018 and 2017, respectively.

	Years Ended December 31,		
	2018	Percentage Change	2017
Publishing Circulation	$ 71,919	(6.5) %	$ 76,884

Revenue decreased in 2018 primarily due to home delivery revenue, driven by a volume decline of 14.0 percent. Single copy revenue also decreased compared to prior year, due to a decline in single copy paid print circulation volume of 25.2 percent. The single copy volume decline was partially offset by an increase in single copy rates. Volume declines in circulation revenue have been more pronounced with single copy sales. Price increases and supplemental editions are critical to maintaining the revenue base to support this product.

Also contributing to the decline was the adoption of the new revenue guidance. In 2018, revenue declined by $1,006 related to the grace period for home delivery subscriptions where the Company recorded revenue for newspapers delivered after a subscription expired. Prior to adoption, non-payment for the grace period was recorded as bad debt expense. However, under the new guidance revenue is directly reduced.

In 2017, revenue decreased due to a decline in home delivery and single copy paid print circulation volumes of 8.3 percent and 19.3 percent, respectively, partially offset by rate increases.

Printing, distribution and other revenue

Printing, distribution and other revenue was 12.3 percent and 11.5 percent of total revenue for 2018 and 2017, respectively.

	Years Ended December 31,		
	2018	Percentage Change	2017
Publishing			
Printing, Distribution and Other	$ 24,940	(12.5) %	$ 28,495

The Company aggressively markets the capacity of its printing and distribution assets to other newspapers that would benefit from cost sharing arrangements. In 2018 and 2017, revenue decreased due to declines in event-related revenue and in commercial printing volumes associated with certain national newspapers.

Table of Contents

Operating Costs and Expense

The table below sets forth the components of the Company’s operating costs and expense by segment.

	Years Ended December 31,		
	2018	Percentage Change	2017
Publishing			
Employee compensation and benefits	$ 77,228	(14.4) %	$ 90,191
Other production, distribution and operating costs	83,460	(18.0) %	101,751
Newsprint, ink and other supplies	21,108	(5.9) %	22,436
Depreciation	9,699	(5.8) %	10,300
Asset impairments	(22)	(100.7) %	3,344
Marketing Services			
Employee compensation and benefits	12,076	(9.2) %	13,304
Other production, distribution and operating costs	6,707	(47.8) %	12,843
Newsprint, ink and other supplies	918	(18.4) %	1,125
Depreciation	203	76.5 %	115
Amortization	799	— %	799
Total Operating Costs and Expense	$ 212,176	(17.2) %	$ 256,208

Publishing

Employee compensation and benefits – The Company continues to implement measures to optimize its workforce and reduce risk associated with future obligations towards employee benefit plans. In 2018, employee compensation and benefits expense decreased $12,963, primarily due to headcount reductions within the Company. Net periodic pension and other post-employment expense (benefit) is now included in other income, net in the Consolidated Statements of Operations; see Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards. As a result of adopting this guidance retrospectively, Publishing employee compensation and benefits expense decreased $2,471 for 2017. Employee compensation and benefits expense decreased in 2017, compared to 2016, due to a decrease of $4,916 related to headcount reductions within the Company that were effected in the latter half of 2016.

Other production, distribution and operating costs – Expense decreased in 2018, reflecting savings as the Company continues to manage discretionary spending. Adoption of the new revenue guidance resulted in decreased expense of $8,835 in 2018. Additional savings were generated by expense reductions in revenue-related expenses, advertising and promotion, temporary services and distribution expense related to delivery of the Company's various publications and products. In 2017, expense decreased due to reductions in temporary services, consulting, promotional spending, travel and other outside service expenses.

Newsprint, ink and other supplies – Expense decreased in 2018 due to reduced newsprint costs associated with lower circulation volumes. Newsprint consumption approximated 19,255 and 23,296 metric tons in 2018 and 2017, respectively, at an average cost per metric ton of $660 and $564, respectively. The average purchase price for newsprint was $673 and $566 per metric ton in 2018 and 2017, respectively.

Depreciation – Expense decreased in 2018 and 2017 due to a lower depreciable asset base as a higher level of in-service assets were fully depreciated. Capital spending is primarily directed towards digital platforms and maintenance on production systems. The Company is committed to investing the appropriate levels of capital to sustain existing operations and develop new operations having an appropriate return on the investment.

Asset impairments – In 2017, the Company impaired $3,116 of assets related to the property previously used as the corporate headquarters, as these assets are no longer in use. Additionally, as a result of the first quarter 2017 segment reorganization, certain goodwill and intangible assets previously reported in the Marketing Services segment were moved to the Publishing segment, which was fully impaired as of December 31, 2016. Therefore, the Company recorded a noncash goodwill impairment charge of $228 in the first quarter of 2017.

Table of Contents

Marketing Services

Employee compensation and benefits – Expense decreased in 2018 by $1,228, primarily due to a reduction in variable compensation, partially offset by an increase in benefits expense due to the segment moving to the Company's fully-insured healthcare plan.

Other production, distribution and operating costs – Expenses decreased in 2018 by $6,136, primarily due to the adoption of the new revenue guidance and a decrease in digital service fees.

Newsprint, ink and other supplies – Expense decreased in 2018 primarily due to a decrease in promotional material printing costs.

Depreciation – Marketing and event services' cost structure is primarily labor driven. Capital purchases are required to support technology investments. Capital assets are primarily depreciated over a life of three years.

Amortization – Expense is primarily related to customer lists associated with DMV Holdings.

Other

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

	Years Ended December 31,		
	2018	Percentage Change	2017
Other income, net	$ 3,891	(66.1) %	$ 11,483
Income tax benefit	$ (565)	91.0 %	$ (6,260)

Other income, net – Other income, net includes gain (loss) on disposal of fixed assets and gain (loss) from investments.

Net periodic pension and other post-employment expense (benefit) is now included in other income, net in the Consolidated Statements of Operations; see Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards. As a result of adopting this guidance, other income, net increased $3,818 and decreased $2,471 for the years ended December 31, 2018 and 2017, respectively. In 2017, the Company completed a de-risking transaction to reduce the Company's pension liability, which resulted in a charge to pension expense of $5,911; see Note 8 – Pension and Other Retirement Plans.

In 2017, the Company completed the sale of three parcels of land and received net cash proceeds of $21,300, generating a gain of approximately $12,500.

On December 31, 2017, the Company completed the sale of the outstanding capital stock of the Denton Publishing Company, owner of the Denton Record-Chronicle, to Denton Media Company, Inc., generating a loss of $260 recorded in the fourth quarter of 2017. The business did not meet the requirements of a discontinued operation; therefore, all financial results are included in continuing operations. Prior to the disposition, the Denton Record-Chronicle was included in the Publishing segment results. In connection with the sale, the Company entered into a sublease with Denton Publishing Company for a term ending on July 30, 2023. Since the Company is no longer the tenant, in the fourth quarter of 2017, the Company recorded a loss of $589, included in other income, net, for the Company's remaining obligation after the term of the sublease ends.

Income tax benefit – A tax benefit of $565 was recorded in 2018. The benefit was primarily due to an increase in the net operating loss deferred tax asset, a partial release of the reserve for uncertain tax positions and the recognition of a tax receivable related to the 2017 Texas margin tax filing.

A tax benefit of $6,260 was recorded in 2017. The benefit was primarily due to deductions associated with the voluntary pension contribution of $20,000, partial release of the valuation allowance and a capital loss on the sale of the Denton Record-Chronicle, of which a portion was carried back to 2014 for federal income tax purposes. These deductions offset taxable income that resulted from the sale of the Company's three properties in downtown Dallas, Texas. Additionally, the Company's deferred tax assets and liabilities were remeasured to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent, resulting in a $3,570 decrease in income tax benefit for the year ended December 31, 2017.

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,

Table of Contents

past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

Critical Accounting Policies and Estimates

A. H. Belo's consolidated financial statements reflect the application of accounting policies that require management to make significant estimates and assumptions. The Company believes that the following are the critical accounting policies, estimates and assumptions currently affecting A. H. Belo's financial position and results of operations. See the Notes to the Consolidated Financial Statements, Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards, for additional information concerning significant accounting policies.

Revenue Recognition. The Company's principal sources of revenue are the advertising space in published issues of its newspapers and on the Company's third-party websites, the sale of newspapers to distributors and individual subscribers, as well as amounts charged to customers for commercial printing, distribution and direct mail.

On January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective approach applied to those contracts which were not completed as of January 1, 2018, which impacted revenue recognition related to digital advertising placed on third-party websites where the Company acted as an agent and circulation revenue related to home delivery subscriptions where the Company recorded revenue for the grace period of newspapers delivered after a subscription expires. See Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards and Note 3 – Revenue.

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.

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 revenue is generated primarily by selling home delivery and digital subscriptions, as well as single copy sales to non-subscribers. Home delivery and single copy revenue is recognized at a point in time when the paper is delivered or 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 subscriptions are recognized over time, based on the customers' monthly rate.

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.

Goodwill. Goodwill is recorded at the reporting unit level based on the excess fair value of prior business acquisitions over the fair value of the assets and liabilities acquired. Reporting units of the Company are based on its internal reporting structure and represent a reporting level below an operating segment. Unless qualitative factors allow the Company to conclude it is more-likely-than-not that the fair value of the reporting unit exceeds its carrying value, goodwill is tested for impairment by estimating the fair value of the reporting unit. If the fair value of the reporting unit is less than its carrying value, the fair value for the reporting unit's underlying assets and liabilities is determined and goodwill is adjusted accordingly. In determining the fair value for a reporting unit, the Company considers recent stock and sales transaction prices of peer group companies as well as the present value of expected future cash flows of the reporting unit. Significant assumptions include sales and expense growth rates, discount rates, capital expenditures and the impact of current market conditions. These estimates could be materially impacted by changes in market conditions. The Company performs the goodwill impairment test as of December 31 each fiscal year or when changes in circumstances indicate an impairment event may have occurred. Impairment charges represent noncash charges and do not affect the Company's liquidity, cash flows from operating activities or have any effect on future operations.

The Company tested the Marketing Services segment's goodwill for impairment as of December 31, 2018, using a discounted cash flow methodology with a peer-based, risk-adjusted weighted average cost of capital, combined with a market approach using peer-based earnings multiples. The Company believes the use of a discounted cash flow approach, combined with the market approach, is the most

Table of Contents

reliable indicator of the estimated fair value of the business. Upon completion of the annual test, it was determined the Marketing Services reporting unit's fair value exceeded its carrying value by approximately 46 percent. Accordingly, no impairment was warranted.

Pension. The Company follows accounting guidance for single-employer defined benefit plans. Plan assets and the projected benefits obligation are measured each December 31, and the Company records as an asset or liability for the net funded position of the plans. Certain changes in actuarial valuations related to returns on plan assets and projected benefit obligations are recorded to accumulated other comprehensive income (loss) and are amortized to net periodic pension expense over the weighted average remaining life of plan participants, to the extent the cumulative balance in accumulated other comprehensive income (loss) exceeds 10 percent of the greater of the respective plan's (a) projected benefit obligation or (b) the market-related value of the plan's assets. Net periodic pension expense is recognized each period by accruing interest expense on the projected benefit obligation and accruing a return on assets associated with the plan assets. 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. From time to time, the Company-sponsored plans may settle pension obligations with certain plan participants through the plans' master trust as part of its de-risking strategies. The gains or losses associated with settlements of plan obligations to participants are recognized to earnings if such settlements exceed the interest component of net periodic pension cost for the year. Otherwise, such amounts are included in actuarial gains (losses) in accumulated other comprehensive income (loss). Re-measurement of plan assets and liabilities upon a significant settlement or curtailment event is performed based on the values of the month-end closest to the event.

The projected benefit obligations of the A. H. Belo Pension Plans are estimated using the Citigroup Pension Yield Curve, which is based upon a portfolio of high quality corporate debt securities with maturities that correlate to the timing of benefit payments to the plans' participants. Future benefit payments are discounted to their present value at the appropriate yield curve discount rate to determine the projected benefit obligation outstanding at each year end. The yield curve discount rates as of December 31, 2018 and 2017, were 4.0 percent and 3.4 percent, respectively.

Interest expense included in net periodic pension expense (benefit) is based on the Citigroup Pension Yield Curve established at the beginning of the fiscal year. The beginning of year yield curve discount rate for 2018 and 2017 was 3.4 percent and 3.8 percent, respectively. Due to the 2017 de-risking action, a settlement charge was triggered as of September 30, 2017. Net periodic benefit cost for the fourth quarter of 2017 and the settlement charge were determined using a yield curve discount rate of 3.5 percent.

The Company assumed a 6.5 percent long-term rate of return on the plans' assets in 2018 and 2017. This return is based upon historical returns of similar investment pools having asset allocations consistent with the expected allocations of the A. H. Belo Pension Plans. Investment strategies for the plans' assets are based upon factors such as the remaining life expectancy of participants and market risks. The Company currently targets the plans' assets invested in equity securities and fixed income securities to approximate 50 percent and 50 percent, respectively.

Income Taxes. The Company uses the asset and liability method of accounting for income taxes and recognizes deferred tax assets and liabilities based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates. The Company establishes a valuation allowance if it is more-likely-than-not that the deferred tax assets will not be realized. The factors used to assess the likelihood of realization of the deferred tax assets include reversal of future deferred tax liabilities, available tax planning strategies, future taxable income and taxable income in prior carryback years.

The Company evaluates any uncertain tax positions each reporting period by tax jurisdiction to determine if it is more-likely-than-not that the tax position will not be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements for such positions are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If a net operating loss or other tax credit carry forward exists, the Company records the unrecognized tax benefits for such tax positions as a reduction to a deferred tax asset. Otherwise, the unrecognized tax benefits are recorded as a liability. The Company records a liability for uncertain tax positions taken or expected to be taken in a tax return. Any change in judgment related to the expected ultimate resolution of uncertain tax positions is recognized in earnings in the period in which such change occurs. Interest and penalties, if any, related to unrecognized tax benefits are recorded in interest expense.

Recent Accounting Standards

See the Notes to the Consolidated Financial Statements, Note 1 - Significant Accounting Policies and Recently Issued Accounting Standards, regarding the impact of certain recent accounting pronouncements.

Table of Contents

Liquidity and Capital Resources

The Company’s cash balances as of December 31, 2018 and 2017, were $55,313 and $57,660, respectively. The decrease in the cash balance during 2018 was primarily due to capital expenditures, a return of capital to shareholders through dividends and lower display, preprint and classified advertising revenues. These cash outflows were partially offset by income tax refunds received in 2018.

The Company intends to hold existing cash for purposes of future investment opportunities, potential return of capital to shareholders and for contingency purposes. Although revenue from Publishing operations is expected to continue to decline in future periods, operating contributions expected from the Company’s Marketing Services businesses and other cost cutting measures, are expected to be sufficient to fund operating activities and capital spending of approximately $2,000 over the next 12-month period.

The future payment of dividends is dependent upon available cash after considering future operating and investing requirements and cannot be guaranteed. The Company resumed open market stock repurchases in the fourth quarter of 2017 under its prior board-authorized repurchase authority. Current holdings of treasury stock could be used to satisfy potential obligations related to share-based awards issued to employees and directors, or can be sold on the open market.

The following discusses the changes in cash flows by operating, investing and financing activities in 2018 and 2017.

Operating Cash Flows

Net cash provided by (used for) operating activities was $11,718 and $(12,095) in 2018 and 2017, respectively.

Cash flows from operating activities increased in 2018 compared to 2017, primarily due to the 2017 voluntary contribution of $20,000 to the A. H. Belo Pension Plans, federal income tax refunds of $3,210 and $4,095 received in 2018 (see Note 7 – Income Taxes) and changes in working capital and other operating assets and liabilities.

Cash flows from operating activities in 2017 primarily included the voluntary contribution to the A. H. Belo Pension Plans, which offset taxable income that resulted from the sale of the Company’s three properties in downtown Dallas, Texas.

Investing Cash Flows

Net cash provided by (used for) investing activities was $(5,656) and $9,277 in 2018 and 2017, respectively.

Cash flows used for investing activities in 2018 was all attributable to capital spending.

Cash flows from investing activities in 2017 primarily included net cash proceeds of $21,300 related to the sale of three properties in downtown Dallas, Texas. Capital expenditures of $12,005, which included approximately $7,000 for the Company’s new headquarters, partially offset the proceeds received from the real estate sales.

Financing Cash Flows

Net cash used for financing activities was $8,409 and $19,593 in 2018 and 2017, respectively.

Cash used for financing activities included total dividends paid of $7,116 and $10,114 in 2018 and 2017, respectively. Dividends paid in 2017 included a special dividend of $0.14 per share, returning $3,106 to shareholders and holders of RSUs. Cash flows used for financing activities in 2017 included the acquisition of the remaining interest in DMV Holdings for a purchase price of $7,120.

In the fourth quarter of 2017, the Company resumed open market stock repurchases under its prior board-authorized repurchase authority and purchased 14,080 shares of its Series A common stock at a total cost of $69. In 2018, the Company purchased 266,409 shares of its Series A common stock at a total cost of $1,299.

Financing Arrangements

None.

Contractual Obligations

In December 2017, AHC Dallas Properties, LLC, a wholly-owned subsidiary of the Company, assumed a 12-year lease agreement for office space that serves as the headquarters of the Denton Record-Chronicle. In connection with the sale of Denton Publishing Company, owner of the Denton Record-Chronicle, to Denton Media Company, Inc., the Company entered into a sublease with Denton Publishing Company for a term ending on July 30, 2023; see Note 13 – Sales of Assets and Other Dispositions.

In December 2016, the Dallas Morning News, Inc., a wholly-owned subsidiary of the Company, entered into a 16-year lease agreement for office space for the Company's new corporate headquarters. The Company recognizes rent expense on a straight-line basis. Per the amended lease agreement, rent payments began in November 2018.

Based on the applicable tax and labor laws governing pension plan funding, the Company expects to make no required contributions to the A. H. Belo Pension Plans in 2019.

On December 6, 2018, the Company's board of directors declared an $0.08 per share dividend to shareholders of record as of the close of business on February 8, 2019, paid on March 1, 2019.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

A. H. Belo has exposure to changes in the price of newsprint. The Company does not engage in the purchase of derivative contracts to hedge against price fluctuations that may occur. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion of this risk.

The investment assets and actuarial liabilities associated with the A. H. Belo Pension Plans are impacted by market factors such as interest rates, inflation and the overall economic environment. Changes in these risk factors could have a direct and material impact on the funded status of the A. H. Belo Pension Plans and the level of funding the Company is required to meet each year.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the Report of Independent Registered Public Accounting Firms, are included herein starting on page 34 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, 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 decisi