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Q4 2018 A. H. Belo Corp Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the 2018 fourth quarter and full year financial results conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Katy Murray. Please go ahead.

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

Thank you, Greg, and good morning, everyone. This is Katy Murray, Chief Financial Officer of A. H. Belo Corporation. Welcome to our fourth quarter and full year 2018 conference call. I am joined by Robert Decherd, Chairman, President and Chief Executive Officer of A. H. Belo Corporation; Grant Moise, Publisher and President of The Dallas Morning News; and Tim Storer, President of Belo + Company, who are all available for Q&A.

This morning, we issued a press release announcing fourth quarter and full year 2018 results. We have posted this release on our website under the Investor Relations section. Unless otherwise specified, comparison views on today's call measure fourth quarter 2018 and full year 2018 performance against fourth quarter 2017 and full year 2017 performance.

Our discussion today will include forward-looking statements. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements. The company assumes no obligation to update the information in this communication, except as otherwise required by law. Additional information about these factors is detailed in the company's press releases and publicly available filings with the SEC.

Today's discussion will include non-GAAP financial measures. We believe that non-GAAP financial measures provide useful supplemental information to assist investors in determining performance comparisons to our peers. Reconciliations to the most directly comparable financial measures based on our segment reporting presented in accordance with GAAP are provided on our website under the Investor Relations section. I remind everyone, we adopted 2 new accounting pronouncements effective January 1 of last year. Detailed information is available in our GAAP to non-GAAP reconciliation provided on our website under the Investor Relations section.

A. H. Belo reported fourth quarter 2018 net income of $151,000 or $0.01 per fully diluted share compared to income of $12.8 million or $0.58 per fully diluted share in the fourth quarter of 2017. For full year 2018, we reported a net loss of $5.4 million or $0.26 per fully diluted share compared to net income of $10.2 million or $0.46 per fully diluted share reported in 2017. As a reminder, in 2017, the company sold 3 parcels of real estate in downtown Dallas that generated capital gains of approximately $12.5 million.

For the fourth quarter of 2018, we reported adjusted operating income of $2.6 million, a decrease of $2.9 million or 52.6% compared to the fourth quarter of last year. For the full year, adjusted operating income was $5.4 million compared to adjusted operating income of $11.7 million in 2017.

Today's discussion will address the financial performance of The Dallas Morning News and Belo + Company separately.

Beginning with the Dallas Morning News. Fourth quarter 2018 total revenue was $47.1 million, a decrease of $9.4 million or 16.6% compared to Q4 of the prior year. For full year 2018, total revenue was $180.3 million, a decrease of $37 million or 17% when compared to the $217.3 million reported for the 2017 fiscal year. Approximately $8.8 million of this year-over-year decline is attributable to the new revenue standard requiring certain transactions to be reported net versus gross. Adjusting for this change, full year 2018 total revenue declined by $28.2 million or 13%.

Print and digital advertising revenue of $22.5 million for the fourth quarter of 2018 was down $7 million or 23.8% compared to $29.5 million reported in the fourth quarter of '17. Full year 2018 print and digital advertising revenue was $83.5 million, a decrease of $28.5 million or 25.5% when compared to the $112 million reported in '17. Approximately $7.8 million of the full year decline was due to the new revenue standard. Excluding the impact of the new revenue guidance, full year print revenue decreased $20.7 million or 18.5% when compared to the prior year period. Approximately $3.1 million of the year-over-year decline is related to the revenues of The Denton Record-Chronicle, which was sold in the fourth quarter of 2017.

Circulation revenue of $18.4 million in the fourth quarter of 2018 declined $1.4 million or 7.2% compared to Q4 2017. Circulation revenue for the full year was $71.9 million, a decrease of $5 million or 6.5% compared to the prior year. Approximately $1 million of the full year revenue decline was the result of the new revenue guidance and $1.1 million was related to the sale of The Denton Record-Chronicle in December of 2017. Excluding the effect of the new revenue guidance and the sale of The Denton Record-Chronicle, home delivery revenue declined by a net $2.4 million or 3.7%. Single copy revenue declined by a net $459,000 or 4.8% and digital-only subscription revenue increased by a net $1.2 million compared to the full year of 2017. The declines are primarily due to lower home delivery and single copy volumes, partially offset by rate increases.

As previously stated, one of our highest priorities is to grow The News paid digital subscriber base and digital subscription revenue. In the fourth quarter, The News recorded approximately $1.1 million of digital-only subscription revenue, an increase of $288,000 or 36.7%. Full year 2018 digital-only subscription revenue was $3.9 million, an increase of $1.2 million or 42.9% over 2017.

Other revenue at The Dallas Morning News decreased $918,000 or 12.8% to $6.2 million for the fourth quarter. Full year 2018 revenue decreased $3.6 million or 12.5% to $24.9 million. The year-over-year decline was due to a $1.4 million decrease in commercial printing revenue and a reduction of $1.9 million in event-related and other revenue.

Operating expense for The Dallas Morning News for the fourth quarter of 2018 was $48.8 million, a reduction of $9.8 million or 16.8% compared to Q4 of last year. Full year 2018 operating expense was $191.5 million, a reduction of $36.5 million or 16% compared to the full year 2017. Excluding $8.8 million related to the adoption of the new revenue guidance, full year 2018 operating expense decreased $27.7 million or 12.2% compared to the prior year.

Full year expense reduction is primarily due to improvements of $13 million in employee compensation and benefit expense, $6.1 million in distribution expense, $1.9 million in advertising and promotion expense, $1.3 million in newsprint expense and $1.2 million in temporary service expense. Additionally, in 2017, the company recorded asset impairment charges of $3.3 million.

Adjusted operating expense, which adjusts total operating expense for the new revenue standard, pension benefit, severance expense, depreciation and amortization and asset impairment was $47.7 million for the fourth quarter, a decrease of $4.4 million or 8.4% compared to Q4 of 2017. Full year 2018 adjusted operating expense was $186.1 million, a decrease of $23.6 million or 11.3% compared to 2017. The significant year-over-year improvement in adjusted operating expense is a result of continued management of discretionary spending and a decrease in headcount.

Adjusted operating income for The Dallas Morning News was $1.6 million in the fourth quarter of 2018, a decrease of $2.8 million or 62.8% when compared to $4.4 million reported in the fourth quarter of 2017. For full year 2018, adjusted operating income was $3.1 million, a decrease of $4.6 million or 59.7% compared to 2017.

As reported earlier this year, we have already taken specific actions in 2019 to address secular changes in the newspaper business, including a product repositioning and a shift of internal resources at The News to support subscriber initiatives and technology investments. Additionally, we are eliminating The News brokered printing business and will reduce the number of its local and national commercial print customers from more than 30 to 5. This action will increase operating income by over $2 million in 2019.

Turning now to the financial highlights for Belo + Company. First, I will review GAAP and non-GAAP results then provide additional operating metrics on how Belo + Company is reviewed internally. For the fourth quarter, Belo + Company reported total revenue of $5.5 million, a decrease of $2.1 million or 27.6% when compared to the fourth quarter of 2017. Annual Belo + Company revenue in 2018 was $22 million, a decrease of $9.3 million or 29.8% compared to 2017. Approximately $3.9 million of the full year decline was attributable to the new revenue standard. Adjusting for this change, total revenue declined by $5.4 million or 17.4%.

Operating expense at Belo + Company in the fourth quarter of 2018 was $4.8 million, a decrease of $1.9 million or 28.7% compared to 2017. Full year 2018 operating expense of $20.7 million was down $7.5 million or 26.5% compared to 2017. Excluding the decrease related to the new revenue guidance, full year 2018 operating expense decreased by $3.6 million or 12.7% when compared to 2017. The year-over-year decline was primarily due to reductions of $2.2 million in revenue-related costs, $1.2 million in employee compensation and benefit expense and $200,000 in printing supplies.

Adjusted operating expense was $5.5 million for the fourth quarter, a decrease of $1 million or 15.9% compared to 2017. Full year 2018 adjusted operating expense was $23.6 million, a decrease of $3.7 million or 13.6% compared to 2017. The year-over-year reduction in adjusted operating expense is a result of lower digital cost of sales and lower variable compensation.

Adjusted operating income for Belo + Company in the fourth quarter of 2018 was $1 million, a decline of $136,000 from the $1.1 million reported for 2017. Full year 2018 adjusted operating income was $2.3 million, a decrease of $1.7 million or 42.8% compared to 2017.

We have updated our GAAP to non-GAAP reconciliation, which is posted on our website under the Investor Relations section to include a reconciliation of segment reporting in addition to the consolidated reconciliation. To provide more clarity with regards to the operational performance of Belo + Company, we have provided unaudited 2018 and 2017 quarterly operational metrics that reconcile revenue and expense per the 10-Q or 10-K with an adjusted internal operating income metric.

This internal operating view includes 2 items in the reconciliation. First, beginning in 2018, Belo + Company's compensation and benefit expense increased as a result of additional headcount being transferred from The Dallas Morning News to Belo + Company and an increase in health care costs. All A. H. Belo employees moved into a single, fully insured plan in 2018 to lower A. H. Belo's overall cost of health care. However, for Belo + Company, this resulted in an increase in benefit burden since Belo + Company had previously been under a self-insured plan. Also, the gross-down for revenue and expense that would have been in accordance with the new revenue guidance, had it been adopted in 2017, is included.

Full year-over-year decline in internally reported revenue of $3.6 million in the reconciliation is predominantly attributable to the attrition of 6 accounts in late Q4 2017 and early Q1 2018 as we have mentioned before. These accounts would have generated pass-through revenue in 2018 of approximately $3.5 million and net revenue of $2.7 million. Belo + Company experienced slower-than-anticipated replacement of these accounts. But in the fourth quarter, its sales teams made headway in filling these gaps and reestablishing momentum. As a result, Belo + Company achieved year-over-year improvement in EBITDA in 2018.

Internally reported operating expenses at Belo + Company in 2018 declined by $3.7 million, with the majority of improvement related to pass-through expense. The balance reflected a decrease in compensation expense on a year-over-year basis. Internally reported operating income of $2.3 million at Belo + Company reflects an increase of $80,000 from the $2.2 million reported in 2017. Internally reported operating margin for full year 2018 was 10.4%, an increase from the 8.7% from 2017.

Turning now to A. H. Belo financial metrics. As of December 31, headcount was 982, a decrease of 108 or 9.9% from December 31, 2017. This decrease is predominantly due to open position eliminations in 2018. Headcount is forecasted to be below 900 at March 31, 2019, based on recently announced position eliminations.

As of December 31, the company had approximately $55.3 million of cash and no debt. As of March 6, the company had approximately $53 million in cash and cash equivalents. We expect capital expenditures to be approximately $2 million in 2019.

In 2018, we repurchased 266,000 shares, and we will be continuing our share repurchase program in 2019. In addition, we will also have the capability to execute block share repurchases.

With regard to the company's pension plan, we do not have a mandatory contribution in 2019 and do not expect to have any for several years. The company recorded a tax benefit of $565,000 in 2018. Due to the company's reincorporation to Texas in June of 2018, we reduced cash taxes by approximately $250,000. We expect that cash taxes will be approximately $900,000 in 2019 related to the Texas margin tax.

While the sales of the company former headquarter did not close in December of '18, the property is being actively marketed, and we are optimistic that a transaction is possible this year. Thanks to operating decisions implemented over the past year and in early 2019, we are encouraged that these initiatives and investments will yield tangible benefits. The implementation of the Arc platform, The Dallas Morning News new content management system, will go live in the third quarter of 2019 and allow The News to launch a new digital product design and digital platform that complements changes made to the print product in January of this year. This effort supports The News' priority to grow digital subscriber revenue to a significant extent.

In addition, we are extremely pleased that The Dallas Morning News series, Pain & Profit, won the prestigious national Scripps Howard First Amendment award. This series was praised for its critical use of public records request and the impact of its investigative journalism.

Overall, while A. H. Belo's results in 2018 fell short of our expectations, we remain well positioned with a very strong balance sheet. The board and management committee are optimistic about the company's opportunities in 2019.

Greg, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of David Cohen from Minerva Advisors.

David P. Cohen ***Minerva Advisors LLC - President and Chief Compliance Officer***

So I know you've been assiduous about scrubbing every expense item you can think of. And unfortunately, I think that's probably involved cutting some muscle as well as some fat. And I'm just wondering, there's one expense item that I've sort of have no visibility into, which is the public company costs. Could you talk a little about how you would estimate that number and whether it's changed over the last few years?

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

David, I'll be happy to answer that question. Over the last year, we have made significant decisions around how to reduce our public company expenses. I think you are aware that we did change from KPMG to Grant Thornton this year. We announced that in the proxy last year, and you saw that. I mean, part of that was thinking about where we were as a public company and what we needed to do from an audit perspective and the types of fees that we were able to afford. And that actually saved significant dollars. It will save over $400,000 in a year. The other thing that we do is we are continually looking at other areas of public company expenses that we can reduce. And you kind of get down to a point of there's some certain fixed things that you have. But I would say the other piece of that is being a public company has afforded us a lot of opportunity over not just the last several years, but really over the last couple of decades. And I think while there's regulatory and some things that we need to do as a public company, I would have to say that I think a lot of private companies at our size are doing the same thing. They just may not have the quarterly filings and things like that. But I think that we've done a really good job of managing our public company expenses, and we continue to look for opportunities of ways to reduce those as we can.

David P. Cohen ***Minerva Advisors LLC - President and Chief Compliance Officer***

Well, so can you give us a ballpark number? I mean, I had thought, obviously, this is now based on the last proxy that audit costs last year, prior to the change, were $1 million. Board fees were $1 million. And obviously, your time and the time of the accounting staff adds to that. And I came to a number, which was certainly over $2 million. And $2 million isn't that much compared to adjusted operating income of $15 million or $20 million, which we used to generate. $2 million compared to $5 million of adjusted operating income is pretty substantial. And I'm just not sure I agree that historically, there were some benefit to being public. I'm just not quite clear on what the value is of being public right now. I don't know if you want to comment on that.

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

Well, I think, David -- I mean, I think there are a couple things. I think, one, there are some easy expenses that you could point to and say those are public company expenses. You could reference the audit. You could reference the board fee and things like that, but I would also say that some of that is in how people look at certain expenses. And what you want to put in board fees -- or what you want to put in public company fees could be really discretionary and based on individual inputs. So look, I agree that if you had a $2 million public company expense and you're looking at that directly across adjusted operating income, it could look alike. I would challenge you that I don't think our public company costs are that much. But then again, it's going to be whatever you decide that you want to put into that bucket of expenses. And when you look at private companies, I mean, they're still going to have an audit. They're still going to have an executive staff. Private companies have boards. And so I think it's not necessarily a one-for-one on what you would be able to eliminate by not being a public company versus being a private company.

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

David, this is Robert Decherd. There are 2 other aspects of this, which, of course, are apparent to you. One is, as has always been the case for us, the benefit of the disciplines, financial, accounting, operating of being a publicly reporting company are significant. It's a different management environment, and I would say one that is very beneficial as we work our way through this transition to a digital world. This one's a big deal, and we've applied a lot of that thinking in the last year. Many of the moves we made reflected that. And it's not because we're public that we do that. But those protocols, those routines match up to the intensity of the challenges that we're facing or how intensely we're addressing them. And what I've been advocating and preaching internally is we have to think like a small company, which we have become. And I would say we're almost through that change in mindset and behaviors. We were a much larger company. We grew for a long time, as you know so well. And when you say we're public, you have to think in the context of how large a company you are at the moment. And we are definitely a small company with lots of obvious issues that we need to address, but I think we're making progress there. And whether public or private, this is I think the more important point, any one in the newspaper business has got to get to the digital side of this river and do it on the back of subscriptions, both print and digital, which is what Grant has articulated very persuasively internally. It's where all of our attention is focused. It's the internal shift of resources that we've discussed. And that process, as he can attest, is well underway. So I not for a moment minimize the importance of pick your number, a $2 million or $2 million-plus expense line. And whether Katy's interpretation is exactly right or not, I do think some of those expenses will persist in a nonpublic environment. But for now, I and the board like where we are in terms of the required disciplines, the intensity of the focus we have to bring to this, and the things we have undertaken are measurable. I mean, we will know that we're making progress, The Dallas Morning News moving to this subscriber-oriented, subscriber-first approach. And we'll know whether Tim is able to establish momentum that is sufficient to grow at the rates we know we need to grow for Belo + Company. And I don't need to complement what the Dallas Morning News has done historically but build the business on its own. I mean, we're not early, early stage, but we're certainly not halfway there. And all these things, to me, have to be looked at together.

David P. Cohen ***Minerva Advisors LLC - President and Chief Compliance Officer***

Respectfully, because I do have a lot of respect for you, I think the discipline of being public, which you referred to, is cosmetic and superficial in a certain sense. Because, as you know, it's not as if voting control of this company is in the public marketplace. So from our perspective, you bear many of the costs of being public, including not only the direct financial costs, but the inability to manage this transition sort of in a -- without a light shining on you, if I can put it that way. And I guess, the thing that's really acute to me right now is you've got the previous architect of the corporate strategy, which I would say has not been a raging success, namely the marketing diversification, constantly in the market selling his nonvoting or -- selling his shares that don't matter in terms of the votes. He sold 130,000 shares out of 420,000 that he's filed to sell. He's still collecting board fees, as far as I'm concerned. I just don't -- I think the message that you're sending to the public market that you want to be responsible to and responsive to is extremely negative. And I'm not

-- as you know, I've been very supportive, and I think The Dallas Morning News is an incredibly important piece of the Dallas media environment and is a civic institution. I don't think that as a public company that the health of that civic institution can be assured. And in fact, I think you're working across purposes to its health by being public. And I just -- I really want to make that clear because I think there's some misunderstanding that outside shareholders don't believe that The Dallas Morning News is important. I don't know if you want to respond to that, but...

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

Rather than respond, I will say well taken. And to the last point, you and I have known each other a long time. I fully appreciate, and all of us do, the extent to which you do recognize the importance of The Dallas Morning News. And your other points are all well taken. I will communicate those to John Beckert, who's our lead director, and we're attentive to these matters. I'll just leave it that way.

Operator

(Operator Instructions) Your next question comes from the line of Michael Melby from Gate City Capital.

Michael Melby

Robert, I was hoping you could provide the rationale for maintaining 2 classes of common stock for the company.

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

Well, the rationale is the same it's always been, which is the industry many, many years ago was generally characterized by having 2 classes of voting stock before the companies went public. That includes us. It provides a certain degree of continuity and stability, which I know is from a public shareholder standpoint, and it's arguable both ways. But the board believes it served our interest well and has no particular incentive or idea of that changing.

Operator

Your next question comes from the line of Boris Senderzon from Hillbar Capital.

Boris Senderzon

I have 2 questions. First question, I was wondering if you could provide more details on the real estate sale. And second, your pension liability went up since last year. And I was curious whether it's the returns on the asset side didn't perform as you expected? Or is it something else?

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

Boris, thank you. I'll take these questions. First, on the pension, I think you will see this across all organizations that have a pension plans, the market performance at the end of the year was less than stellar. So I think from an asset return perspective, everyone saw the pain of that on the pension plans. And then also from -- while the daily -- from a discount rate, there was some movement on that. When you look at pension plans, you're also looking at a 30-year discount rate that is impacted by day-to-day market activity. So the pension swing that you were referring to in the unfunded liability, it was a direct correlation to the market and to economic events. It was nothing to do with the management, specifically of the pension. And I will say with that, the very strong first 2 months of 2019 has helped to turn a lot of that market activity from the fourth quarter of last year around. So again, we feel very good about the pension and pension plans where we are. We don't have any mandatory contributions this year or in the near term. And we have been very active and very successful in all of the derisking plans that we executed on over 2016 and 2017. On the real estate sale, on 508 Young, as I mentioned, it is actively being marketed. There's a lot of activity around that property, and we are optimistic that something could transact this year. Outside of that real estate, we do not have any other real estate that is for sale and do not own any other real estate in downtown Dallas.

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

Boris, Robert Decherd just tagging on. It's also worth noting that the former campus, 508 Young Street, is in an opportunity zone. And as all of you are probably aware, this has become a very active market in the last 90 to 120 days, once the rules for how capital gains are deferred through opportunity zone investments would actually be applied. So that's helping us. And as Katy said, we're optimistic. The Dallas commercial real estate market remains very healthy.

Operator

Your next question comes from the line of Chris Mooney from Wedbush Securities.

Chris Mooney

One simple question. In prior calls over the last year or 1.5 years, you seem -- you were confident that $30 million was an appropriate price for the prior corporate headquarters. Is that still what you're thinking?

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

Chris, absolutely. It's higher than that.

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

Yes. I think it's -- our expectation has moved up with the opportunity zone development or the evolution of that.

Chris Mooney

Oh, that's good news. Can you give us some additional color or can Tim on what's going -- happening with the Belo + Company? It seems like we've had several quarters of disappointments despite the profit and positive EBITDA. Can we get a little more color on that and why there seems to be optimism going forward?

Timothy M. Storer ***A.H. Belo Corporation - Senior VP & President of Belo + Company***

Yes. Happy to chime in. I think that, as we alluded to and talked throughout the year last year, we started the year off with a significant amount of large accounts that we attritioned late 2017, early 2018. So we spent a good portion of 2018 working to replace that revenue and EBITDA in the business. I think that, as Katy alluded to during the earnings call, the internal operating metrics that Katy has published does show that we had good quarter-over-quarter growth as we made headway replacing many of those larger accounts. Specifically starting in September, we noticed a nice rebound in our ability from a sales perspective to replace that revenue. Coincidentally, that resulted in us having really strong quarter-over-quarter sequential growth that we were happy to see as well as resulting in significant quarter-over-quarter EBITDA growth as well. So we are encouraged by that trend and are optimistic that we're going to be able to hold that and continue that into the future. We feel very strongly that the offering that we have from a market perspective is being very well received. And it's just a matter of us continuing to operate and execute the business in order to continue to show value with those accounts.

Chris Mooney

And are your -- the clients that you're gathering up more regional and local than national now?

Timothy M. Storer ***A.H. Belo Corporation - Senior VP & President of Belo + Company***

I would say that 2018 certainly represented an uptick in more regional-focused accounts.

Chris Mooney

And is there a year-over-year comparison in the Belo + Company you can give us in headcount?

Timothy M. Storer ***A.H. Belo Corporation - Senior VP & President of Belo + Company***

From a headcount perspective, let's see, so in 2018, we ended with 105.

Chris Mooney

Robert, you were optimistic in your brief comments about 2019. Can you give us a little more around that?

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

Chris, optimism in the newspaper business and even tagging into the marketing services, which, as we know, is highly competitive. You have to, I think, put it in context. We believe we are making important progress. The optimism is that we have the right people and the leadership positions. The moves that we have made, the ones at The Dallas Morning News particularly, were the result of deep analytic work that we started last May and continued through the fall and gives us confidence that these are the right kind of steps to support the subscriber-first strategy that Grant is leading. We've also recruited some very talented people to both organizations. I'm sure you saw the release recently about Eric Myers, who's joining The Morning News, Belo Marketing Group as Chief Revenue Officer. Eric is a big talent and someone Grant has known for a long time. I'm going to let him comment on the impact Eric will have in just a minute. And someone with Eric's digital experience really tracks exactly where we want to go to the Belo + Company partnership and, I'll say, go-to-market strategy that relates both to The Morning News, and individually or separately, to Belo + Company. We have in the persons of our 2 leaders of print and digital subscriptions, 2 industry-savvy, very outstanding people. And there are other moves that Grant can talk about. So when you -- you then say, well, what about the product repositioning at The Morning News? That's all about supporting or correlating to the subscriber-first strategy. Given that we're just beginning that and we have the Arc platform coming on soon, my optimism is that these moves set the stage or begin a process where we can accelerate growth in digital subscriptions. We can hold our print subscriptions and subscription revenue. And ultimately, that's the crossover that has to occur for any newspaper, regardless of its size. And it applies to everyone but a very few newspaper publishing companies, which are in a different part of the galaxy. On the Belo + Company side, Tim has also restructured some of his management team, brought in a very capable person with lots of agency experience. He is filling in, importantly, some of the creative capabilities that we need for Belo + Company to thrive. That's also just getting traction. So as we go through the year, these are all things we'll be able to talk about on our quarterly calls. They're certainly the focus of a lot of effort here. And we are also, with various, I'll say, trusted advisers, looking at all sorts of operating opportunities. And they're not just efficiencies. They're ways to actually do the higher math to get to 3 out of 1 plus 1, which, I believe, with our focus we're doing fewer things and we're trying to excel at all of them. Because of the way we're structured, as you know so well, and because we are small and because we have a balance sheet that is as strong as ours, we're able to do this in a way that none of our peer companies can. And again, I'm excluding The New York Times and The Wall Street Journal and The Washington Post. They are not peer companies to any of the major metros in the United States. So we're on the way, and we'll be able to measure progress. That's one thing that I like about where we are now. It was a little harder to do that just a year ago. So Grant, you want to elaborate on your team and you might do the same, Tim?

Grant S. Moise ***A.H. Belo Corporation - President & Publisher of The Dallas Morning News***

Sure. Just from a talent standpoint, Chris, as Robert was talking about, recently hiring Eric Myers from Cox, where Eric was over all 4 of the Cox newspaper properties in terms of running all of sales and advertising revenue. Eric has been widely known to be one of the best in the country. I feel great that we have that in very capable hands. Eric also very uniquely has a background where he's been able to maximize the marketing services in what we call kind of the internal agency space. And so we also believe that our sales force at The Dallas Morning News will also be able to continue to grow the revenue into Tim and the Belo + Company businesses. Also, I will just specifically focus on 2 other key leadership positions because, for us, these are all the most important 3 revenue positions in our company. The other 2 is Dan Sherlock, who's running our digital subscription business. And I was very pleased with having over 40% growth last year in digital subscription revenue. I've got great confidence in what Dan is leading in that regard. And then we split the digital leadership of digital subscription revenue from print where Sue Kerr came in from Tribune about 9 months ago now. And I am seeing very good quarter-over-quarter progress, with the exception of the fourth quarter where we had some fees that we had kind of cycled up against in print subscription revenue. But we're focused on the basics, and I've got great confidence in the 3 key revenue leadership positions at this point.

Timothy M. Storer ***A.H. Belo Corporation - Senior VP & President of Belo + Company***

And I'll just tag on to Grant. Likewise, we've added a couple senior leaders into our organization that we're very excited about, the first being Cody Bailey, who is our Senior Vice President of Marketing Operations. He has extensive agency experience, was a former managing partner of a large digital agency. In addition, we added Suzanne Irish as our Vice President of Client Services, who also has extensive digital agency experience and was formerly Vice President of Client Services and Strategy at another large digital agency with over 1,000 employees. So we're very excited to have both of these individuals join our organization and help us continue to build a foundation that we can build upon and scale the business.

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

The other thing this does, Chris, having this kind of talent and leadership development work we're doing with all of our key leaders is we'll be better able to take the inevitable bumps along the way. This is not going to be a predictable course from where we are to this digitally dominated environment. In the 10-K, for example, we note that we've got Cars.com's negotiation underway. Well, we have to have this kind of talent and this kind of energy and imagination to figure out what an alternative is if that agreement isn't renewed. And that's next fall. It's a big deal. I'm much more confident, back to your question about optimism, that we are able to anticipate and respond to those inevitable bumps or hiccups along the way. Eventually, we get to a steady state. That's the goal, and I feel like we're on the way.

Chris Mooney

And I've got one minor question for Katy on the tax status of the sale of the former corporate headquarters. Has anything changed?

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

No, it does not. Given the net operating losses that we have coming out of prior years and being generated, we fully expect that we'll be able to shield the sale of 508 Young from a capital gains perspective.

Chris Mooney

Well, I certainly hope you all succeed. You oversee a very important institution in the state of Texas.

Robert W. Decherd ***A.H. Belo Corporation - Chairman, CEO & President***

Thank you, Chris.

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

Thank you, Chris.

Operator

And at this time, there are no further questions.

Mary Kathryn Murray ***A.H. Belo Corporation - Senior VP, CFO & Treasurer***

All right. Greg, thank you. Thank you, everyone, for joining us, and we will talk with you again when we have our first quarter earnings later this year. Thank you.

Operator

Ladies and gentlemen, this conference will be available for replay after noon Central Time today through March 15. You may access the AT&T Teleconference replay system at any time by dialing 1 (800) 475-6701 and entering the access code 464458. International participants dial (320) 365-3844. That does conclude your conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.