A. H. Belo Corp
Form 10-K
March 08, 2016

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, 2015

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)

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

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

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

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

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

The aggregate market value of the registrant's voting stock held by nonaffiliates on June 30, 2015, 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 $105,759,332.*

Shares of Common Stock outstanding at February 29, 2016: 21,493,131 shares (consisting of 19,105,891 shares of Series A Common Stock and 2,387,240 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 12,2016, are incorporated by reference into Parts II and III of this Annual Report.

A. H. BELO CORPORATION

FORM 10-K

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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 on 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 our control, and include changes in advertising demand and other economic conditions; consumers' tastes; newsprint prices; program costs; labor relations; 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 reported within the Annual Report on Form 10-K are presented in thousands, unless the context requires otherwise.

Item 1. Business

A. H. Belo Corporation and subsidiaries ("A. H. Belo" or the "Company"), headquartered in Dallas, Texas, is a leading local news and information publishing company with commercial printing, distribution and direct mail capabilities, as well as expertise in emerging media and digital marketing. With a continued focus on extending the Company's media platform, A. H. Belo is able to deliver news and information in innovative ways to a broad spectrum 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 produces The Dallas Morning News (www.dallasnews.com), Texas' leading newspaper and winner of nine Pulitzer Prizes; the Denton Record-Chronicle (www.dentonrc.com), a daily newspaper operating in Denton, Texas 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.

The Company also provides marketing, event marketing and other services to businesses. The predominance of services in this segment has been developed or acquired within the last five years and are provided through the Company's digital marketing divisions and through its subsidiaries Your Speakeasy, LLC ("Speakeasy"); DMV Digital Holdings Company, Inc. ("DMV Holdings") and AHC Proven Performance Media, LLC ("Proven Performance Media").

DMN CrowdSource, LLC, ("CrowdSource") provides event marketing services including event management consulting and sponsorship for large scale community events, seminars and festivals. CrowdSource serves the customers in the North Texas region and across major Texas cities.

In 2014, the Company completed the sale of substantially all of the assets and certain liabilities comprising the newspaper operations of The Providence Journal, a daily newspaper in Providence, Rhode Island, and the oldest continuously-published daily newspaper in the United States. In 2013, the Company completed the sale of The Press-Enterprise, a daily newspaper in Riverside, California, which serves the Inland Southern California region. With completion of these sales, the Company no longer owns newspaper operations in either Providence, Rhode Island or Riverside, California. The sales of newspaper operations in Providence, Rhode Island and Riverside, California, have allowed the Company to direct its capital and other resources to better serve readers and advertisers in the growing North Texas market.

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Business Overview

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

•Be the premier provider of local journalism excellence in North Texas so citizens can make informed choices about their lives and the life of the communities in which they live.

•Provide customers with the most comprehensive suite of business marketing solutions.

Since the Company’s spin-off in 2008, the print media industry has encountered continuous declines of revenue primarily due to the secular shift of readers and advertisers to digital platforms. The Company has sought to limit its exposure to the industry risks through the 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 and new products.

In 2014 and 2013, the Company divested its newspaper operations in Providence, Rhode Island and Riverside, California in order to strategically monetize these assets. These newspaper operations, located in economically weak regions of the United States, were sold at optimal pricing, and sales proceeds were used to enhance shareholder value and to invest in the acquisition and organic development of businesses with expected growth opportunities. The dispositions of these operations allowed executive management to provide greater focus on growing its business in the North Texas region, where the Company’s primary operations reside.

The Company restructured its editorial and newsroom departments in 2015 in order to strengthen the depth of experience to support the broader delivery of news on digital platforms. A new editor was recruited, who was the former editor of the digital news pure play, FiveThirtyEight. Additionally, a nationally recognized digital journalist was recruited as the managing editor and resources have been made available through 2016 to expand existing digital talent within the newsroom. The Company has redesigned and expanded its website platforms and mobile apps to provide greater digital reporting of local news and information, and to expand the delivery of advertising and marketing services across a host of continuously changing media devices and platforms. The Company expects to continue to make significant investment in its digital news operations throughout 2016.

On January 2, 2015, the Company acquired an 80 percent voting interest in DMV Digital Holdings Company, Inc. into which the stock of three Dallas-based companies, Distribion, Inc., (“Distribion”), Vertical Nerve, Inc. (“Vertical

Nerve”) and CDFX, LLC (d/b/a “MarketingFX”), were contributed. These businesses specialize in local marketing automation, search engine marketing, direct mail and promotional products, respectively. This acquisition complements the organic growth realized by Speakeasy and the Company’s Connect division, which offers content development, social media management, and multi-channel marketing solutions through targeted and programmatic exchanges. With the addition of these businesses, the Company has realized efficiencies through internal fulfillment of work that was previously out-sourced to third-party vendors and can provide businesses a more comprehensive suite of marketing solutions simplifying the efforts required to reach desired audiences through email and social, mobile and web platforms.

From the divestiture transactions, the Company has built cash balances that will be preserved for organic or acquisition opportunities in later years. In 2016, management will focus its attention and initiatives on maximizing the return on its print assets, enhancing its digital publishing capabilities as well as development and expansion of the marketing solution ecosystem that has been built so that the margins realized by these businesses can grow.

As a result of the greater strategic alignment within the Company’s newspaper and within its marketing services operations in 2015, the Company has established separate segments for its publishing operations and for its marketing, event marketing, and other services. These operations had previously been reported as a single segment. The results of operations related to the Company’s segments are presented in Item 7 - Management Discussion and Analysis.

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Publishing Segment

The Dallas Morning News' first edition was published on October 1, 1885 and 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 four days per week at no charge to over 200,000 nonsubscribers in select coverage areas; and Al Dia, an award-winning Spanish-language newspaper published on Wednesdays and Sundays and distributed at no charge to over 100,000 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 decline 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 within the newspapers followed by revenues from subscription and retail sales of newspapers. Since the spin-off from its parent company in 2008, the Company has faced the ongoing revenue decline in all its print products, particularly advertising within the newspapers. Revenues from subscription and retail sales of newspapers have observed greater resilience as readers have been willing to pay higher prices for the product, which has substantially offset lower circulation volumes.

The following chart presents the revenue trend of core print products since the Company's spin-off in 2008.

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

Advertising Revenue - Advertising revenue accounted for approximately 58.0 percent of total revenue within the publishing segment for 2015. The Company has a comprehensive portfolio of print and digital advertising products which include:

•Display 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 Advertising – 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 Advertising – 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 Advertising – Digital publishing revenue includes the sales of banner, classified and native advertisements on the Company’s news and entertainment-related websites and mobile apps.

In addition to daily newspapers, the Company publishes niche publications which 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, but usually incorporate the news content from the core newspapers while leveraging the Company’s printing, distribution and technology infrastructure to drive additional advertising revenue at a low incremental cost. 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 content 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 content 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. Periodically throughout each year, various special interest magazines, such as Healthy Living or Your Money, are included with Sunday editions as a part of subscribers' home delivery news package. Subscriber and retail rates for these editions reflect a charge for this content.

The Company's news websites, including dallasnews.com, dentonrc.com and aldiadallas.com, are the leading news and entertainment platforms in the North Texas region. The news websites offers 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. With the reorganization of its editorial and newsroom personnel in 2015, the Company has strengthened its focus to provide greater journalistic content on its digital platforms with increased emphasis towards video media.

The Company is currently undergoing a multi-phase expansion of dallasnews.com to provide enhanced capabilities on its flagship website and further development of its entertainment brands. In 2015, the Company completed the expansion of its e-commerce functions and extended its interface with social media platforms and mobile devices. A standalone website was created for guidelive.com, the premier website for entertainment news and events in North Texas. Unique landing pages solely dedicated to the Company's SportsdayDFW.com and SportsdayHS.com branded platforms were developed, and separate websites for these platforms will be launched in 2016. These enhancements allow the websites to leverage the identity of their brands to gain greater audience and to quickly respond as technology evolves and new media are introduced, such as wearable devices or hybrid phone or tablet devices. The Company anticipates it will continue to make significant capital investment in its websites in 2016 as it further expands data collection capabilities for traffic to its websites, allowing support of native application strategies, and greater interface with visitors and advertisers.

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The Company's news websites are currently accessible to everyone, free of charge. A digital replica version of The Dallas Morning News is offered on dallasnews.com for subscribers to pay for if they prefer to consume news through a digital device in a more traditional format. Between 2011 and 2013, the Company implemented a paywall on dallasnews.com, whereby users were charged a monthly subscription for select premium content on the news website. The paywall was discontinued in 2013 due to weak subscription revenue. The Company is actively seeking alternative options for monetization of premium digital content, such as the establishment of a meter whereby users would pay a fee for consumption of premium content exceeding a minimum threshold.

Readership of the Company's newspapers is tracked by Scarborough Research, which estimated the number of individuals reading a newspaper print edition to be approximately 1,260,000 for The Dallas Morning News, as reported in the September 2015 Publishers' Statements, which are subject to audit. This readership volume represents a reach of approximately 26.0 percent of the designated market for this newspaper in the Company's circulation area. The average print and digital volumes associated with A. H. Belo's primary daily newspaper and niche publications are reported and verified by a circulation audit agency, as set forth in the table below.

Newspaper	2015 Daily Circulation(a)	Sunday Circulation	2014 Daily Circulation(a)	Sunday Circulation	2013 Daily Circulation(a)	Sunday Circulation
The Dallas Morning News Group						
The Dallas Morning News (b)	271,546	358,861	272,245	382,300	271,189	379,379
Niche publications (b)	118,126	351,008	118,760	325,492	118,626	324,536
Total	389,672	709,869	391,005	707,792	389,815	703,915

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

(b) Average circulation data for The Dallas Morning News includes its niche publications and the Denton Record-Chronicle. Data for 2015 was obtained from the Quarterly Data Reports for the twelve-month period ended December 31, 2015, and data for 2014 and 2013 was obtained from the Publisher's Statement for the six-month periods ended September 30, 2014 and 2013, respectively, as filed with the Alliance for Audited Media (the "Audit Bureau"). The 2015 statements are subject to audit. Year-over-year increase in reported daily circulation for 2014 for The Dallas Morning News is due to increased reported digital subscribers for each of these periods.

Printing, Distribution and Other Revenue - Printing, distribution and other revenue accounted for approximately 12 percent of total revenue for 2015 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 to provide economic alternatives for customers seeking overhead relief. 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.

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Marketing Services

Digital marketing services are offered by the Company's sales and marketing divisions and by its subsidiaries, Speakeasy and DMV Holdings. Through organic growth and acquisitions, the Company is able to offer small to mid-sized 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. During 2015, 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 as follows:

· Connect, a division of the Company formed in 2013, manages 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.

· 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 August 2019.

· Speakeasy, formed in 2012, targets middle-market business customers and provides turnkey social media account management and content marketing services principally for businesses in the North Texas region.

· Distribion, a DMV Holdings business, offers multi-channel marketing solutions through subscription sales of its cloud-based software, allowing customers to manage and individualize their marketing campaigns. Distribion also provides multi-channel marketing services to customers not having access to its proprietary software.

· Vertical Nerve, a DMV Holdings business, provides marketing analytics, search engine marketing and other marketing related services to businesses across the United States.

Other marketing services include business marketing products offered through Marketing FX, a DMV Holdings business. These products include promotional products for businesses to supply to employees and customers. The Company has also expanded its services through Proven Performance Media, an organically developed company which provides pay-for-performance advertising services primarily for newspaper companies across the United States.

Event Marketing Services

CrowdSource was formed in 2013 to provide marketing and promotional services for events and event organizers. CrowdSource promotes community events, such as One Day University, an educational speaker event; Savor, a premium food, wine and spirits festival in Dallas; and Untapped, a craft beer festival held across five major Texas cities; and other community-related events. CrowdSource seeks to expand its presence across Dallas/Ft Worth as a leading organizer of events and focus its initiatives on those events which are expected to generate profitable returns.

Raw Materials and Distribution

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

During 2015, Company operations consumed 31,141 metric tons of newsprint at an average of $550 per metric ton. Consumption of newsprint in 2014 was 33,717 metric tons at an average cost of $589 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.

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Competitive Strengths and Challenges

The Company's strengths are:

- the largest news gathering operation in North Texas
- due to the millions of unique visitors who come to the Company's websites and apps daily, the Company has the opportunity to build valuable first-party data about consumers in North Texas
- 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 business
- 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 profit margins related to the Company's marketing services businesses that would provide for an offset of declines in revenue of the Company's print operations
- maintaining and growing advertising and circulation revenues in a competitive environment with increased competition from other media, particularly the internet
- effective monetization of locally created online content on the Company's websites while balancing the impact of potential lower traffic volumes with an established paywall or metered-based model
- driving digital advertising revenue while limiting intrusive ads that slow page load times

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 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 most desired by readers and to modify marketing and distribution strategies to target and reach audiences most 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 websites as well as on external websites. Initiatives are also being implemented with the Company's sales teams to better utilize pay for performance data and other metrics in generating and returning lost advertising dollars to its print business.

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Strategy

A. H. Belo is committed to producing positive net income and cash flow and 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 2014 and 2013, the Company completed various dispositions of investments, newspaper assets and operations in Rhode Island and California, and non-essential real estate assets, all at opportunistic prices. Sales proceeds were used to return money to shareholders, provide additional contributions to the Company’s pension plans, and invest in new businesses that complemented and leveraged existing core operations. The Company continues to seek investments that will provide near and long term returns to replace the declining print revenue and continuously implements measures to control operating expenses as it develops and grows new businesses. These measures are implemented through divesting of unprofitable products and services, adjusting the Company’s workforce and benefits to align with revenues and market conditions, and restructuring operations through organizational realignments. 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 its shareholders.

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 addressing the needs of consumers and advertisers. The Company intends to achieve these objectives through the following strategies:

- expand the marketing services sales teams to grow revenue in these emerging businesses
- optimize and leverage marketing and sales capabilities in an integrated manner for existing print and digital products that creates sustainable revenue and earnings
- produce quality local content distributed through digital and print platforms, improving the user interface and developing stronger retention methods among print readers
- develop new ways to monetize news content delivered on the Company’s news and entertainment websites
- increase utilization of operating assets through selling commercial printing 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’s newspapers compete for advertising revenue for its newspapers and websites with other print and digital media companies. Advertising revenues for the Company’s newspapers and on its 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 service products, affiliate agreements with large internet advertisers, 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 is available via its websites, apps and through email. The Company offers the 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.

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Seasonality

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

Employees

As of December 31, 2015, the Company employed approximately 1,100 full-time and 60 part-time persons.

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”).

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.

A. H. Belo's newspapers operate in highly competitive media markets, and the Company's ability to generate revenue depends on the effectiveness of the Company's strategy to promote new and existing products.

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

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

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

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

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

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

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

The expansion of programmatic advertising could result in lower realization of advertising revenue sold by the Company's news and entertainment websites.

Digital marketing services are relatively new to business customers. Barriers to entering this industry are low and many competitors offering advertising services on traditional advertising platforms are seeking to gain market share, particularly through programmatic exchanges. As this industry expands, purchasing and selling of advertisement on exchanges is expected to result in lower costs of advertising which in-turn could be passed on to businesses customers. Such events could result in lower profit realization for digital advertising revenue within the Company's news and entertainment websites as it competes with exchange platforms for advertising dollars.

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The growth and profitability of the Company’s marketing services businesses are largely dependent on acceptance by local businesses and the recruitment and retention of key employees.

Marketing services offerings are rapidly evolving as business customers seek quantifiable results to measure the effectiveness of their advertising spending. The Company’s marketing services customers primarily represent mid-sized businesses varying degrees of knowledge and familiarity with online marketing and advertising campaigns. The success of the Company’s marketing service offerings is dependent on education of these customers on the benefits of these services to their businesses. Challenges may include the accuracy or perceived accuracy of metrics provided and the ability of the customer to properly interpret the effectiveness of their advertising campaigns against benchmarks that may not be reliable.

Increasing the Company’s client base and achieving broader market acceptance of its suite of cross-channel, interactive marketing solutions will depend on the ability of sales and marketing teams and their capabilities to obtain new clients as well as sell additional products and services to existing clients. Competition is fierce for direct sales professionals with the skills and technical knowledge that is required, and the Company may be unable to hire or retain sufficient numbers of qualified individuals in the future. The ability to achieve significant future revenue growth will depend on the success in recruiting, training and retaining sufficient numbers of direct sales professionals. New and planned hires require significant training and time before sales teams become fully productive, and may not become as productive as quickly as anticipated. The growth prospects will be harmed if efforts to expand, train and retain the direct sales team do not generate a corresponding significant increase in revenue.

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

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

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

Increasing cost of healthcare benefits offered to employees may require the Company to evaluate the scope of benefits offered and the method in 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.

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

The Company believes appropriate steps are being taken to control costs. However, if the Company is not successful in matching revenue declines with corresponding cost reductions, the Company's ability to generate future profits could be affected.

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

Although the Company's cash holdings are more than sufficient to meet foreseeable operating needs, the Company must achieve expected financial goals. Unplanned events such as significant pension plan contributions, tax obligations, significant loss of revenue, unprofitable operations or deterioration of collections of receivables, could accelerate the use of the Company's cash balances. The Company's ability to raise financial capital in the future may be hindered due to uncertainty regarding newspaper industry's prospective performance. If adequate funds are not available or are not available on acceptable terms, if and when needed, the Company may be forced to sell assets at below-market prices to sustain its operations.

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

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

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 management. The Company is located in a strong economic region of the United States with low unemployment and strong competition for senior management personnel. Over the last few years, the Company has realized significant turnover of key executives and management from cost cutting measures, department restructurings and attrition. The success of the Company’s businesses depends heavily on its ability to successfully 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 results in additional recruiting and training costs to the Company. Further, the exposure for loss to the Company and the potential delay of operations is elevated until the employee has 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, these conditions could materially increase the funding requirements associated with the A. H. Belo Pension Plans, which could have an adverse impact on the Company’s liquidity and financial condition.

Adverse results from new litigation or governmental proceedings or investigations could adversely affect A. H. Belo’s business, financial condition and results of operations.

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

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

A. H. Belo directors and executive officers hold approximately 48 percent of the voting power of the Company's outstanding voting stock as of December 31, 2015. A. H. Belo's Series A common stock has one vote per share and Series B common stock has 10 votes per share. Except for certain extraordinary corporate transactions, generally all matters to be voted on by A. H. Belo's shareholders must be approved by a majority of the voting power of the Company's outstanding voting stock, voting as a single class. Certain extraordinary corporate transactions, such as a merger, consolidation, sale of all or substantially all of the Company's assets, dissolution of the Company, the alteration, amendment, or repeal of A. H. Belo's bylaws by shareholders and certain amendments to A. H. Belo's certificate of incorporation, require the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding voting stock, voting as a single class. Accordingly, A. H. Belo's directors and executive officers will have significant influence over the Company's management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. This ownership may limit other shareholders' ability to influence corporate matters and, as a result, A. H. Belo may take actions that some shareholders do not view as beneficial.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's principal operations are located as follows:

Operations	Ownership	Location
Corporate, The Dallas Morning News, and Marketing and Event Marketing Service Operations	Owned	Dallas, Texas
Printing facilities	Owned	Plano, Texas
Denton Record-Chronicle offices	Owned	Denton, Texas
Direct mail offices and warehouse	Leased	Phoenix, Arizona

In addition to the properties above, the Company holds various real estate assets in Texas and Rhode Island that are nonessential to operations including various parking lots and land. Certain real estate assets are currently marketed for sale and included in property, plant and equipment in the Company's consolidated balance sheets.

Item 3. Legal Proceedings

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

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PART II

Item 4. Mine Safety Disclosures

None.

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

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

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

	Stock Price			Dividends
	High	Low	Close	Declared
2015				
Fourth quarter	$ 6.32	$ 4.64	$ 5.00	$ 0.08
Third quarter	5.85	4.22	4.93	0.08

Second quarter	8.41	5.40	5.60	0.08
First quarter	10.92	7.85	8.23	0.08
2014				
Fourth quarter	$ 13.34	$ 10.37	$ 10.38	$ 2.33
Third quarter	12.17	10.20	10.67	0.08
Second quarter	12.83	10.47	11.85	1.58
First quarter	13.00	7.37	11.58	0.08

The closing price of the Company’s Series A common stock as reported on the New York Stock Exchange on February 29, 2016, was $5.98. The approximate number of shareholders of record of the Company’s Series A and Series B common stock at the close of business on February 29, 2016, was 408 and 175, 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 12, 2016, 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 which ended in December 2015. A total of 472,245 Series A shares were repurchased in 2015 at a cost of $3,146. All purchases were made through open market transactions and were recorded as treasury stock.

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The following table contains information for shares repurchased during the fourth quarter of 2015. 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 2015	42,702	$ 5.42	1,357,290	1,142,710
November 2015	38,998	5.45	1,396,288	1,103,712
December 2015	20,593	5.45	1,416,881	1,083,119

Share repurchases were made pursuant to a share repurchase program authorized by the Company's board of directors. A total of 2,500,000 shares were authorized under the program. The Company's agreement to repurchase its shares was terminated effective December 11, 2015.

Sales of Unregistered Securities

During 2015, 2014 and 2013, shares of the Company's Series B common stock in the amounts of $728, $8,918, and $4,401, respectively, were converted, on a one-for-one basis, into shares of Series A common stock. The Company did not register the issuance of these securities under the Securities Act of 1933 (the "Securities Act") in reliance upon the exemption under Section 3(a)(9) of the Securities Act.

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Performance Graph

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

The graph below compares the annual cumulative shareholder return on an investment of $100 on December 31, 2010, with a closing price of $8.70 per share, in A. H. Belo's Series A common stock, based on the market price of the Series A common stock and assuming reinvestment of dividends, with the cumulative total return, assuming reinvestment of dividends, of a similar investment in (1) companies on the Standard & Poor's 500 Stock Index and (2) companies on the Standard & Poor's Publishing Stock Index.

Item 6. Selected Financial Data

The table below sets forth selected financial data of the Company for each of the years ended 2011 through 2015. For a more complete understanding of this selected financial data, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes.