

# Mossberg's Investor Digest

## Best Idea Profile:

## A.H. Belo Corporation (NYSE:AHC)

### DESCRIPTION:

A.H. Belo Corporation owns and operates three daily newspapers and related websites: *The Dallas Morning News*, Texas' leading newspaper and winner of nine Pulitzer Prizes; *The Providence Journal*; and the *Denton Record-Chronicle*. It also publishes niche publications that target specific audiences, and owns and operates commercial printing, distribution and direct mail service businesses. It also has an investment in the owner of cars.com. A.H. Belo was founded in 1842 and is headquartered in Dallas.

### KEY INVESTMENT CONSIDERATIONS:

**Transformation in Progress** – Belo is transforming itself from a newspaper-focused business into a multiplatform marketing business. Print ad revenues industry wide have been declining for almost a decade and the challenge is to find complementary businesses that add to revenue and EBITDA. In the third quarter, increases in revenues from new business offset just under half of the core print revenue declines. In late 2013 Belo launched a premium digital site with enhanced design and navigation, limited advertising, and access to unique subscriber benefits, such as tickets to public events. Early results are positive.

**Investment Strategy** – Last year Belo made two small acquisitions and started three new digital businesses. Belo recently sold an office building in California and sold one of its newspapers, *The Press-Enterprise*. It also announced in December its intent to sell the leading newspaper in Rhode Island, *The Providence Journal*. These sales add to the company's ability to diversify its businesses and reduce its reliance on the core print advertising revenues that are continuing to decline. Belo has \$40 million in potential property for sale, more than \$56 million in cash and no debt, which puts it in position to pursue businesses with a proven record, good management, and products that complement the marketing channels it already owns and operates. The businesses at which management is currently looking are locally or regionally based. Management recently outlined some categories of interest as outdoor marketing, website and app development, media services targeting the Hispanic population, direct mail, and video production.

**Guidance** – In December, management updated its full-year 2013 guidance to \$26-\$29 million in EBITDA. It will report year-end financial results next week and will give 2014 guidance at that time.

**Absence of Interest** – Investors are totally ignoring Belo, mostly because they only see the declining circulation numbers and not the rise in digital revenue. However, digital revenue increased 22% in the third quarter, despite the 4% decline in overall revenue from advertising and marketing services.

**Commitment to Capital Returns** – Management has indicated continuing desire to return capital to shareholders, primarily through a quarterly dividend. Belo increased its dividend in the third quarter to an annual rate of \$0.32 per share. It also intends to make modest share repurchases.

### VALUATION:

Investors may benefit from investor disinterest in a company that is determined to transform its operations to be more relevant, more lean, and more focused on generating non-ad related revenue. Management is well respected and is capable of effectively evaluating new investment opportunities. The balance sheet alone makes this company an interesting investment, and the dividend makes the risk/reward profile even better.

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Investment Data (as of 2/5/14)

<b>Recent Price</b>	<b>\$7.90</b>
52-Week Range	\$5.00 - \$8.60
Fiscal Year End	Dec
Dividend	\$0.32
Yield	4.0%
Shares Outstanding	22 M
Average Trading Volume (3 mos)	61k
Market Capitalization	\$173 M
Cash	\$56 M
Long-term Debt	0
Enterprise Value (EV)	\$118 M
Book Value	\$4.37
TTM Revenue	\$433 M
P/ Revenue	0.4x
TTM EPS	\$0.03
P/ EPS	282x
TTM EBITDA	\$28 M
EV/ EBITDA	4.22 x

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