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

Form 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: **June 30, 2023**

OR

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

Commission file no. **1-33741**

DallasNews CORPORATION

(Exact name of registrant as specified in its charter)

Texas	**38-3765318**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P. O. Box 224866, Dallas, Texas 75222-4866	**(214) 977-8869**
(Address of principal executive offices, including zip code)	(Registrant’s telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report.
None

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Series A Common Stock, $0.01 par value	DALN	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large Accelerated Filer: ☐	Accelerated Filer: ☐	Non-Accelerated Filer: ☑	Smaller Reporting Company: ☑	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Shares of Common Stock outstanding at July 21, 2023: 5,352,490 shares (consisting of 4,737,792 shares of Series A Common Stock and 614,698 shares of Series B Common Stock).

DALLASNEWS CORPORATION

FORM 10-Q

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PART I

Item 1. Financial Information

DallasNews Corporation and Subsidiaries
Consolidated Statements of Operations

In thousands, except share and per share amounts (unaudited)	*Three Months Ended June 30, 2023*	*Three Months Ended June 30, 2022*	*Six Months Ended June 30, 2023*	*Six Months Ended June 30, 2022*
Net Operating Revenue:				
Advertising and marketing services	$ 16,223	$ 17,457	$ 31,532	$ 33,721
Circulation	15,996	16,250	32,007	32,346
Printing, distribution and other	3,793	3,866	7,675	7,793
Total net operating revenue	36,012	37,573	71,214	73,860
Operating Costs and Expense:				
Employee compensation and benefits	17,236	16,804	34,609	33,214
Other production, distribution and operating costs	17,293	19,725	35,321	38,974
Newsprint, ink and other supplies	2,346	2,504	4,530	4,898
Depreciation	357	716	730	1,428
Asset impairments	—	102	—	102
Total operating costs and expense	37,232	39,851	75,190	78,616
Operating loss	(1,220)	(2,278)	(3,976)	(4,756)
Other income, net	378	28	740	46
Loss Before Income Taxes	(842)	(2,250)	(3,236)	(4,710)
Income tax provision	26	165	258	349
Net Loss	$ (868)	$ (2,415)	$ (3,494)	$ (5,059)
Per Share Basis				
Net loss				
Basic	$ (0.16)	$ (0.45)	$ (0.65)	$ (0.95)
Number of common shares used in the per share calculation:				
Basic	5,352,490	5,352,490	5,352,490	5,352,490

See the accompanying Notes to the Consolidated Financial Statements.

DallasNews Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

In thousands (unaudited)	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2023	*2022*	*2023*	*2022*
Net Loss	$ (868)	$ (2,415)	$ (3,494)	$ (5,059)
Other Comprehensive Income (Loss), Net of Tax:				
Amortization of actuarial (gains) losses	(10)	131	(20)	261
Total other comprehensive income (loss), net of tax	(10)	131	(20)	261
Total Comprehensive Loss	$ (878)	$ (2,284)	$ (3,514)	$ (4,798)

See the accompanying Notes to the Consolidated Financial Statements.

DallasNews Corporation and Subsidiaries
Consolidated Balance Sheets

In thousands, except share amounts (unaudited)	*June 30, 2023*	*December 31, 2022*
Assets		
Current assets:		
Cash and cash equivalents	$ 11,928	$ 27,825
Short-term investments	10,669	—
Accounts receivable (net of allowance of $273 and $490 at June 30, 2023 and December 31, 2022, respectively)	11,734	14,023
Inventories	2,105	2,725
Prepaids and other current assets	4,816	3,352
Total current assets	41,252	47,925
Property, plant and equipment, at cost	314,315	313,440
Less accumulated depreciation	(306,733)	(306,002)
Property, plant and equipment, net	7,582	7,438
Operating lease right-of-use assets	16,923	14,811
Deferred income taxes, net	298	282
Other assets	1,799	1,809
Total assets	$ 67,854	$ 72,265
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 4,130	$ 5,041
Accrued compensation and benefits	4,233	4,154
Other accrued expense	3,849	4,060
Contract liabilities	10,694	9,504
Total current liabilities	22,906	22,759
Long-term pension liabilities	19,003	19,455
Long-term operating lease liabilities	17,778	16,546
Other post-employment benefits	973	982
Other liabilities	58	160
Total liabilities	60,718	59,902
Shareholders' equity:		
Preferred stock, $0.01 par value; Authorized 2,000,000 shares; none issued	—	—
Common stock, $0.01 par value; Authorized 31,250,000 shares		
Series A: issued 5,216,257 and 5,216,237 shares at June 30, 2023 and December 31, 2022, respectively	52	52
Series B: issued 614,698 and 614,718 shares at June 30, 2023 and December 31, 2022, respectively	6	6
Treasury stock, Series A, at cost; 478,465 shares held at June 30, 2023 and December 31, 2022	(13,443)	(13,443)
Additional paid-in capital	494,563	494,563
Accumulated other comprehensive loss	(41,400)	(41,380)
Accumulated deficit	(432,642)	(427,435)
Total shareholders' equity	7,136	12,363
Total liabilities and shareholders' equity	$ 67,854	$ 72,265

See the accompanying Notes to the Consolidated Financial Statements.

DallasNews Corporation and Subsidiaries
Consolidated Statements of Shareholders' Equity

	Six Months Ended June 30, 2023 and 2022								
	Common Stock				**Treasury Stock**				
In thousands, except share and per share amounts (unaudited)	**Shares Series A**	**Shares Series B**	**Amount**	**Additional Paid-in Capital**	**Shares Series A**	**Amount**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
Balance at December 31, 2021	5,216,045	614,910	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (32,406)	$ (406,195)	$ 42,577
Net loss	—	—	—	—	—	—	—	(5,059)	(5,059)
Other comprehensive income	—	—	—	—	—	—	261	—	261
Conversion of Series B to Series A	58	(58)	—	—	—	—	—	—	—
Dividends declared ($0.32 per share)	—	—	—	—	—	—	—	(1,713)	(1,713)
Balance at June 30, 2022	5,216,103	614,852	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (32,145)	$ (412,967)	$ 36,066
Balance at December 31, 2022	5,216,237	614,718	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (41,380)	$ (427,435)	$ 12,363
Net loss	—	—	—	—	—	—	—	(3,494)	(3,494)
Other comprehensive loss	—	—	—	—	—	—	(20)	—	(20)
Conversion of Series B to Series A	20	(20)	—	—	—	—	—	—	—
Dividends declared ($0.32 per share)	—	—	—	—	—	—	—	(1,713)	(1,713)
Balance at June 30, 2023	5,216,257	614,698	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (41,400)	$ (432,642)	$ 7,136

	Three Months Ended June 30, 2023 and 2022								
	Common Stock				**Treasury Stock**				
In thousands, except share and per share amounts (unaudited)	**Shares Series A**	**Shares Series B**	**Amount**	**Additional Paid-in Capital**	**Shares Series A**	**Amount**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
Balance at March 31, 2022	5,216,045	614,910	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (32,276)	$ (409,695)	$ 39,207
Net loss	—	—	—	—	—	—	—	(2,415)	(2,415)
Other comprehensive income	—	—	—	—	—	—	131	—	131
Conversion of Series B to Series A	58	(58)	—	—	—	—	—	—	—
Dividends declared ($0.16 per share)	—	—	—	—	—	—	—	(857)	(857)
Balance at June 30, 2022	5,216,103	614,852	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (32,145)	$ (412,967)	$ 36,066
Balance at March 31, 2023	5,216,237	614,718	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (41,390)	$ (430,917)	$ 8,871
Net loss	—	—	—	—	—	—	—	(868)	(868)
Other comprehensive loss	—	—	—	—	—	—	(10)	—	(10)
Conversion of Series B to Series A	20	(20)	—	—	—	—	—	—	—
Dividends declared ($0.16 per share)	—	—	—	—	—	—	—	(857)	(857)
Balance at June 30, 2023	5,216,257	614,698	$ 58	$ 494,563	(478,465)	$ (13,443)	$ (41,400)	$ (432,642)	$ 7,136

See the accompanying Notes to the Consolidated Financial Statements.

DallasNews Corporation and Subsidiaries
Consolidated Statements of Cash Flows

In thousands (unaudited)	*Six Months Ended June 30,* 2023	2022
Operating Activities		
Net loss	$ (3,494)	$ (5,059)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	730	1,428
Net periodic pension and other post-employment expense (benefit)	(449)	455
Bad debt expense (benefit)	(64)	18
Deferred income taxes	(16)	47
Gain on short-term investments	(169)	—
Asset impairments	—	102
Provision, interest and penalties for uncertain tax positions	(102)	5
Changes in working capital and other operating assets and liabilities:		
Accounts receivable	2,353	2,394
Inventories, prepaids and other current assets	(844)	(426)
Other assets	10	(3)
Accounts payable	(911)	(1,948)
Compensation and benefit obligations	79	(297)
Other accrued expenses	(1,118)	(35)
Contract liabilities	1,190	91
Other post-employment benefits	(31)	(38)
Net cash used for operating activities	(2,836)	(3,266)
Investing Activities		
Purchases of assets	(848)	(900)
Purchases of short-term investments	(10,500)	—
Net cash used for investing activities	(11,348)	(900)
Financing Activities		
Dividends paid	(1,713)	(1,713)
Net cash used for financing activities	(1,713)	(1,713)
Net decrease in cash and cash equivalents	(15,897)	(5,879)
Cash and cash equivalents, beginning of period	27,825	32,439
Cash and cash equivalents, end of period	$ 11,928	$ 26,560
Supplemental Disclosures		
Income tax paid, net	$ 619	$ 651
Noncash investing and financing activities:		
Investments in property, plant and equipment payable	27	—
Dividends payable	857	857

See the accompanying Notes to the Consolidated Financial Statements.

Note 1: Basis of Presentation and Recently Issued Accounting Standards

Description of Business. DallasNews Corporation and its subsidiaries are referred to collectively herein as "DallasNews" or the "Company." DallasNews was formed in February 2008 through a spin-off from its former parent company and is registered on The Nasdaq Stock Market LLC (Nasdaq trading symbol: DALN). DallasNews is the Dallas-based holding company of *The Dallas Morning News* and Medium Giant.

The Company operates *The Dallas Morning News* (*dallasnews.com*), Texas' leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. These operations generate revenue from sales of advertising within the Company's newspaper and digital platforms, subscriptions and retail sales of its newspapers, commercial printing and distribution services primarily related to national newspapers, and preprint advertising.

In addition, the Company has a full-service agency, Medium Giant, with capabilities including strategy, creative and media management with a focus on strategic and digital marketing, and data intelligence that provide a measurable return on investment to its clients.

Basis of Presentation. The interim consolidated financial statements included herein are unaudited; however, they include adjustments of a normal recurring nature which, in the Company's opinion, are necessary to present fairly the consolidated financial information as of and for the periods indicated in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim periods. All intercompany balances and transactions have been eliminated in consolidation. The Company consolidates its majority owned subsidiaries over which the Company exercises control. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. All dollar amounts presented herein, except share and per share amounts, are in thousands, unless the context indicates otherwise.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net operating revenues and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

Areas where estimates are used include valuation allowances for doubtful accounts, fair value measurements, pension plan assets, pension and other post-employment benefit obligation assumptions, income taxes, leases, self-insured liabilities, and assumptions related to long-lived assets impairment review.

Segment Presentation. Based on the Company's structure and organizational chart, the Company's chief operating decision-maker (the "CODM") is its Chief Executive Officer, Grant S. Moise. Based on how the Company's CODM makes decisions about allocating resources and assessing performance, the Company determined it has one reportable segment.

Recently Adopted Accounting Pronouncements. In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. Since June 2016, the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU on January 1, 2023, using the modified retrospective approach and it did not have a material impact on its consolidated financial statements; see Note 3 – Financial Instruments and Accounts Receivable, Net for additional information.

Note 2: Revenue

Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This occurs when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services, typically at contract price or determined by stand-alone selling price. The Company has an estimated allowance for credits, refunds and similar obligations. Sales tax collected concurrent with revenue-producing activities are excluded from revenue.

The table below sets forth revenue disaggregated by revenue source.

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2023	*2022*	*2023*	*2022*
Advertising and Marketing Services				
Print advertising	$ 10,294	$ 11,416	$ 19,590	$ 22,013
Digital advertising and marketing services	5,929	6,041	11,942	11,708
Total	$ 16,223	$ 17,457	$ 31,532	$ 33,721
Circulation				
Print circulation	$ 12,144	$ 12,998	$ 24,525	$ 26,117
Digital circulation	3,852	3,252	7,482	6,229
Total	$ 15,996	$ 16,250	$ 32,007	$ 32,346
Printing, Distribution and Other	$ 3,793	$ 3,866	$ 7,675	$ 7,793
Total Revenue	**$ 36,012**	**$ 37,573**	**$ 71,214**	**$ 73,860**

Advertising and Marketing Services

Print advertising is comprised of display, classified and preprint advertising revenue. Display revenue results from sales of advertising space within the Company’s core newspapers and niche publications to local, regional or national businesses with local operations, affiliates or resellers. Classified revenue, which includes automotive, real estate, employment, obituaries and other, results from sales of advertising space in the classified and other sections of the Company’s newspapers. Preprint revenue results from sales of preprinted advertisements or circulars inserted into the Company’s core newspapers, niche publications, and distributed to publications in other markets, or distributed by mail or through 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 target preprint distribution selectively at the sub-zip code level in order to optimize coverage for the advertisers’ locations. Preprint advertising also includes other services revenue related to the Company’s niche publications.

The Company’s agreement allowing it to distribute preprinted advertisements through the mail or through third-party distributors to households in targeted areas was not renewed and will end August 31, 2023. As a result of the end of the distribution agreement whose weekly shared mail coupons and home delivery inserts supported the Company’s niche publications, the Company decided to stop print-only editions of its niche publications, *Al Dia* and *Briefing* after August 30, 2023. *Al Dia* will continue as a digital-only product and publish online daily, as news develops, and in a weekly ePaper edition. *Briefing* will be discontinued as a weekly newspaper, and the brand will be retired.

Digital advertising and marketing services revenue consists of strategic marketing services, consulting, branding, paid media strategy and management, creative services, search optimization, direct mail and the sale of promotional materials, as well as providing multi-channel marketing solutions through subscription sales of the Company’s cloud-based software. In addition, it includes digital sales of banner, classified and native advertisements on the Company’s news and entertainment-related websites and mobile apps, as well as targeted and multi-channel (programmatic) advertising placed on third-party websites.

Advertising and marketing services revenue is primarily recognized at a point in time when the ad or service is complete and delivered, based on the customers' contract price. Barter advertising transactions are recognized at estimated fair value based on the negotiated contract price and the range of prices for similar advertising from customers unrelated to the barter transaction. The Company expenses barter costs as incurred, which is independent from the timing of revenue recognition. In addition, certain digital advertising revenue related to website access is recognized over time, based on the customers' monthly rate. The Company typically extends credit to advertising and marketing services customers, although for certain advertising campaigns the customer may pay in advance.

For ads placed on certain third-party websites, the Company must evaluate and use judgment to determine whether it is acting as the principal, where revenue is reported on a gross basis, or acting as the agent, where revenue is reported on a net basis. Generally, the Company reports advertising revenue for ads placed on third-party websites on a net basis, meaning the amount recorded to revenue is the amount billed to the customer net of amounts paid to the publisher of the third-party website. The Company is acting as the agent because the publisher controls the advertising inventory. The Company will record certain arrangements gross when it has latitude in establishing price or it determines the placement of the ads as a value added service to the customer.

Circulation

Print circulation revenue is generated primarily by selling home delivery subscriptions, including premium publications, and from single copy sales to non-subscribers. Home delivery revenue is recognized over the subscription period based on the days of actual delivery over the total subscription days and single copy revenue is recognized at a point in time when the paper is purchased. Revenue is directly reduced for any non-payment for the grace period of home delivery subscriptions where the Company recorded revenue for newspapers delivered after a subscription expired.

Digital circulation revenue is generated by digital-only subscriptions and is recognized over the subscription period based on daily or monthly access to the content in the subscription period.

Payment of circulation fees is typically received in advance and deferred over the subscription period. There is little judgment required for valuation or timing of circulation revenue recognition.

Printing, Distribution and Other

Printing, distribution and other revenue is primarily generated from printing and distribution of other newspapers, as well as production of preprinted advertisements for other newspapers. Printing, distribution and other revenue is recognized at a point in time when the product or service is delivered, which requires little judgment to determine. The Company typically extends credit to printing and distribution customers.

Deferred Revenue

Deferred revenue is recorded when cash payments are received in advance of the Company's performance, including amounts which are refundable. The Company's primary sources of deferred revenue are from circulation subscriptions and advertising paid in advance of the service provided. These up-front payments are recorded upon receipt as contract liabilities in the Consolidated Balance Sheets and the revenue is recognized when the Company's obligations under the terms of the contract are satisfied. In the three and six months ended June 30, 2023, the Company recognized $1,571 and $8,192, respectively, of revenue that was included in the contract liabilities balance as of December 31, 2022. The Company typically recognizes deferred revenue within 1 to 12 months.

Practical Expedients and Exemptions

The Company generally expenses sales commissions and circulation acquisition costs when incurred because the amortization period would have been one year or less. These costs are recorded within employee compensation and benefits expense and other production, distribution and operating costs expense, respectively.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which revenue is recognized at the amount invoiced for services performed.

Note 3: Financial Instruments and Accounts Receivable, Net

Short-Term Investments. In the first quarter of 2023, the Company invested $10,500 in Certificates of Deposit ("CD's") with original maturities of more than 90 days but one year or less, included in short-term investments in the Consolidated Balance Sheets. These investments are classified as held-to-maturity and are valued at amortized cost, which approximates fair value. These investments are considered Level 2 investments. In the three months ended June 30, 2023, the Company recorded $169 of interest income related to the CD's, included in other income, net in the Consolidated Statements of Operations.

Accounts Receivable, Net. Accounts receivable are reported net of the allowance for credit losses calculated based on customer category. For example, trade receivables for advertising customers are evaluated separately from trade receivables from single copy sales. For all trade receivables, the reserve percentage considers the Company's historical loss experience and is applied to each customer category based on aging. In addition, each category has specific reserves for at risk accounts that vary based on the nature of the underlying trade receivables. The calculation of the allowance considers current economic, industry and customer-specific conditions such as high-risk accounts, bankruptcies and other aging specific reserves. The collectability of trade receivables depends on a variety of factors, including trends in local, regional or national economic conditions that affect our customers' ability to pay. Accounts are written-off after all collection efforts fail; generally, after one year has expired. Expense for such uncollectible amounts is included in other production, distribution and operating costs. Credit terms are customary.

The table below sets forth changes in the allowance for credit losses for the six months ended June 30, 2023.

Beginning balance	$	490
Current period provision		(64)
Write-offs charged against the allowance		(136)
Recoveries of amounts previously written-off		3
Other		(20)
Ending balance	$	273

For the three months ended June 30, 2023 and 2022, the Company recorded $(72) and $(13), respectively, and $(64) and $18 for the six months ended June 30, 2023 and 2022, respectively, of bad debt expense (benefit) which is included in other production, distribution and operating costs in the Consolidated Statements of Operations. The reduction in required reserves was primarily due to a lower volume of accounts receivable in the six months ended June 30, 2023, compared to the corresponding prior year period. We did not record any one-time adjustments as a result of adopting the new guidance on credit losses.

Note 4: Leases

Lease Accounting

The Company has various operating leases primarily for office space and other distribution centers, some of which include escalating lease payments and options to extend or terminate the lease. The Company's leases have remaining terms of less than 1 year to 11 years. The Company determines if a contract is a lease at the inception of the arrangement.

Operating lease right-of-use assets and liabilities are recognized at commencement date of lease agreements greater than one year based on the present value of lease payments over the lease term. In determining the present value of lease payments, the implicit rate was not readily determinable in the Company's lease agreements. Therefore, the Company used an estimated secured incremental borrowing rate, based on the Company's credit rating, adjusted for the weighted average term of each lease. Lease expense is recognized on a straight-line basis over the lease term and variable lease costs are expensed as incurred. For leases with terms of 12 months or less, no asset or liability is recorded and lease expense is recognized on a straight-line basis over the lease term. The exercise of lease renewal options are at the Company's sole discretion and options are recognized when it is reasonably certain the Company will exercise the option. The recognized right-of-use assets and lease liabilities as calculated do not assume renewal options. The Company does not have lease agreements with residual value guarantees, sale leaseback terms or material restrictive covenants. Additionally, the Company does not separately identify lease and nonlease components, such as maintenance costs.

The Company subleases office space in Dallas, Texas, with a remaining lease term of less than one year. Additionally, the Company has various subleases with distributors, for distribution center space, with varying remaining lease terms of less than one year to two years and are cancellable with notice by either party. In the second quarter of 2022, the Company terminated the lease and sublease agreements for the office space of the Denton Publishing Company, resulting in a right-of-use asset impairment of $102. Sublease income is included in printing, distribution and other revenue in the Consolidated Statements of Operations. As of June 30, 2023, sublease income is expected to approximate $230 for the remainder of 2023 and $30 in 2024.

As of June 30, 2023, the Company did not have any significant operating leases that have not yet commenced.

The table below sets forth supplemental Consolidated Balance Sheet information for the Company's leases.

	Classification	June 30, 2023	December 31, 2022
Assets			
Operating	Operating lease right-of-use assets	$ 16,923	$ 14,811
Liabilities			
Operating			
Current	Other accrued expense	$ 1,814	$ 1,547
Noncurrent	Long-term operating lease liabilities	17,778	16,546
Total lease liabilities		$ 19,592	$ 18,093
Lease Term and Discount Rate			
Operating leases			
Weighted average remaining lease term (years)		9.0	10.1
Weighted average discount rate (%)		7.7	7.7

The table below sets forth components of lease cost and supplemental cash flow information for the Company's leases. In the three and six months ended June 30, 2023, operating lease cost reflects a non-recurring lease cost benefit of $556, reflected in other production, distribution and operating costs in the Consolidated Statements of Operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Lease Cost				
Operating lease cost	$ 521	$ 1,043	$ 1,506	$ 2,105
Short-term lease cost	18	11	24	19
Variable lease cost	243	163	432	340
Sublease income	(255)	(304)	(512)	(641)
Total lease cost	$ 527	$ 913	$ 1,450	$ 1,823
Supplemental Cash Flow Information				
Cash paid for operating leases included in operating activities			$ 2,109	$ 2,167
Right-of-use assets obtained in exchange for operating lease liabilities			2,908	—

The table below sets forth the remaining maturities of the Company's lease liabilities as of June 30, 2023.

Years Ending December 31,	Operating Leases
2023	$ 1,513
2024	3,446
2025	3,380
2026	2,649
2027	2,377
Thereafter	14,342
Total lease payments	27,707
Less: imputed interest	8,115
Total lease liabilities	$ 19,592

Note 5: Income Taxes

The Company calculated the income tax provision for the 2023 and 2022 interim periods using an estimated annual effective tax rate based on its expected annual loss before income taxes, adjusted for permanent differences, which it applied to the year-to-date loss before income taxes and specific events that are discretely recognized as they occur.

The Company recognized an income tax provision of $26 and $165 for the three months ended June 30, 2023 and 2022, respectively, and $258 and $349 for the six months ended June 30, 2023 and 2022, respectively, due to the effect of the Texas franchise tax. The 2023 income tax expense was reduced by the release of a $66 federal uncertain tax reserve, included in other liabilities, as a result of the statute of limitations lapsing in June 2023. In connection with the release of a federal uncertain tax reserve, the Company released a reserve for interest and penalties included in other liabilities and recognized $36 in other income, net for the six months ended June 30, 2023. Effective income tax rates were (8.0) percent and (7.4) percent for the six months ended June 30, 2023 and 2022, respectively.

On August 16, 2022, the Inflation Reduction Act (the “Act”) was enacted and signed into law. The Act is a budget reconciliation package that includes significant law changes relating to tax, climate change, energy, and health care. The tax provisions include, among other items, a corporate alternative minimum tax of 15 percent, an excise tax of 1 percent on corporate stock buy-backs, energy-related tax credits, and additional IRS funding. Certain provisions, including the corporate alternative minimum tax and excise tax on corporate stock buy-backs, became effective for tax years beginning after December 31, 2022. The U.S. Department of the Treasury and the IRS are expected to release further regulations and interpretive guidance implementing the legislation contained in the Act, but the details and timing of such regulations are subject to uncertainty at this time. The Company continues to evaluate the impacts of this legislation as additional guidance is released; however, it does not expect a material impact on its consolidated financial statements.

Note 6: Pension and Other Retirement Plans

Defined Benefit Plans. The Company sponsors the DallasNews Pension Plans (the “Pension Plans”), which provide benefits to approximately 1,350 current and former employees of the Company. DallasNews Pension Plan I provides benefits to certain current and former employees primarily employed with *The Dallas Morning News* or the DallasNews corporate offices. DallasNews Pension Plan II provides benefits to certain former employees of The Providence Journal Company. This obligation was retained by the Company upon the sale of the newspaper operations of *The Providence Journal*. No additional benefits are accruing under the DallasNews Pension Plans, as future benefits were frozen.

No contributions are required to the DallasNews Pension Plans in 2023 under the applicable tax and labor laws governing pension plan funding. In August 2022, the Company made a board approved voluntary contribution of $5,000 to the Pension Plans, reflected in long-term pension liabilities in the Consolidated Balance Sheets. The Company will continue to evaluate the feasibility of de-risking strategies based on the economic benefits to the Company.

Net Periodic Pension Expense (Benefit)

The Company’s estimates of net periodic pension expense or benefit are based on the expected return on plan assets, interest on the projected benefit obligations and the amortization of actuarial gains and losses that are deferred in accumulated other comprehensive loss. Participation in and accrual of new benefits to participants has been frozen since 2007 and, accordingly, on-going service costs are not a component of net periodic pension expense (benefit). For 2023, there are no unrecognized gains (losses) to amortize due to the total unrecognized gain (loss) falling below the amortization threshold. For 2022, based on the re-allocation of the Pension Plans’ assets, the Company assumed a lower rate of return on the assets resulting in net periodic pension expense.

The table below sets forth components of net periodic pension expense (benefit), which are included in other income, net in the Consolidated Statements of Operations.

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2023	*2022*	*2023*	*2022*
Interest cost	$ 1,993	$ 1,327	$ 3,986	$ 2,655
Expected return on plans' assets	(2,218)	(1,237)	(4,437)	(2,474)
Amortization of actuarial loss	—	132	—	263
Net periodic pension expense (benefit)	$ (225)	$ 222	$ (451)	$ 444

Defined Contribution Plans. The DallasNews Savings Plan (the "Savings Plan"), a defined contribution 401(k) plan, covers substantially all employees of DallasNews. Participants may elect to contribute a portion of their pretax compensation as provided by the Savings Plan and the Internal Revenue Code. Employees can contribute up to 100 percent of their annual eligible compensation less required withholdings and deductions up to statutory limits. The Company provides an ongoing dollar-for-dollar match of eligible employee contributions, up to 1.5 percent of the employees' compensation. Aggregate expense for matching contributions to the Savings Plan was $180 and $177 for the three months ended June 30, 2023 and 2022, respectively, and $381 and $389 for the six months ended June 30, 2023 and 2022, respectively.

Note 7: Shareholders' Equity

Dividends. On May 11, 2023, the Company's board of directors declared a $0.16 per share dividend to shareholders of record as of the close of business on August 11, 2023, which is payable on September 1, 2023.

Outstanding Shares. The Company had Series A and Series B common stock outstanding of 4,737,792 and 614,698, respectively, net of treasury shares at June 30, 2023. At December 31, 2022, the Company had Series A and Series B common stock outstanding of 4,737,772 and 614,718, respectively, net of treasury shares.

Accumulated Other Comprehensive Loss. Accumulated other comprehensive loss consists of actuarial gains and losses attributable to the DallasNews Pension Plans, gains and losses resulting from Pension Plans' amendments and other actuarial experience attributable to other post-employment benefit ("OPEB") plans. The Company records amortization of the components of accumulated other comprehensive loss in other income, net in its Consolidated Statements of Operations. Gains and losses are amortized over the weighted average remaining life expectancy of the OPEB plans and Pension Plans' participants.

The table below sets forth the changes in accumulated other comprehensive loss, net of tax, as presented in the Company's consolidated financial statements.

	Three Months Ended June 30,					
	2023			*2022*		
	Total	**Defined benefit pension plans**	**Other post-employment benefit plans**	**Total**	**Defined benefit pension plans**	**Other post-employment benefit plans**
Balance, beginning of period	$ (41,390)	$ (41,777)	$ 387	$ (32,276)	$ (32,354)	$ 78
Amortization	(10)	—	(10)	131	132	(1)
Balance, end of period	$ (41,400)	$ (41,777)	$ 377	$ (32,145)	$ (32,222)	$ 77

	Six Months Ended June 30,					
	2023			*2022*		
	Total	**Defined benefit pension plans**	**Other post-employment benefit plans**	**Total**	**Defined benefit pension plans**	**Other post-employment benefit plans**
Balance, beginning of period	$ (41,380)	$ (41,777)	$ 397	$ (32,406)	$ (32,485)	$ 79
Amortization	(20)	—	(20)	261	263	(2)
Balance, end of period	$ (41,400)	$ (41,777)	$ 377	$ (32,145)	$ (32,222)	$ 77

Note 8: Earnings Per Share

The table below sets forth the net loss available to common shareholders and weighted average shares used for calculating basic earnings per share ("EPS"). The Company's Series A and Series B common stock equally share in the distributed and undistributed earnings.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	*2022*	*2023*	*2022*
Earnings (Numerator)				
Net loss available to common shareholders	$ (868)	$ (2,415)	$ (3,494)	$ (5,059)
Shares (Denominator)				
Weighted average common shares outstanding (basic)	5,352,490	5,352,490	5,352,490	5,352,490
Loss Per Share				
Basic	$ (0.16)	$ (0.45)	$ (0.65)	$ (0.95)

There were no options or RSUs outstanding as of June 30, 2023 and 2022, that would result in dilution of shares or the calculation of EPS under the two-class method as prescribed under ASC 260 – *Earnings Per Share*.

Note 9: Contingencies

Legal proceedings. From time to time, the Company is involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. Management routinely assesses the likelihood of adverse judgments or outcomes in these matters, as well as the ranges of probable losses to the extent losses are reasonably estimable. Accruals for contingencies are recorded when, in the judgment of management, adverse judgments or outcomes are probable and the financial impact, should an adverse outcome occur, is reasonably estimable. The determination of likely outcomes of litigation matters relates to factors that include, but are not limited to, past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on DallasNews' results of operations, liquidity or financial condition.

Note 10: Disposal of Assets

In May 2019, the Company finalized a Purchase and Sale Agreement with Charter DMN Holdings, LP (the "Purchaser") for the sale of the real estate assets in downtown Dallas, Texas, previously used as the Company's headquarters for a sale price of $28,000 and a pretax gain of $25,908. The sale price consisted of $4,597 cash received, after selling costs of approximately $1,000, and a two year seller-financed promissory note of $22,400 (the "Promissory Note"). On July 29, 2022, the Company received cash proceeds of $22,516 from the Purchaser, paying the Promissory Note in full including interest. The Company recorded $251 and $500 of interest income related to the Promissory Note, included in other income, net in the Consolidated Statements of Operations for the three and six months ended June 30, 2022, respectively.

Notes receivable are recorded net of an allowance for credit losses. Interest income is accrued on the unpaid principal balance, included in accounts receivable in the Consolidated Balance Sheets. The Company puts notes receivable on non-accrual status and provides an allowance against accrued interest if it is determined the likelihood of collecting substantially all of the note and accrued interest is not probable. Notes are written-off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

DallasNews Corporation ("DallasNews" or the "Company") intends for the discussion of its financial condition and results of operations that follows to provide information that will assist in understanding its financial statements, the changes in certain key items in those statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect its financial statements. The following information should be read in conjunction with the Company's consolidated financial statements and related notes filed as part of this report. All dollar amounts presented herein, except share and per share amounts, are in thousands, unless the context indicates otherwise.

This section and other parts of this Quarterly Report on Form 10-Q contain certain 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. See *Forward-Looking Statements* of this Quarterly Report for further discussion.

OVERVIEW

DallasNews Corporation and its subsidiaries are referred to collectively herein as "DallasNews" or the "Company." DallasNews was formed in February 2008 through a spin-off from its former parent company and is registered on The Nasdaq Stock Market LLC (Nasdaq trading symbol: DALN). DallasNews is the Dallas-based holding company of *The Dallas Morning News* and Medium Giant.

The Company operates *The Dallas Morning News* (*dallasnews.com*), Texas' leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. These operations generate revenue from sales of advertising within the Company's newspaper and digital platforms, subscriptions and retail sales of its newspapers, commercial printing and distribution services primarily related to national newspapers, and preprint advertising.

In addition, the Company has a full-service agency, Medium Giant, with capabilities including strategy, creative and media management with a focus on strategic and digital marketing, and data intelligence that provide a measurable return on investment to its clients.

The Company and its business partners are subject to risks and uncertainties caused by factors beyond its control, including macroeconomic factors such as inflation. If inflation remains at current levels, or increases, for an extended period, certain operating costs could increase or advertiser spending could be impacted. If a pandemic were to affect a significant number of the workforce employed in printing operations, the Company may experience delays or be unable to produce, print and deliver its publications and other third-party print publications on a timely basis. The Company continues to evaluate for any future material impacts on its consolidated financial statements.

In the first quarter of 2023, the Company invested $10,500 in Certificates of Deposit with original maturities of one year or less; see Note 3 – Financial Instruments and Accounts Receivable, Net for additional information.

RESULTS OF OPERATIONS

Consolidated Results of Operations (unaudited)

This section contains discussion and analysis of net operating revenue, operating costs and expense and other information relevant to an understanding of results of operations for the three and six months ended June 30, 2023 and 2022. Based on how the Company's chief operating decision-maker makes decisions about allocating resources and assessing performance, the Company determined it has one reportable segment.

The table below sets forth the components of the Company's operating loss.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	Percentage Change	2022	2023	Percentage Change	2022
Advertising and marketing services	$ 16,223	(7.1) %	$ 17,457	$ 31,532	(6.5) %	$ 33,721
Circulation	15,996	(1.6) %	16,250	32,007	(1.0) %	32,346
Printing, distribution and other	3,793	(1.9) %	3,866	7,675	(1.5) %	7,793
Total Net Operating Revenue	36,012	(4.2) %	37,573	71,214	(3.6) %	73,860
Total Operating Costs and Expense	37,232	(6.6) %	39,851	75,190	(4.4) %	78,616
Operating Loss	**$ (1,220)**	**46.4 %**	**$ (2,278)**	**$ (3,976)**	**16.4 %**	**$ (4,756)**

Traditionally, the Company's primary revenues are generated from advertising within its core newspapers, niche publications and related websites and from subscription and single copy sales of its printed newspapers. As a result of competitive and economic conditions, the newspaper industry has faced a significant revenue decline over the past decade. Therefore, the Company has sought to diversify its revenues through development and investment in new product offerings, increased circulation rates and leveraging of its existing assets to offer cost efficient commercial printing and distribution services. The Company continually evaluates the overall performance of its core products to ensure existing assets are deployed adequately to maximize return.

The Company's advertising revenue from its core newspapers continues to be adversely affected by the shift of advertiser spending to other forms of media and the increased accessibility of free online news content, as well as news content from other sources, which resulted in declines in advertising and paid print circulation volumes and revenue. Decreases in print advertising categories are indicative of continuing trends by advertisers towards digital platforms, which are widely available from many sources. In the current environment, companies are allocating more of their advertising spending towards programmatic channels that provide digital advertising on multiple platforms with enhanced technology for targeted delivery and measurement.

In response to the decline in print revenue, the Company has developed agency capabilities, including strategy, creative and media management with a focus on strategic and digital marketing, and data intelligence that provide a measurable return on investment to its clients. The Company leverages its news content to improve engagement on the Company's digital platforms that results in increased digital subscriptions and associated revenue. The Company also continues to diversify its revenue base by leveraging the available capacity of its existing assets to provide print and distribution services for newspapers and other customers requiring these services, by introducing new advertising and marketing services products, and by increasing circulation prices.

Because of declining print circulation, the Company has developed broad digital strategies designed to provide readers with multiple platforms for obtaining online access to local news. The Company continues to obtain additional key demographic data from readers, which allows the Company to provide content desired by readers and to modify marketing and distribution strategies to target and reach audiences valued by advertisers. The Company has access to programmatic digital advertising platforms that provide digital ad placement and targeting efficiencies and increases utilization of digital inventory within the Company's websites. Additionally, in order to optimize owned and operated digital advertising revenue, the Company has adopted a holistic yield management approach powered by real-time bidding technologies and data analysis to ensure the optimal mix of direct sales and programmatic ad sales is achieved.

Advertising and marketing services revenue

Advertising and marketing services revenue was 45.1 percent and 44.3 percent of total revenue for the three and six months ended June 30, 2023, respectively, and 46.5 percent and 45.7 percent of total revenue for the three and six months ended June 30, 2022, respectively.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	Percentage Change	2022	2023	Percentage Change	2022
Print advertising	$ 10,294	(9.8) %	$ 11,416	$ 19,590	(11.0) %	$ 22,013
Digital advertising and marketing services	5,929	(1.9) %	6,041	11,942	2.0 %	11,708
Advertising and Marketing Services	**$ 16,223**	**(7.1) %**	**$ 17,457**	**$ 31,532**	**(6.5) %**	**$ 33,721**

Print advertising

Print advertising is comprised of display, classified and preprint advertising revenue.

Display and classified print revenue primarily represents sales of advertising space within the Company’s core and niche newspapers. Display and classified print revenue decreased $293 and $150 in the three and six months ended June 30, 2023, respectively, primarily due to a volume decrease in display and classified advertisements, resulting from the discontinuation of the Saturday *Briefing* publication at the end of 2022.

Preprint revenue primarily reflects preprinted advertisements inserted into the Company’s core newspapers, niche publications, and distributed to publications in other markets, or distributed to non-subscribers through the mail or through third-party distributors to households in targeted areas in order to provide total market coverage for advertisers. Preprint advertising also includes other services revenue related to the Company’s niche publications. While most print advertising streams have softened, preprint advertising continues to experience a much greater secular decline across the industry. Revenue decreased $829 and $2,273 in the three and six months ended June 30, 2023, respectively, primarily due to a volume decline in home delivery mail advertisements and in preprint newspaper inserts distributed to publications in other markets.

The Company’s agreement allowing it to distribute preprinted advertisements through the mail or through third-party distributors to households in targeted areas was not renewed and will end August 31, 2023. This program was forecasted to generate approximately $1,000 a month in revenue this year, although that has been declining as advertisers move away from coupon inserts. As a result of the end of the distribution agreement whose weekly shared mail coupons and home delivery inserts supported the Company’s niche publications, the Company decided to stop print-only editions of its niche publications, *Al Dia* and *Briefing* after August 30, 2023. *Al Dia* will continue as a digital-only product and publish online daily, as news develops, and in a weekly ePaper edition. *Briefing* will be discontinued as a weekly newspaper, and the brand will be retired.

Digital advertising and marketing services

Digital advertising and marketing services revenue consists of strategic marketing services, consulting, branding, paid media strategy and management, creative services, search optimization, direct mail and the sale of promotional materials, as well as providing multi-channel marketing solutions through subscription sales of the Company’s cloud-based software. In addition, it includes digital sales of banner, classified and native advertisements on the Company’s news and entertainment-related websites and mobile apps, as well as targeted and multi-channel (programmatic) advertising placed on third-party websites. Revenue decreased $112 in the three months ended June 30, 2023, and increased $234 in the six months ended June 30, 2023, due to an increase in digital advertising on *dallasnews.com* primarily related to financial services clients, offset by a decline in marketing services revenue resulting from some contracts ending.

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Circulation revenue

Circulation revenue was 44.4 percent and 44.9 percent of total revenue for the three and six months ended June 30, 2023, respectively, and 43.2 percent and 43.8 percent of total revenue for the three and six months ended June 30, 2022, respectively.

	Three Months Ended June 30,			*Six Months Ended June 30,*		
	2023	*Percentage Change*	*2022*	*2023*	*Percentage Change*	*2022*
Print circulation	$ 12,144	(6.6) %	$ 12,998	$ 24,525	(6.1) %	$ 26,117
Digital circulation	3,852	18.5 %	3,252	7,482	20.1 %	6,229
Circulation	**$ 15,996**	**(1.6) %**	**$ 16,250**	**$ 32,007**	**(1.0) %**	**$ 32,346**

Print circulation

Revenue decreased primarily driven by a decline in print subscriptions of 9,787 or 11.7 percent when compared to June 30, 2022, partially offset by rates increasing approximately 7.1 percent. In the three months ended June 30, 2023, home delivery revenue decreased $612 or 5.1 percent, and $1,204 or 5.0 percent in the six months ended June 30, 2023. Single copy revenue decreased $242 or 22.6 percent in the three months ended June 30, 2023, and $388 or 18.2 percent in the six months ended June 30, 2023.

Digital circulation

Revenue increased $600 or 18.5 percent in the three months ended June 30, 2023, and $1,253 or 20.1 percent in the six months ended June 30, 2023, due to an increase in digital-only subscriptions of 6,158 or 9.8 percent when compared to June 30, 2022, reflecting the Company's continued focus on growing its paid digital subscriptions and revenue. In the second quarter, the Company did experience a slight decline in digital-only subscriptions when compared to the first quarter of 2023, primarily due to a promotion in the fourth quarter of 2022 offering a six-month introductory price, which expired resulting in higher cancellation volumes than previously experienced with past discount offers. In addition, digital traffic is typically lower in the summer months.

Printing, distribution and other revenue

Printing, distribution and other revenue was 10.5 percent and 10.8 percent of total revenue for the three and six months ended June 30, 2023, respectively, and 10.3 percent and 10.5 percent of total revenue for the three and six months ended June 30, 2022, respectively.

	Three Months Ended June 30,			*Six Months Ended June 30,*		
	2023	*Percentage Change*	*2022*	*2023*	*Percentage Change*	*2022*
Printing, Distribution and Other	**$ 3,793**	**(1.9) %**	**$ 3,866**	**$ 7,675**	**(1.5) %**	**$ 7,793**

Revenue slightly decreased in the three and six months ended June 30, 2023.

Operating Costs and Expense

The table below sets forth the components of the Company's operating costs and expense.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	Percentage Change	2022	2023	Percentage Change	2022
Employee compensation and benefits	$ 17,236	2.6 %	$ 16,804	$ 34,609	4.2 %	$ 33,214
Other production, distribution and operating costs	17,293	(12.3) %	19,725	35,321	(9.4) %	38,974
Newsprint, ink and other supplies	2,346	(6.3) %	2,504	4,530	(7.5) %	4,898
Depreciation	357	(50.1) %	716	730	(48.9) %	1,428
Asset impairments	—	(100.0) %	102	—	(100.0) %	102
Total Operating Costs and Expense	**$ 37,232**	**(6.6) %**	**$ 39,851**	**$ 75,190**	**(4.4) %**	**$ 78,616**

Employee compensation and benefits – The Company continues to implement measures to optimize its workforce and evaluate strategies to reduce risk associated with future obligations for employee benefit plans. Employee compensation and benefits increased $432 and $1,395 in the three and six months ended June 30, 2023, respectively, primarily due to increases in compensation related to the hiring of key positions, severance and medical expense.

Other production, distribution and operating costs – Expense decreased $2,432 and $3,653 in the three and six months ended June 30, 2023, respectively, primarily due to reduced distribution expense associated with lower circulation and fewer preprinted advertisements distributed to publications in other markets, and savings in outside services. In addition, in the three months ended June 30, 2023, the Company recorded a non-recurring lease cost benefit of $556. The Company anticipates it will experience additional distribution savings the remainder of the year related to the discontinuation of its niche publications at the end of August 2023.

Newsprint, ink and other supplies – Expense decreased $158 and $368 in the three and six months ended June 30, 2023, respectively, primarily due to reduced newsprint costs associated with lower circulation and fewer preprinted advertisements. Newsprint consumption for the three months ended June 30, 2023 and 2022, approximated 1,781 and 1,902 metric tons, respectively, at an average cost per metric ton of $807 and $704, respectively. Newsprint consumption for the six months ended June 30, 2023 and 2022, approximated 3,555 and 3,790 metric tons, respectively, at an average cost per metric ton of $816 and $681, respectively.

Depreciation – Expense decreased $359 and $698 in the three and six months ended June 30, 2023, respectively, due to a lower depreciable asset base as a higher level of in-service assets are now fully depreciated.

Asset impairments – In the second quarter of 2022, the Company terminated the lease and sublease agreements for the office space of the Denton Publishing Company, resulting in a right-of-use asset impairment of $102.

Other

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	Percentage Change	2022	2023	Percentage Change	2022
Other income, net	$ 378	N/M	$ 28	$ 740	N/M	$ 46
Income tax provision	$ 26	(84.2)%	$ 165	$ 258	(26.1)%	$ 349

N/M – not meaningful

Other income, net – Other income, net includes net periodic pension and other post-employment expense (benefit), interest income (expense) and gain (loss) from investments.

Net periodic pension and other post-employment expense (benefit) was $(224) and $228 for the three months ended June 30, 2023 and 2022, respectively, and $(449) and $455 for the six months ended June 30, 2023 and 2022, respectively.

In the three months ended June 30, 2023, the Company recorded $169 of interest income related to the Certificates of Deposit the Company invested in during the first quarter of 2023. In the three and six months ended June 30, 2022, the Company recorded $251 and $500, respectively, of interest income related to the promissory note from the sale of its former headquarters, which was paid in full, including interest, in the third quarter of 2022.

Income tax provision – The Company recognized an income tax provision of $26 and $165 for the three months ended June 30, 2023 and 2022, respectively, and $258 and $349 for the six months ended June 30, 2023 and 2022, respectively, due to the effect of the Texas franchise tax. The 2023 income tax expense was reduced by the release of a $66 federal uncertain tax reserve, included in other liabilities, as a result of the statute of limitations lapsing in June 2023. In connection with the release of a federal uncertain tax reserve, the Company released a reserve for interest and penalties included in other liabilities and recognized $36 in other income, net for the six months ended June 30, 2023. Effective income tax rates were (8.0) percent and (7.4) percent for the six months ended June 30, 2023 and 2022, respectively.

Legal proceedings – From time to time, the Company is involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. Management routinely assesses the likelihood of adverse judgments or outcomes in these matters, as well as the ranges of probable losses to the extent losses are reasonably estimable. Accruals for contingencies are recorded when, in the judgment of management, adverse judgments or outcomes are probable and the financial impact, should an adverse outcome occur, is reasonably estimable. The determination of likely outcomes of litigation matters relates to factors that include, but are not limited to, past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on DallasNews' results of operations, liquidity or financial condition.

Liquidity and Capital Resources

The Company's cash and cash equivalents as of June 30, 2023 and December 31, 2022, were $11,928 and $27,825, respectively. In the first quarter of 2023, the Company invested $10,500 in Certificates of Deposit, as discussed below, included in short-term investments in the Consolidated Balance Sheet and Statement of Cash flow.

The Company intends to hold the majority of existing cash for purposes of future investment opportunities, potential return of capital to shareholders and for contingency purposes. While the Company expects to have cash flow and expense reduction measures in place to help offset future revenue declines, the Company does expect to use cash to fund operating activities and capital spending.

The future approval of dividends is dependent upon available cash after considering future operating and investing requirements and cannot be guaranteed. The Company continues to have a board-authorized repurchase authority. However, the agreement to repurchase the Company's stock expired and was not renewed.

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

Operating Cash Flows

Net cash used for operating activities for the six months ended June 30, 2023 and 2022, was $2,836 and $3,266, respectively. Cash flows used for operating activities decreased by $430 during the six months ended June 30, 2023, when compared to the prior year period, primarily due to changes in working capital and other operating assets and liabilities.

Investing Cash Flows

Net cash used for investing activities was $11,348 and $900 for the six months ended June 30, 2023 and 2022, respectively. In the first quarter of 2023, the Company invested $10,500 in Certificates of Deposit with original maturities of one year or less. Cash flows used for investing activities also included $848 and $900 of capital spending in 2023 and 2022, respectively.

Financing Cash Flows

Net cash used for financing activities was $1,713 for the six months ended June 30, 2023 and 2022, all attributable to dividend payments.

Financing Arrangements

None.

Contractual Obligations

The Company has contractual obligations for operating leases, primarily for office space and other distribution centers, some of which include escalating lease payments. See Note 4 – Leases for future lease payments by year.

Under the applicable tax and labor laws governing pension plan funding, no contributions to the DallasNews Pension Plans are required in 2023.

On May 11, 2023, the Company's board of directors declared a $0.16 per share dividend to shareholders of record as of the close of business on August 11, 2023, which is payable on September 1, 2023.

Additional information related to the Company's contractual obligations is available in Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed on March 9, 2023, with the Securities and Exchange Commission ("SEC").

Critical Accounting Policies and Estimates

No material changes were made to the Company's critical accounting policies as set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022.

Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q concerning DallasNews Corporation's business outlook or future economic performance, revenues, expenses, cash balance, capital expenditures, investments, impairments, business initiatives, pension plan contributions and obligations, working capital 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. Words such as "anticipate," "assume," "believe," "can," "could," "estimate," "forecast," "intend," "expect," "may," "project," "plan," "seek," "should," "target," "will," "would" and their opposites and similar expressions are intended to identify 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. Such risks, trends and uncertainties are, in most instances, beyond the Company's control, and include changes in advertising demand and other economic conditions; consumers' tastes; newsprint and distribution prices; program costs; the success of the Company's digital strategy; labor relations; cybersecurity incidents; and technological obsolescence. Among other risks, there can be no guarantee that the board of directors will approve a quarterly dividend in future quarters or that our financial projections are accurate, as well as other risks described in the Company's Annual Report on Form 10-K and in the Company's other public disclosures and filings with the Securities and Exchange Commission. 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.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are controls that are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, management is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures is also based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Company's management, with the participation of its Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, as of June 30, 2023, management concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the second fiscal quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of the Company's equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The Company continues to have a board-authorized repurchase authority. However, the agreement to repurchase the Company's stock expired and was not renewed.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibits marked with an asterisk (*) are incorporated by reference to documents previously filed by the Company with the SEC, as indicated. In accordance with Regulation S-T, the XBRL-related information marked with a double asterisk (**) in Exhibit No. 101 to this Quarterly Report on Form 10-Q is deemed filed. All other documents are filed with this report. Exhibits marked with a tilde (~) are management contracts, compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

Exhibit Number		Description		
3.1	*	Certificate of Formation of A. H. Belo Corporation (successor to A. H. Belo Texas, Inc.)(Exhibit 3.1 to the April 23, 2018 Form 8-K)		
3.2	*	Certificate of Merger (Delaware) of A. H. Belo Corporation with and into A. H. Belo Texas, Inc. (Exhibit 3.3 to the Company's Current Report o Form 8-K filed with the Securities and Exchange Commission on July 2, 2018 (Securities and Exchange Commission File No. 001-33741) (the "Jul 2, 2018 Form 8-K"))		
3.3	*	Certificate of Merger (Texas) of A. H. Belo Corporation with and into A. H. Belo Texas, Inc. (Exhibit 3.4 to the July 2, 2018 Form 8-K)		
3.4	*	Certificate of Amendment to Certificate of Formation effective June 8, 2021 (Exhibit 3.1 to the Company's Current Report on Form 8-K filed with th Securities and Exchange Commission on June 8, 2021 (Securities and Exchange Commission File No. 001-33741))		
3.5	*	Certificate of Amendment to Certificate of Formation (changing Company name to DallasNews Corporation) effective June 29, 2021 (Exhibit 3.1 t the Company's Current Report of Form 8-K filed with the Securities and Exchange Commission on June 30, 2021 (Securities and Exchang Commission File No. 001-33741) (the "June 30, 2021 Form 8-K"))		
3.6	*	Certificate of Correction to Certificate of Amendment (Exhibit 3.2 to the June 30, 2021 Form 8-K)		
3.7	*	Amended and Restated Bylaws of DallasNews Corporation (Exhibit 3.3 to the June 30, 2021 Form 8-K)		
4.1	*	Description of Capital Stock (Exhibit 4.1 to the July 2, 2018 Form 8-K)		
10.1	*	Material Contracts		
		(1)	*	Sublease Agreement for Old Dallas Library Building dated December 30, 2016 (Exhibit 10.1 to A. H. Belo Corporation's Current Report o Form 8-K filed with the Securities and Exchange Commission on January 3, 2017 (Securities and Exchange Commission File No. 001 33741) (the "January 3, 2017 Form 8-K"))
		(2)	*	Guaranty of Lease dated December 30, 2016 (Exhibit 10.2 to the January 3, 2017 Form 8-K)
		(3)	*	Paper Supply Agreement effective as of August 5, 2019, by and between The Dallas Morning News, Inc. and Gannett Supply Corporatio (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 201 (Securities and Exchange Commission File No. 001-33741))

Exhibit Number	Description
10.2	* Compensatory plans and arrangements:
	~(1) * DallasNews Savings Plan as Amended and Restated Effective January 1, 2022 (Exhibit 10.2(1) to the Company's Quarterly Report on Form filed with the Securities and Exchange Commission on July 29, 2022 (Securities and Exchange Commission File No. 001-33741))
	~(2) * A. H. Belo 2017 Incentive Compensation Plan (Exhibit I to A. H. Belo Corporation's Schedule 14A Proxy Statement filed with the Securiti Exchange Commission on March 28, 2017)
	* (a) Form of A. H. Belo 2017 Incentive Compensation Plan Evidence of Grant (for Non-Employee Directors) (Exhibit 10.1 to A. H Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 12, 2017 (Securities and Exc Commission File No. 001-33741) (the "May 12, 2017 Form 8-K"))
	* (b) Form of A. H. Belo 2017 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.2 to the May 12, 2017 8-K)
	* (c) First Amendment to the A. H. Belo 2017 Incentive Compensation Plan (Exhibit 10.1 to the July 2, 2018 Form 8-K)
	* (d) Second Amendment to the A. H. Belo 2017 Incentive Compensation Plan (Exhibit 10.3 to A. H. Belo Corporation's Current Rep Form 8-K filed with the Securities and Exchange Commission on December 11, 2018 (Securities and Exchange Commission File No 33741))
	* (e) Third Amendment to the A. H. Belo 2017 Incentive Compensation Plan (changing name of plan to the DallasNews 2017 Inc Compensation Plan) (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exc Commission on May 18, 2021 (Securities and Exchange Commission File No. 001-33741))
	~(3) * Form of A. H. Belo Cash Long-Term Incentive Compensation Evidence of Grant (for Employee Awards) (Exhibit 10.1 to the Company's A Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2019 (Securities and Exchange Commission Fi 001-33741))
	~(4) * Robert W. Decherd Compensation Agreement dated May 12, 2022 (Exhibit 10.1 to the Company's Current Report on Form 8-K filed w Securities and Exchange Commission on May 12, 2022 (Securities and Exchange Commission File No. 001-33741) (the "May 12, 2022 Fo K"))
	~(5) * Grant S. Moise Compensation Agreement dated May 12, 2022 (Exhibit 10.2 to the May 12, 2022 Form 8-K)
	~(6) * Katy Murray Compensation Agreement dated May 12, 2022 (Exhibit 10.3 to the May 12, 2022 Form 8-K)
10.3	* Agreements relating to the separation of A. H. Belo from its former parent company:
	(1) * Pension Plan Transfer Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of October 6, 2010 (Exhibit 10.1 Company's current Report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2010 (Securities and Exc Commission File No. 001-33741))
	(2) * Agreement among the Company, Belo Corp., and The Pension Benefit Guaranty Corporation, effective March 9, 2011 (Exhibit 10.3(6) to th Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2011 (Securities and Exchange Commission File No. 001-33741))
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Exhibit Number	Description	
101.INS	**	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	**	Inline XBRL Taxonomy Extension Schema Document
101.CAL	**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DALLASNEWS CORPORATION

By: /s/ Katy Murray
Katy Murray
President and Chief Financial Officer
(Principal Financial Officer)

Dated: July 25, 2023

EXHIBIT INDEX

Exhibit Number		Description
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101.PRE	**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

In accordance with Regulation S-T, the XBRL-related information marked with a double asterisk (**) in Exhibit No. 101 to this Quarterly Report on Form 10-Q is deemed filed.

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Grant S. Moise, Chief Executive Officer of DallasNews Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DallasNews Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ Grant S. Moise
Grant S. Moise
Chief Executive Officer

Date: July 25, 2023

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Katy Murray, President and Chief Financial Officer of DallasNews Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DallasNews Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Katy Murray
Katy Murray
President and Chief Financial Officer

Date: July 25, 2023

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DallasNews Corporation (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Grant S. Moise, Chief Executive Officer of the Company, and Katy Murray, President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Grant S. Moise
Grant S. Moise
Chief Executive Officer

Date: July 25, 2023

By: /s/ Katy Murray
Katy Murray
President and Chief Financial Officer

Date: July 25, 2023