

**The New York Times Company  
Third-Quarter 2013 Earnings Conference Call  
October 31, 2013**

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**Andrea Passalacqua**

Thank you, and welcome to The New York Times Company's third-quarter 2013 earnings conference call.

Joining me today to discuss our results are:

- Mark Thompson, president and chief executive officer;
- Jim Follo, executive vice president and chief financial officer; and
- Denise Warren, executive vice president, digital products and services.

Before we begin, I would like to remind you that management will make forward-looking statements during the course of this call, and our actual results could differ materially. Some of the risks and uncertainties that could impact our business are included in our 2012 10-K.

I should also mention that our presentation will include non-GAAP financial measures, and we have provided reconciliations to the most comparable GAAP measures in our [earnings press release](#), which is available on our website at [investors.nytc.com](http://investors.nytc.com).

And finally, in the financial results reported this morning, the results of the New England Media Group are reported as discontinued operations for all periods presented.

With that, I would like to turn the call over to Mark Thompson.

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**Mark Thompson**

Thanks Andrea and good morning everyone.

The third quarter of 2013 was a strong one for the Company. We increased our revenue, decreased our costs and, as a result, significantly increased our operating profit compared to the same quarter last year. We also made significant progress on our strategic initiatives. But we recognize that, despite these positive developments, we still have a great deal of work to do to transform our business model and to achieve our goal of long-term sustainable growth.

The Company's operating profit for Q3 2013 before depreciation, amortization, severance and a special item was nearly \$40 million. That compares to \$30 million for the same period of 2012 and represents an increase of 35 percent year-over-year.

In the quarter, we increased overall revenue by 2 percent – with a continued build in our digital subscriber number and notable sequential improvement in print advertising revenue trends. The

Company also increased its revenue over the first nine months of 2013.

Our digital subscriber count continued to grow, and at quarter-end paid digital subscriptions at The Times and the International Herald Tribune were approximately 727,000, an increase of more than 28 percent year-on-year. We added more net new digital subscribers than we did in the second quarter. As you know, we are currently working on a suite of new paid products and services that will begin to launch in the first half of 2014. We are confident our new initiatives will ensure we remain an industry leader on this front.

Advertising performance was significantly better in Q3 than in the first half of the year. Revenues from advertising declined in the quarter by 2 percent versus the prior year; this compares to an 11 percent decline in Q1 and a 5 percent decline in Q2 for our continuing operations. This is the best advertising revenue trend that the Company has reported in three years.

Also during the quarter, we welcomed Meredith Kopit Levien as our new executive vice president of advertising. She has been charged with leading our sales effort and has already begun to make an impact on the structure and organization of our sales team, recruiting bright new talent to The Times, including sales executives from GQ, Vogue, Politico and Forbes, among others. A key focus for Meredith and her team will be innovation in and development of our digital advertising proposition. In the quarter, digital advertising revenue declined 3%. Both she and I are determined to restore it to growth.

The overall relative improvement in advertising, combined with strong circulation revenue and further progress on cost reduction, resulted in the increase in operating profit for the quarter. Jim will outline those numbers shortly.

We also made significant progress on our strategy in the quarter. We successfully completed the sale of the New England Media Group. We launched the International New York Times, formerly the International Herald Tribune. As you know, we believe a single national and international brand – combined with tighter global newsroom and editorial integration, a single worldwide advertising sales force, and a new international marketing effort – will yield new readers, new digital subscribers and increased advertising revenues.

We are also advancing other elements of the strategy I announced in April:

- In the first quarter of 2014, we will launch the redesigned NYTimes.com, which has been available as a prototype since early this year, followed by our lower-priced and niche products as well as our enhanced tier. We believe there are consumers who are interested in tiered versions of The Times's current digital products, and we are eager to introduce these new options to the market.
- On video, which is an ongoing effort, we are in the process of generating significantly more high-quality content to meet growing demand. In the first half of 2013, we doubled video streams across our digital properties.

- We are making strides with our conference business. Last month's third annual Schools for Tomorrow conference was sold out; it featured the first ad unit on NYTimes.com to host a live webcast of a Times conference. On November 12<sup>th</sup>, we will be staging our second annual New York DealBook conference here at TheTimesCenter. In 2014 we plan a record number of 19 domestic and international conferences.

In September we announced the initiation of a quarterly dividend in the fourth quarter that began paying last week. This allows us to return capital to our shareholders while also maintaining the financial flexibility necessary to continue to invest in our company's transformation and growth initiatives. Given the expectation of continued variability in advertising revenue and the fact that our growth strategy is still nascent, we intend to maintain our prudent view of both the balance sheet and free cash flow.

To conclude: We are at an early stage in the transformation of The New York Times Company, and much work still lies ahead. Nonetheless, the tangible progress we made on a number of fronts during this quarter is encouraging. I look forward to updating you on future calls, but for now I would like to turn it over to Jim Follo.

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**Jim Follo**

Thank you, Mark, and good morning, everyone.

Our Company's positive performance in the third quarter was the result of overall revenue growth combined with an ongoing focus on expense management, which together enabled us to deliver growth in operating profit before depreciation, amortization, severance and a special item of 35 percent compared to the third quarter of 2012. Our strength on the revenue side was the result of sequential improvement in print advertising revenue trends and continued progress in building our digital subscription revenue stream.

Circulation revenues rose 5 percent in the quarter, with the monetization of our digital products as the main driver. The continued growth of The Times's digital subscriber numbers combined with price increases at The Times on the print side led circulation revenue growth to more than offset declines in advertising and other revenues, resulting in an increase in total revenues of 2 percent in the quarter.

In the third quarter, digital-only subscription revenues were approximately \$38 million, an increase of about 29 percent from the same quarter in 2012. For the first nine months of 2013, digital-only subscription revenues totaled \$110 million, up 42 percent compared to the same period last year.

Advertising revenue trends improved in the third quarter relative to the first half of the year, with print advertising revenues down less than 2 percent and digital advertising revenues down about 3 percent, leading to an aggregate advertising decline of 2 percent versus the prior year. Print and digital advertising both saw particular strength in September. Despite this sequential improvement, advertising revenue continues to be affected by secular trends, economic factors and a complex digital marketplace.

Advertising revenues again exhibited the month-to-month volatility and short-term buying decisions that have pervaded the market – down 15 percent in July, flat in August and up 7 percent in September. National print advertising saw positive growth in the third quarter – leading to overall positive growth in the national category – while retail and classified each declined on the print side. Digital advertising revenue declines were driven by the classified category and also saw decreases in national and retail.

Digital advertising continued to experience challenges in the quarter from programmatic-buying issues along with pricing pressure caused by the glut of ad inventory across the market. Despite this pressure, we expect to gain momentum on the digital advertising front and ultimately return to positive growth by focusing more heavily on areas such as video, tablet and unique custom advertising.

Rounding out our results, operating expenses before depreciation, amortization and severance decreased about 1 percent, and on a GAAP basis costs were also down 1 percent. We reported an operating profit of \$13 million in the quarter and a diluted loss per share of 3 cents. The EPS loss was driven mainly by income tax expense of \$2.6 million, which includes a \$1.5 million charge related to the remeasurement of our deferred tax assets as a result of the NEMG sale. Excluding severance and a special item, the diluted loss per share was 1 cent.

Moving on to costs, the Company continued its long-term expense-management effort in the third quarter, as we again found ways to trim across a broad spectrum of categories. Lower pension expense and raw materials costs, as well as printing and distribution efficiencies, were the largest contributors to the decline, despite expenses associated with our growth initiatives in the quarter.

Raw materials costs declined 13 percent in the third quarter, mainly due to lower newsprint consumption and lower newsprint prices.

We will continue to be diligent in trimming expenses and managing legacy costs, but we expect the expenses associated with our new strategic initiatives will accelerate in the fourth quarter and will continue to do so in 2014, as we begin to market our new products domestically and internationally.

We are now estimating that operating profit will be negatively affected by about \$10 million in the fourth quarter and about \$15 to \$20 million for full-year 2013 as a result of these initiatives. Some of the investment spending that we expected to incur in the third quarter has been a bit delayed, as hiring has taken longer than originally planned.

Moving to the balance sheet, at the end of the third quarter, our cash and marketable securities totaled approximately \$938 million, exceeding total debt by approximately \$255 million. The increase in our cash balance was the result of cash flow from operations as we continue to generate meaningful cash; it does not yet take the NEMG sale into account. In the quarter, we also repurchased approximately \$12 million principal amount of our 6 5/8 percent senior notes.

As Mark mentioned, we finalized the sale of NEMG last week for approximately \$70 million in cash, subject to customary adjustments, and we have also filed an 8-K with further historical information for the remaining company.

We will not be updating our underfunded pension status today, but I can confirm that the estimate we gave on our second-quarter call would not have been affected by the NEMG sale since we are retaining substantially all pension and post-retirement obligations.

Finally, we have begun the marketing of one additional floor of our headquarters building for rental purposes, which makes up a total of about 31,000 square feet. We aim to complete this process in the middle of next year and will begin recording rental income at that time. This will bring us to a total of seven leased floors, and we don't currently anticipate leasing any additional floors.

As a reminder before we get to our fourth-quarter outlook, financials for fourth-quarter 2012's continuing operations were provided through last week's 8-K filing.

Our fourth-quarter guidance on revenue trends will be based on a 13-week comparison, excluding the impact of the additional week in the fourth quarter of 2012. In last year's fourth quarter, we estimated the extra week resulted in an incremental \$14 million in circulation revenue and \$12 million in advertising revenue.

Fourth-quarter circulation revenues are expected to increase in the low single digits, as we expect to see continued benefit from our digital subscription initiatives and from this year's print price increases at The Times, which will be partially offset by difficult print comparisons connected to last year's election season.

Advertising revenue trends in the fourth quarter remain subject to significant month-to-month volatility and are expected to decrease in the low single digits.

Fourth-quarter operating costs, based on the comparison with a longer 2012 quarter, are expected to increase in the low single digits as investments around our strategic growth initiatives offset the benefit of a shorter quarter.

And with that we'd be happy to take your questions.