**The New York Times Company**
**Fourth-Quarter and Full-Year 2014 Earnings Conference Call**
**February 3, 2015**

---

**Andrea Passalacqua**

Thank you, and welcome to The New York Times Company's fourth-quarter and full-year 2014 earnings conference call.

On the call today, we have:

- Mark Thompson, president and chief executive officer;
- Jim Follo, executive vice president and chief financial officer; and
- Meredith Kopit Levien, executive vice president of advertising.

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 2013 10-K.

In addition, 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.nytco.com.

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

---

**Mark Thompson**

Thanks Andrea and good morning everyone.

Before I turn to the detail of Q4, I'd like to offer a few observations about 2014 as a whole. This was an encouraging year for The New York Times Company. We made enough progress with our digital revenues to more than offset the secular pressures on the print side of our business and deliver modest overall revenue growth.

Especially pleasing was the progress on digital advertising. When I arrived at the Company just over two years ago, digital advertising was in decline. In 2014 we reversed that with digital ad growth in all four quarters, which became double-digit growth in the second half with a 19 percent year-over-year gain in the fourth quarter. That great digital story meant that, despite continued secular headwinds in print advertising, total advertising revenue for the year was within a percentage point of flat – the decline was 0.7 percent compared to 2013. This was the most encouraging year-over-year trend for our advertising business since 2005.

The digital growth came from the launch of Paid Posts, our native advertising solution, as well as strong growth in mobile and video. The digital advertising market continues to evolve rapidly with great new opportunities alongside pressure on some existing parts of the business. That means that we do not currently expect 2015 to deliver quarterly year-on-year gains as high as some of those we enjoyed in 2014. But we have a strong team in place, we are actively developing further new ad solutions, including in mobile and around sponsorship, and we believe there is immense further potential in Paid Posts both in terms of media revenue and the growing additional revenue we are driving from T Brand Studio, the creative services team who produce much of the branded content that appears under the Paid Post name. For all these reasons, we are confident that we can maintain significant growth in digital advertising.

We also saw progress in our digital consumer revenue business. Overall, we continued to build our digital subscriber total in 2014 and finished the year with 910,000 paid digital subscribers, an increase of 150,000 from the previous year, beating our tally of new additions in 2013 by 25 percent. In particular, we saw growth during the year among international subscribers. Late in 2014, we introduced the ability for new customers to subscribe in their own currency to boost international growth further. We are now well on track to exceed the one million digital subscriber milestone in 2015.

But we do not believe we have exploited the full potential of our digital subscription business yet. There were many achievements in 2014. We showed that we have the journalistic, design and product talent and capability to reach and satisfy new customers with great Times journalism packaged in new ways. NYT Now has demonstrated an ability to engage a younger audience which is new to The Times, and both it and our Cooking product were named among the best apps of the year by Apple.

But we've also learned some lessons: about the need to spend sufficient time building the audience for a new product BEFORE full monetization – this is how we're approaching our Cooking product, and we're seeing very healthy audience growth as a result. Also about the marketing challenge involved in presenting a bigger portfolio of products clearly to consumers, something that was certainly an issue for us with the launch of NYT Now. We will continue to develop our thinking about the portfolio over the early part of 2015 – and will involve our new marketing and product/technology EVPs, who we are currently recruiting, as soon as they arrive – and we will have more to say later in the year. As with our digital advertising business, though, we believe there is a real opportunity to scale the business more quickly than we are at the moment. We also believe that BOTH digital revenue streams will benefit from the focus on fundamental audience development that was inspired by last year's Innovation Report and which is fully engaging our newsroom and product teams at the moment.

Targeted investment in print was also part of the story in 2014 and will be again in 2015. You'll see some of the fruits of those efforts in the first half of this year, beginning with the relaunch of The New York Times Magazine later this month, followed by the launch of a new men's fashion and lifestyle section in April. This will be our first new print section in 10 years and one we feel will be well-positioned to thrive, given our success to date within the Luxury advertising category. We have a very strong presence in this category, and advertisers are eager to tap into our brand given our visibility and influence in the market.

Recognizing the core strength of our brand, in 2014 we deepened our newsroom coverage on a variety of topics, such as with the April launch of The Upshot, which provides news analysis, data visualizations, commentary and historical context from a staff led by Pulitzer Prize winner David Leonhardt. After less than a year, the site has already won critical acclaim. In addition, our First Draft site and daily newsletter, which provides one-stop coverage and analysis of U.S. politics and elections, is off to a great start. New ventures such as these solidify the engagement of Times readers, drive new traffic and create coveted new destinations for our advertisers.

Turning now to the financial results for Q4 2014, the Company's operating profit was $62 million. That compares to $69 million for the same period of 2013, and the decrease was principally the result of severance expense booked in the quarter. Adjusted operating costs were roughly flat in the quarter. For full-year 2014, the Company had an operating profit of $92 million compared with $156 million in 2013, with the decline primarily resulting from investment spending related to our strategic initiatives as well as severance expense. Adjusted operating profit in 2014 was $256 million compared with $277 million in 2013.

Total revenues grew slightly for the quarter, which was the result of growth in both our digital subscriber base and digital advertising revenue. Overall advertising revenues ended down 2 percent in the fourth quarter, which was better than we had anticipated. Print advertising did not see the late-quarter rally that it enjoyed in the third quarter. Over the fourth quarter as a whole, print decreased 9 percent year-over-year – a decline largely offset by the 19 percent growth in digital advertising. Print advertising is expected to face continuing headwinds in 2015.

Circulation revenue performed in line with what we expected during the quarter, as the combination of 2014's increase in home-delivery prices and continued growth in the number of digital subscribers more than offset a decline in print copies sold. The overall increase in circulation revenues was 1.4 percent. In the quarter we added 35,000 net new digital subscribers, which is a 20 percent increase from the fourth quarter of 2013. The bulk of the growth again came from our core packages – including from international consumers, as well as from corporate and education group subscriptions.

The relative improvement in advertising revenue trends, circulation revenue growth and cost management initiatives drove our performance in the quarter. Despite an increase in operating costs in the quarter and year, we will ensure that expense controls remain tight in 2015. We need to reduce legacy costs wherever we can to supplement our diversified efforts on the revenue side. But let me turn now to Jim Follo for a more detailed financial review.

---

**Jim Follo**

Thank you, Mark, and good morning, everyone.

As Mark highlighted, we closed 2014 on a solid note, with notable digital revenue growth on both the advertising and consumer sides of the business. We're beginning to see the benefits of our strategic initiatives in transforming our organization, although there is much more to accomplish in the coming year. Despite print declines for both our advertising and circulation revenue streams in the fourth quarter, the momentum in our digital business led to revenues that were up slightly overall.

Expenses rose in the fourth quarter, driven by severance expense related to workforce reductions announced in the quarter as well as retirement costs. Costs related to our strategic initiatives are beginning to flatten out according to plan, as we are now cycling a full year of that spending. Our focus on reducing core costs remains a top priority. The cost reduction initiatives we recently implemented across the Company should allow us to maintain stable or slightly lower costs in 2015, relative to 2014 levels.

Adjusted operating profit was roughly flat in the quarter at $104 million. We reported GAAP operating profit of approximately $62 million, impacted by the severance expense and retirement costs I just referenced, compared with operating profit of $69 million in the same period of 2013.

Growth in digital advertising and digital subscription revenues helped total revenues finish up slightly for both the quarter and the full year. Circulation revenues increased 1 percent in the fourth quarter, with our digital subscription revenue stream more than offsetting print declines. We benefited from 2014's home-delivery price increases, although higher revenue from the new rates was outweighed by overall volume declines. In the fourth quarter, digital-only subscription revenues were approximately $44 million, an increase of 14 percent from the same quarter in 2013. We did put through a New York Times home-delivery price increase of approximately 5 percent at the start of 2015. Newsstand and digital prices were not affected.

Advertising accelerated its momentum on the digital platform in the quarter, finishing up 19 percent, which despite a print loss of 9 percent, limited the advertising decline in the quarter to 2 percent. Digital advertising continued to see a boost from Paid Posts, as well as mobile and video.

Moving on, overall advertising revenues in the quarter continued to exhibit month-to-month volatility and reflect short-term buying decisions, demonstrated by an October decline of 5 percent, flat performance in November and a 1 percent decline in December. Print advertising revenue was down across the board while digital was consistently strong.

During the fourth quarter of 2014, the Company began reclassifying advertising revenues by a slightly different set of categories. In today's earnings release, you'll see that Display now includes a combination of the prior National and Retail categories, Classified now includes only agate listings, and the new Other Advertising category includes items such as pre-prints and production fees generated from our branded content studio. The release also provides the Q4 and full-year growth rates based upon similar prior-year comparisons. We decided to make these changes as the line between National and Retail continues to blur.

Other revenues grew 10 percent in the quarter, driven by higher revenues from our online retail store and content licensing.

Expense-management efforts remained an intense focus in Q4, as we moved ahead with plans to lower core costs while maintaining critical investment spending. Early in the fourth quarter, we announced a cost-cutting plan that involved headcount reductions across the Company. We believe we have achieved these reductions without impacting our world-class journalism. This plan reflects our commitment to strengthening our operating efficiencies while safeguarding our long-term profitability. We also remain committed to investing in certain areas of growth.

Costs were up 3 percent on a GAAP basis in the quarter, and we reported diluted earnings per share of 22 cents. Costs rose due to severance expense related to headcount reductions as well as higher retirement costs, partially offset by distribution efficiencies. Adjusted diluted EPS was 26 cents in the fourth quarter compared with 29 cents in the prior year.

Our non-operating retirement costs increased by nearly $4 million in the quarter. Retirement costs are expected to flatten out in 2015. We expect non-operating retirement costs in the first quarter of approximately $10 million, vs. $9 million in Q1 2014, due to higher multiemployer pension withdrawal costs.

In the quarter, we also completed the rental of an additional floor of our headquarters building, which makes up a total of about 31,000 square feet. We will begin recording the associated rental income in the first quarter, and this will bring us to a total of seven leased floors.

During the fourth quarter, we recognized an impairment charge of $9.2 million for our joint venture Madison Paper Industries. The Company's proportionate share of the after-tax loss was $4.7 million after adjusting for the allocation of the loss to the non-controlling interest.

Moving to the balance sheet, our strong liquidity position remained intact in the fourth quarter. Our cash and marketable securities balance was $981 million, and our total cash position exceeded total debt and capital lease obligations by approximately $331 million. During the fourth quarter, we repurchased approximately $20 million principal amount of our 5 percent senior notes due in March.

You likely saw at the beginning of the first quarter that as part of a warrant exercise, we announced the intention to make share repurchases of approximately $101 million, equal to the proceeds received from the warrant transaction. We believe a repurchase program is the best use of cash in this instance since it will largely neutralize the transaction's impact on our diluted share count. The impact of the warrant exercise was to increase our diluted share count by approximately 8 million shares, based upon our current stock price. I do want to emphasize that this is a one-off program that should not be viewed as a change in our capital allocation plans.

For accounting purposes on a GAAP basis, based on preliminary results, the underfunded status of our qualified pension plans as of December 28, 2014, was approximately $264 million. That compares with $80 million at the end of 2013. The funded status of the Company's qualified plans was negatively impacted in 2014 by interest rates and, as we have previously disclosed, the adoption of new mortality tables issued by the Society of Actuaries, partially offset by strong asset performance.

Also, in the fourth quarter the Company offered participants in various defined benefit pension plans the option to immediately receive a lump-sum payment or to immediately begin receiving a reduced monthly annuity.  We will begin making settlement distributions of approximately $98 million on that offer in the first quarter, all of which will come from pension assets.  The purpose of this offer was to reduce the overall size and inherent risk of our plans, as well as to modestly improve our funded status.  We also expect to book a special charge of about $40 million in Q1 as a result.

Moving to our outlook, first-quarter circulation revenues are expected to increase at a rate similar to the fourth-quarter trend, driven by the benefit from our digital subscription revenue stream and January's home-delivery price increase, despite continued challenges particularly for newsstand volume.  We expect the total number of net new digital subscriber additions in the first quarter to be in the mid-30,000s.

Advertising revenues are currently expected to be down in the mid-single digits, driven by print declines partially resulting from challenging year-over-year comparisons.  You will recall that advertising revenues increased more than 3 percent in the first quarter of 2014, including growth in print advertising revenue of nearly 4 percent, due to strength associated with a strong Oscar race and the New York area Super Bowl.  As Mark mentioned, print will face ongoing headwinds and continued volatility in 2015.  Digital is expected to maintain positive growth in the low double digits in the first quarter.

Other revenues are expected to increase in the mid-single digits.

And first-quarter operating costs and adjusted operating costs are expected to be roughly flat as we have now cycled the start of strategic initiative spending, and we get the benefit of late 2014 cost-reduction initiatives.

With that we'd be happy to take your questions.