The New York Times Company
Fourth-Quarter Earnings Conference Call
February 2, 2012

Paula Schwartz – Director, Investor Relations

Thank you and good morning, everyone. Welcome to our fourth-quarter 2011 earnings conference call. We have several members of our senior management team here to discuss our results with you, including:

- Arthur Sulzberger, Jr., chairman and chief executive officer;
- Michael Golden, vice chairman;
- Jim Follo, senior vice president and chief financial officer; and
- Scott Heekin-Canedy, president and general manager of The Times.

All of the comparisons on this conference call will be for the fourth quarter of 2011 to the fourth quarter of 2010, unless otherwise stated. Our discussion will include forward-looking statements, and our actual results may differ from those predicted. Some of the factors that may cause them to differ are included in our 2010 10-K. Our presentation will also 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 corporate Web site at www.nytco.com.

Now I will turn the call over to Arthur.

Arthur Sulzberger

Thank you, Paula, and good morning everyone.

Looking back at 2011, I could use a number of adjectives to describe the year: challenging, fascinating and, to a great extent, transformative.

Both in terms of our past, but more importantly in terms of where we are heading, 2011 will be remembered as the year in which we made unprecedented strides in our strategic evolution to a multiplatform organization. The launch of digital subscription models both at The New York Times and The Boston Globe created a robust new revenue stream that contributed to the Company's circulation revenue growth.

The positive consumer response to our digital subscription packages is a strong indication of the value users place on our brand – especially our high-quality journalism – and their willingness to pay for our content and convenient access across multiple platforms.

2011 was also a year in which we continued to realign our operations in the face of ongoing economic and secular challenges, and strengthened our balance sheet, while demonstrating at every turn our commitment to that special brand of journalism and high-quality information that defines the Times Company.

Let me review some of those highlights:

After extensive study, research and development, we launched paid digital subscriptions at our two largest news properties, starting with The New York Times in March, followed by The Boston Globe with BostonGlobe.com in October. The International Herald Tribune also launched digital subscription packages in October.

In terms of business operations, we have remained very diligent and disciplined in managing expenses, while at the same time continuing to invest in digital initiatives across the Company and providing the resources needed to produce the highest quality journalism across a growing array of devices.

We further strengthened our balance sheet and liquidity position with the early repayment of our highest interest debt in August. Eliminating this debt from our balance sheet more than three years ahead of maturity provides us with increased financial flexibility. In addition, we continued to address our pension obligations and made sizeable discretionary contributions.

Last month we sold our Regional Media Group for $143 million, subject to certain adjustments, further building our strong cash position. This sale will enable the Company to continue our transformation to a multiplatform media company and our pursuit of a strategy that focuses on development and diversification of our brands on a global scale.

Something I do want to address is a key investment area for us – our continuing focus on maintaining what I believe to be the very best journalistic organization in the nation and perhaps internationally. 2011 was a year of dramatic news events, particularly on the international scene, and I am proud to say that, faithful to our tradition, the Times Company's publications have provided some of the best and most in-depth coverage and analysis of this period. In the face of ongoing change in our industry, The New York Times Company continues to maintain a large and robust news organization, one without parallel in the field. We do it for a simple business reason – quality journalism and content are at the core of our brand and our strategy.

As we approach the anniversary of the launch of The New York Times's digital subscriptions, which totaled 390,000 at the end of the fourth quarter, we are excited and optimistic about our digital strategy. NYTimes.com has maintained its strong reach, with 33 million average monthly unique users in the U.S. and 48 million globally in 2011. Looking ahead we will continue to enhance our content, our tools and our apps to increase the engagement of our users.

This also includes actively leveraging social media networks to encourage conversations and debates while engaging with our journalism. The New York Times's main Facebook page now has nearly 2 million fans and our Twitter page has more than 4 million followers.

Finally, at year-end we saw the retirement of two of our senior executives, Janet Robinson and Martin Nisenholtz. We thank them for their leadership and their guidance and for the significant accomplishments over their careers that were critical as the Company transformed into the leading global multimedia news and information organization it is today.

As for the CEO search, it is in its early stages as our board seeks to find the appropriate executive with digital and brand-building experience to help guide this Company and its long-term growth strategy.

For the present, we are fortunate to be able to rely on a very strong, deep and extremely talented management team that remains focused on maximizing shareholder value. To that point, Michael Golden is currently playing an interim role with the New England Media Group reporting to him, while Jim Follo is doing the same with the About business unit. These roles will ensure each unit has the necessary ongoing direction and guidance as we continue to execute on our strategy to transform and rebalance our business. We will accomplish this through a combination of prudent fiscal management, a strong focus on diversifying our revenue streams and strengthening our digital businesses, and the pursuit of new opportunities for growth.

And now I would like to turn the call over to Jim Follo.

Jim Follo

Thank you, Arthur, and good morning, everyone.

Our fourth-quarter and full-year results reflect a challenging advertising marketplace, which continues to be affected by the slow economic recovery. But despite these headwinds, we achieved 3 percent growth in operating profit before depreciation, amortization, severance and special items in the quarter, primarily through incremental subscription revenue resulting from the launch of The Times's new digital model and through continued focus on cost management.

Our digital subscription initiatives remained our top priority in the fourth quarter, as The Times continued to build on its digital subscriber base and the BostonGlobe.com pay site began charging for the first time. We remain confident in our ability to continue to build a robust revenue stream centered on charging for access to our award-winning content.

In the fourth quarter overall circulation revenues continued to see a boost from these digital paid products, especially at The Times. Total circulation revenues were up 5 percent for the Company and 8 percent for The Times Media Group. It is worth noting that The Times in particular has seen benefits to home-delivery circulation following the launch of digital subscriptions, due to an uptick in new orders and improved retention rates relative to the period prior to the launch.

The advertising marketplace remained soft in the fourth quarter. Digital advertising revenue was down 5 percent, driven by continued challenges at the About Group, which saw a 26 percent decline in advertising revenue, while digital advertising revenue across the News Media Group posted a 5 percent gain.

Rounding out the quarterly revenue numbers, total revenues for the Company declined 3 percent, with advertising revenues down 7 percent and circulation revenues up 5 percent. Print advertising trends improved slightly from the third quarter and finished down 8 percent.

We maintained our sharp focus on managing costs in the quarter to mitigate the effects of overall revenue declines on our operating performance. The Company's operating expenses before depreciation, amortization and severance in the quarter declined 5 percent, or $23 million. The cost decline was 4 percent on a GAAP basis. And in addition to the operating profit metric I mentioned earlier, on a GAAP basis we reported operating profit from continuing operations of $107 million in the fourth quarter compared to $112 million in the same period of 2010.

Diluted earnings per share from continuing operations excluding severance expense and special items was 45 cents in the fourth quarter, down a penny from the same period in 2010, principally due to a higher effective tax rate in the 2011 quarter. On a GAAP basis, we reported diluted EPS of 39 cents from continuing operations in the quarter, compared with 44 cents in the fourth-quarter 2010 period.

Returning to our digital initiatives, at the end of the quarter The Times Media Group had 390,000 paid digital subscribers, up 20 percent from the third quarter. This number includes subscribers to The Times and IHT digital packages, e-readers and replica editions. The Boston Globe had about 16,000 paid digital subscribers to BostonGlobe.com, also including e-readers and replica editions. At the end of 2011, the sponsorship of more than 100,000 highly engaged Times users came to an end, and we expect to continue to convert a significant number of those readers to digital subscribers in the first half of 2012.

We have received very positive feedback and critical acclaim on BostonGlobe.com's clean design, and we expect to develop a loyal audience. The site went live in September and moved forward with its pay model in mid-October. Unlike NYTimes.com, which already had a strong reach when it launched its pay model, BostonGlobe.com is an entirely new site and we expect it will take some time to build a following and to grow its digital subscriber base.

At the beginning of the first quarter, we completed the sale of our Regional Media Group for $143 million in cash, or approximately $150 million after a tax benefit. We will book an after-tax gain of about $32 million on the transaction in the first quarter. We retained the pension assets and existing pension and post-retirement obligations that were part of the group. The group's results are part of our 2011 financial results from continuing operations, and separate

2010 and 2011 quarterly financial information for the group is provided in today's earnings release. The group's results will be reported as a discontinued operation beginning in 2012.

Now let me provide more depth on our fourth-quarter revenues.

At the News Media Group, which included The Times, New England and Regional Media Groups for the fourth quarter, growth in digital advertising, which was up 5 percent, could not offset an 8 percent decrease in print advertising.

The Group's total advertising revenues, which declined 5 percent year-over-year in the quarter, declined 7 percent in October and November, and 2 percent in December.

The Group's growth in digital advertising was led by increases in national display, most notably in December. In the fourth quarter, we also saw digital gains in retail display, as well as in two of the major classified advertising categories – automotive and recruitment.

Within the News Media Group, at The Times Media Group, while overall revenues were up 1 percent in the quarter, advertising revenues were down 4 percent as solid growth in digital display was more than offset by print declines. Aggregate national advertising declined, and aggregate retail and classified advertising were also lower.

The Times's digital strategy is now focused on continuing to grow its subscriber base and extend its digital brand. We are confident that our plan to sustain momentum through the rollout of a series of new features, functions and content will enable us to steadily build on our digital progress to date, further broadening our audience and solidifying the loyalty of our existing readers.

For instance, we continue to build on our pay model initiatives, most recently enhancing our Times offerings by including:

- Shared access, or an additional log-in for home-delivery and all-digital subscribers;
- One-click subscriptions in iTunes and through Apple's Newsstand;
- Group corporate accounts;
- Gift subscriptions;
- Free access to NYTimes.com for Kindle and Nook subscribers to The Times;
- And special rates for college students, faculty and administrators. We plan to launch group accounts for education subscribers soon.

Ongoing investment in our unmatched content will continue to be a critical component of our digital strategy, as we expand some current content to drive increased engagement levels and additional points of access and create some entirely new homes for content. For instance, our new iPad app – The Collection fashion app – will soon require a digital subscription for full access. The Times is also planning an expansion this spring of our popular health blog, Well, and recently enhanced our technology blog, Bits, to incorporate a larger B-to-B focus with deeper coverage of the technology industry. Our premium advertisers have been quick to embrace these new and expanded environments.

Our print platform has benefitted from our digital strategy as well. The benefits to home-delivery circulation were especially evident in the most recent ABC report, for the six-month period ending September 2011, in which The Times's Sunday home-delivery volume showed positive year-over-year growth, the first increase in home-delivery circulation in five years and another clear indicator of the multiplatform demand for our products. The Times remains the most highly circulated Sunday newspaper in the United States. Our overall average circulation, capturing The Times's new digital subscriptions for the first time, was more than 1.6 million on Sunday and just under 1.2 million on weekdays.

Also on the circulation side, at the beginning of 2012, The Times instituted a price increase of 4 percent, on average, for home delivery across all days of the week and a 50-cent-per-copy rate increase for the weekday newsstand edition. This was our first increase in 2½ years. We anticipate this change will improve Times circulation revenue in 2012 – despite the slight volume declines that inevitably accompany a price increase – in addition to the effects of the new revenue stream from The Times's digital pay model.

At the New England Media Group, advertising revenues declined 11 percent in the quarter, mainly due to weakness in print advertising. Overall national ad revenue was down, and total retail advertising revenue was also lower. Digital classified ad revenue showed strong growth, reflecting increases in every major category – automotive, real estate and recruitment – but combined classified advertising revenue was down, resulting from continued print weakness.

Moving on to the About Group, total revenues declined 26 percent to $26 million in the fourth quarter, with decreases in cost-per-click and display advertising contributing almost equally to the decline.

About faced a variety of challenges in 2011, but we believe we are on the right path. We have made key changes there, including a new management team, and About is aggressively responding to increased competition in both the display and search advertising markets.

Declines in CPC advertising in the fourth quarter resulted from lower click-through rates, or the rate at which users are accessing these CPC advertisements. We also saw a decline in advertising rates for CPC ads, which was in line with the marketplace.

On the display side, About has also been rolling out a disciplined sales plan to better leverage the site's strong reach, averaging 60 million monthly unique visitors in the U.S. and 108 million globally in the fourth quarter. The site completely rebuilt its sales force in the second half of 2011 and is optimistic about the potential of this new team. We believe this renewed sales focus will prove instrumental in revitalizing About's display advertising business.

In the fourth quarter About began to see a positive impact on traffic, which affects both CPC and display advertising, but that was offset by click-through rates and ad rates on the CPC side and the necessary ramp-up time for the new sales team on the display side. We expect the turnaround in the business to take some time as our sales and marketing efforts gain traction and page view growth improves. Accordingly, we don't expect to see meaningful improvement in revenue trends until the second half of 2012, particularly on the CPC side.

The About Group's operating costs declined 7 percent in the fourth quarter, and operating costs excluding depreciation, amortization and severance decreased 5 percent to $15 million, primarily due to lower marketing and compensation expenses. Operating profit declined to $5 million in the quarter.

Getting back to the larger company and drilling down on the cost discussion a bit more, our focus on controlling expenses was evident in the fourth quarter and will remain a priority through 2012. Operating costs excluding depreciation, amortization and severance decreased 5 percent in the quarter, mainly due to lower variable compensation costs and newsprint expense, and declined 2 percent for the year, despite increased costs associated with our digital initiatives in 2011.

That said, we do expect costs to increase modestly this year for the first time in several years. We plan to prudently increase spending in 2012 as we continue to invest in our digital capabilities and subscription acquisition efforts, invest in About's sales and marketing efforts and reset our variable compensation targets, even as we expect expense savings in our production and distribution operations and from further leveraging our centralized processes and resources. Already in 2012, we announced the consolidation of most of Worcester's printing into a Globe facility, which is expected to begin in the second quarter. The Globe facility has also taken on the printing and delivery of a local competitor, resulting in higher production costs as well as the associated revenues. This deal will be accretive to our performance beginning this month.

In 2011, our liquidity position improved even as we paid down several items, and after year-end it further benefitted from the RMG sale. As of year-end, we maintained a cash position of $280 million while contributing $151 million to our pension plans last year, with $80 million of that in the fourth quarter, and paying back our 14 percent notes more than three years early this past August. Our cash position will be more than $400 million once January's RMG sale is factored in, and we have also entered into agreements to sell 100 of our remaining units in Fenway Sports Group for an aggregate purchase price of $30 million, subject to receipt of approvals from Major League Baseball. Two of our priorities for cash will be managing the underfunded levels of our pension plans and paying off our $75 million 4.61 percent notes that mature later this year. Also on that front, we reduced our net debt to $493 million at the end of 2011 from $597 million at year-end 2010.[*]

[*] Net debt is computed as total debt and capital lease obligations ($773 million at the end of 2011 and $996 million at the end of 2010), net of cash, cash equivalents and short-term investments ($280 million at the end of 2011 and $399 million at the end of 2010).

Depreciation and amortization decreased to $29 million in the quarter and to $116 million for the year. In 2012 we expect depreciation and amortization of $105 to $110 million, with accelerated depreciation expense related to the Worcester consolidation expected to drive depreciation and amortization to $31 million in the first quarter.

A little more on our pension obligations: For accounting purposes on a GAAP basis, based upon preliminary results, the underfunded status of the Company's qualified pension plans as of December 25, 2011, was approximately $525 million compared to about $440 million at the end of 2010.

The funded status of the Company's qualified pension plans was negatively affected primarily by the decline in interest rates in 2011. Since the majority of our pension plans are now frozen, actuarial gains and losses from interest rate changes and asset performance are amortized over a longer period of time and, therefore, are not expected to have a significant impact on pension expense in 2012 relative to 2011.

We will make mandatory contributions, primarily in connection with The New York Times Newspaper Guild plan, of approximately $44 million this year and may make further discretionary contributions to our Company-sponsored qualified plans as well.

Turning to our outlook, in the first quarter the advertising environment remains challenging, reflecting uncertain economic conditions, and we expect total advertising revenue trends similar to the level of the fourth quarter of 2011.

We expect to see continued benefit from our digital subscription initiatives, as well as from print circulation price increases at The Times, and total circulation revenues are projected to increase in the high-single digits in the first quarter.

And as I alluded to earlier, operating expenses are expected to increase in the low-single digits in the first quarter.

In summary, our 2011 results reflect the steady progress we made last year in a challenging environment. The initial digital subscription numbers and the growth in digital advertising revenues at the News Media Group reaffirm that our advertisers and readers are embracing our world-class content across multiple platforms.

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