The New York Times Company
Third Quarter 2024 Earnings Conference Call
November 4, 2024

Anthony DiClemente

Thank you, and welcome to The New York Times Company's third quarter 2024 earnings conference call.

On the call today, we have:

- Meredith Kopit Levien, president and chief executive officer and
- Will Bardeen, executive vice president and chief financial officer

Before we begin, I would like to remind you that management will make forward-looking statements during the course of this call. These statements are based on our current expectations and assumptions, which may change over time. Our actual results could differ materially due to a number of risks and uncertainties that are described in the Company's 2023 10-K and subsequent SEC filings.

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. In addition to our earnings press release, we have also posted a slide presentation relating to our results on our website at investors.nytco.com.

And finally, please note that a copy of the prepared remarks from this morning's call will be posted to our investor website shortly after we conclude.

With that, I will turn the call over to Meredith.

Meredith Kopit Levien

Thanks Anthony, and good morning, everyone.

The third quarter was another strong one for The Times as we made further progress toward becoming the essential subscription for every curious person seeking to understand and engage with the world.

We passed 11 million total subscribers in the quarter — more than five million of whom now subscribe to the bundle or multiple products. Digital subscription revenue growth accelerated to more than 14% year-on-year. And that, combined with growth in digital advertising and other revenue, propelled healthy growth in total revenue.

These results reflected our strategy playing out as designed:

- First, our multi-product portfolio continued to attract tens of millions of people each week to read, listen, watch, learn, and play. They were drawn by our world-class news coverage of the major stories in politics, international affairs, society, entertainment, and beyond – as well as our distinctive products in games, sports, cooking, and shopping advice.

- Second, these people increasingly sought out The Times directly and engaged deeply. Subscriber engagement as measured by the share of subscribers visiting The Times each week reached its highest point since 2020. And we once again grew direct relationships, even as the market continues to experience significant audience headwinds driven by shifts in the platform landscape.

- Third, that strong subscriber engagement is a sign of the value we're delivering, and enabled us to keep growing ARPU in line with our expectations.

- And finally, all of this taken together means we can sustainably invest in the areas that we believe give us enduring advantage — our expert journalism and premium digital products. Those products generate more direct relationships and growing revenue across subscriptions as well as advertising, affiliate, and licensing.

With three quarters of the year behind us, we're well on track for another year of higher AOP and margin expansion, as well as strong free cash flow generation.

I'll turn now to some of the details from the quarter, starting with subscribers.

We added 260,000 net new digital subscribers in the quarter, putting us further along the path to our next milestone of 15 million total subscribers. The continuing popularity of our All Access bundle means bundle and multi-product subscribers are on track to account for over half of our base by the end of next year. That matters, because bundle and multi-product subscribers have a higher expected lifetime value than subscribers to any individual product.

At the core of our offering is our news report, where our ongoing investments ensure The Times can follow the biggest stories of the day, no matter how difficult or complex. That commitment is evident in our election coverage, which includes comprehensive coverage of the candidates, voters, issues, stakes, and the state of the race.

Key to our strategy is having a diversified portfolio that meets different needs and moments in users' lives and making them available in a single integrated product experience. To that end, in September we launched a redesign of the Core New York Times app to make it easier for people to find and engage with everything we have to offer. The redesign puts much more of our unmatched news report in front of users, with panels dedicated to today's headlines, important long-running storylines like the election, arts and culture coverage, and more. We've also made our lifestyle products easier to find, so users are just a swipe away from the best of Games, The Athletic, Cooking, Wirecutter and Audio.

Beyond the redesign, we continued to innovate across formats in the quarter, which is part of our strategy to make audio, video, and other visual formats a bigger part of The Times. We made more of our coverage listenable via automated voice, expanded the availability of our latest news show The Headlines, increased production of Modern Love, and launched a weekly podcast from Wirecutter. We also began experimenting to make audio a more direct driver of subscriptions with new paid offerings available through Spotify and Apple. In video, we're experimenting with filmed versions of many of our podcasts, and putting our reporters on camera more often to explain the major stories of the day.

NYT Games, beloved by users, once again played a big role in getting millions of people to create direct, daily relationships with The Times. This propelled growth in both subscriptions and advertising. We're optimistic that games will continue to be a growth engine as we keep innovating around new features, new games, and new ways to bring people to them.

We also made further progress in the quarter on The Athletic's journey to become a household name among sports fans, with strong coverage of the Olympics and great momentum at the start of the NFL and English Premier League seasons. The Athletic is already an important component of our bundle offering in more deeply engaging subscribers. We began testing it more directly as a driver of bundle subscription starts in Q3 which was enabled by the technical integration with The Times's web domain that we completed in Q2. And we continue to be pleased with the overall economic performance and direction of The Athletic.

Digital advertising revenue was up nearly 9% in the quarter, in line with guidance. Ad growth reflected strong performance across all our lifestyle products as we broadened our ad offering and reached a wider set of marketers. This came even as some advertisers continued to avoid certain hard news topics.

Revenue beyond subscriptions and advertising also met our expectations, driven by another good quarter for Wirecutter and licensing.

Finally, we continue to be disciplined in how we grow the business, prioritizing investments in the areas that differentiate us — our world-class journalism and premium product experiences. That discipline — combined with strong execution — resulted in another quarter of AOP growth and healthy free cash flow generation.

I'll wrap by reminding you of what we're working to do every day: make journalism and products *so* valuable that people will seek them out, ask for them by name, and form direct relationships and daily habits.

That value takes many forms, from landmark investigations, to unrivaled coverage of important issues like the middle east and the rise of AI, to expert recommendations on what to read or watch. The Times is where people go to follow their favorite NBA team, play the daily game that your whole family loves, get holiday shopping tips, or plan Thanksgiving dinner. All these complementary sources of value address big user needs, and in turn power multiple growing revenue streams. We believe our portfolio, and our ability to keep adding value to it over time, is what makes The Times resilient in a changing media landscape, and well-positioned to become a larger and more profitable company.

Now let me turn it over to Will for more details.

Will Bardeen

Thanks Meredith and good morning everyone.

Our Q3 financial results keep us on track to deliver another year of healthy revenue growth, AOP growth, margin expansion and free cash flow generation. Q3 also demonstrated how our portfolio of high-quality news and lifestyle products is working to drive these economics.

Our growing subscriber base, along with strong subscriber engagement and increasing ARPU, led to growth in our digital subscription revenues. And with growth across our multiple revenue streams, we've driven operating leverage even as we continue to prioritize strategic investments aimed at further differentiating our high-quality journalism and digital products.

We grew overall revenue in the third quarter by approximately 7 percent, as increasing digital subscription, digital advertising, affiliate and licensing revenue more than offset ongoing declines in print. AOP grew by approximately 16 percent year-over-year, and AOP margin expanded by approximately 130 basis points, to 16.3%.

We generated approximately $238 million dollars of free cash flow in the first nine months of the year. Over that same period, we returned approximately $122 million dollars to shareholders, consistent with our capital allocation strategy. This included approximately $60 million dollars in share repurchases and approximately $62 million dollars in dividends.

Now I'll discuss the third quarter's key results, followed by our financial outlook for the fourth quarter of 2024. Please note that all comparisons are to the prior year period unless otherwise specified.

I'll start with a discussion of our subscription business.

We added approximately 260,000 net new digital subscribers in the quarter, bringing our total number of subscribers to over 11 million, with growth coming from multiple products across our portfolio. Bundle and multiproduct subscribers now make up approximately 46 percent of our total base, well along the path to exceeding 50 percent by the end of next year.

Total digital-only ARPU grew 1.8 percent to 9 dollars and 45 cents as we continue to step up subscribers from promotional to higher prices, and raise prices on tenured non-bundled subscribers. The value we've added to our products, combined with the encouraging results we're seeing at pricing step-up points, gives us confidence that modest year-over-year ARPU expansion will continue for the remainder of the year.

As a result of both higher digital subscribers and digital-only ARPU in the third quarter, digital-only subscription revenues grew approximately 14 percent to $322 million dollars, and total subscription revenues grew approximately 8 percent to $453 million dollars. Both were in line with the guidance we provided last quarter.

Now turning to advertising.

Total advertising revenues for the quarter were $118 million dollars, an increase of approximately 1 percent. Digital advertising revenues increased approximately 9 percent to $82 million dollars. Both digital advertising and total advertising revenues were within the guidance ranges we provided last quarter.

Other revenues were also within our guidance range, increasing approximately 9 percent to $69 million dollars as Wirecutter affiliate revenues and licensing revenues continued to perform well in Q3.

Adjusted operating costs came in within our guidance range of a 5 to 6 percent increase, growing by approximately 5.4 percent. Looking at each of the lines, Cost of revenue increased approximately 7 percent, Sales and marketing costs increased approximately 10 percent, Product development costs increased approximately 6 percent, and adjusted G&A costs decreased approximately 4 percent.

Adjusted diluted EPS in Q3 increased 8 cents to 45 cents, primarily driven by higher operating profit and higher interest income.

Before I turn to our Q4 guidance, I'd like to add two notes.

The first note regards our subscriber disclosures. After the fourth quarter of 2024, we plan to discontinue our supplemental disclosure of subscribers who have entitlements to The Athletic. As Meredith noted in her remarks, The Athletic is now both a part of our bundle offering as well as a contributor to bundle subscription starts. The Athletic subscribers will continue to be included in our total company digital-only subscriber disclosures, just as we report subscribers of our other products.

The second note regards a work stoppage commenced today by a union representing certain of our technology employees. We've known this was a possibility and have prepared for a range of scenarios. While the effects on our operations and results will depend on further developments, our revenue and cost guidance for Q4 incorporates our current best estimates. We have a track record of working effectively with unions and continue to aim for a fair contract.

I'll now look ahead to Q4 for the consolidated New York Times Company.

Digital-only subscription revenues are expected to increase 14 to 17 percent compared with the fourth quarter of 2023, and total subscription revenues are expected to increase 7 to 9 percent.

Digital advertising revenues are expected to increase high-single-digits to low-double-digits, and total advertising revenues are expected to increase low-single-digits.

Other revenues are expected to increase 11 to 13 percent, as we expect Wirecutter affiliate revenues to continue to be a strong driver of growth and also expect some benefit from the timing of revenue recognition related to licensing revenue in Q4.

Adjusted operating costs are expected to increase 5 to 6 percent, as we are continuing to effectively manage costs while strategically investing in the areas that best position us for sustainable growth, including our world class news journalism and lifestyle products.

In summary, our results demonstrate our essential subscription strategy is working as designed and keeps us on track to achieve our previously stated mid-term targets for subscribers, AOP growth, and capital returns.

With that, we’re happy to take your questions.

Anthony DiClemente

Thank you for joining us this morning. See you next quarter.