The New York Times Company
Fourth Quarter and Full-Year 2023 Earnings Conference Call
February 7, 2024

Anthony DiClemente

Thank you, and welcome to The New York Times Company's fourth quarter and full-year 2023 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 2022 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.

2023 was a strong year for The Times that showcased the power of our strategy to be the essential subscription for every curious person seeking to understand and engage with the world.

Our news report proved indispensable to so many people, providing original journalism across the full range of human experience. Our lifestyle products served scaled audiences for games, sports, cooking and shopping recommendations. By putting them all together and giving millions

of people multiple reasons to turn to The Times every day, we delivered business growth and demonstrated our ability to penetrate a large market.

We drove this performance amidst a tough year for the news industry, in which we and others faced persistent headwinds. We continued to see lower levels of casual news audiences, due in part to ongoing shifts from the largest tech platforms. And our ad business grappled with the heightened market volatility impacting publishers.

Our strategy is designed to both counterbalance these headwinds and position us to be a category-leading global media subscription business.

Let me share the highlights from the year.

We added 880,000 net new digital subscribers, bringing our total to nearly 10.4 million and progressing us on the path to our next milestone of 15 million.

The bundle accounted for a majority of our subscriber starts in the year. Bundle and multi-product subscribers made up 41 percent of our subscriber base at year end, and those subscribers continue to be more engaged, better retaining, and willing to pay more over time than single-product subscribers.

New York Times subscriber engagement — as measured by the share of subscribers on our products each week — reached its highest point in nearly three years by year-end. And The Times now sees more digital engagement than any other American news source by total monthly time spent.

We crossed a billion dollars in annual digital subscription revenue for the first time in 2023, and consolidated ARPU has now grown year-on-year for three straight quarters. We see this as a testament to our well-honed pricing and merchandising strategy, which is made possible by the growing value we provide to consumers through our differentiated, multi-product offering.

It was a challenging year in the ad market for publishers, but the core of our ad business — premium, proprietary ad canvases enhanced with first-party data — proved resilient and continued growing. And we saw real momentum as we extended our ad products across the portfolio, particularly to The Athletic and Games, where we see a lot of running room.

It was also a record year for affiliate and licensing revenue. Wirecutter outperformed expectations in every quarter. And in December we announced a new multi-year licensing agreement with Apple News+ for The Athletic and Wirecutter. Deals like this underscore that our intellectual property has unique value recognized by some of the world’s largest tech platforms.

We exerted cost discipline throughout the year, and substantially slowed overall expense growth while redirecting resources and continuing to invest in our areas of competitive advantage.

All of this progress across the business drove strong earnings per share, adjusted operating profit, and free cash flow growth. In fact, in 2023 each hit their highest point since our transformation into a digital-first and subscription-first business began more than a decade ago. Inclusive of The Athletic, we also expanded margin by 100 basis points.

We delivered that improved profitability even as our print business continued to experience secular decline. Our results also reflect the cash generative nature of our model, and give us the confidence to announce the sixth consecutive annual increase to our dividend. This financial growth also positions us to continue investing in expert, independent journalism, which is central to how we expect to create value over the long term.

I'll turn now to our fourth quarter results.

In Q4 we met or beat quarterly guidance on digital and total subscription revenue, other revenue, and adjusted operating costs. Digital advertising came in slightly below the low end of our guidance, and total advertising came in below our guidance.

We added 300,000 net new digital subscribers in the quarter. We attribute this strong performance to multiple, distinct drivers. Those drivers include continued healthy demand for Games, peak season for Cooking, a more ambitious subscription gifting program propelled by our large base of existing subscribers, and a robust deal period for B2B subscriptions. This is all in addition to high existing subscriber engagement across a range of news topics. We also benefited from further improvements in how we use machine learning to maximize audience, engagement and conversion.

Consistent with our strategy, we grew audience for The Athletic, Cooking, Games and Wirecutter in Q4. Audience growth on The Athletic — which recently passed its two-year anniversary with The Times — was particularly strong. This was thanks to our ongoing efforts to enhance coverage, improve our technical infrastructure, and make more stories available for sampling. We see a huge opportunity in sports, and are making palpable progress on our ambition for The Athletic to become a top destination for sports news globally. Games benefited from consistency in the number of people who play Wordle every week, and also from our hit home grown puzzle Connections, which now has over 15 million weekly players.

Total ad revenue in the quarter came in below our expectations due primarily to a larger-than-anticipated print revenue decline. Our digital performance including podcasts was

impacted by marketers avoiding some hard news topics like the Middle East conflict. We are nonetheless confident in the long-term potential of our digital advertising business, and our core display offering was resilient as we extended our proprietary ad canvases and first party data to more of our portfolio.

Revenue beyond subscriptions and advertising grew 10 percent in the quarter driven by a record-setting holiday season for Wirecutter and strength in licensing.

Let me close with a few thoughts about what's ahead.

At its core, our strategy is designed to make The Times an essential daily habit for many millions more people. Our top priority now is to continue making our journalism and lifestyle products so valuable at scale that people seek us out directly and build enduring daily habits however the information ecosystem evolves.

While we expect many of last year's industry headwinds to persist, we believe our multi-product portfolio and multi-revenue stream model, combined with ongoing cost discipline, position us well to be a scaled market leader.

Now let me turn it over to Will for more details on our results, and I'll return after that with a few closing thoughts and to take your questions.

Will Bardeen

Thanks Meredith and good morning everyone.

In 2023, the successful execution of our essential subscription strategy drove strong financial results despite a challenging and dynamic environment.

Our portfolio of market-leading news and lifestyle products was designed to grow our subscriber base, increase subscriber engagement and lifetime value, and strengthen our multiple revenue streams.

As our subscriber base has scaled, we've moderated our overall expense growth, while continuing to prioritize strategic investments that help position us for long-term value creation.

Our full year 2023 financial results demonstrate that our strategy is delivering as designed.

We saw increases in revenue, AOP, EPS, and free cash flow — and we finished the year in an even stronger market position.

Overall revenue for the year increased five percent, as growth in digital subscription, affiliate and licensing revenues more than offset ongoing declines in print. Combined with moderating cost growth, this resulted in AOP growth of 12 percent year-over-year, and expanded our AOP margin by approximately 100 basis points, to over 16 percent

The cash generative nature of our business model was also evident. For the full year 2023, we generated approximately $338 million dollars of free cash flow, up from approximately $114 million dollars in the prior year. In addition to being driven by AOP growth, free cash flow benefited from lower cash taxes, lower capex, and lower working capital outflows compared to 2022.

We returned approximately $114 million dollars to shareholders in 2023 through a combination of $69 million dollars in dividends and $45 million dollars in stock repurchases. Over the last two years, we've returned nearly 61 percent of our free cash flow to shareholders. As Meredith mentioned, we also announced a dividend increase of 2 cents, to 13 cents per share, reflecting our confidence in the durability of our strategy.

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

As a reminder, due to a change in the company's fiscal calendar in 2022, there were five fewer days in the fourth quarter of 2023 compared to the fourth quarter of 2022. Page 23 of the earnings release published this morning includes a reconciliation of revenues excluding the estimated impact of the five fewer days in 2023. My comments on both revenues and costs today will be on a reported basis, which includes the impact of the five fewer days.

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

We added approximately 300 thousand net new digital subscribers in the quarter. As Meredith described, Bundle and multiproduct additions led the way, and made up 41 percent of our total base at year end, well along the path to exceeding 50 percent in the coming years.

Total digital-only ARPU grew year-over-year for the third consecutive quarter to $9.24 cents, an increase of approximately three percent. In Q4, we had the largest number to date of bundle subscribers transitioning to higher prices, and benefited from the impact of our digital price increase on tenured single-product subscribers. While it is still relatively early, we continue to be encouraged that bundle subscribers are retaining and monetizing better than news-only subscribers through these step-ups.

As a result of both higher digital subscribers and digital-only ARPU in the fourth quarter, digital-only subscription revenues grew approximately seven percent to $289 million dollars, and total subscription revenues grew approximately four percent to $430 million dollars. Both were in line with the guidance we provided last quarter.

Now turning to advertising.

Total advertising revenues for the quarter were $164 million dollars, a decline of approximately eight percent, which was below our guidance. Digital advertising came in slightly below the low end of our guidance in the quarter, declining approximately 4 percent to $108 million dollars, as advertising demand for some of our products was adversely impacted in the quarter by marketer sensitivity to certain news content adjacencies.

Other revenue exceeded our guidance, increasing approximately 10 percent to $82 million dollars. Licensing was a strong contributor and Wirecutter affiliate revenues benefited from a record setting holiday season.

Moving now to costs and the progress we are making in driving AOP growth and free cash flow growth.

We continued to demonstrate cost discipline in Q4. Adjusted operating costs came in better than our guidance, decreasing by approximately one percent.

Even as overall adjusted operating costs declined, we continued to allocate resources to our most strategic investments, including world class journalism and the technology and product development that unlocks its digital distribution.

Investments in these areas have enabled us to increase penetration of our addressable market, fuel organic subscriber growth and improve our operating leverage.

Cost of revenue declined approximately 3 percent. Our continued investments into journalism were more than offset by having five fewer days in the quarter as well as lower print production and distribution and advertiser servicing costs.

Sales and marketing costs were up approximately nine percent. We saw high return paid marketing opportunities in the quarter as the bundle continued to enable better marketing efficiency.

Product development costs increased 5 percent, as we continued to strategically invest into the product and technology teams enabling our digital subscriber growth.

General and administrative costs were down approximately one percent as we continued to drive efficiencies in non-strategic areas.

As a result of revenue growth and disciplined cost management, AOP increased approximately 9 percent to $154 million dollars. AOP margin was approximately 23 percent in the quarter, an increase of approximately 160 basis points compared to the prior year.

This also translated into strong earnings growth, as adjusted diluted EPS increased 11 cents to 70 cents. EPS growth in Q4 was also aided by higher interest income and a lower tax rate.

I'll now look ahead to Q1 for the consolidated New York Times Company.

Total subscription revenues are expected to increase 7 to 9 percent compared with the first quarter of 2023, and digital-only subscription revenues are expected to increase 11 to 14 percent.

Overall advertising revenues are expected to decrease mid single digits, while digital advertising revenues are expected to increase low to high single digits. We continue to experience limited visibility in the advertising market, particularly around ongoing print declines.

Other revenues are expected to increase mid single digits.

Adjusted operating costs are expected to increase 5 to 7 percent, which reflects an overall commitment to cost discipline as we pursue our growth strategy.

Our approach on costs has been to relentlessly reallocate resources from non-strategic work to areas of highest impact. At the same time, we intend to continue targeted strategic investments into the independent journalism, news and lifestyle products, and technology that position us for growth and market leadership over the long term. We expect that these investments will be reflected in the growth of our cost of revenue and product development expense lines.

We expect AOP and earnings growth to be weighted to the back half of the year due to the seasonality of advertising and affiliate revenue.

I'll close by noting that we remain on track to achieve our previously stated mid-term targets for subscribers, AOP growth, and capital returns.

With that, I'll send it back to Meredith to wrap up.

Meredith Kopit Levien

Thanks, Will.

Our portfolio of differentiated news and lifestyle products is delivering growth and steadily improving unit economics. And we believe our multi-revenue stream model makes us more resilient in a complicated environment.

With this foundation, we believe strongly in our ability to create value through a premium product portfolio and world-class independent journalism – at a time when it is rarer and more needed than ever.

Now we're happy to take your questions.

Anthony DiClemente

Thank you for joining us this morning. We look forward to talking to you again next quarter.