

NEW YORK TIMES CO  
Form 10-Q  
November 03, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 25, 2016  
Commission file number 1-5837  
THE NEW YORK TIMES COMPANY  
(Exact name of registrant as specified in its charter)

NEW YORK 13-1102020  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
620 EIGHTH AVENUE, NEW YORK, NEW YORK  
(Address of principal executive offices)  
10018  
(Zip Code)

Registrant's telephone number, including area code 212-556-1234

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Number of shares of each class of the registrant's common stock outstanding as of October 28, 2016 (exclusive of treasury shares):

|                      |             |        |
|----------------------|-------------|--------|
| Class A Common Stock | 160,276,228 | shares |
| Class B Common Stock | 816,632     | shares |

THE NEW YORK TIMES COMPANY  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

|   | September 25,<br>2016<br>(Unaudited) | December 27,<br>2015 |
|---|--------------------------------------|----------------------|
| Assets  |                                      |                      |
| Current assets  |                                      |                      |
| Cash and cash equivalents   | \$ 156,938                           | \$ 105,776           |
| Short-term marketable securities  | 589,065                              | 507,639              |
| Accounts receivable (net of allowances of \$15,626 in 2016 and \$13,485 in 2015)  | 152,589                              | 207,180              |
| Prepaid expenses  | 14,061                               | 19,430               |
| Other current assets  | 50,097                               | 22,507               |
| Total current assets  | 962,750                              | 862,532              |
| Other assets  |                                      |                      |
| Long-term marketable securities   | 198,861                              | 291,136              |
| Investments in joint ventures   | 14,304                               | 22,815               |
| Property, plant and equipment (less accumulated depreciation and amortization of \$893,230 in 2016 and \$856,974 in 2015) | 602,140                              | 632,439              |
| Goodwill  | 122,940                              | 109,085              |
| Deferred income taxes   | 301,578                              | 309,142              |
| Miscellaneous assets  | 154,307                              | 190,541              |
| Total assets  | \$ 2,356,880                         | \$ 2,417,690         |
| See Notes to Condensed Consolidated Financial Statements.   |                                      |                      |

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS-(Continued)

(In thousands, except share and per share data)

|   | September 25,<br>2016 | December 27,<br>2015 |
|---|-----------------------|----------------------|
|   | (Unaudited)           |                      |
| Liabilities and stockholders' equity  |                       |                      |
| Current liabilities   |                       |                      |
| Accounts payable  | \$ 92,467             | \$ 96,082            |
| Accrued payroll and other related liabilities   | 74,791                | 98,256               |
| Unexpired subscriptions   | 63,645                | 60,184               |
| Current portion of long-term debt and capital lease obligations   | 188,993               | 188,377              |
| Accrued expenses and other  | 152,912               | 120,686              |
| Total current liabilities   | 572,808               | 563,585              |
| Other liabilities   |                       |                      |
| Long-term debt and capital lease obligations  | 245,922               | 242,851              |
| Pension benefits obligation   | 600,645               | 627,697              |
| Postretirement benefits obligation  | 58,446                | 62,879               |
| Other   | 85,888                | 92,223               |
| Total other liabilities   | 990,901               | 1,025,650            |
| Stockholders' equity  |                       |                      |
| Common stock of \$.10 par value:  |                       |                      |
| Class A – authorized: 300,000,000 shares; issued: 2016 – 169,147,029; 2015 – 168,263,533<br>(including treasury shares: 2016 – 8,870,801; 2015 – 7,691,129) | 16,915                | 16,826               |
| Class B – convertible – authorized and issued shares: 2016 – 816,632; 2015 – 816,635<br>(including treasury shares: 2016 – none; 2015 – none)               | 82                    | 82                   |
| Additional paid-in capital  | 145,967               | 146,348              |
| Retained earnings   | 1,301,254             | 1,328,744            |
| Common stock held in treasury, at cost  | (171,211 )            | (156,155 )           |
| Accumulated other comprehensive loss, net of income taxes:  |                       |                      |
| Foreign currency translation adjustments  | 1,456                 | 17                   |
| Funded status of benefit plans  | (497,277 )            | (509,111 )           |
| Total accumulated other comprehensive loss, net of income taxes   | (495,821 )            | (509,094 )           |
| Total New York Times Company stockholders' equity   | 797,186               | 826,751              |
| Noncontrolling interest   | (4,015 )              | 1,704                |
| Total stockholders' equity  | 793,171               | 828,455              |
| Total liabilities and stockholders' equity  | \$ 2,356,880          | \$ 2,417,690         |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

|  | For the Quarters Ended           |                    | For the Nine Months Ended        |                    |
|--|----------------------------------|--------------------|----------------------------------|--------------------|
|  | September 27, 2016<br>(13 weeks) | September 27, 2015 | September 27, 2016<br>(39 weeks) | September 27, 2015 |
| Revenues   |                                  |                    |                                  |                    |
| Circulation  | \$217,099                        | \$ 210,705         | \$654,573                        | \$ 636,626         |
| Advertising  | 124,898                          | 135,356            | 395,733                          | 433,863            |
| Other  | 21,550                           | 21,343             | 65,386                           | 64,040             |
| Total revenues   | 363,547                          | 367,404            | 1,115,692                        | 1,134,529          |
| Operating costs  |                                  |                    |                                  |                    |
| Production costs:  |                                  |                    |                                  |                    |
| Wages and benefits   | 91,041                           | 88,999             | 274,142                          | 268,667            |
| Raw materials  | 18,228                           | 18,400             | 53,115                           | 57,025             |
| Other  | 47,347                           | 44,632             | 139,938                          | 135,748            |
| Total production costs   | 156,616                          | 152,031            | 467,195                          | 461,440            |
| Selling, general and administrative costs  | 184,596                          | 178,071            | 534,911                          | 533,120            |
| Depreciation and amortization  | 15,384                           | 15,369             | 46,003                           | 46,023             |
| Total operating costs  | 356,596                          | 345,471            | 1,048,109                        | 1,040,583          |
| Restructuring charge   | 2,949                            | —                  | 14,804                           | —                  |
| Multiemployer pension plan withdrawal (income)/expense   | (4,971 )                         | —                  | 6,730                            | 4,697              |
| Pension settlement charges   | —                                | —                  | —                                | 40,329             |
| Operating profit   | 8,973                            | 21,933             | 46,049                           | 48,920             |
| Income/(loss) from joint ventures  | 463                              | 170                | (41,845 )                        | (758 )             |
| Interest expense, net  | 9,032                            | 9,127              | 26,955                           | 31,095             |
| Income/(loss) from continuing operations before income taxes                                     | 404                              | 12,976             | (22,751 )                        | 17,067             |
| Income tax expense/(benefit)   | 121                              | 3,611              | (8,956 )                         | 5,904              |
| Net income/(loss)  | 283                              | 9,365              | (13,795 )                        | 11,163             |
| Net loss attributable to the noncontrolling interest   | 123                              | 50                 | 5,719                            | 390                |
| Net income/(loss) attributable to The New York Times Company common stockholders                 | \$406                            | \$ 9,415           | \$(8,076 )                       | \$ 11,553          |
| Average number of common shares outstanding:   |                                  |                    |                                  |                    |
| Basic  | 161,185                          | 165,052            | 161,092                          | 165,130            |
| Diluted  | 162,945                          | 166,981            | 161,092                          | 167,574            |
| Basic earnings/(loss) per share attributable to The New York Times Company common stockholders   | \$0.00                           | \$ 0.06            | \$(0.05 )                        | \$ 0.07            |
| Diluted earnings/(loss) per share attributable to The New York Times Company common stockholders | \$0.00                           | \$ 0.06            | \$(0.05 )                        | \$ 0.07            |
| Dividends declared per share   | \$0.08                           | \$ 0.04            | \$0.12                           | \$ 0.12            |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)  
 (In thousands)

|  | For the Quarters<br>Ended           |                       | For the Nine Months<br>Ended        |                       |
|--|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
|  | September 27,<br>2016<br>(13 weeks) | September 27,<br>2015 | September 27,<br>2016<br>(39 weeks) | September 27,<br>2015 |
| Net income/(loss)  | \$283                               | \$ 9,365              | \$(13,795)                          | \$ 11,163             |
| Other comprehensive income, before tax:  |                                     |                       |                                     |                       |
| Income/(loss) on foreign currency translation adjustments                              | 604                                 | (482                  | ) 2,110                             | (7,102                |
| Pension and postretirement benefits obligation   | 6,552                               | 9,166                 | 19,655                              | 67,646                |
| Other comprehensive income, before tax   | 7,156                               | 8,684                 | 21,765                              | 60,544                |
| Income tax expense   | 2,912                               | 3,635                 | 8,492                               | 24,211                |
| Other comprehensive income, net of tax   | 4,244                               | 5,049                 | 13,273                              | 36,333                |
| Comprehensive income/(loss)  | 4,527                               | 14,414                | (522                                | ) 47,496              |
| Comprehensive loss attributable to the noncontrolling interest                         | 123                                 | 50                    | 5,719                               | 339                   |
| Comprehensive income attributable to The New York Times<br>Company common stockholders | \$4,650                             | \$ 14,464             | \$5,197                             | \$ 47,835             |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
(In thousands)

|   | For the Nine Months<br>Ended |                       |
|---|------------------------------|-----------------------|
|   | September 26,<br>2016        | September 27,<br>2015 |
|   | (39 weeks)                   |                       |
| Cash flows from operating activities  |                              |                       |
| Net (loss)/income   | \$(13,795 )                  | \$ 11,163             |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |                       |
| Restructuring charge  | 14,804                       | —                     |
| Pension settlement charges  | —                            | 40,329                |
| Multiemployer pension plan charges  | 11,701                       | 4,697                 |
| Depreciation and amortization   | 46,003                       | 46,023                |
| Stock-based compensation expense  | 8,561                        | 7,588                 |
| Undistributed loss of joint ventures  | 41,845                       | 758                   |
| Long-term retirement benefit obligations  | (22,366 )                    | (7,767 )              |
| Uncertain tax positions   | 53                           | 147                   |
| Other-net   | (1,315 )                     | 14,303                |
| Changes in operating assets and liabilities:                                      |                              |                       |
| Accounts receivable-net   | 54,591                       | 55,120                |
| Other current assets  | (21,926 )                    | 10,742                |
| Accounts payable, accrued payroll and other liabilities                           | (45,546 )                    | (76,555 )             |
| Unexpired subscriptions   | 3,461                        | 1,486                 |
| Net cash provided by operating activities   | 76,071                       | 108,034               |
| Cash flows from investing activities  |                              |                       |
| Purchases of marketable securities  | (514,809 )                   | (555,040 )            |
| Maturities of marketable securities   | 522,655                      | 626,697               |
| Cash distribution from corporate-owned life insurance                             | 38,000                       | —                     |
| Business acquisitions   | (15,410 )                    | —                     |
| Purchase of investments – net of proceeds   | (1,840 )                     | (3,592 )              |
| Capital expenditures  | (21,820 )                    | (21,150 )             |
| Change in restricted cash   | 3,816                        | (1,190 )              |
| Other-net   | (380 )                       | (343 )                |
| Net cash provided by investing activities   | 10,212                       | 45,382                |
| Cash flows from financing activities  |                              |                       |
| Long-term obligations:  |                              |                       |
| Repayment of debt and capital lease obligations                                   | (460 )                       | (223,653 )            |
| Dividends paid  | (19,416 )                    | (20,053 )             |
| Capital shares:   |                              |                       |
| Stock issuances   | 273                          | 102,803               |
| Repurchases   | (15,684 )                    | (43,561 )             |
| Net cash used in financing activities   | (35,287 )                    | (184,464 )            |
| Net increase/(decrease) in cash and cash equivalents                              | 50,996                       | (31,048 )             |
| Effect of exchange rate changes on cash   | 166                          | (953 )                |
| Cash and cash equivalents at the beginning of the period                          | 105,776                      | 176,607               |
| Cash and cash equivalents at the end of the period                                | \$ 156,938                   | \$ 144,606            |
| See Notes to Condensed Consolidated Financial Statements.                         |                              |                       |





THE NEW YORK TIMES COMPANY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

In the opinion of management of The New York Times Company (the “Company”), the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of September 25, 2016 and December 27, 2015, and the results of operations and cash flows of the Company for the periods ended September 25, 2016 and September 27, 2015. The Company and its consolidated subsidiaries are referred to collectively as “we,” “us” or “our.” All adjustments necessary for a fair presentation have been included and are of a normal and recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted from these interim financial statements. These financial statements, therefore, should be read in conjunction with the Consolidated Financial Statements and related Notes included in our Annual Report on Form 10-K for the year ended December 27, 2015. Due to the seasonal nature of our business, operating results for the interim periods are not necessarily indicative of a full year’s operations. The fiscal periods included herein comprise 13 weeks for the third quarter.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements. Actual results could differ from these estimates.

For comparability, certain prior-year amounts have been reclassified to conform with the current period presentation. See Management’s Discussion and Analysis of Results of Operations for additional information regarding reclassified amounts.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of September 25, 2016, our significant accounting policies, which are detailed in our Annual Report on Form 10-K for the year ended December 27, 2015, have not changed.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, “Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments,” which amends the guidance in Accounting Standards Codification (“ASC”) 230 on the classification of certain cash receipts and cash payments in the statement of cash flows. The primary purpose of this ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The ASU’s amendments add or clarify guidance on eight cash flows issues: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. This guidance becomes effective for the Company for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. All amendments must be adopted in the same period. We are currently in the process of evaluating the impact of the new cash flow guidance. In March 2016, the FASB issued ASU 2016-09, “Compensation-Stock Compensation,” which provides guidance on accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance becomes effective for the Company for fiscal years beginning after December 25, 2016. Early application is permitted. Amendments related to the timing of when excess tax benefits are recognized and classified on the statement of cash flows, forfeitures, minimum statutory withholding requirements, and intrinsic value will be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the

guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when the Company withholds shares to meet the minimum statutory withholding requirement will be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term will be applied prospectively. The Company may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. We are currently in the process of evaluating the impact of the new stock compensation guidance.

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THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

In February 2016, the FASB issued ASU 2016-02, “Leases,” which provides guidance on accounting for leases and disclosure of key information about leasing arrangements. The guidance requires lessees to recognize the following for all operating and finance leases at the commencement date: (1) a lease liability, which is the obligation to make lease payments arising from a lease, measured on a discounted basis and (2) a right-of-use asset representing the lessee’s right to use, or control the use of, the underlying asset for the lease term. A lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities for short-term leases with a term of 12 months or less. The guidance does not fundamentally change lessor accounting; however, some changes have been made to align that guidance with the lessee guidance and other areas within GAAP. This guidance becomes effective for the Company for fiscal years beginning after December 30, 2018. Early application is permitted. This guidance will be applied on a modified retrospective basis for leases existing at, or entered into after, the earliest period presented in the financial statements. We are currently in the process of evaluating the impact of the new leasing guidance.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which prescribes a single comprehensive model for entities to use in the accounting of revenue arising from contracts with customers. The new guidance will supersede virtually all existing revenue guidance under GAAP and International Financial Reporting Standards. There are two transition options available to entities: the full retrospective approach or the modified retrospective approach. Under the full retrospective approach, the Company would restate prior periods in compliance with Accounting Standards Codification 250, “Accounting Changes and Error Corrections.” Alternatively, the Company may elect the modified retrospective approach, which allows for the new revenue standard to be applied to existing contracts as of the effective date and record a cumulative catch-up adjustment to retained earnings. This guidance is effective for fiscal years beginning after December 31, 2017. Subsequently, in March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB also issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” to reduce the cost and complexity of applying the guidance on identifying promised goods or services when identifying a performance obligation and improve the operability and understandability of the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients,” to reduce the cost and complexity of applying the guidance to address certain issues on assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in ASU 2014-09, 2016-10, and 2016-12 do not change the core principle of ASU 2014-09. We are currently in the process of evaluating the impact of the new revenue guidance.

The Company considers the applicability and impact of all ASUs. ASUs not specifically identified in our disclosures are either not applicable to the Company or not expected to have a material effect on our financial condition or results of operations.

**NOTE 3. MARKETABLE SECURITIES**

Our marketable debt securities consisted of the following:

| (In thousands)                         | September 25,<br>2016 | December 27,<br>2015 |
|--|-----------------------|----------------------|
| Short-term marketable securities       |                       |                      |
| U.S Treasury securities                | \$ 220,194            | \$ 184,278           |
| Corporate debt securities              | 159,846               | 185,561              |
| U.S. governmental agency securities    | 88,722                | 65,222               |
| Municipal securities                   | —                     | 1,363                |
| Certificates of deposit                | 21,301                | 60,244               |
| Commercial paper                       | 99,002                | 10,971               |
| Total short-term marketable securities | \$ 589,065            | \$ 507,639           |

|                                       |            |            |
|---------------------------------------|------------|------------|
| Long-term marketable securities       |            |            |
| U.S. governmental agency securities   | \$ 111,254 | \$ 150,583 |
| Corporate debt securities             | 72,817     | 119,784    |
| U.S Treasury securities               | 14,790     | 20,769     |
| Total long-term marketable securities | \$ 198,861 | \$ 291,136 |

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THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

As of September 25, 2016, our short-term and long-term marketable securities had remaining maturities of less than 1 month to 12 months and 13 months to 36 months, respectively. See Note 8 for additional information regarding the fair value of our marketable securities.

NOTE 4. GOODWILL

During the first and third quarters of 2016, the Company acquired two digital marketing agencies, HelloSociety, LLC and Fake Love, LLC for \$15.4 million. The Company allocated the purchase prices based on the valuation of assets acquired and liabilities assumed, resulting in allocations to goodwill, intangibles, property, plant and equipment and other miscellaneous assets. Intangible assets have been included in "Miscellaneous Assets" in our Condensed Consolidated Balance Sheets.

The changes in the carrying amount of goodwill, including goodwill purchased in 2016 as part of the acquisitions of the digital marketing agencies, as of September 25, 2016 and December 27, 2015 were as follows:

| (In thousands)                   | Total<br>Company |
|----------------------------------|------------------|
| Balance as of December 27, 2015  | \$ 109,085       |
| Business acquisitions            | 12,294           |
| Foreign currency translation     | 1,561            |
| Balance as of September 25, 2016 | \$ 122,940       |

The foreign currency translation line item reflects changes in goodwill resulting from fluctuating exchange rates related to the consolidation of certain international subsidiaries.

NOTE 5. INVESTMENTS

Equity Method Investments

As of September 25, 2016, our investments in joint ventures consisted of equity ownership interests in the following entities:

| Company                       | Approximate %<br>Ownership |
|-------------------------------|----------------------------|
| Donohue Malbaie Inc.          | 49 %                       |
| Madison Paper Industries      | 40 %                       |
| Women in the World Media, LLC | 30 %                       |

We have investments in Donohue Malbaie Inc. ("Malbaie"), a Canadian newsprint company, Madison Paper Industries ("Madison"), a partnership that operated a supercalendered paper mill in Maine, and Women in the World Media, LLC, a live-event conference business.

Our Company and UPM-Kymmene Corporation ("UPM"), a Finnish paper manufacturing company, are partners through subsidiary companies in Madison. The Company's 40% ownership of Madison is through an 80%-owned consolidated subsidiary which owns 50% of Madison. UPM owns 60% of Madison, including a 10% interest through a 20% noncontrolling interest in the consolidated subsidiary of the Company. In March 2016, UPM announced the closure of the paper mill, which occurred in May 2016. During the first nine months of 2016, we recognized a \$46.7 million loss from joint ventures, of which \$43.5 million related to the announced closure of the paper mill. Our proportionate share of the loss is reduced by the 20% noncontrolling interest. As a result of the mill closure, we wrote our investment down to zero and recorded a liability of \$31.9 million, reflecting our share of the losses incurred to date by Madison. These amounts are presented in "Accrued expenses and other" in our Condensed Consolidated Balance Sheets.

The Company's joint venture in Madison is currently being liquidated and a plan is in place to sell assets (including hydro power assets) at the mill site. We believe the proceeds from the sale of the hydro power assets will be more than sufficient to cover Madison's obligations and therefore allow us to reverse our liability, and we do not currently expect that the Company will be required to use significant cash in the wind down of this investment.

We received no distributions from our equity method investments during the three- and nine-month periods ended September 25, 2016 and September 27, 2015.

We purchase newsprint from Malbaie, and previously purchased supercalendered paper from Madison, at competitive prices. Such purchases totaled \$3.7 million and \$2.7 million in the third quarter of 2016 and 2015, respectively, and \$10.3 million and \$8.8 million for the first nine-months of 2016 and 2015, respectively.

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THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

The following table presents summarized income statement information for Madison, which follows a calendar year:

| (In thousands)             | For the Nine Months<br>Ended |                       |
|----------------------------|------------------------------|-----------------------|
|                            | September 30,<br>2016        | September 30,<br>2015 |
| Revenues                   | \$40,523                     | \$ 93,490             |
| Costs and expenses:        |                              |                       |
| Cost of sales              | 68,039                       | 84,445                |
| General and administrative | 66,056                       | 15,363                |
|                            | 134,095                      | 99,808                |
| Operating loss             | (93,572 )                    | (6,318 )              |
| Other income               | 4                            | 3                     |
| Net loss                   | \$(93,568)                   | \$(6,315 )            |

Cost Method Investments

The aggregate carrying amounts of cost method investments included in "Miscellaneous assets" in our Consolidated Balance Sheets were \$13.9 million and \$11.9 million for September 25, 2016 and December 27, 2015, respectively.

NOTE 6. DEBT OBLIGATIONS

Our current indebtedness includes senior notes and the repurchase option related to a sale-leaseback of a portion of our New York headquarters. Our total debt and capital lease obligations consisted of the following:

| (In thousands, except percentages)   | September 25,<br>2016 | December 27,<br>2015 |
|--|-----------------------|----------------------|
| Senior notes due in December 2016:   |                       |                      |
| Principal amount   | \$ 189,170            | \$ 189,170           |
| Less unamortized discount based on imputed interest rate of 6.625%             | 177                   | 793                  |
| Total senior notes due in 2016   | 188,993               | 188,377              |
| Option to repurchase ownership interest in headquarters building in 2019:      |                       |                      |
| Principal amount   | 250,000               | 250,000              |
| Less unamortized discount based on imputed interest rate of 13.0%              | 10,852                | 13,905               |
| Total option to repurchase ownership interest in headquarters building in 2019 | 239,148               | 236,095              |
| Capital lease obligations  | 6,774                 | 6,756                |
| Total debt and capital lease obligations                                       | 434,915               | 431,228              |
| Less current portion   | 188,993               | 188,377              |
| Total long-term debt and capital lease obligations                             | \$ 245,922            | \$ 242,851           |

See Note 8 for additional information regarding the fair value of our long-term debt.

"Interest expense, net," as shown in the accompanying Condensed Consolidated Statements of Operations was as follows:

| (In thousands)                                  | For the Quarters Ended |                       | For the Nine Months<br>Ended |                       |
|---|------------------------|-----------------------|------------------------------|-----------------------|
|   | September 25,<br>2016  | September 27,<br>2015 | September 25,<br>2016        | September 27,<br>2015 |
| Interest expense                                | \$10,022               | \$ 9,919              | \$29,964                     | \$ 32,008             |
| Amortization of debt costs and discount on debt | 1,226                  | 1,180                 | 3,670                        | 3,540                 |
| Capitalized interest                            | (131 )                 | (85 )                 | (412 )                       | (242 )                |
| Interest income                                 | (2,085 )               | (1,887 )              | (6,267 )                     | (4,211 )              |
| Total interest expense, net                     | \$9,032                | \$ 9,127              | \$26,955                     | \$ 31,095             |





THE NEW YORK TIMES COMPANY  
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## NOTE 7. OTHER

## Streamlining of International Print Operations

On April 26, 2016, we informed employees of proposed measures intended to streamline our international print operations and support future growth efforts. These measures included a redesign of our international print newspaper and the relocation of certain editing and production operations from Paris to our locations in Hong Kong and New York. As of September 25, 2016, we incurred \$14.8 million of total costs related to these measures, primarily related to relocation and severance-related charges. We expect to incur approximately \$0.5 million of additional costs in the fourth quarter of 2016 in connection with these measures. Cash disbursements are expected to begin in the fourth quarter of 2016.

## Severance Costs

We recognized severance costs, other than those associated with the streamlining of the Company's international print operations, of \$13.0 million and \$1.0 million in the third quarters of 2016 and 2015, respectively, and \$18.3 million and \$4.4 million in the first nine months of 2016 and 2015, respectively. Severance costs in the third quarter of 2016 were in connection with a voluntary buyout program offered to certain employees. These costs are recorded in "Selling, general and administrative costs" in our Condensed Consolidated Statements of Operations.

We had a severance liability of \$33.8 million (inclusive of severance liabilities in connection with the streamlining of our international print operations) and \$14.9 million included in "Accrued expenses and other" in our Condensed Consolidated Balance Sheets as of September 25, 2016 and December 27, 2015, respectively.

## Advertising Expenses

Advertising expenses incurred to promote our consumer and marketing services were \$22.3 million and \$20.6 million in the third quarter of 2016 and 2015, respectively, and \$63.6 million and \$63.1 million in the first nine months of 2016 and 2015, respectively.

## Capitalized Computer Software Costs

Amortization of capitalized computer software costs included in "Depreciation and amortization" in our Condensed Consolidated Statements of Operations was \$2.8 million and \$2.9 million in the third quarters of 2016 and 2015, respectively, and \$8.5 million and \$8.9 million in the first nine months of 2016 and 2015, respectively.

## NOTE 8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon the sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. The transaction would be in the principal or most advantageous market for the asset or liability, based on assumptions that a market participant would use in pricing the asset or liability. The fair value hierarchy consists of three levels:

Level 1—quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3—unobservable inputs for the asset or liability.

## Assets/Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The following table summarizes our financial liabilities measured at fair value on a recurring basis as of September 25, 2016 and December 27, 2015:

| (In thousands)        | September 25, 2016 |          |         |         | December 27, 2015 |          |         |         |
|-----------------------|--------------------|----------|---------|---------|-------------------|----------|---------|---------|
|                       | Total              | Level 1  | Level 2 | Level 3 | Total             | Level 1  | Level 2 | Level 3 |
| Deferred compensation | \$30,594           | \$30,594 | \$—     | \$—     | -\$35,578         | \$35,578 | \$—     | \$—     |

The deferred compensation liability, included in "Other liabilities—Other" in our Condensed Consolidated Balance Sheets, consists of deferrals under The New York Times Company Deferred Executive Compensation Plan (the "DEC"), which enables certain eligible executives to elect to defer a portion of their compensation on a pre-tax basis. The deferred amounts are invested at the executives' option in various mutual funds. The fair value of deferred compensation is

based on the mutual fund investments elected by the executives and on quoted prices in active markets for identical assets. Participation in the DEC was frozen effective December 31, 2015.

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Financial Instruments Disclosed, But Not Reported, at Fair Value

Our marketable securities, which include U.S. Treasury securities, corporate debt securities, U.S. government agency securities, municipal securities, certificates of deposit and commercial paper, are recorded at amortized cost (see Note 3). As of September 25, 2016 and December 27, 2015, the amortized cost approximated fair value because of the short-term maturity and highly liquid nature of these investments. We classified these investments as Level 2 since the fair value estimates are based on market observable inputs for investments with similar terms and maturities.

The carrying value of our long-term debt was \$239 million as of September 25, 2016 and \$236 million as of December 27, 2015. The fair value of our long-term debt was \$307 million and \$316 million as of September 25, 2016 and December 27, 2015, respectively. We estimate the fair value of our debt utilizing market quotations for debt that have quoted prices in active markets. Since our debt does not trade on a daily basis in an active market, the fair value estimates are based on market observable inputs based on borrowing rates currently available for debt with similar terms and average maturities (Level 2).

NOTE 9. PENSION AND OTHER POSTRETIREMENT BENEFITS

Pension

Single-Employer Plans

We sponsor several single-employer defined benefit pension plans, the majority of which have been frozen. We also participate in two joint Company and Guild-sponsored defined benefit pension plans covering employees who are members of The NewsGuild of New York, including The Newspaper Guild of New York - The New York Times Pension Fund, which was frozen in 2012 and replaced by a successor plan, The Guild-Times Adjustable Pension Plan.

The components of net periodic pension cost were as follows:

| (In thousands)                       | For the Quarters Ended<br>September 25, 2016    |                            |              | September 27, 2015 |                            |              |
|--------------------------------------|---|----------------------------|--------------|--------------------|----------------------------|--------------|
|                                      | Qualified<br>Plans                              | Non-<br>Qualified<br>Plans | All<br>Plans | Qualified<br>Plans | Non-<br>Qualified<br>Plans | All<br>Plans |
| Service cost                         | \$2,248   | \$ —                       | \$2,248      | \$2,989            | \$ —                       | \$2,989      |
| Interest cost                        | 16,573  | 2,034                      | 18,607       | 18,514             | 2,502                      | 21,016       |
| Expected return on plan assets       | (27,790)  | —                          | (27,790)     | (28,832)           | —                          | (28,832)     |
| Amortization of actuarial loss       | 7,069   | 1,054                      | 8,123        | 9,478              | 1,271                      | 10,749       |
| Amortization of prior service credit | (487 )  | —                          | (487 )       | (487 )             | —                          | (487 )       |
| Net periodic pension (income)/cost   | \$(2,387)                                       | \$ 3,088                   | \$ 701       | \$ 1,662           | \$ 3,773                   | \$ 5,435     |
| (In thousands)                       | For the Nine Months Ended<br>September 25, 2016 |                            |              | September 27, 2015 |                            |              |
|                                      | Qualified<br>Plans                              | Non-<br>Qualified<br>Plans | All<br>Plans | Qualified<br>Plans | Non-<br>Qualified<br>Plans | All<br>Plans |
| Service cost                         | \$6,743   | \$ —                       | \$6,743      | \$8,964            | \$ —                       | \$8,964      |
| Interest cost                        | 49,720  | 6,102                      | 55,822       | 55,966             | 7,506                      | 63,472       |
| Expected return on plan assets       | (83,369)  | —                          | (83,369)     | (86,439)           | —                          | (86,439)     |
| Amortization of actuarial loss       | 21,206  | 3,160                      | 24,366       | 28,354             | 3,811                      | 32,165       |
| Amortization of prior service credit | (1,459 )  | —                          | (1,459 )     | (1,459 )           | —                          | (1,459 )     |
| Effect of settlement                 | —   | —                          | —            | 40,329             | —                          | 40,329       |
| Net periodic pension (income)/cost   | \$(7,159)                                       | \$ 9,262                   | \$ 2,103     | \$ 45,715          | \$ 11,317                  | \$ 57,032    |

During the first nine months of 2016 and 2015, we made pension contributions of \$6.0 million and \$5.3 million, respectively, to certain qualified pension plans. We expect to make total contributions of \$7.8 million in 2016 to satisfy funding requirements.

In the first quarter of 2016, we changed the methodology used to calculate the service and interest components of net



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periodic benefit cost for retirement plans to provide a more precise measurement of service and interest costs. Historically, we calculated these service and interest components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Beginning in the first quarter of 2016, we elected to utilize an approach that discounts the individual expected cash flows using the applicable spot rates derived from the yield curve over the projected cash flow period. We have accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly have accounted for it prospectively.

As part of our strategy to reduce the pension obligations and the resulting volatility of our overall financial condition, we have offered lump-sum payments to certain former employees participating in both our qualified and non-qualified pension plans. In the third quarter of 2016, the Company extended a voluntary offer to certain former employees who participated in certain qualified pension plans to receive immediate lump-sum payments. The election period for this voluntary offer closes on November 14, 2016.

In the first quarter of 2015, we recorded a pension settlement charge of \$40.3 million in connection with a lump-sum payment offer made to certain former employees who participated in certain qualified pension plans. These lump-sum payments totaled \$98.3 million and were made with cash from the qualified pension plans, not with Company cash. The effect of this lump-sum payment offer was to reduce our pension obligations by \$142.8 million.

#### Multiemployer Plans

During the third quarter of 2016, we received \$5.0 million in connection with an ongoing arbitration matter related to a multiemployer pension plan. In the second quarter of 2016, we recorded a charge of \$11.7 million related to partial withdrawal obligation under a multiemployer pension plan in connection with the same arbitration matter. See Note 14 for additional information with respect to the arbitration matter.

In the first quarter of 2015, the Company recorded a \$4.7 million charge for a partial withdrawal obligation under another multiemployer pension plan.

#### Other Postretirement Benefits

The components of net periodic postretirement benefit income were as follows:

| (In thousands)                             | For the Quarters Ended |                    | For the Nine Months Ended |                    |
|--|------------------------|--------------------|---------------------------|--------------------|
|  | September 26, 2016     | September 27, 2015 | September 26, 2016        | September 27, 2015 |
| Service cost                               | \$ 104                 | \$ 148             | \$ 313                    | \$ 442             |
| Interest cost                              | 495                    | 688                | 1,485                     | 2,065              |
| Amortization of actuarial loss             | 1,026                  | 1,303              | 3,078                     | 3,909              |
| Amortization of prior service credit       | (2,110)                | (2,399)            | (6,330)                   | (7,349)            |
| Net periodic postretirement benefit income | \$(485)                | \$ (260)           | \$(1,454)                 | \$ (933)           |

#### NOTE 10. INCOME TAXES

The Company had income tax expense of \$0.1 million in the third quarter of 2016 and an income tax benefit of \$9.0 million in the first nine months of 2016. The Company had income tax expense of \$3.6 million and \$5.9 million in the third quarter and first nine months of 2015, respectively. The income tax benefit in the first nine months of 2016 was due to the \$22.8 million loss from continuing operations before taxes for that period.

#### NOTE 11. EARNINGS/(LOSS) PER SHARE

We compute earnings/(loss) per share using a two-class method, an earnings allocation method used when a company's capital structure includes either two or more classes of common stock or common stock and participating securities. This method determines earnings/(loss) per share based on dividends declared on common stock and participating securities (i.e., distributed earnings), as well as participation rights of participating securities in any undistributed earnings.

Earnings/(loss) per share is computed using both basic shares and diluted shares. The difference between basic and diluted shares is that diluted shares include the dilutive effect of the assumed exercise of outstanding securities. Our

stock options, stock-settled long-term performance awards and restricted stock units could have the most significant impact on diluted shares. The decrease in our basic shares is primarily due to repurchases of the Company's Class A Common Stock.

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Securities that could potentially be dilutive are excluded from the computation of diluted earnings per share when a loss from continuing operations exists or when the exercise price exceeds the market value of our Class A Common Stock, because their inclusion would result in an anti-dilutive effect on per share amounts.

The number of stock options excluded from the computation of diluted earnings per share because they were anti-dilutive was approximately 5 million and 6 million in the third quarter and first nine months of 2016, respectively, and approximately 5 million in the third quarter and first nine months of 2015.

NOTE 12. SUPPLEMENTAL STOCKHOLDERS' EQUITY INFORMATION

Stockholders' equity is summarized as follows:

| (In thousands)                         | Total New<br>York Times<br>Company<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders'<br>Equity |
|--|---|----------------------------|----------------------------------|
| Balance as of December 27, 2015        | \$ 826,751  | \$ 1,704                   | \$ 828,455                       |
| Net loss                               | (8,076 )  | (5,719 )                   | (13,795 )                        |
| Other comprehensive income, net of tax | 13,273  | —                          | 13,273                           |
| Effect of issuance of shares           | (9,298 )  | —                          | (9,298 )                         |
| Share repurchases                      | (15,056 )   | —                          | (15,056 )                        |
| Dividends declared                     | (19,414 )   | —                          | (19,414 )                        |
| Stock-based compensation               | 9,006   | —                          | 9,006                            |
| Balance as of September 25, 2016       | \$ 797,186  | \$ (4,015 )                | \$ 793,171                       |

| (In thousands)                         | Total New<br>York Times<br>Company<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders'<br>Equity |
|--|---|----------------------------|----------------------------------|
| Balance as of December 28, 2014        | \$ 726,328  | \$ 2,021                   | \$ 728,349                       |
| Net income/(loss)                      | 11,553  | (390 )                     | 11,163                           |
| Other comprehensive income, net of tax | 36,282  | 51                         | 36,333                           |
| Effect of issuance of shares           | 100,624   | —                          | 100,624                          |
| Share repurchases                      | (45,953 )   | —                          | (45,953 )                        |
| Dividends declared                     | (19,926 )   | —                          | (19,926 )                        |
| Stock-based compensation               | 7,930   | —                          | 7,930                            |
| Balance as of September 27, 2015       | \$ 816,838  | \$ 1,682                   | \$ 818,520                       |

In January 2009, pursuant to a securities purchase agreement, we issued warrants to affiliates of Carlos Slim Helú, then the beneficial owner of approximately 8% of our Class A Common Stock (excluding the warrants), to purchase 15.9 million shares of our Class A Common Stock at a price of \$6.3572 per share. On January 14, 2015, the warrant holders exercised these warrants in full and the Company received cash proceeds of \$101.1 million from this exercise. On January 13, 2015, the Board of Directors terminated an existing authorization to repurchase shares of the Company's Class A Common Stock and approved a new repurchase authorization of \$101.1 million, equal to the cash proceeds received by the Company from the exercise of warrants. As of September 25, 2016, the Company had repurchased 6,690,905 Class A shares under this authorization for a cost of \$84.9 million (excluding commissions) and \$16.2 million remained. Our Board of Directors has authorized us to purchase shares under this authorization from time to time, subject to market conditions and other factors. There is no expiration date with respect to this authorization.





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The following table summarizes the changes in AOCI by component as of September 25, 2016:

| (In thousands)  | Foreign<br>Currency<br>Translation<br>Adjustments | Funded<br>Status of<br>Benefit<br>Plans | Total<br>Accumulated<br>Other<br>Comprehensive<br>Loss |
|---|---|---|--|
| Balance as of December 27, 2015   | \$ 17   | \$(509,111)                             | \$ (509,094 )  |
| Other comprehensive income before reclassifications, before tax <sup>(1)</sup>            | 2,110   | —                                       | 2,110  |
| Amounts reclassified from accumulated other comprehensive loss, before tax <sup>(1)</sup> | —   | 19,655                                  | 19,655   |
| Income tax expense <sup>(1)</sup>   | 671   | 7,821                                   | 8,492  |
| Net current-period other comprehensive income, net of tax                                 | 1,439   | 11,834                                  | 13,273   |
| Balance as of September 25, 2016  | \$ 1,456  | \$(497,277)                             | \$ (495,821 )  |

<sup>(1)</sup> All amounts are shown net of noncontrolling interest.

The following table summarizes the reclassifications from AOCI for the nine months ended September 25, 2016:

| (In thousands)  | Amounts<br>reclassified<br>from<br>accumulated<br>other<br>comprehensive<br>loss | Affect line item in the statement where net income<br>is presented |
|---|--|--|
| Detail about accumulated other comprehensive<br>loss components |  |  |
| Funded status of benefit plans:                                 |  |  |
| Amortization of prior service credit <sup>(1)</sup>             | \$ (7,789 )  | Selling, general & administrative costs                            |
| Amortization of actuarial loss <sup>(1)</sup>                   | 27,444   | Selling, general & administrative costs                            |
| Total reclassification, before tax <sup>(2)</sup>               | 19,655   |  |
| Income tax expense  | 7,821  | Income tax (benefit)/expense                                       |
| Total reclassification, net of tax                              | \$ 11,834  |  |

<sup>(1)</sup> These accumulated other comprehensive income components are included in the computation of net periodic benefit cost for pension and other retirement benefits. See Note 9 for additional information.

<sup>(2)</sup> There were no reclassifications relating to noncontrolling interest for the quarter ended September 25, 2016.

#### NOTE 13. SEGMENT INFORMATION

We have one reportable segment that includes The New York Times, NYTimes.com and related businesses. Therefore, all required segment information can be found in the Condensed Consolidated Financial Statements. Our operating segment generated revenues principally from circulation and advertising. Other revenues consist primarily of revenues from news services/syndication, digital archives, rental income, our NYT Live business and e-commerce.

#### NOTE 14. CONTINGENT LIABILITIES

##### Restricted Cash

We were required to maintain \$24.9 million of restricted cash as of September 25, 2016 and \$28.7 million as of December 27, 2015, the majority of which is set aside to collateralize workers' compensation obligations.

##### Newspaper and Mail Deliverers–Publishers' Pension Fund

In September 2013, the Newspaper and Mail Deliverers–Publishers' Pension Fund (the "NMDU Fund") assessed a partial withdrawal liability against the Company in the amount of approximately \$26 million for the plan years ending May 31, 2012 and 2013 (the "Initial Assessment"), an amount that was increased to approximately \$34 million in December 2014, when the NMDU Fund issued a revised partial withdrawal liability assessment for the plan year ending May 31,

2013 (the “Revised Assessment”). The NMDU Fund claimed that when City & Suburban Delivery Systems, Inc., a retail and newsstand distribution subsidiary of the Company and the largest contributor to the NMDU Fund, ceased operations in 2009, it triggered a decline of more than 70% in contribution base units in each of these two plan years. The Company disagreed with both the NMDU Fund’s determination that a partial withdrawal occurred and the methodology by which it calculated the withdrawal liability, and the parties engaged in arbitration proceedings to resolve the

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matter. However, as required by the Employee Retirement Income Security Act of 1974, the Company continued to make the quarterly payments to the NMDU Fund set forth in the demand letters.

On June 14, 2016, the arbitrator issued an interim award and opinion that supported the NMDU Fund's determination that a partial withdrawal had occurred in each of the two plan years. The arbitrator agreed with the methodology by which the NMDU Fund calculated the Initial Assessment, but concluded that the NMDU Fund's calculation of the Revised Assessment was overstated by \$7.5 million. During the third quarter of 2016, the NMDU Fund returned \$5.0 million in principal and interest previously paid by the Company related to the Revised Assessment.

The Company expects to appeal the arbitrator's decision following the issuance of the final award and opinion. As a result of the interim decision, the Company had a liability of \$10.5 million as of the third quarter of 2016.

Management believes it is reasonably possible that the total loss in this matter could exceed the liability established by a range of zero to approximately \$10 million.

As of September 25, 2016, we have paid \$10.8 million since the receipt of the initial demand letter, including \$2.7 million in 2016 (net of the reimbursement discussed above). The Company will continue to make required payments during the pendency of the appeal.

#### Worcester Telegram & Gazette Corporation

The Company is involved in class action litigation brought on behalf of individuals who, from 2006 to 2011, delivered newspapers at the Worcester Telegram & Gazette Corporation ("Worcester"), a subsidiary of the Company. The plaintiffs are asserting several claims against Worcester, including a challenge to their classification as independent contractors, and seek unspecified damages. In April 2016, the parties engaged in an unsuccessful mediation process to resolve the litigation. The Company believes that the claims made by the plaintiffs are without merit and continues to vigorously defend its position. The Company is unable to estimate a loss or range of possible losses at this time.

#### Other

We are involved in various legal actions incidental to our business that are now pending against us. These actions are generally for amounts greatly in excess of the payments, if any, that may be required to be made. Although the Company cannot predict the outcome of these matters, it is possible that an unfavorable outcome in one or more matters could be material to the Company's consolidated results of operations or cash flows for an individual reporting period. However, based on currently available information, management does not believe that the ultimate resolution of these matters, individually or in the aggregate, is likely to have a material effect on the Company's financial position.

#### NOTE 15. SUBSEQUENT EVENTS

During the third quarter of 2016, the Company extended a voluntary offer to certain former employees who participated in certain qualified pension plans to receive immediate lump-sum payments. The election period for this voluntary offer closes on November 14, 2016.

On October 24, 2016, the Company acquired Submarine Leisure Club, Inc., which owns the product review and recommendation websites The Wirecutter and The Sweethome, in an all-cash transaction. We paid \$25.0 million, including a payment made for a non-compete agreement. In connection with the transaction, we also entered into a consulting agreement and retention agreements that will likely require payments over the three years following the acquisition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
EXECUTIVE OVERVIEW

We are a global media organization that includes newspapers, print and digital products and investments. We have one reportable segment with businesses that include our newspapers, websites, mobile applications and related businesses. We generate revenues principally from circulation and advertising. Other revenues primarily consist of revenues from news services/syndication, digital archives, rental income, our NYT Live business and e-commerce. Our main operating costs are employee-related costs.

In the accompanying analysis of financial information, we present certain information derived from consolidated financial information but not presented in our financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). We are presenting in this report supplemental non-GAAP financial performance measures that exclude depreciation, amortization, severance, non-operating retirement costs and certain identified special items, as applicable. These non-GAAP financial measures should not be considered in isolation from or as a substitute for the related GAAP measures, and should be read in conjunction with financial information presented on a GAAP basis. For further information and reconciliations of these non-GAAP measures to the most directly comparable GAAP measures, see "Results of Operations—Non-GAAP Financial Measures."

Financial Highlights

For the third quarter of 2016, diluted earnings per share from continuing operations was \$0.00, compared with diluted earnings per share of \$0.06 for the third quarter of 2015. Diluted earnings per share from continuing operations excluding severance, non-operating retirement costs and special items discussed below (or "adjusted diluted earnings per share," a non-GAAP measure) were \$0.06 and \$0.09 for the third quarters of 2016 and 2015, respectively.

The Company had an operating profit of \$9.0 million in the third quarter of 2016, compared with \$21.9 million for the third quarter of 2015. The decline was driven by severance costs incurred in connection with a voluntary buyout program as well as lower print advertising revenues and higher advertising and technology costs. Operating profit before depreciation, amortization, severance, non-operating retirement costs and special items discussed below (or "adjusted operating profit," a non-GAAP measure) was \$39.2 million and \$47.6 million for the third quarters of 2016 and 2015, respectively.

Total revenues decreased 1.0% to \$363.5 million in the third quarter of 2016 from \$367.4 million in the third quarter of 2015.

Circulation revenues increased 3.0% in the third quarter of 2016 compared with the third quarter of 2015, as digital subscription growth and a print home-delivery price increase for The New York Times newspaper more than offset a decline in the number of print copies sold. Circulation revenues from our digital-only subscriptions (which includes news product and Crossword product subscriptions), e-readers and replica editions increased 16.4% to \$58.6 million in the third quarter of 2016 compared with the third quarter of 2015. Circulation revenue from digital-only subscriptions to our news products increased 15.4% to \$56.1 million.

Paid digital-only subscriptions totaled approximately 1,557,000 as of the end of the third quarter of 2016, a 30% increase compared to the end of the third quarter of 2015. Paid digital-only subscriptions to our news products totaled approximately 1,332,000, a 28% increase compared to the end of the third quarter of 2015.

Advertising revenues remained under pressure during the third quarter of 2016. Total advertising revenues decreased 7.7% in the third quarter of 2016 compared with the third quarter of 2015, reflecting a 18.5% decrease in print advertising revenues and a 21.4% increase in digital advertising revenues. The decrease in print advertising revenues resulted primarily from a continued decline in display advertising. The increase in digital advertising revenues primarily reflected increases in revenue from our mobile platform, our programmatic buying channels and branded content, partially offset by a decrease in traditional website display advertising.

Compared with the third quarter of 2015, other revenues increased 1.0% in the third quarter of 2016, driven primarily by increased revenues from the Company's NYT Live business.

Operating costs increased in the third quarter of 2016 to \$356.6 million from \$345.5 million in the third quarter of 2015, largely due to higher severance, advertising and technology costs, partially offset by lower print production and distribution costs and lower non-operating retirement costs. Operating costs before depreciation, amortization, severance and non-operating retirement costs (or "adjusted operating costs," a non-GAAP measure) increased in the third quarter of 2016 to \$324.4 million from \$319.8 million in the third quarter of 2015.

Non-operating retirement costs decreased to \$3.8 million during the third quarter of 2016 from \$9.4 million in the third quarter of 2015, driven by a change in the methodology of calculating the discount rate applied to retirement costs.

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## RESULTS OF OPERATIONS

The following table presents our consolidated financial results:

| (In thousands)   | For the Quarters Ended |                |                 | For the Nine Months Ended |                |                 |    |  |
|--|------------------------|----------------|-----------------|---------------------------|----------------|-----------------|----|--|
|  | September 2016         | September 2015 | 27, %<br>Change | September 2016            | September 2015 | 27, %<br>Change |    |  |
| Revenues   |                        |                |                 |                           |                |                 |    |  |
| Circulation  | \$217,099              | \$ 210,705     | 3.0             | % \$654,573               | \$ 636,626     | 2.8             | %  |  |
| Advertising  | 124,898                | 135,356        | (7.7            | )% 395,733                | 433,863        | (8.8            | )% |  |
| Other  | 21,550                 | 21,343         | 1.0             | % 65,386                  | 64,040         | 2.1             | %  |  |
| Total revenues   | 363,547                | 367,404        | (1.0            | )% 1,115,692              | 1,134,529      | (1.7            | )% |  |
| Operating costs  |                        |                |                 |                           |                |                 |    |  |
| Production costs:  |                        |                |                 |                           |                |                 |    |  |
| Wages and benefits   | 91,041                 | 88,999         | 2.3             | % 274,142                 | 268,667        | 2.0             | %  |  |
| Raw materials  | 18,228                 | 18,400         | (0.9            | )% 53,115                 | 57,025         | (6.9            | )% |  |
| Other  | 47,347                 | 44,632         | 6.1             | % 139,938                 | 135,748        | 3.1             | %  |  |
| Total production costs   | 156,616                | 152,031        | 3.0             | % 467,195                 | 461,440        | 1.2             | %  |  |
| Selling, general and administrative costs  | 184,596                | 178,071        | 3.7             | % 534,911                 | 533,120        | 0.3             | %  |  |
| Depreciation and amortization  | 15,384                 | 15,369         | 0.1             | % 46,003                  | 46,023         | —               | %  |  |
| Total operating costs  | 356,596                | 345,471        | 3.2             | % 1,048,109               | 1,040,583      | 0.7             | %  |  |
| Restructuring charge   | 2,949                  | —              | *               | 14,804                    | —              | *               |    |  |
| Multiemployer pension plan withdrawal (income)/expense                           | (4,971                 | ) —            | *               | 6,730                     | 4,697          | 43.3            | %  |  |
| Pension settlement charges   | —                      | —              | *               | —                         | 40,329         | *               |    |  |
| Operating profit   | 8,973                  | 21,933         | (59.1           | )% 46,049                 | 48,920         | (5.9            | )% |  |
| Income/(loss) from joint ventures  | 463                    | 170            | *               | (41,845                   | ) (758         | ) *             |    |  |
| Interest expense, net  | 9,032                  | 9,127          | (1.0            | )% 26,955                 | 31,095         | (13.3           | )% |  |
| Income/(loss) from continuing operations before income taxes                     | 404                    | 12,976         | (96.9           | )% (22,751                | ) 17,067       | *               |    |  |
| Income tax expense/(benefit)   | 121                    | 3,611          | (96.6           | )% (8,956                 | ) 5,904        | *               |    |  |
| Net income/(loss)  | 283                    | 9,365          | (97.0           | )% (13,795                | ) 11,163       | *               |    |  |
| Net loss attributable to the noncontrolling interest                             | 123                    | 50             | *               | 5,719                     | 390            | *               |    |  |
| Net income/(loss) attributable to The New York Times Company common stockholders | \$406                  | \$ 9,415       | (95.7           | )% \$(8,076               | ) \$ 11,553    | *               |    |  |

\* Represents a change equal to or in excess of 100% or not meaningful.

## Revenues

## Circulation Revenues

Total circulation revenues consist of revenues from our print and digital products, including our digital-only subscription packages, e-readers and replica editions. These revenues are based on the number of copies of the printed newspaper sold (through home-delivery subscriptions and single-copy and bulk sales) and digital-only subscriptions and the rates charged to the respective customers. All print home-delivery subscribers receive unlimited digital access. In the first quarter of 2016, the Company reclassified the subscription revenue from its Crossword product, including prior period information, into circulation revenues from other revenues. The following tables summarize 2016 and 2015 digital-only subscription revenues reflecting this reclassification:

| (In thousands)                                  | For the Quarter Ended |                   | For the Nine Months Ended |                   |
|---|-----------------------|-------------------|---------------------------|-------------------|
|   | September 25, 2016    | % Change vs. 2015 | September 25, 2016        | % Change vs. 2015 |
| Digital-only subscription revenues:             |                       |                   |                           |                   |
| Digital-only news product subscription revenues | \$56,144              | 15.4 %            | \$162,344                 | 14.1 %            |
| Digital Crossword product subscription revenues | 2,408                 | 47.7 %            | 6,778                     | 53.2 %            |
| Total digital-only subscription revenues        | \$58,552              | 16.4 %            | \$169,122                 | 15.3 %            |

| (In thousands)                                  | For the Quarters Ended |               |                    |                   | For the Year Ended |
|---|------------------------|---------------|--------------------|-------------------|--------------------|
|   | March 29, 2015         | June 28, 2015 | September 27, 2015 | December 27, 2015 | December 27, 2015  |
| Digital-only subscription revenues:             |                        |               |                    |                   |                    |
| Digital-only news product subscription revenues | \$46,127               | \$47,465      | \$48,656           | \$50,409          | \$192,657          |
| Digital Crossword product subscription revenues | 1,323                  | 1,470         | 1,630              | 1,863             | 6,286              |
| Total digital-only subscription revenues        | \$47,450               | \$48,935      | \$50,286           | \$52,272          | \$198,943          |

Consistent with this reclassification, the Company also adjusted the number of digital-only subscriptions to include Crossword product subscriptions. The following tables summarize 2016 and 2015 digital-only subscriptions:

| (In thousands) | 2016               |                   |
|----------------|--------------------|-------------------|
|                | September 25, 2016 | % Change vs. 2015 |

## Digital-only subscriptions:

|   |       |        |
|---|-------|--------|
| Digital-only news product subscriptions | 1,332 | 28.0 % |
| Digital Crossword product subscriptions | 225   | 41.5 % |
| Total digital-only subscriptions        | 1,557 | 29.8 % |

| (In thousands) | 2015           |               |                    |                   |
|----------------|----------------|---------------|--------------------|-------------------|
|                | March 29, 2015 | June 28, 2015 | September 27, 2015 | December 27, 2015 |

## Digital-only subscriptions:

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Digital-only news product subscriptions | 957   | 990   | 1,041 | 1,094 |
| Digital Crossword product subscriptions | 142   | 145   | 159   | 176   |
| Total digital-only subscriptions        | 1,099 | 1,135 | 1,200 | 1,270 |

Circulation revenues increased 3.0% in the third quarter and 2.8% in the first nine months of 2016 compared with the same prior-year periods, primarily due to growth in our digital subscription base and an increase in print home-delivery prices

for The New York Times newspaper, offset by a reduction in the number of print copies sold. Revenues from our digital-only subscriptions (including e-readers and replica editions) were \$58.6 million in the third quarter of 2016 and \$169.1 million in the first nine months of 2016, an increase of 16.4% and 15.3% from the third quarter and first nine months of 2015, respectively.

#### Advertising Revenues

Advertising revenues are derived from the sale of our advertising products and services on our print, web and mobile platforms. These revenues are primarily determined by the volume, rate and mix of advertisements. Display advertising revenue is principally from advertisers promoting products, services or brands in print in the form of column-inch ads, and on our web and mobile platforms in the form of banners, video, rich media and other interactive ads. Classified advertising revenue includes line-ads sold in the major categories of real estate, help wanted, automotive and other. Other advertising revenue primarily includes creative services fees associated with, among other things, our branded content studio; revenue from preprinted advertising, also known as free-standing inserts and revenue generated from branded bags in which our newspapers are delivered.

Advertising revenues (print and digital) by category were as follows:

| (In thousands) | For the Quarters Ended |                    |          |
|----------------|------------------------|--------------------|----------|
|                | September 2016         | September 27, 2015 | % Change |
| Display        | \$ 110,889             | \$ 121,933         | (9.1)%   |
| Classified     | 6,941                  | 8,435              | (17.7)%  |
| Other          | 7,068                  | 4,988              | 41.7%    |
| Total          | \$ 124,898             | \$ 135,356         | (7.7)%   |

  

| (In thousands) | For the Nine Months Ended |                    |          |
|----------------|---------------------------|--------------------|----------|
|                | September 2016            | September 27, 2015 | % Change |
| Display        | \$ 353,356                | \$ 393,871         | (10.3)%  |
| Classified     | 22,892                    | 26,055             | (12.1)%  |
| Other          | 19,485                    | 13,937             | 39.8%    |
| Total          | \$ 395,733                | \$ 433,863         | (8.8)%   |

Below is a percentage breakdown of advertising revenues (print and digital) for the first nine months of 2016 and 2015:

|      | Display | Classified | Other | Total |
|------|---------|------------|-------|-------|
| 2016 | 89%     | 6%         | 5%    | 100%  |
| 2015 | 91%     | 6%         | 3%    | 100%  |

Print advertising revenues, which represented 64.5% of total advertising revenues for the third quarter of 2016 and 66.9% of total advertising revenues for the first nine months of 2016, declined 18.5% and 13.7% in the third quarter and first nine months of 2016, respectively, compared with the same prior-year periods. The decline in both periods was primarily due to a continued decline in display advertising, primarily in the luxury goods, entertainment and technology categories.

Digital advertising revenues, which represented 35.5% of total advertising revenues for the third quarter of 2016 and 33.1% of total advertising revenues for the first nine months of 2016, increased 21.4% and 3.1% in the third quarter and first nine months of 2016, respectively, compared with the same prior-year periods. The increase in both periods was primarily due to increases in revenue from our mobile platform, our programmatic buying channels and branded content, partially offset by declines in traditional website display advertising.

#### Other Revenues

Other revenues increased 1.0% in the third quarter of 2016 and 2.1% in the first nine months of 2016, compared with the same prior-year periods, primarily due to growth in revenues from our NYT Live business.





## Operating Costs

Operating costs were as follows:

| (In thousands)                            | For the Quarters Ended |                    |          | For the Nine Months Ended |                    |          |    |
|---|------------------------|--------------------|----------|---------------------------|--------------------|----------|----|
|   | September 2016         | September 27, 2015 | % Change | September 2016            | September 27, 2015 | % Change |    |
| Production costs:                         |                        |                    |          |                           |                    |          |    |
| Wages and benefits                        | \$91,041               | \$88,999           | 2.3      | % \$274,142               | \$ 268,667         | 2.0      | %  |
| Raw materials                             | 18,228                 | 18,400             | (0.9)    | )% 53,115                 | 57,025             | (6.9)    | )% |
| Other                                     | 47,347                 | 44,632             | 6.1      | % 139,938                 | 135,748            | 3.1      | %  |
| Total production costs                    | 156,616                | 152,031            | 3.0      | % 467,195                 | 461,440            | 1.2      | %  |
| Selling, general and administrative costs | 184,596                | 178,071            | 3.7      | % 534,911                 | 533,120            | 0.3      | %  |
| Depreciation and amortization             | 15,384                 | 15,369             | 0.1      | % 46,003                  | 46,023             | —        | %  |
| Total operating costs                     | \$356,596              | \$345,471          | 3.2      | % \$1,048,109             | \$ 1,040,583       | 0.7      | %  |

## Production Costs

Total production costs increased in the third quarter of 2016 compared with the third quarter of 2015, driven by an increase in other expense (\$2.7 million) and wages and benefits (\$2.0 million), offset by a decrease in raw materials expense (\$0.2 million). Other expenses increased primarily as a result of higher outside services costs. Wages and benefits increased as a result of increased headcount to support our growth initiatives. Raw materials expense decreased as a result of a 0.3% decline in newsprint expense in the third quarter of 2016 compared with the third quarter of 2015, with 5.4% from lower consumption, offset by 5.1% from higher pricing. The decline was also impacted by a 7.6% decrease in magazine paper expense in the third quarter of 2016 compared with the third quarter of 2015, with 4.5% from lower consumption and 3.1% from lower pricing.

Total production costs increased in the first nine months of 2016 compared with the first nine months of 2015, primarily due to an increase in wages and benefits expenses (\$5.5 million) and other expenses (\$4.2 million), partially offset by a decrease in raw materials expense (\$4.0 million). Wages and benefits expenses increased as a result of increased headcount to support our growth initiatives. Other expenses increased primarily as a result of higher outside service costs. Raw materials expense decreased as a result of a 9.0% decline in newsprint expense in the first nine months of 2016 compared with the first nine months of 2015, with 5.2% from lower consumption and 3.8% from lower pricing. The decline was also impacted by a 3.1% decrease in magazine paper expense in the first nine months of 2016 compared with the first nine months of 2015, with 2.0% from lower consumption and 1.1% from lower pricing.

## Selling, General and Administrative Costs

Selling, general and administrative costs increased in the third quarter of 2016 compared with the third quarter of 2015, primarily due to an increase in severance costs (\$12.0 million), offset by a decrease in non-operating retirement costs (\$5.5 million). Severance costs increased due to a voluntary buyout program offer to certain employees in the third quarter of 2016.

Selling, general and administrative costs increased in the first nine months of 2016 compared with the first nine months of 2015 primarily due to an increase in severance costs (\$13.9 million) and compensation costs (\$8.5 million), offset by decreases in non-operating retirement costs (\$13.6 million) and distribution costs (\$4.2 million), outside service costs (\$1.0 million) and other expenses (\$2.3 million). Severance costs increased due to a voluntary buyout program offer to certain employees in the third quarter of 2016. Compensation costs increased primarily as a result of increased hiring to support growth initiatives. Distribution costs decreased primarily as a result of fewer print copies produced and transportation efficiencies.

## Depreciation and Amortization

Depreciation and amortization costs were flat in the third quarter of 2016 and first nine months of 2016 compared with the same prior year periods.

## Other Items

See Note 7 of the Notes to the Condensed Consolidated Financial Statements for additional information regarding other items.

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## NON-OPERATING ITEMS

### Joint Ventures

See Note 5 of the Notes to the Condensed Consolidated Financial Statements for information regarding our joint venture investments.

### Interest Expense, Net

See Note 6 of the Notes to the Condensed Consolidated Financial Statements for information regarding interest expense.

### Income Taxes

See Note 10 of the Notes to the Condensed Consolidated Financial Statements for information regarding income taxes.

### Non-GAAP Financial Measures

We have included in this report certain supplemental financial information derived from consolidated financial information but not presented in our financial statements prepared in accordance with GAAP. Specifically, we have referred to the following non-GAAP financial measures in this report:

- diluted earnings per share from continuing operations excluding severance, non-operating retirement costs and the impact of special items (or adjusted diluted earnings per share from continuing operations);
- operating profit before depreciation, amortization, severance, non-operating retirement costs and special items (or adjusted operating profit); and
- operating costs before depreciation, amortization, severance and non-operating retirement costs (or adjusted operating costs).

The special items in 2016 consisted of:

- a \$2.9 million (\$1.8 million after tax or \$.01 per share) charge and an \$11.9 million (\$7.1 million after tax or \$.04 per share) charge in connection with the streamlining of the Company's international print operations (primarily consisting of severance costs) in the third and second quarters, respectively;
- an \$11.7 million (\$7.0 million after tax or \$.04 per share) charge for a partial withdrawal obligation under a multiemployer pension plan in the second quarter, \$5.0 million (\$3.0 million after tax or \$.02 per share) of which was reimbursed to the Company in the third quarter; and
- a \$41.4 million (\$20.1 million after tax and net of the noncontrolling interest or \$.13 per share) loss from joint ventures in the first quarter related to the announced closure of a paper mill operated by Madison Paper Industries, in which the Company has an investment through a subsidiary.

The special items in 2015 consisted of:

- a \$40.3 million (\$24.0 million after tax or \$.15 per share) pension settlement charge in the first quarter in connection with a lump-sum payment offer made to certain former employees who participated in certain qualified pension plans; and
- a \$4.7 million (\$2.8 million after tax or \$.02 per share) charge in the first quarter for a partial withdrawal obligation under a multiemployer pension plan.

We have included these non-GAAP financial measures because management reviews them on a regular basis and uses them to evaluate and manage the performance of our operations. We believe that, for the reasons outlined below, these non-GAAP financial measures provide useful information to investors as a supplement to reported diluted earnings/(loss) per share from continuing operations, operating profit/(loss) and operating costs. However, these measures should be evaluated only in conjunction with the comparable GAAP financial measures and should not be viewed as alternative or superior measures of GAAP results.

Adjusted diluted earnings per share provides useful information in evaluating our period-to-period performance because it eliminates items that we do not consider to be indicative of earnings from ongoing operating activities. Adjusted operating profit is useful in evaluating the ongoing performance of our businesses as it excludes the significant non-cash impact of depreciation and amortization as well as items not indicative of ongoing operating activities. Total operating costs include depreciation, amortization, severance and non-operating retirement costs. Adjusted operating costs, which exclude these items, provide investors with helpful supplemental information on our underlying operating costs that is used by management in its financial and operational decision-making.



Management considers special items, which may include impairment charges, pension settlement charges and other items that arise from time to time, to be outside the ordinary course of our operations. Management believes that excluding these items provides a better understanding of the underlying trends in the Company's operating performance and allows more accurate comparisons of the Company's operating results to historical performance. In addition, management excludes severance costs, which may fluctuate significantly from quarter to quarter, because it believes these costs do not necessarily reflect expected future operating costs and do not contribute to a meaningful comparison of the Company's operating results to historical performance.

Non-operating retirement costs include:

- interest cost, expected return on plan assets and amortization of actuarial gain and loss components of pension expense;
- interest cost and amortization of actuarial gain and loss components of retiree medical expense; and
- all expenses associated with multiemployer pension plan withdrawal obligations, not otherwise included as special items.

These non-operating retirement costs are primarily tied to financial market performance and changes in market interest rates and investment performance. Non-operating retirement costs do not include service costs and amortization of prior service costs for pension and retiree medical benefits, which we believe reflect the ongoing operating costs of providing pension and retiree medical benefits to our employees. We consider non-operating retirement costs to be outside the performance of our ongoing core business operations and believe that presenting operating results excluding non-operating retirement costs, in addition to our GAAP operating results, will provide increased transparency and a better understanding of the underlying trends in our operating business performance. Reconciliations of non-GAAP financial measures from, respectively, diluted earnings per share from continuing operations, operating profit and operating costs, the most directly comparable GAAP items, as well as details on the components of non-operating retirement costs, are set out in the tables below.

Reconciliation of diluted earnings per share from continuing operations excluding severance, non-operating retirement costs and special items (or adjusted diluted earnings per share from continuing operations)

|   | For the Quarters Ended |                |            | For the Nine Months Ended |                |            |
|---|------------------------|----------------|------------|---------------------------|----------------|------------|
|   | September 2016         | September 2015 | Change 27% | September 2016            | September 2015 | Change 27% |
| Diluted earnings/(loss) per share from continuing operations                  | \$0.00                 | \$ 0.06        | *          | \$(0.05)                  | \$ 0.07        | *          |
| Add:  |                        |                |            |                           |                |            |
| Severance   | 0.08                   | 0.01           | *          | 0.11                      | 0.03           | *          |
| Non-operating retirement costs  | 0.02                   | 0.06           | (66.7)%    | 0.08                      | 0.16           | (50.0)%    |
| Special items:  |                        |                |            |                           |                |            |
| Restructuring charge  | 0.02                   | —              | *          | 0.09                      | —              | *          |
| Multiemployer pension plan withdrawal (income)/expense                        | (0.03 )                | —              | *          | 0.04                      | 0.03           | 33.3 %     |
| Loss from joint ventures, net of tax and noncontrolling interest              | —                      | —              | *          | 0.21                      | —              | *          |
| Pension settlement charge   | —                      | —              | *          | —                         | 0.24           | *          |
| Income tax expense of special items   | (0.04 )                | (0.02 )        | *          | (0.21 )                   | (0.18 )        | 16.7 %     |
| Adjusted diluted earnings per share from continuing operations <sup>(1)</sup> | \$0.06                 | \$ 0.09        | (33.3)%    | \$0.27                    | \$ 0.34        | (20.6)%    |

<sup>(1)</sup> Amounts may not add due to rounding.

\* Represents a change equal to or in excess of 100% or not meaningful



## Reconciliation of operating profit before depreciation &amp; amortization, severance, non-operating retirement costs and special items (or adjusted operating profit)

| (In thousands)   | For the Quarters Ended |                    |          | For the Nine Months Ended |                    |          |
|--|------------------------|--------------------|----------|---------------------------|--------------------|----------|
|  | September 2016         | September 27, 2015 | % Change | September 25, 2016        | September 27, 2015 | % Change |
| Operating profit                                       | \$8,973                | \$ 21,933          | (59.1 )% | \$46,049                  | \$48,920           | (5.9 )%  |
| Add:   |                        |                    |          |                           |                    |          |
| Depreciation & amortization                            | 15,384                 | 15,369             | 0.1 %    | 46,003                    | 46,023             | — %      |
| Severance  | 13,006                 | 959                | *        | 18,262                    | 4,350              | *        |
| Non-operating retirement costs                         | 3,845                  | 9,380              | (59.0 )% | 13,349                    | 26,929             | (50.4 )% |
| Special items:   |                        |                    |          |                           |                    |          |
| Restructuring charge                                   | 2,949                  | —                  | *        | 14,804                    | —                  | *        |
| Multiemployer pension plan withdrawal (income)/expense | (4,971 )               | —                  | *        | 6,730                     | 4,697              | 43.3 %   |
| Pension settlement charges                             | —                      | —                  | *        | —                         | 40,329             | *        |
| Adjusted operating profit                              | \$39,186               | \$ 47,641          | (17.7 )% | \$145,197                 | \$171,248          | (15.2 )% |

\* Represents a change equal to or in excess of 100% or not meaningful.

## Reconciliation of operating costs before depreciation &amp; amortization, severance and non-operating retirement costs (or adjusted operating costs)

| (In thousands)                 | For the Quarters Ended |                    |          | For the Nine Months Ended |                    |          |
|--------------------------------|------------------------|--------------------|----------|---------------------------|--------------------|----------|
|                                | September 2016         | September 27, 2015 | % Change | September 25, 2016        | September 27, 2015 | % Change |
| Operating costs                | \$356,596              | \$ 345,471         | 3.2 %    | \$1,048,109               | \$ 1,040,583       | 0.7 %    |
| Less:                          |                        |                    |          |                           |                    |          |
| Depreciation & amortization    | 15,384                 | 15,369             | 0.1 %    | 46,003                    | 46,023             | — %      |
| Severance                      | 13,006                 | 959                | *        | 18,262                    | 4,350              | *        |
| Non-operating retirement costs | 3,845                  | 9,380              | (59.0 )% | 13,349                    | 26,929             | (50.4 )% |
| Adjusted operating costs       | \$324,361              | \$ 319,763         | 1.4 %    | \$970,495                 | \$ 963,281         | 0.7 %    |



Components of non-operating retirement costs<sup>(1)</sup>

| (In thousands)   | For the Quarters Ended |                 |                 | For the Nine Months Ended |                  |                 |
|--|------------------------|-----------------|-----------------|---------------------------|------------------|-----------------|
|  | September 2016         | September 2015  | Change %        | September 2016            | September 2015   | Change %        |
| <b>Pension:</b>  |                        |                 |                 |                           |                  |                 |
| Interest cost  | \$18,607               | \$ 21,016       | (11.5 )%        | \$55,822                  | \$ 63,472        | (12.1 )%        |
| Expected return on plan assets   | (27,790 )              | (28,832 )       | (3.6 )%         | (83,369 )                 | (86,439 )        | (3.6 )%         |
| Amortization and other costs   | 8,123                  | 10,749          | (24.4 )%        | 24,366                    | 32,165           | (24.2 )%        |
| Non-operating pension costs  | (1,060 )               | 2,933           | *               | (3,181 )                  | 9,198            | *               |
| <b>Other postretirement benefits:</b>                                      |                        |                 |                 |                           |                  |                 |
| Interest cost  | 495                    | 688             | (28.1 )%        | 1,485                     | 2,065            | (28.1 )%        |
| Amortization and other costs   | 1,026                  | 1,303           | (21.3 )%        | 3,078                     | 3,909            | (21.3 )%        |
| Non-operating other postretirement benefits costs                          | 1,521                  | 1,991           | (23.6 )%        | 4,563                     | 5,974            | (23.6 )%        |
| Expenses associated with multiemployer pension plan withdrawal obligations | 3,384                  | 4,456           | (24.1 )%        | 11,967                    | 11,757           | 1.8 %           |
| <b>Total non-operating retirement costs</b>                                | <b>\$3,845</b>         | <b>\$ 9,380</b> | <b>(59.0 )%</b> | <b>\$13,349</b>           | <b>\$ 26,929</b> | <b>(50.4 )%</b> |

<sup>(1)</sup>Components of non-operating retirement costs do not include special items.

## LIQUIDITY AND CAPITAL RESOURCES

We believe our cash balance and cash provided by operations, in combination with other sources of cash, will be sufficient to meet our financing needs over the next twelve months. As of September 25, 2016, we had cash, cash equivalents and short- and long-term marketable securities of \$944.9 million and total debt and capital lease obligations of \$434.9 million. Accordingly, our cash, cash equivalents and marketable securities exceeded total debt and capital lease obligations by \$510.0 million. Our cash and investment balances have increased since the end of 2015, in advance of our repayment, which we will make at maturity, of our 6.625% senior notes due December 15, 2016. Additionally, during 2016, we received a \$38.0 million cash distribution from the liquidation of certain investments related to our corporate-owned life insurance, and \$5.0 million in connection with an ongoing arbitration matter related to a multiemployer pension plan.

In January 2009, pursuant to a securities purchase agreement, we issued warrants to affiliates of Carlos Slim Helú, then the beneficial owner of approximately 8% of our Class A Common Stock (excluding the warrants), to purchase 15.9 million shares of our Class A Common Stock at a price of \$6.3572 per share. On January 14, 2015, the warrant holders exercised these warrants in full and the Company received cash proceeds of \$101.1 million from this exercise. On January 13, 2015, the Board of Directors terminated an existing authorization to repurchase shares of the Company's Class A Common Stock and approved a new repurchase authorization of \$101.1 million, equal to the cash proceeds received by the Company from the exercise. As of September 25, 2016, the Company had repurchased 6,690,905 Class A shares under this authorization for a cost of \$84.9 million (excluding commissions) and \$16.2 million remained. Our Board of Directors has authorized us to purchase shares under this authorization from time to time, subject to market conditions and other factors. There is no expiration date with respect to this authorization.

### Capital Resources

#### Sources and Uses of Cash

Cash flows provided by/(used in) by category were as follows:

| (In thousands)       | For the Nine Months Ended |                    | % Change |    |
|----------------------|---------------------------|--------------------|----------|----|
|                      | September 25, 2016        | September 27, 2015 |          |    |
| Operating activities | \$76,071                  | \$108,034          | (29.6)   | )% |
| Investing activities | \$10,212                  | \$45,382           | (77.5)   | )% |
| Financing activities | \$(35,287)                | \$(184,464)        | (80.9)   | )% |

#### Operating Activities

Cash from operating activities is generated by cash receipts from circulation, advertising sales and other revenue transactions. Operating cash outflows include payments for employee compensation, pension and other benefits, raw materials, interest and income taxes.

Net cash provided by operating activities decreased in the first nine months of 2016 compared with the same prior-year period due to higher income tax payments, higher employee compensation payments and an overall decline in revenues.

#### Investing Activities

Cash from investing activities generally includes proceeds from marketable securities that have matured and the sale of assets, investments or a business. Cash used in investing activities generally includes purchases of marketable securities, payments for capital projects, restricted cash, acquisitions of new businesses and investments.

Net cash provided by investing activities in the first nine months of 2016 was primarily related to maturities of marketable securities and a cash distribution from the liquidation of certain investments related to our corporate-owned life insurance, offset by net purchases of marketable securities, capital expenditures and the purchases of two digital marketing agencies.

#### Financing Activities

Cash from financing activities generally includes borrowings under third-party financing arrangements, the issuance of long-term debt and funds from stock option exercises. Cash used in financing activities generally includes the repayment of amounts outstanding under third-party financing arrangements, the payment of dividends and the payment of long-term debt and capital lease obligations.

Net cash used in financing activities in the first nine months of 2016 was primarily related to dividend payments of \$19.4 million and share repurchases of \$15.7 million.

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#### Restricted Cash

We were required to maintain \$24.9 million of restricted cash as of September 25, 2016 and \$28.7 million as of December 27, 2015, the majority of which is set aside to collateralize workers' compensation obligations.

#### Third-Party Financing

As of September 25, 2016, our current indebtedness included senior notes and the repurchase option related to a sale-leaseback of a portion of our New York headquarters. See Note 6 for information regarding our total debt and capital lease obligations. See Note 8 for information regarding the fair value of our long-term debt.

#### CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 27, 2015. As of September 25, 2016, our critical accounting policies have not changed from December 27, 2015.

#### CONTRACTUAL OBLIGATIONS & OFF-BALANCE SHEET ARRANGEMENTS

Our contractual obligations and off-balance sheet arrangements are detailed in our Annual Report on Form 10-K for the year ended December 27, 2015. As of September 25, 2016, our contractual obligations and off-balance sheet arrangements have not changed materially from December 27, 2015.

#### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements that relate to future events or our future financial performance. We may also make written and oral forward-looking statements in our Securities and Exchange Commission ("SEC") filings and otherwise. We have tried, where possible, to identify such statements by using words such as "believe," "expect," "intend," "estimate," "anticipate," "will," "could," "project," "plan" and similar expressions in connection with any discussion of future operating or financial performance. Any forward-looking statements are and will be based upon our then-current expectations, estimates and assumptions regarding future events and are applicable only as of the dates of such statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in any such statements. You should bear this in mind as you consider forward-looking statements. Factors that we think could, individually or in the aggregate, cause our actual results to differ materially from expected and historical results include those described in our Annual Report on Form 10-K for the year ended December 27, 2015, as well as other risks and factors identified from time to time in our SEC filings.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our Annual Report on Form 10-K for the year ended December 27, 2015, details our disclosures about market risk. As of September 25, 2016, there were no material changes in our market risks from December 27, 2015.

#### Item 4. Controls and Procedures

##### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of September 25, 2016. Based upon such evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

##### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

On July 5, 2016, we implemented a new human resources and payroll management system across the Company. We have taken steps to implement appropriate internal controls with respect to this new system and will continue to evaluate the design and operating effectiveness of our internal control over financial reporting.

There were no other changes in our internal control over financial reporting during the quarter ended September 25, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

We are involved in various legal actions incidental to our business that are now pending against us. These actions are generally for amounts greatly in excess of the payments, if any, that may be required to be made. See Note 14 of the Notes to the Consolidated Financial Statements for a description of certain matters, which is incorporated herein by reference. Although the Company cannot predict the outcome of these matters, it is possible that an unfavorable outcome in one or more matters could be material to the Company's consolidated results of operations or cash flows for an individual reporting period. However, based on currently available information, management does not believe that the ultimate resolution of these matters, individually or in the aggregate, is likely to have a material effect on the Company's financial position.

## Item 1A. Risk Factors

There have been no material changes to our risk factors as set forth in "Item 1A—Risk Factors" in our Annual Report on Form 10-K for the year ended December 27, 2015.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities<sup>(1)</sup>

| Period             | Total number of shares of Class A Common Stock purchased (a) | Average price paid per share of Class A Common Stock (b) | Total number of shares of Class A Common Stock purchased as part of publicly announced plans or programs (c) | Maximum number (or approximate dollar value) of shares of Class A Common Stock that may yet be purchased under the plans or programs (d) |
|--------------------|--|--|--|--|
| June 27, 2016      | —  | —  | —  | \$ 16,235,000  |
| July 31, 2016      | —  | —  | —  | —  |
| August 1, 2016     | —  | —  | —  | \$ 16,235,000  |
| August 28, 2016    | —  | —  | —  | —  |
| August 29, 2016    | —  | —  | —  | \$ 16,235,000  |
| September 25, 2016 | —  | —  | —  | \$ 16,235,000  |

Total  
for  
the  
third  
quarter  
of  
2016

(1) On January 13, 2015, the Board of Directors terminated an existing authorization to repurchase shares of the Company's Class A Common Stock and approved a new repurchase authorization of \$101.1 million, equal to the cash proceeds received by the Company from an exercise of warrants. The Company did not repurchase any additional shares during the third quarter of 2016. Our Board of Directors has authorized us to purchase shares under this authorization from time to time, subject to market conditions and other factors. There is no expiration date with respect to this authorization.

Item 6. Exhibits

An exhibit index has been filed as part of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**THE NEW YORK TIMES COMPANY**  
(Registrant)

Date: November 3, 2016 /s/ JAMES M. FOLLO  
James M. Follo  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)



Exhibit Index to Quarterly Report on Form 10-Q  
For the Quarter Ended September 25, 2016

Exhibit No.

|         |   |
|---------|---|
| 12      | Ratio of Earnings to Fixed Charges.   |
| 31.1    | Rule 13a-14(a)/15d-14(a) Certification.   |
| 31.2    | Rule 13a-14(a)/15d-14(a) Certification.   |
| 32.1    | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2    | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document.   |
| 101.SCH | XBRL Taxonomy Extension Schema Document.  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.  |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document.   |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document.  |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document.   |