

not failing

The New York Times

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INTRODUCTION

**Newspapers used to be great
businesses.**

“I can’t think of many other businesses that, if I just owned one asset over my life, I would rather own than a newspaper in a single-newspaper town.”

- Warren Buffett , 1995

For decades, newspapers made a fortune by selling ads.

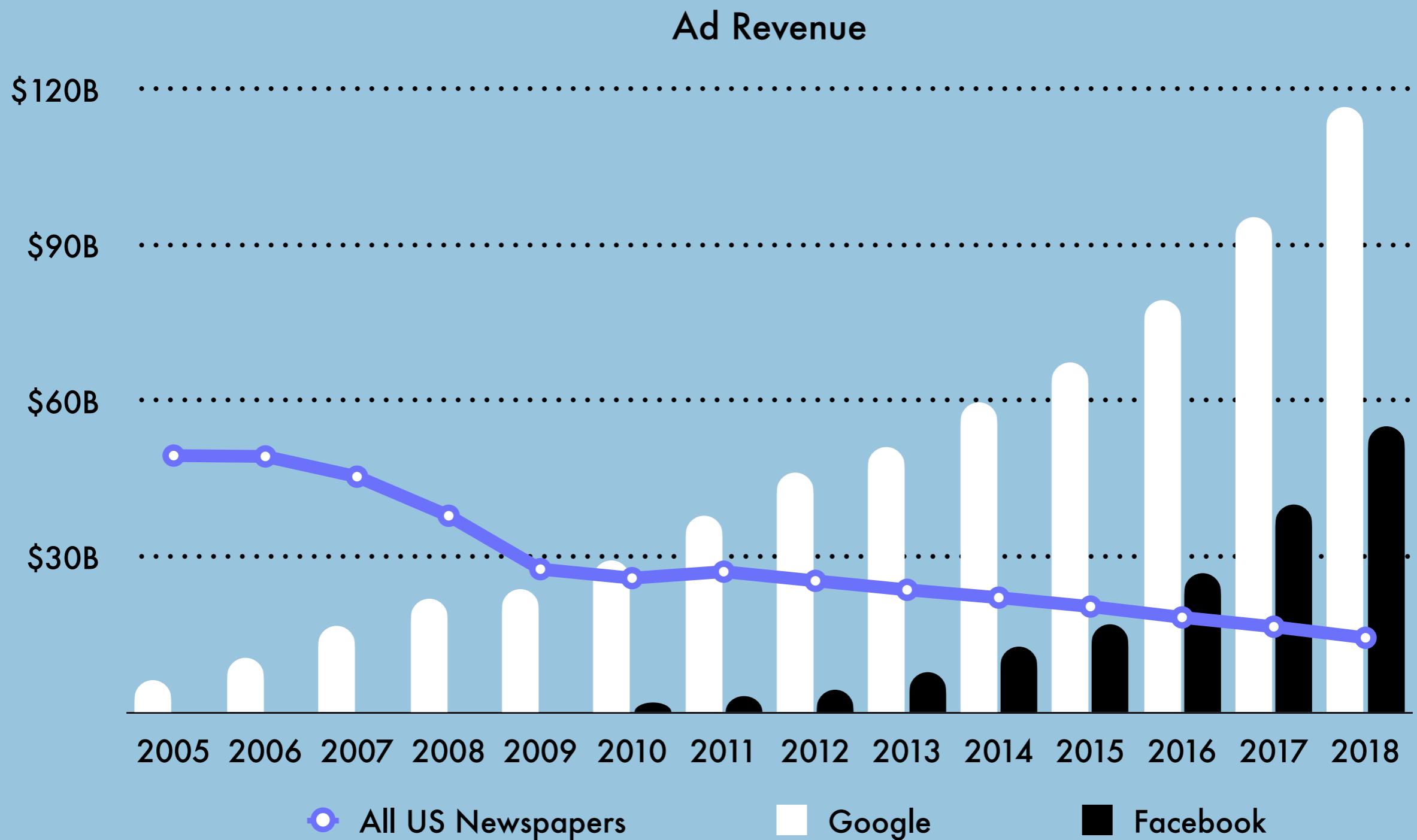
So much so that Rupert Murdoch once described his papers as “rivers of gold”.

“But sometimes rivers dry up.”

- Rupert Murdoch

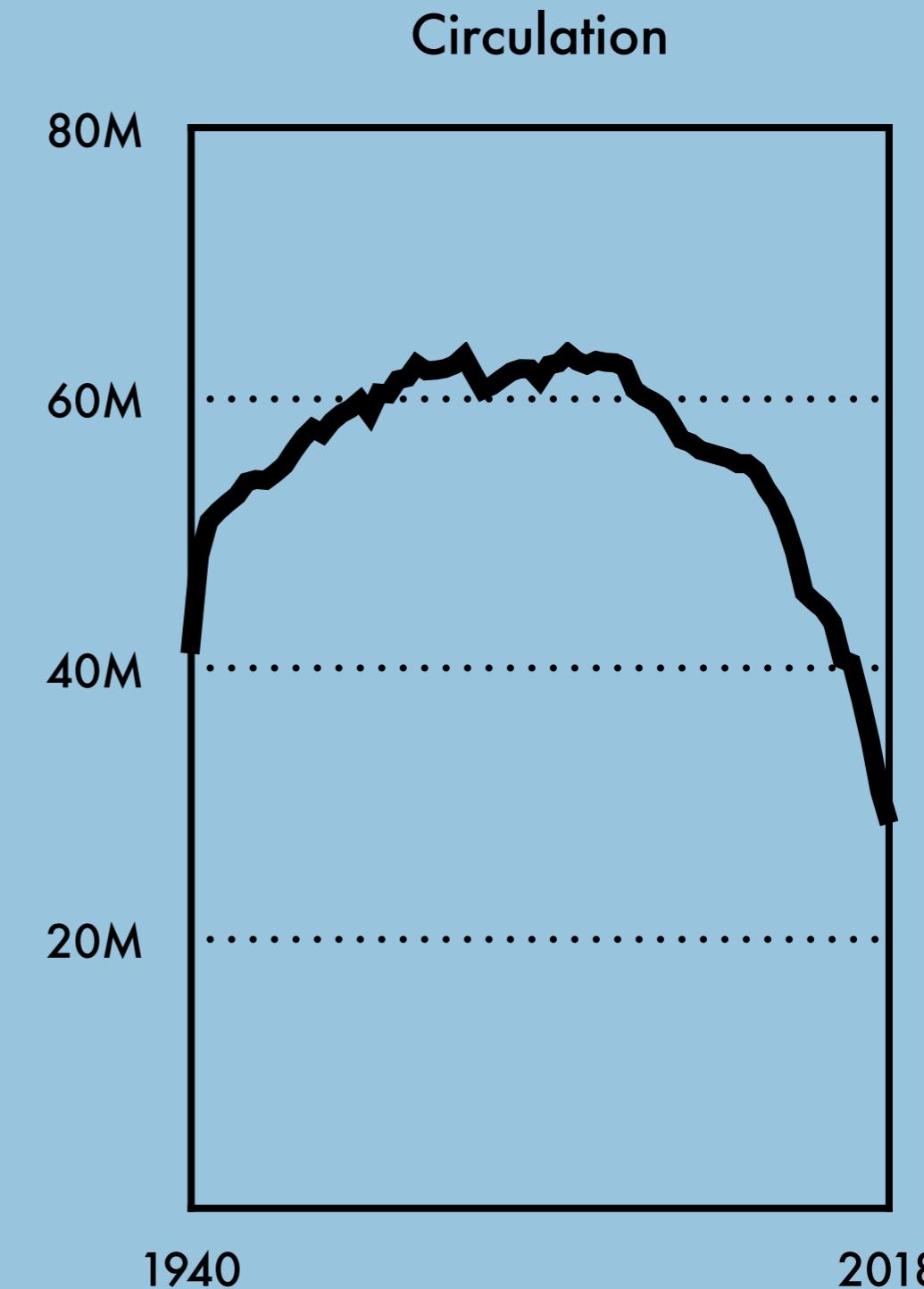
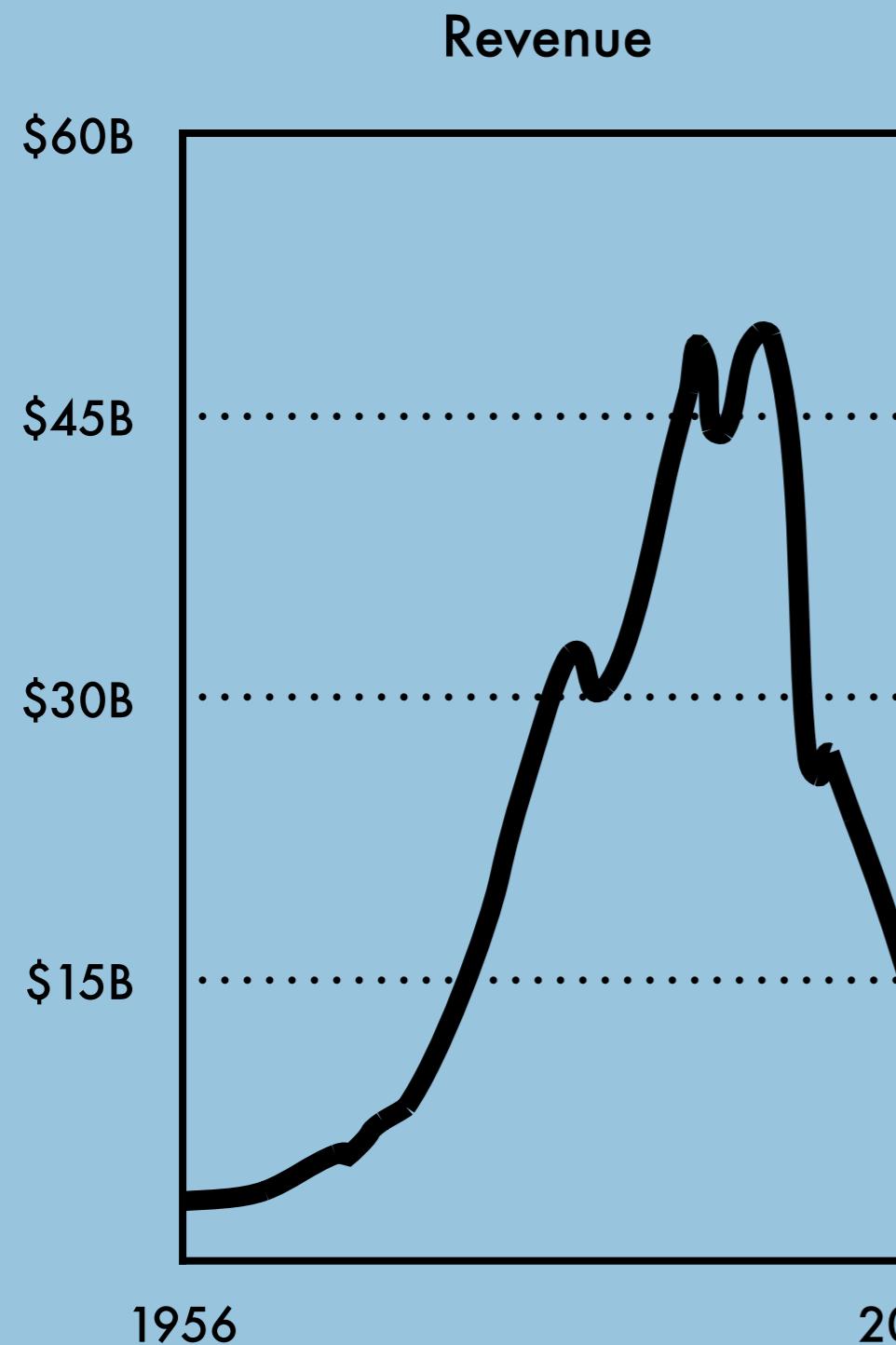
As news moved online, so did advertising dollars...

...but most of those dollars have gone to Google and Facebook—not publishers.



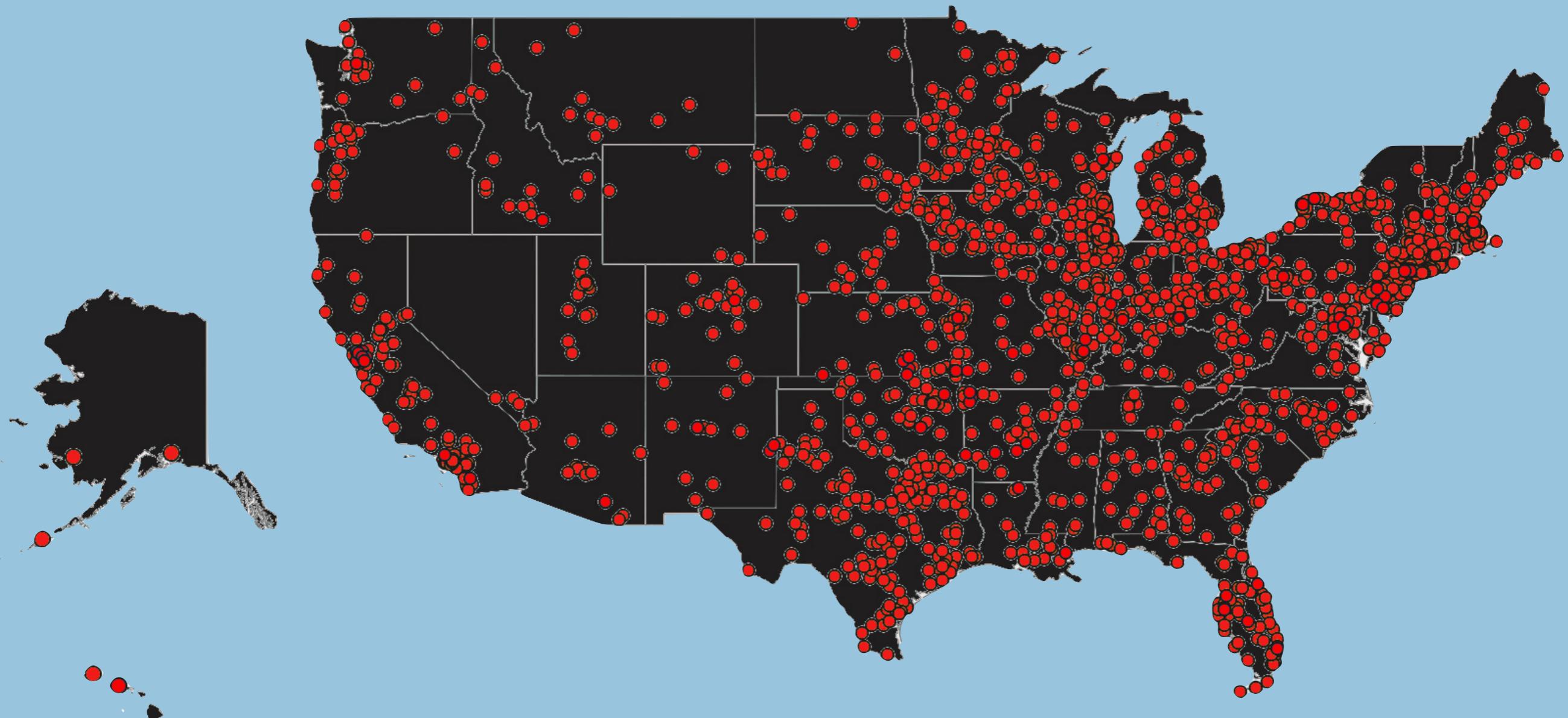
**By most any metric, newspapers are now in
bad shape.**

Revenue and Circulation are down...



Many have shuttered...

U.S. Newspaper Closings Since 2004



...and their biggest supporters have thrown in the towel.

THE WALL STREET JOURNAL.

BUSINESS

Warren Buffett Is Giving Up on Newspapers

Lee Enterprises is acquiring Berkshire Hathaway Media Group's publications for \$140 million

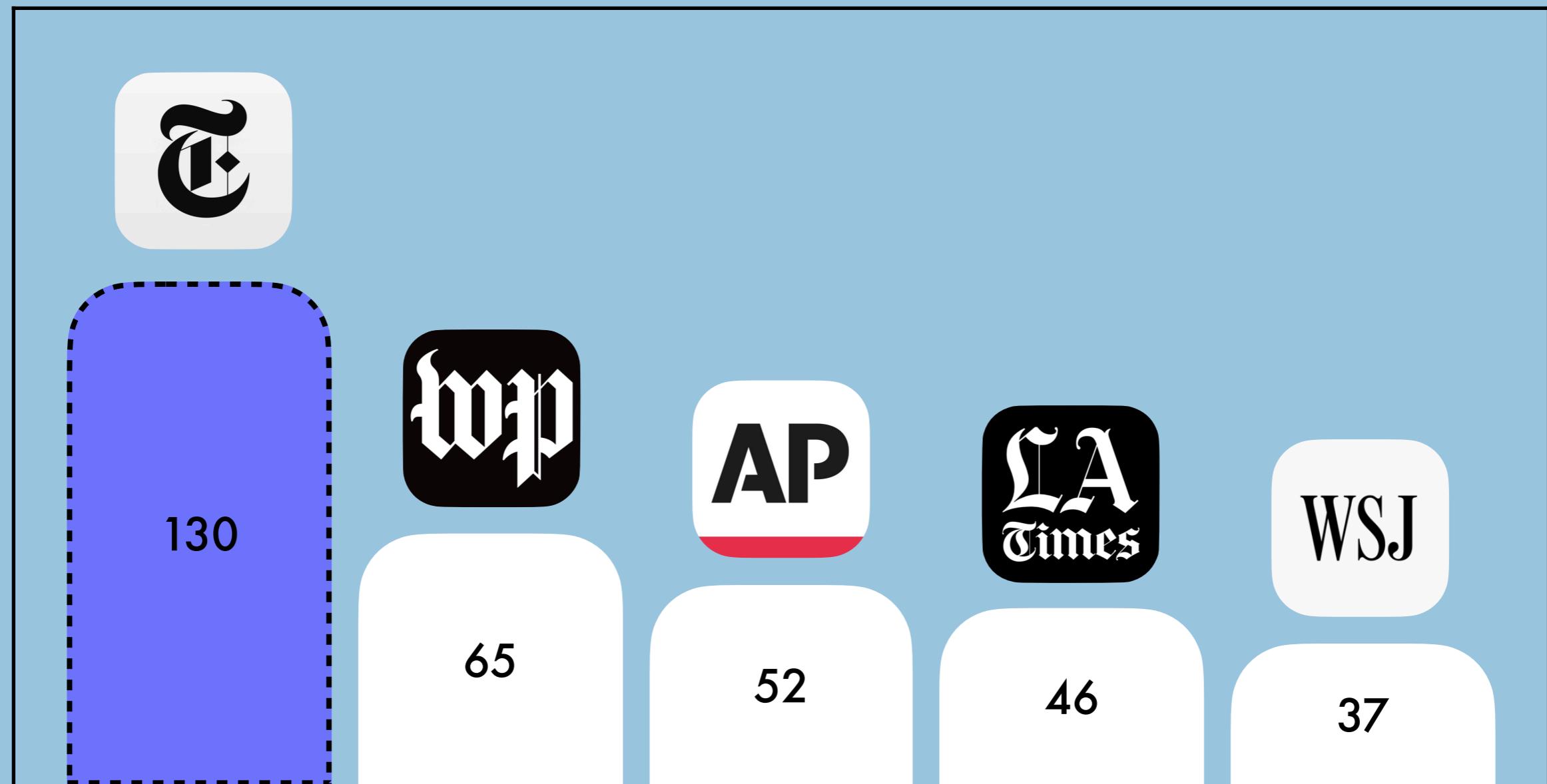


Warren Buffett is ending his bet on local newspaper business

The New York Times

Despite being the third-largest newspaper in the US, and the most prestigious newspaper in the world...

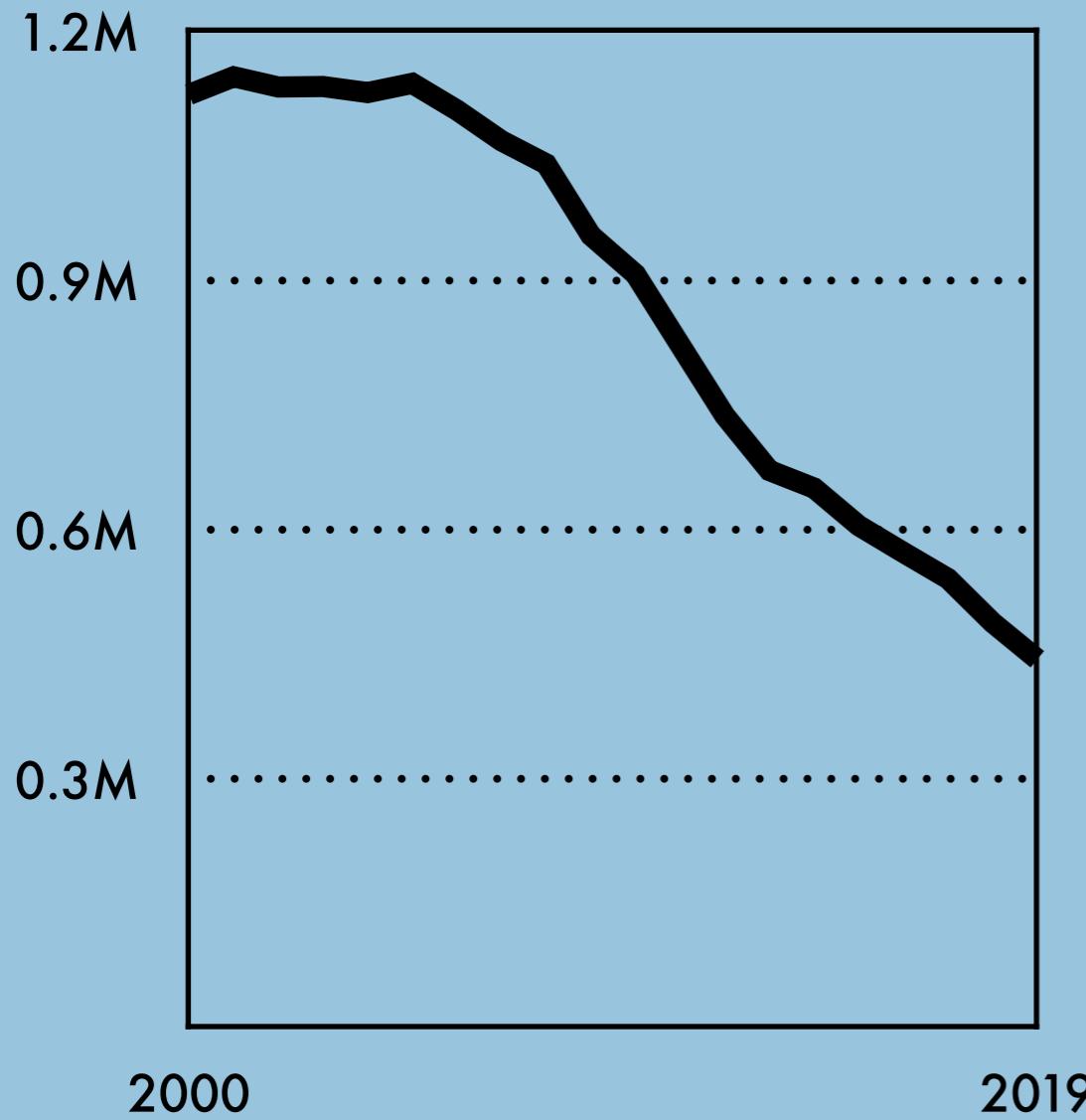
Pulitzer Prizes



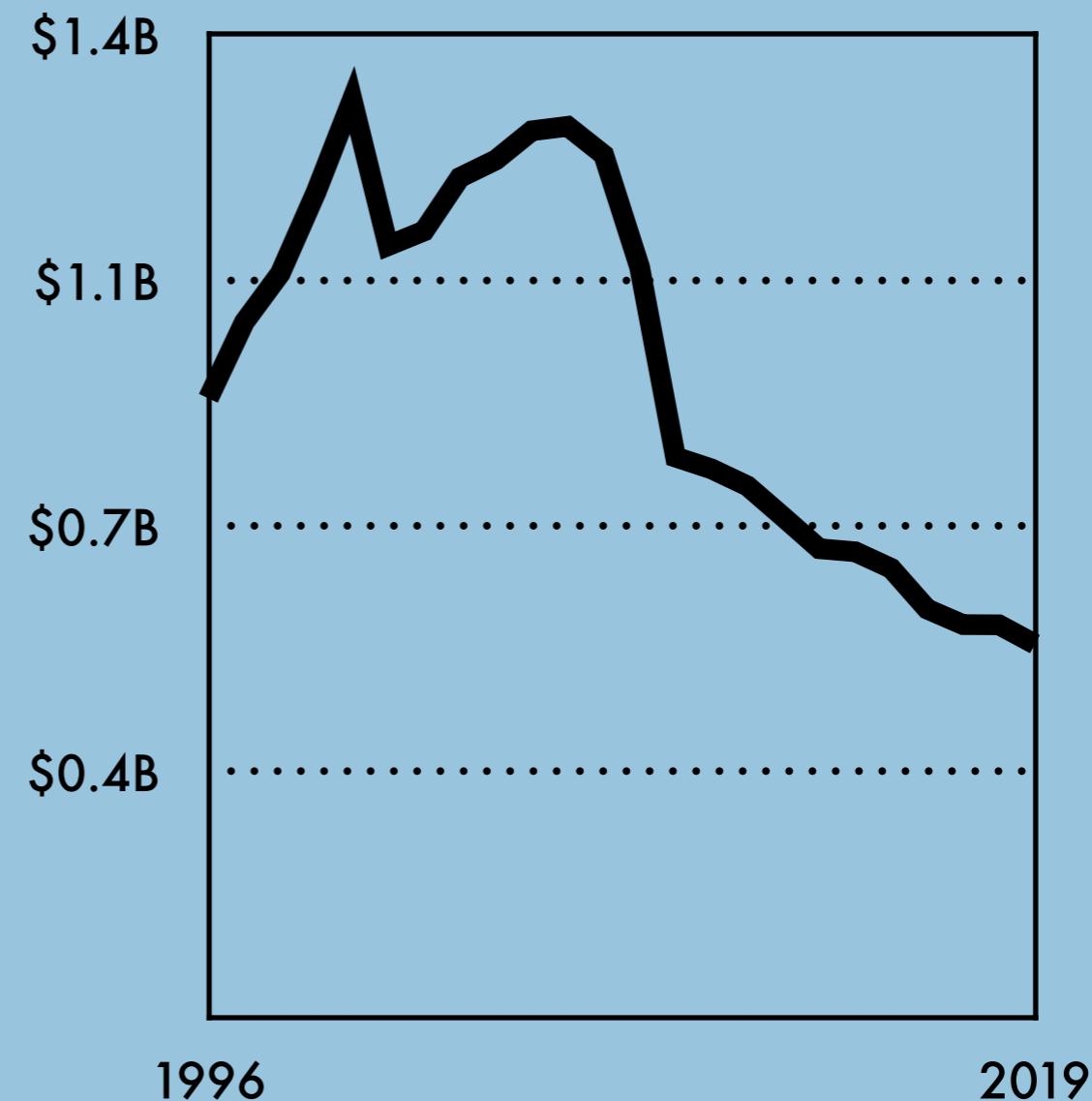
...the 170-year-old *New York Times* has not been spared.

NYT entered the decade struggling to sustain the same dying business model that plagued the rest of the industry.

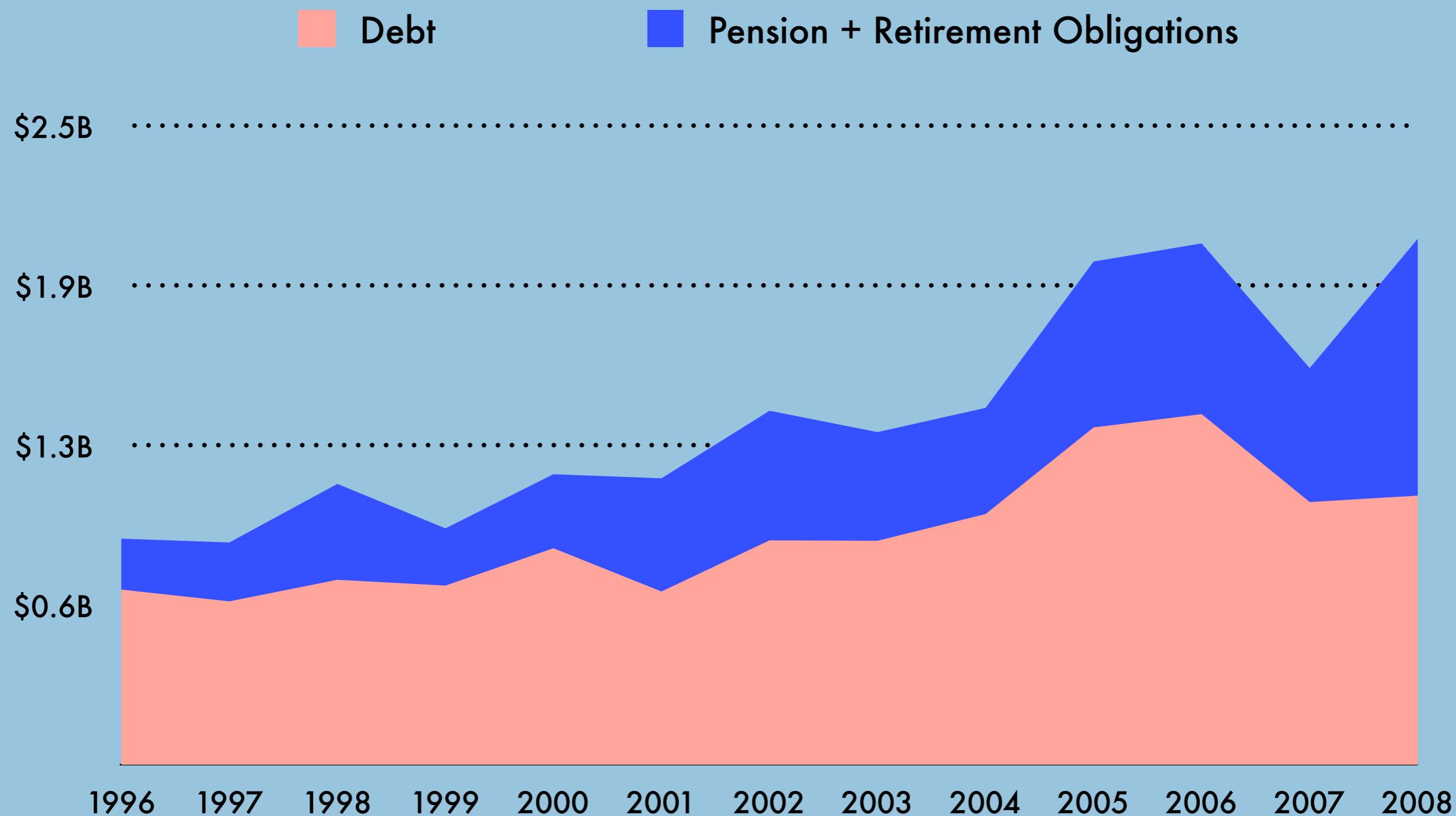
NYT Circulation



NYT Ad Revenue



On top of that, they were saddled with lots of debt...



...thanks to a penchant for poor acquisitions and investments.



About.com



NESN

Many wondered if the most important newspaper in the world would survive.

“The former Times executive editor Abe Rosenthal often said he ‘couldn’t imagine a world without The Times.’

Perhaps we should start.”

- Michael Hirschorn
Contributing Editor, The Atlantic, 2009

Many wondered if the most important newspaper in the world would survive.



Donald J. Trump 
@realDonaldTrump

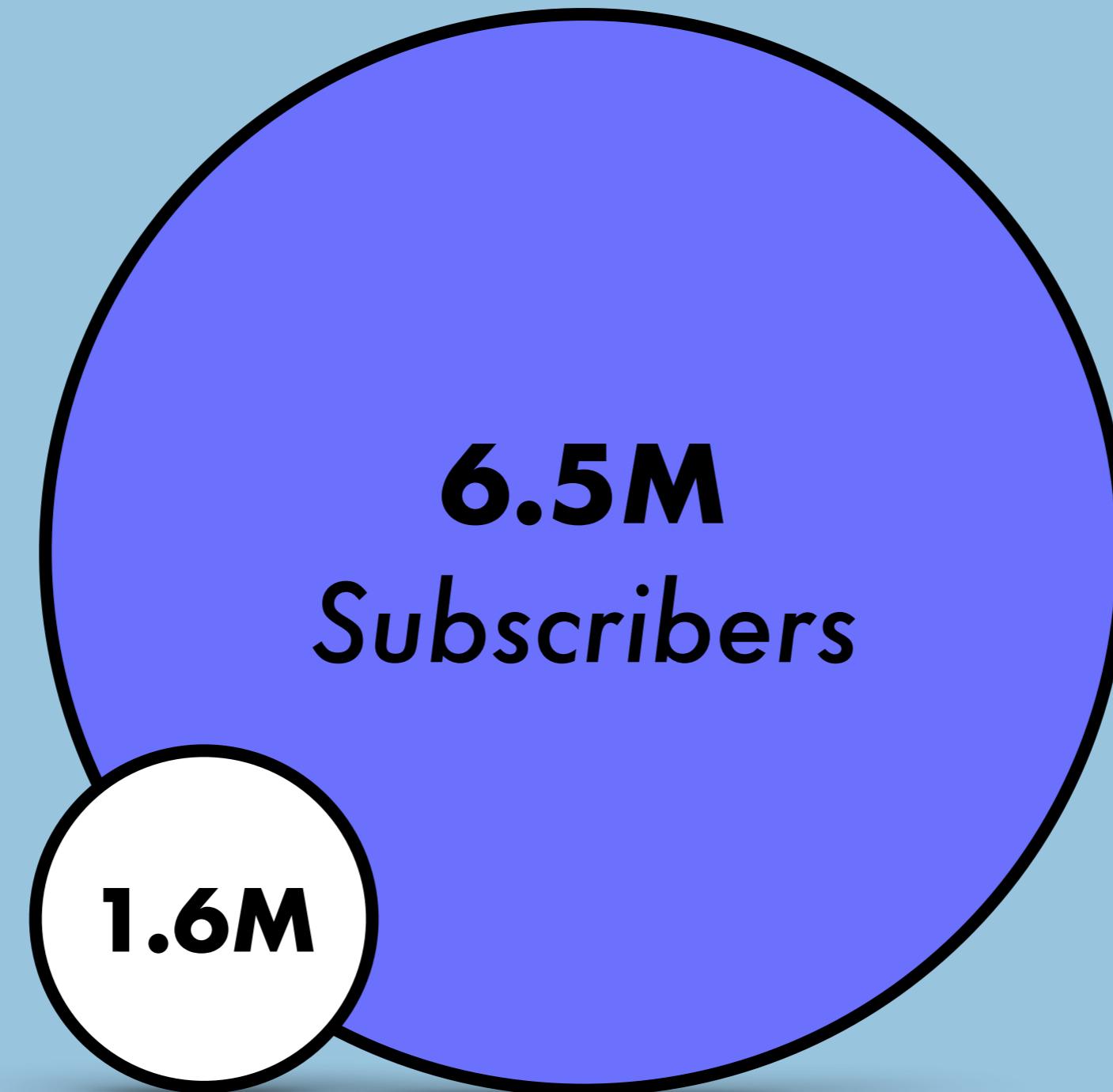
How much longer will the failing nytimes, with its big losses and massive unfunded liability (and non-existent sources), remain in business?

4:39 PM · 8/7/17 · Twitter for iPhone

14.3K Retweets **70.9K** Likes

But by 2020, The New York Times turned things around.

NYT now has 4X more subscribers than they did at their print-era peak.



Their financials are strong.

\$0
Debt

\$756M
Cash & Equivalents

10%
Operating Margin

\$140M
Net Income

\$200M
Free Cash Flow

12%
Return on Equity

And the business has tons of profit potential...



...with perhaps as much—if not more—upside than the likes of “market darling” content platforms like Spotify and Netflix.



So how did The New York Times do it?

The New York Times

REINVENTED THEIR
PRODUCT

“The rise of The Times from wounded giant to reigning colossus has been as breathtaking as that of any start-up. As recently as 2014, print advertising was collapsing and the idea that subscribers would pay enough to support the company’s expensive global news gathering seemed like a pipe dream. But today “the gulf between The Times and the rest of the industry is vast and keeps growing.”

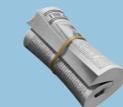
- Ben Smith

NYTimes Media Columnist &
Former Edit of BuzzFeed News

How The New York Times reinvented their product.



CLEANED UP THE BALANCE SHEET



INVESTED IN CONTENT



INVESTED IN TECH



LAUNCHED NEW REVENUE STREAMS

For decades, NYT borrowed money to buy assets like: regional newspapers, television and radio stations, magazines, real estate, also-ran internet companies, paper manufacturers, joint ventures, and even part of the lowly Boston Red Sox.

NYT Assets and Investments (1970 - 2019)

Newspapers



The Press Democrat

- The Boston Globe
- Sarasota Herald-Tribune
- The Press Democrat
- The Ledger
- The Gainesville Sun
- Santa Barbara News
- Spartanburg Herald-Journal
- Wilmington Morning Star
- Star-Banner
- Times Daily
- The Tuscaloosa News
- The Gadsen Times
- The Courier
- Daily World
- The Dispatch
- Times-News
- Daily Comet
- Palatka Daily News
- Lake City Reporter
- The News-Sun
- Marco Island Eagle
- News-Leader

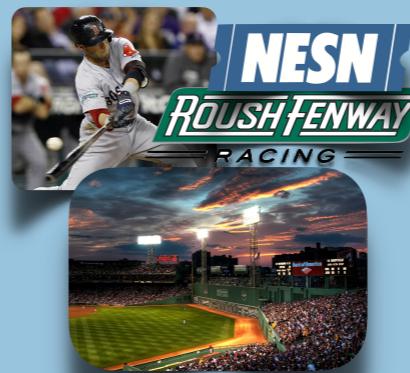
Magazines



Television Stations



Fenway Sports Group



Radio Stations



Other



- WHNT (Huntsville, AL)
- KFSM (Fayetteville, AK)
- WQAD (Davenport, IA)
- WHO (Des Moines, IA)
- KFOR (Oklahoma City, OK)
- KAUT (Oklahoma City, OK)
- WNEP (Wilkes-Barre, PA)
- WREC (Memphis, TN)
- WTKR (Norfolk, VA)

- Boston Red Sox (minority interest)
- Fenway Park (minority interest)
- Liverpool Football Club (minority interest)
- 80% of NESN, a regional cable sports network that televises the Red Sox & Bruins
- 50% percent of Roush Fenway Racing, a leading NASCAR team.

- About.com
- Donohue Malbaie (paper manufacturer)
- Madison Paper Industries (paper mill)
- Multiple buildings in Manhattan

But when The Financial Crisis hit in 2008, advertising revenue dried up—and NYT found it couldn't afford its looming interest payments.

Making matters worse, the company also owed its employees \$1 billion in the form of pension and retirement obligations.

If action wasn't taken—and fast—NYT
wouldn't be able to pay its bills.

Or its reporters.

The Times managed to survive by...



Taking out a \$250M loan from Carlos Slim, the Mexican telecom billionaire.



Selling its fancy Renzo Piano-designed Manhattan headquarters (and leasing it back from the buyer).

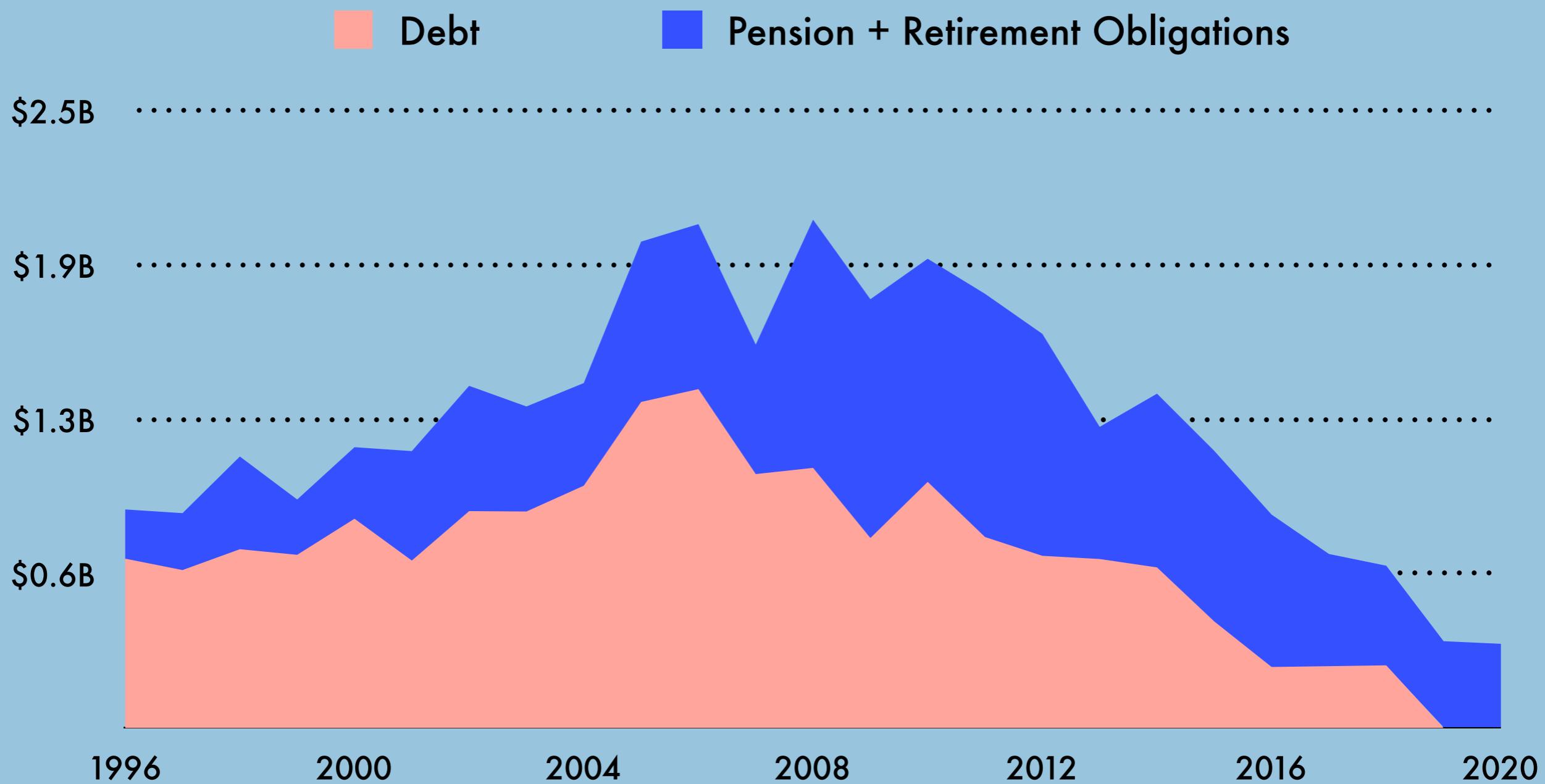


Shedding non-core assets like About.com, various television stations, and its stake in the Boston Red Sox.

“We sold off every bit of the company we could sell off to hold our journalism investment as flat as possible.”

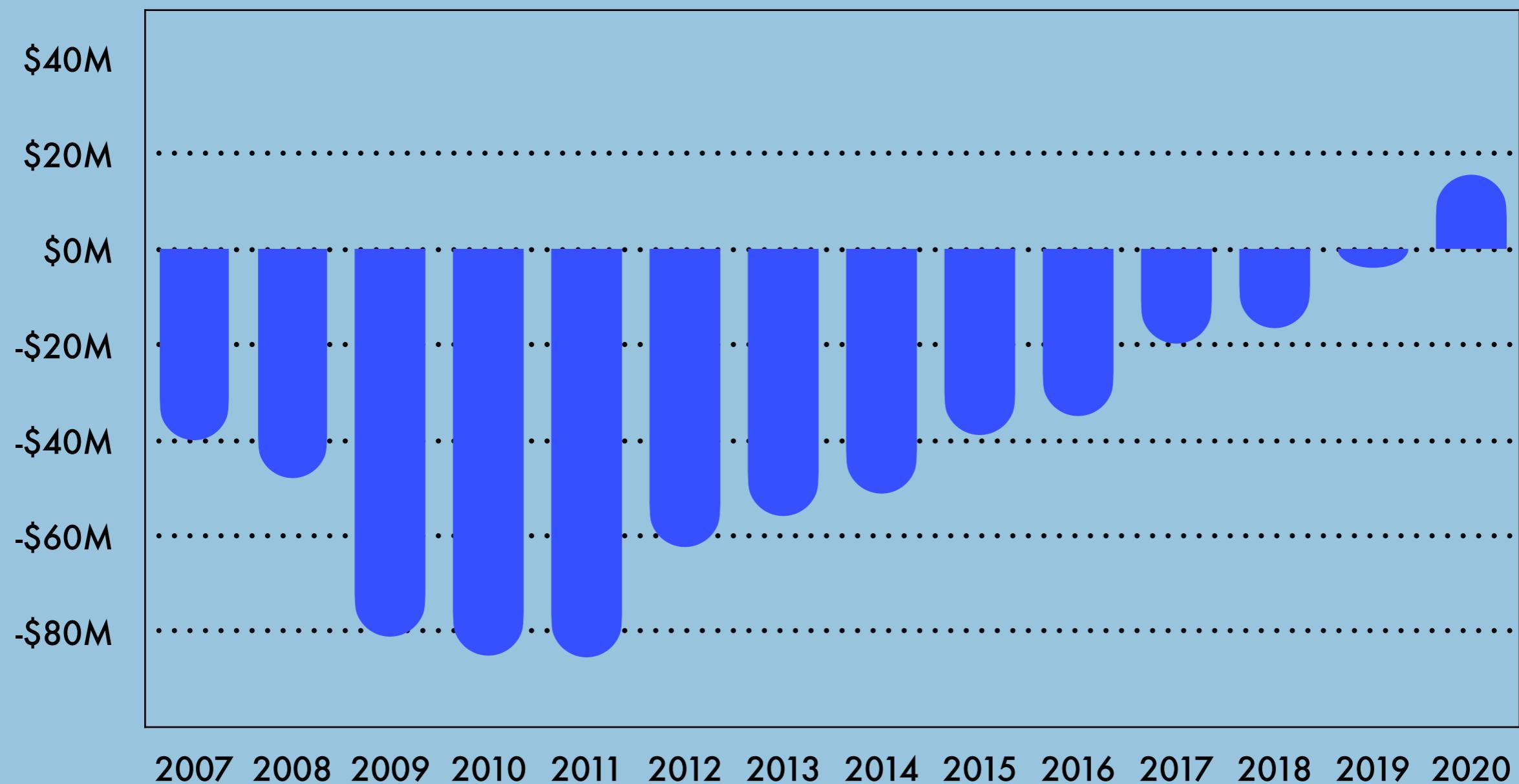
- A.G. Sulzberger
Publisher, NYTimes

By 2020, The Times had sold all non-core assets, was debt-free, and had drastically reduced its pension & retirement liabilities.



As a result, NYT now receives interest (from their growing cash balance), rather than pays it.

Net Interest Income/Expense



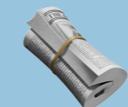
**The balance sheet—once a glaring weakness
—is now one of NYT's greatest strengths.**

“Our fortress balance sheet puts us in a far better position...not just to weather this storm but to thrive.”

- Mark Thompson
Former CEO, NYTimes



CLEANED UP THE BALANCE SHEET



INVESTED IN CONTENT



INVESTED IN TECH



LAUNCHED NEW REVENUE STREAMS

Though The Times's print business is dying, it's not dead yet; in fact, it's still quite profitable.

“We’re able to use our wonderful print product and the cash it throws off like an internal investment bank.”

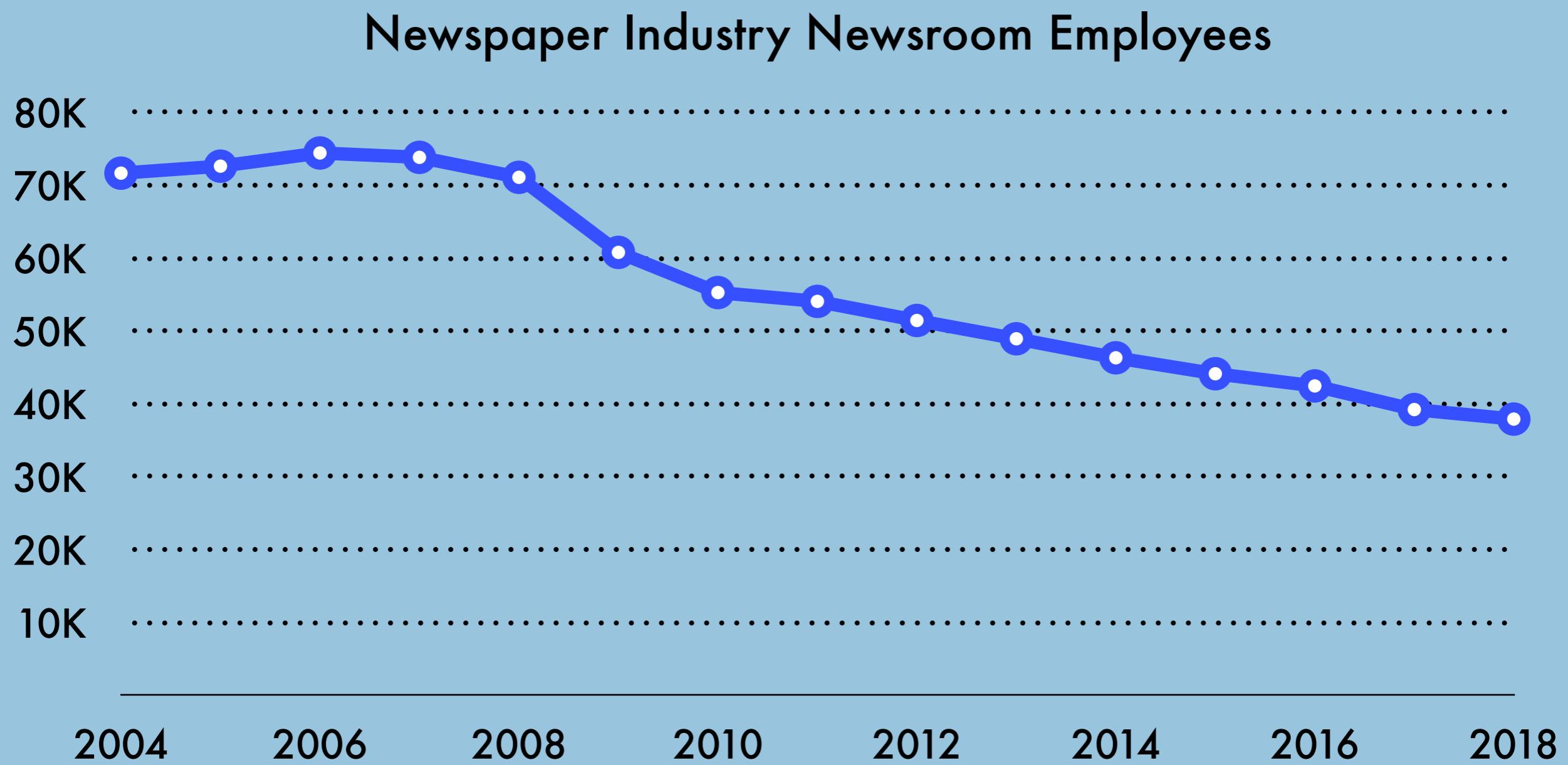
- Mark Thompson
Former CEO, NYTimes

The Times has taken their print profits and reinvested heavily—and wisely—in their core offering: journalism.

“The single biggest thing we did...was to invest in our newsroom and invest in our journalism. And I still think the reason that we've had more luck than many other news organizations is because we've invested in journalism; rather than firing journalists.”

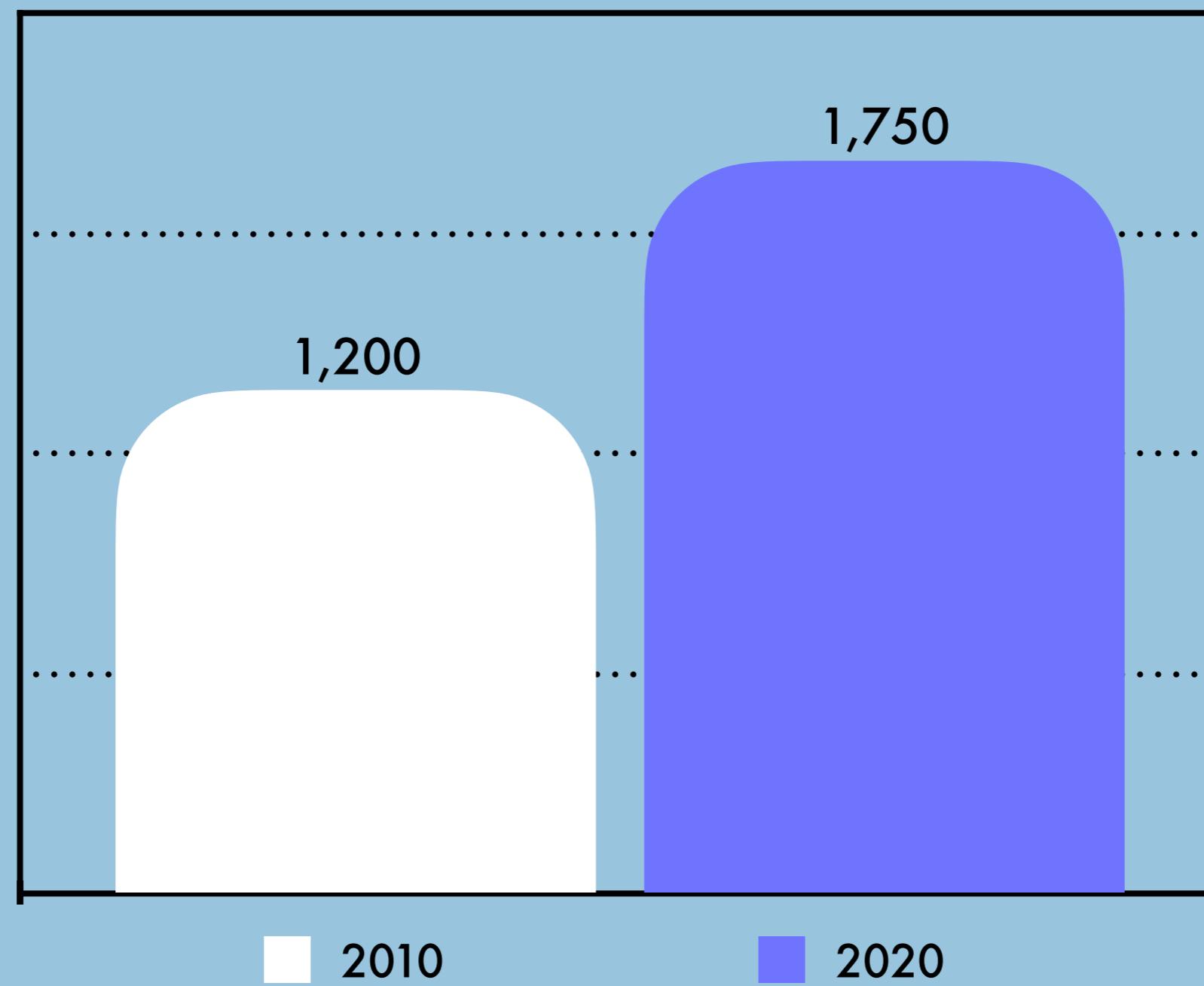
- Mark Thompson
Former CEO, NYTimes

While other publishers have been laying off reporters...

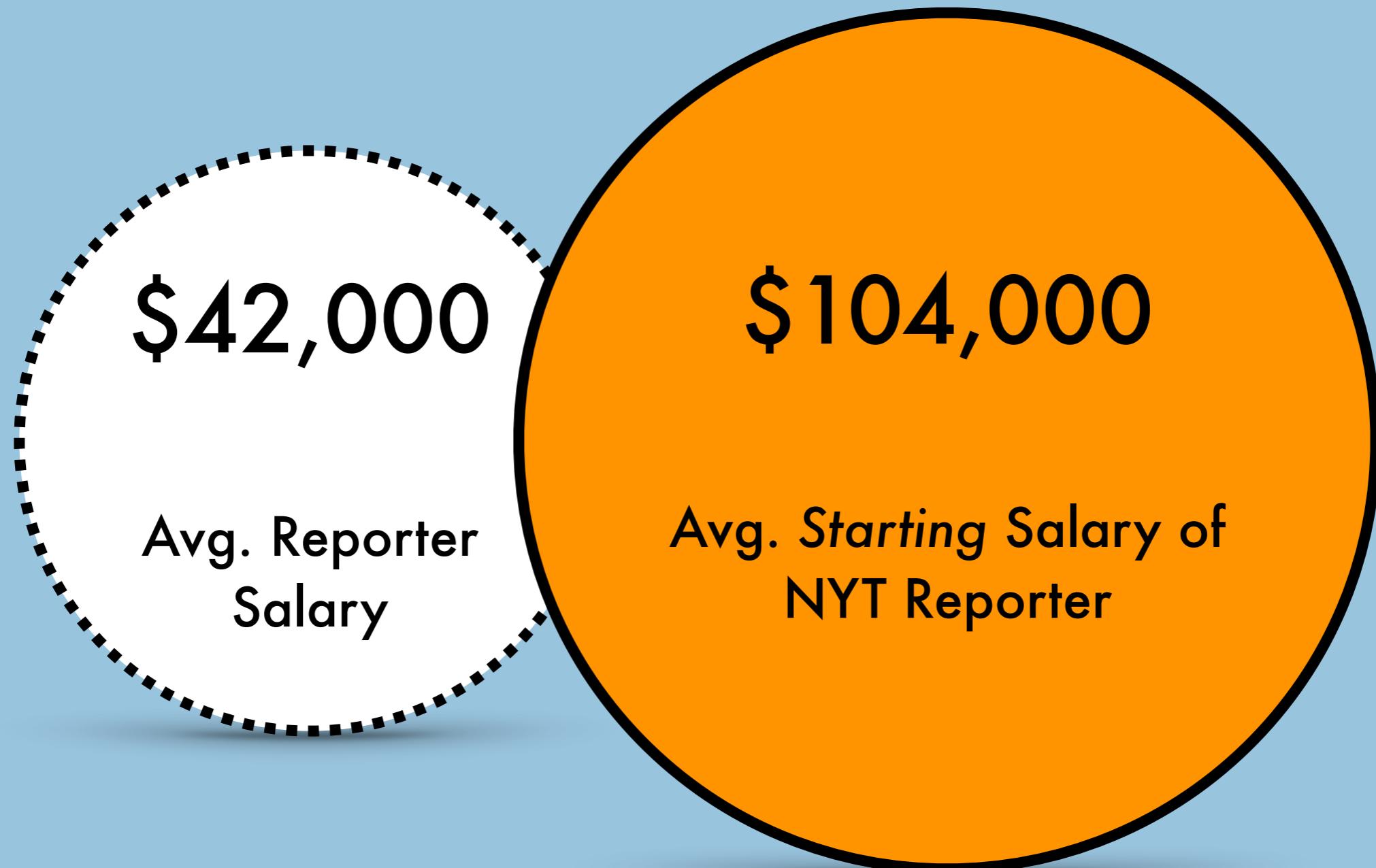


...The New York Times has been aggressively adding more.

of Newsroom Employees



And it's no wonder...



By paying 3-4x the industry average, NYT has attracted top talent from other publishers.



Ben Smith



Davey Alba



Charlie Warzel



Maggie Haberman



Ken Vogel



Sarah Kliff



Lisa Chow



Jane Bradley



Reggie Ugwu



Sapna Maheshwari



Jonathan Martin



Annie Karni



Shira Ovide



Elaina Plott



Sheera Frenkel



Ginny Hughes



Roxanne Emadi



Glenn Thrush



Dana Rubinstein



Kevin Delaney



Kara Swisher



Choire Sicha



Ed Lee



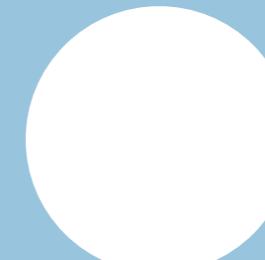
Taylor Lorenz



Nellie Bowles



Nikole
Hannah-Jones



Catherine Porter

(The prestige doesn't hurt either)

"The thing about working for the Times is that you never have to explain yourself."

- Nicholas Confessore
NYT Political Correspondent

The Times has been so aggressive in adding top talent—especially from online-only publications like Politico and Buzzfeed News—that Vanity Fair recently quipped: “BuzzFeed’s newsroom has become something of a farm team (for the Times)”.

Hiring top talent is—by far—the most impactful determinant of NYT’s core product: journalism.

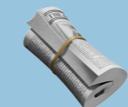
And better journalism drives more subscribers, which generates more profits for NYT to invest in hiring even more journalists.

Blah, blah, flywheel...





CLEANED UP THE BALANCE SHEET



INVESTED IN CONTENT



INVESTED IN TECH



LAUNCHED NEW REVENUE STREAMS

In 2014, The New York Times published an internal memo titled "The Innovation Report", which was an unsparing self-assessment of the company's flailing digital strategy.

The Innovation Report

Led by A.G. Sulzberger—four years before he became the paper's publisher—the report outlined how The Times was failing to reach its readers in the digital era. It also highlighted how NYT was being outmaneuvered by competitors like BuzzFeed, The Huffington Post, and even the staid WSJ.



Some takeaways from the report...



The Times needed to invest in audience development. People were consuming NYT content, but not always on NYT properties. For example, sites like Huffington Post were getting far more traffic simply by aggregating and repackaging original Times content. This had to change.



The Times lacked structured data—without which search engines couldn't find NYT stories or images, recipes couldn't be sorted or categorized by ingredient or cuisine, and readers couldn't follow specific topics or columnists.



The newsroom was siloed from the rest of the business. Though The Times employed many people in Engineering, Product, Analytics, R&D, and Technology, they were walled off from the newsroom. The result was a weaker digital product.

Some takeaways from the report...



Social media was an afterthought. The Times's Facebook and Twitter pages were fallow, and only a handful of reporters regularly promoted their articles on Twitter.



The publishing schedule was out of sync with digital behaviors. The Times was still publishing most stories in the evenings, despite digital traffic being highest in the morning. And the most ambitious stories were published on Sundays, even though it's the day with the lowest website traffic.



Old content can be repackaged. The Times had 170 years of articles, photographs, recipes, puzzles, and other content stored in an underground archive nicknamed "The Morgue". Even older *digital* content wasn't being used well. Meanwhile, other media players were successfully using old NYT content on other platforms.



The Times is a-changing

“How times have changed. Only five or six years ago, it looked as if newcomers like BuzzFeed were beginning to eat the Times’s lunch. But by...2019, the Times had significantly upped its digital game and cultivated a massively successful digital subscription business.

In other words, the tables have turned.”

- Joe Pompeo
Vanity Fair

In addition to investing in journalistic talent, NYT has also made notable tech hires from Facebook, Google, Spotify, Buzzfeed, etc.

Victor Liu	Executive Director, Facilities	Airbnb/Facebook	Lisa Kamm	VP of Product	Google
Kaitlin Yapchaian	Executive Director, Product Marketing	Apple	Michael Reifman	Senior Software Engineer	Google
Kate Cullinane	Senior Product Designer	Apple	Dan Schlosser	Senior Product Manager	Google
Jeremiah Via	Lead Software Engineer	Apple	Emily Harms	Data Engineer	Google
Carrie Levy	Creative Director, Partnerships	Apple, Airbnb, Instagram	Stefanie Lau	Program Manager	Google
Anushka Patil	Social Strategy Editor	Buzzfeed	Eva Roa	Senior Manager, News Product Analytics	Google
Emily Fleischaker	Enterprise Strategy Editor	Buzzfeed	Alex Rainert	Head of Audio Product	Google, Foursquare
Scott Loitsch	Executive Video Producer	Buzzfeed	Christian Evans	Software Engineering Manager	Google, OkCupid
Jessie Wu	Software Engineer	Buzzfeed	Leah Anton	Product Designer	LinkedIn
Charlyn Buchanan	Software Engineer	Buzzfeed	Mel Cone	Software Engineer	Microsoft
Gabriel Sanchez	Cooking/Food Photo Editor	Buzzfeed	Sarah Klein	Software Engineer	Microsoft
Ian M.	Creative Engineer	Dropbox	Daniel Jacobson	VP of Engineering	Netflix
Tim Nance	Senior Engineering Manager	Facebook	Ashley Bohns	Customer Care Training Lead	Netflix
Farah Miller	Director of Content Strategy	Facebook	Christine Lee	Data & Insights	PayPal
Arielle Aurrichio	Technical Product Manager	Facebook	Grace LaRosa	Product Design Lead	Spotify
Mollie Vandor	Product Director	Facebook	Lindsay Fischler	Brand Director, Audio, TV & Film	Spotify
Evan Maeda	Lead Product Designer	Facebook, Lyft	Ben Smithgall	Interactive News Developer	Spotify
Issara Paoluengtong	Product Manager, NYT Cooking	Facebook	Aliza Aufrichtig	Graphics/Multimedia Editor	Spotify
Darun Kwak	Product Manager, NYT Cooking	Facebook	Manish Nag	VP of Data + Insights	Spotify
Dan Sanchez	Editor, Emerging Platforms	Facebook	Devon Meyer	Senior Product Manager	Square
Alexandra Hardiman	Head of Product	Facebook	Jonathan Knight	General Manager of Games	Zynga, EA
Jake Grovum	Social Strategy Editor	Financial Times	Jon Tien	Head of Engagement	Zynga

NYT added Directors to its board with digital experience...



Aman S. Bhutani

Board member since 2018

CEO of GoDaddy. Former President and CTO of Expedia.



Robert E. Denham

Board member since 2008

Partner at law firm Munger, Tolles & Olson. Longtime Berkshire Hathaway counsel.



Rachel Glaser

Board member since 2018

CFO of Etsy.



Hays N. Golden

Board member since 2017

Senior Director for Science & Strategy at Crime Lab NY. Former VP at AIG.



Brian P. McAndrews

Board member since 2012

Former CEO of Pandora. Previously Partner at Madrona Venture Group, SVP at Microsoft.



Doreen Toben

Board member since 2004

From Executive Vice President of Verizon.



John W. Rogers, Jr.

Board member since 2018

Founder & CEO of Ariel Investments. Also serves on the board of McDonald's and Nike.



Mark Thompson

CEO 2012-2020

Former Director-General of the BBC.



Rebecca Van Dyck

Board member since 2015

CMO of AR/VR at Facebook. Previously Senior Director of Worldwide Marketing at Apple.



David Perpich

Board member since 2008

Head of Standalone Products.
5th generation Sulzberger



A.G. Sulzberger

Publisher since 2018

Former NYT reporter.
5th generation Sulzberger

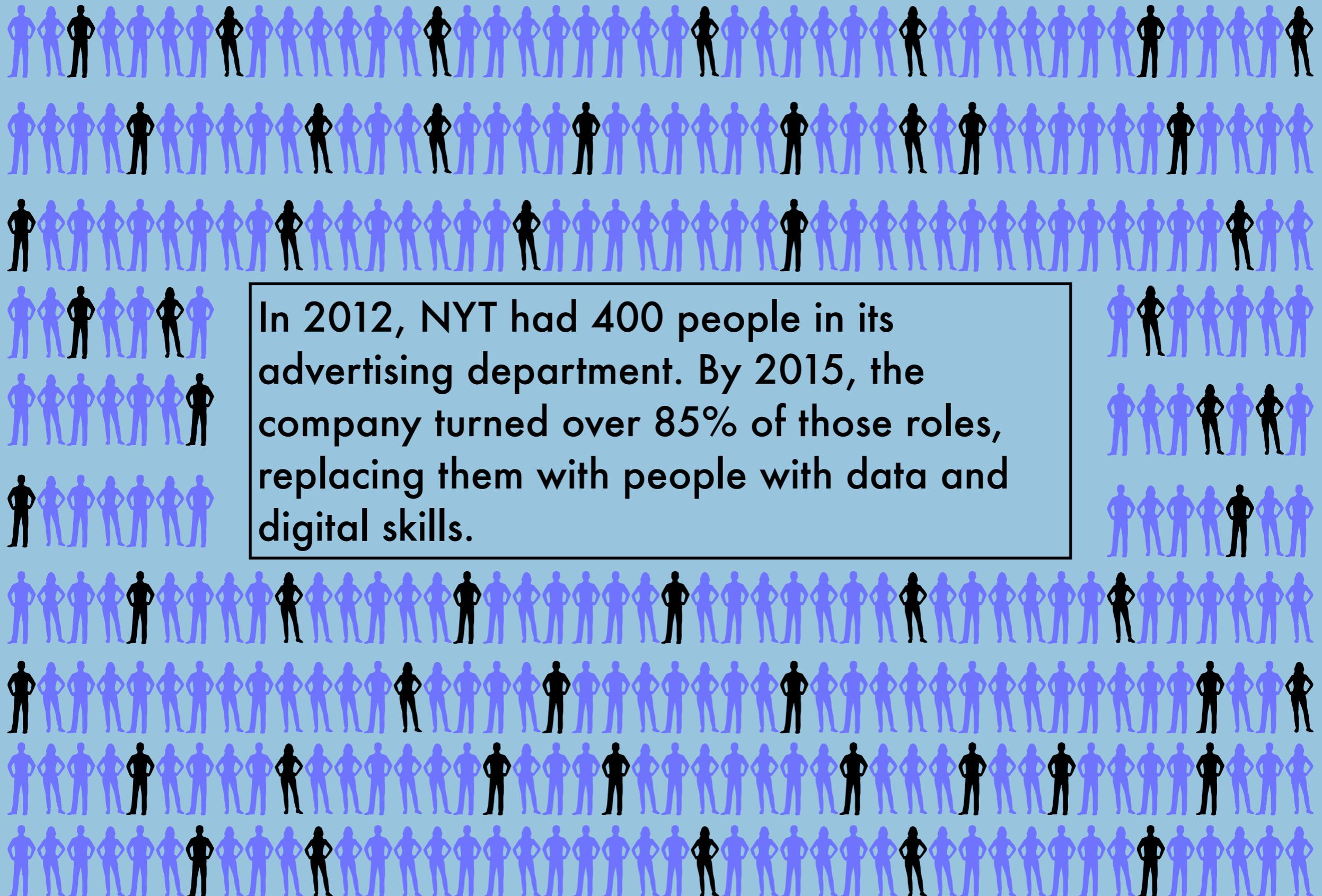


Arthur O. Sulzberger, Jr.

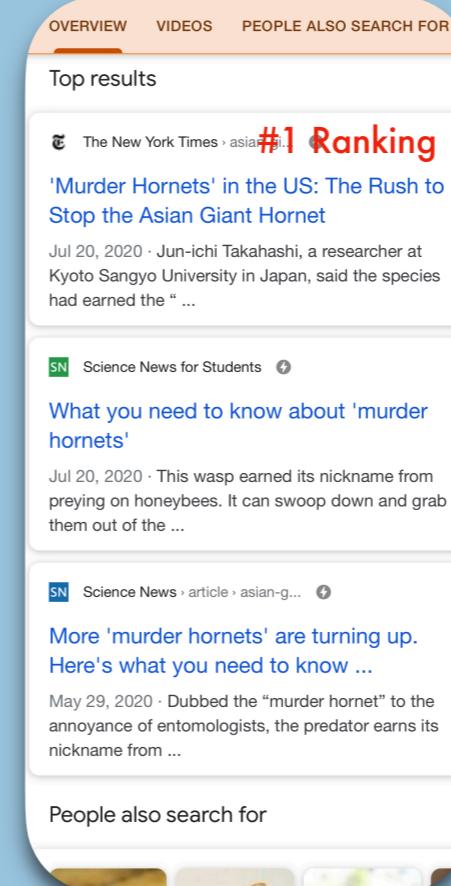
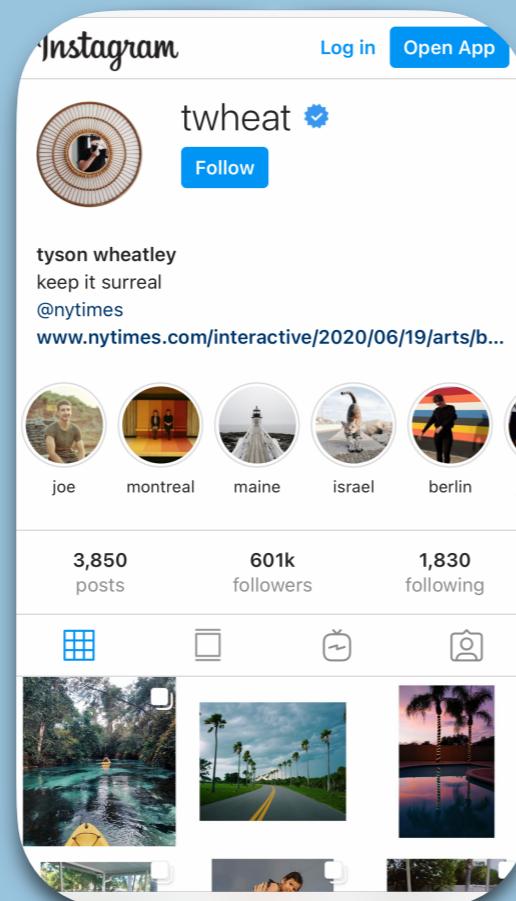
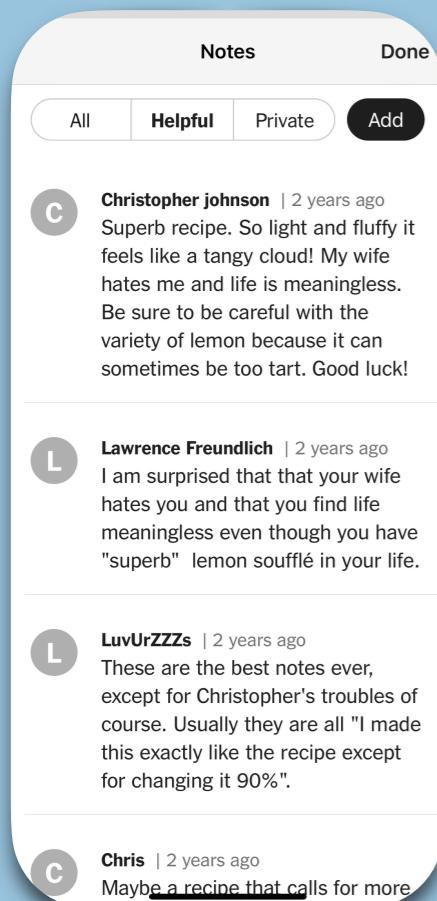
Chairman since 1997

Former NYT publisher and reporter. 4th generation Sulzberger

...overhauled its advertising department...



...and has upped its social media, audience development, and SEO game.



Fostered thriving comments section, especially on NYT Cooking.

Hired Director of Instagram.

Built robust Audience Development and SEO capabilities.

Encourages reporters and employees to engage on social media.



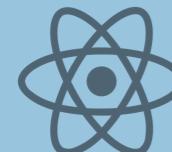
Moved to Google Cloud Platform



Implemented Elasticsearch



Digitized millions of archived photos



Rewrote website in React



Deployed Slack across the organization

Just as importantly, NYT's digital transformation also extended to the company's internal operations—which are now by far the most advanced of any publisher in the world.



Rebuilt custom CMS



Trained reporters how to work with data



Deployed Google Docs



Rewrote iOS app in Swift



Built publishing pipeline on Kafka

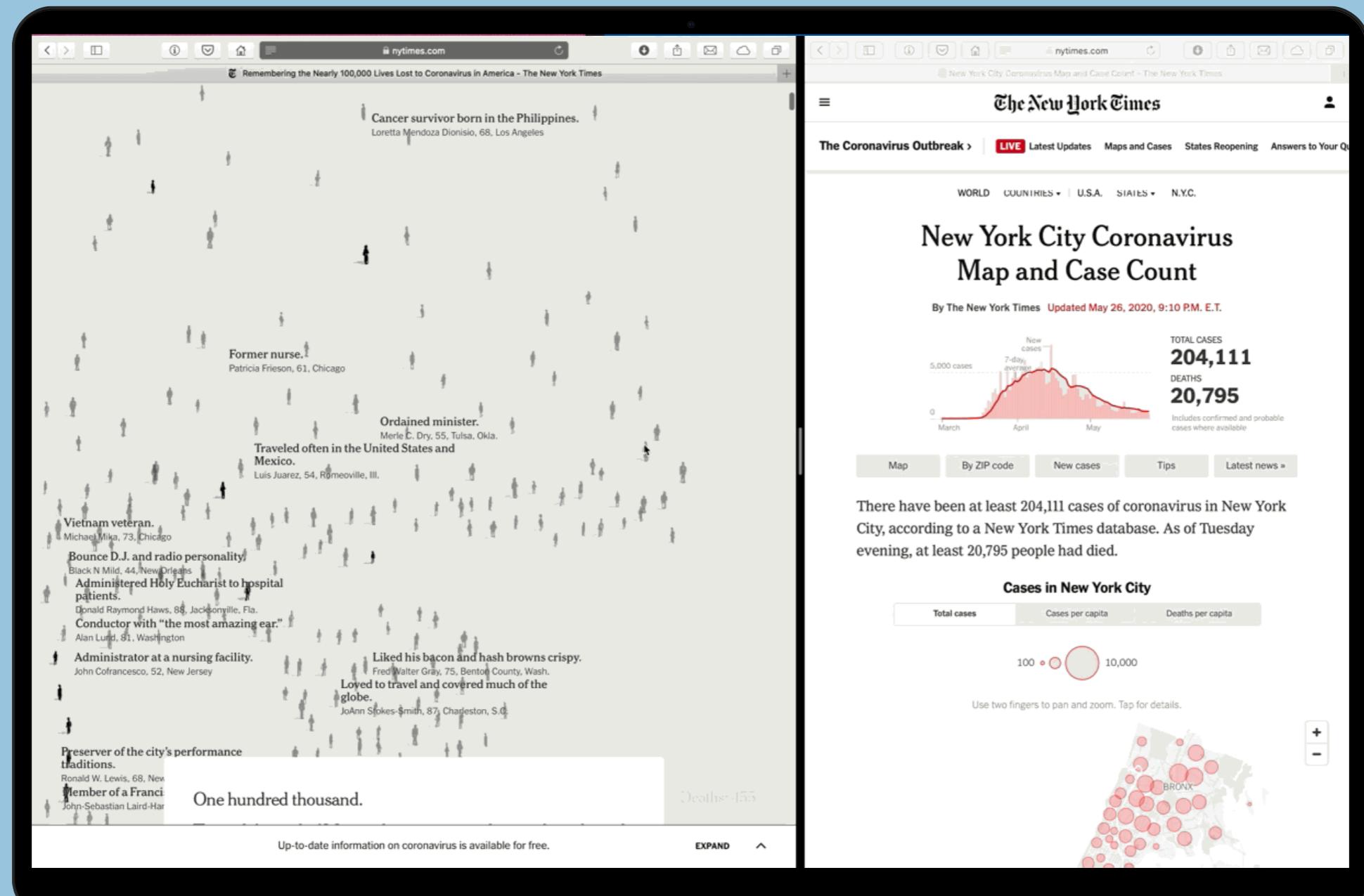


Remade API layer on GraphQL

All these tech investments are paying off; today, NYT boasts a best-in-class website and app...

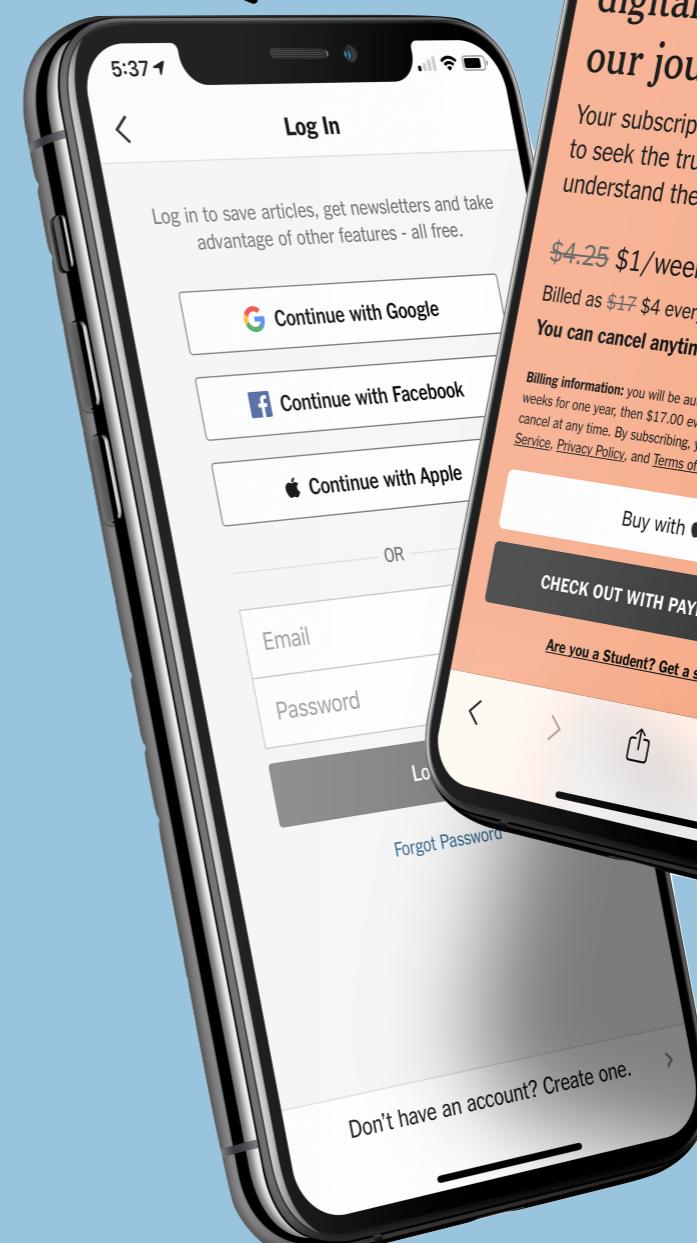


...filled with beautiful charts, graphics, photos, videos, and visualizations...



...and an extremely
easy, user-friendly
signup, payment,
and login flow.

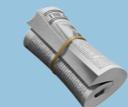
social login



*one-click
payment*



CLEANED UP THE BALANCE SHEET



INVESTED IN CONTENT



INVESTED IN TECH



LAUNCHED NEW REVENUE STREAMS

While their core product is still journalism, NYT has in recent years created new revenue streams by expanding into new media formats, products, and services.

The Daily



Launched in 2017, The Daily is a daily (duh) podcast hosted by former Times reporter Michael Barbaro. Its episodes are based on stories published by the Times, and often include interviews with the journalists behind them.

And it's a massive hit.

The Daily is one of the most popular—if not *the* most popular—podcasts in the world.

Each episode is downloaded 4M times (vs 400k who read the paper each week)...

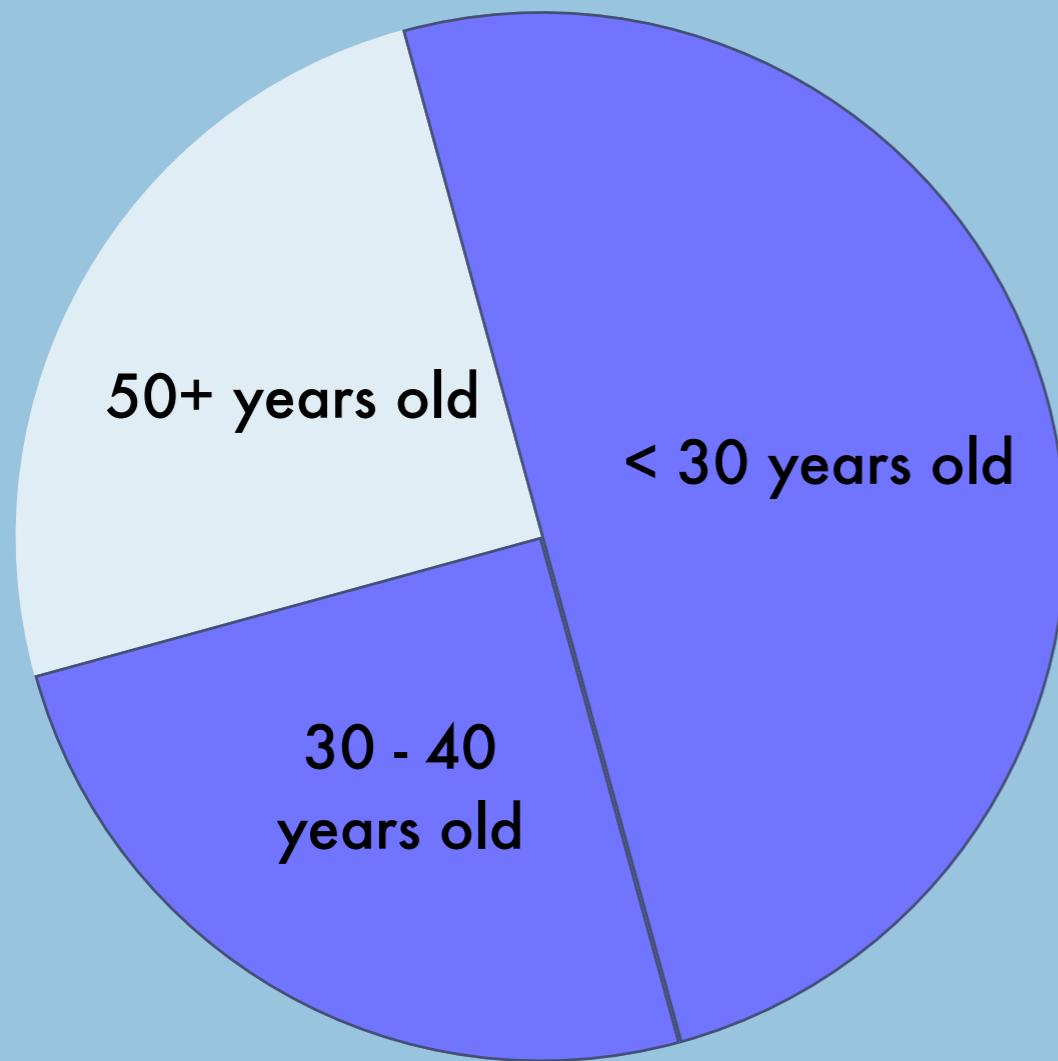
...making host Michael Barbaro a bonafide celebrity.

The Voice of a Generation Michael Barbaro made the *New York Times* podcast *The Daily* a raging success. Or is it the other way around?

**"WE DIDN'T EXPECT TO MAKE MONEY":
HOW THE DAILY'S MICHAEL BARBARO
UNEXPECTEDLY BECAME THE IRA GLASS
OF THE NEW YORK TIMES**



The Daily Audience Breakdown



**And its audience is
very young, and
very engaged.**

**In other words: it's
an advertiser's
dream.**

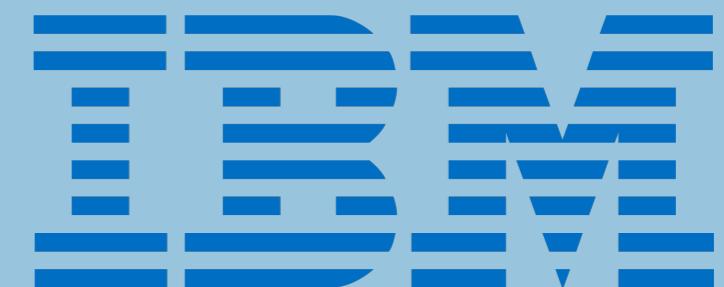
“One of the great achievements of The Daily has been to deeply engage...millions of millennials...for 20+ minutes on smartphones...on a daily basis. So this is...a new, deeply-engaged audience for The New York Times, and it's...an extremely cash-generative activity for us through advertising.”

- Mark Thompson
Former CEO, NYTimes

And these aren't your run-of-the-mill podcast advertisers either. The Daily has attracted bluechip advertisers like:

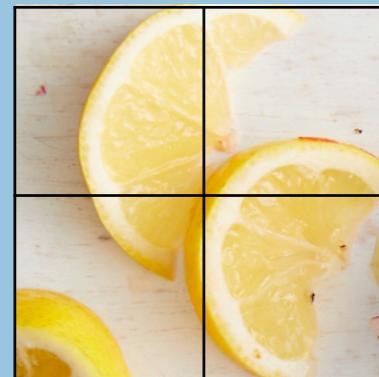


Google

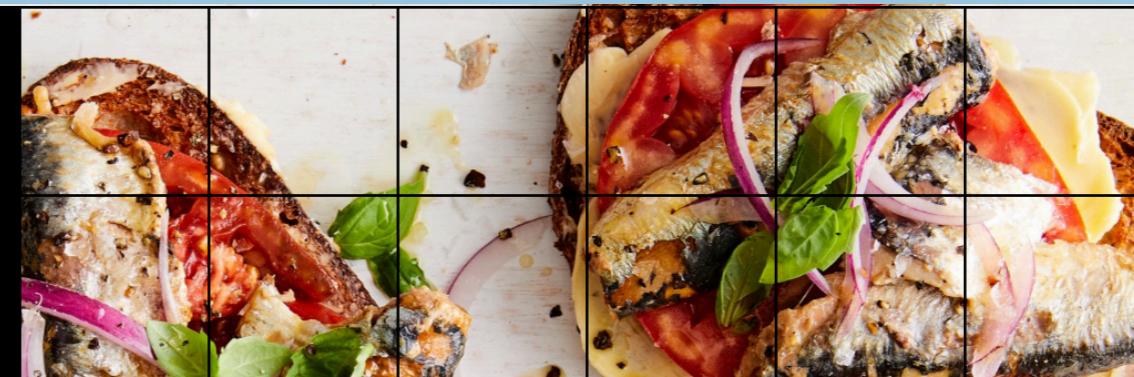


Though NYT doesn't break out The Daily's finances, revenue estimates are in the eight figures (and growing).

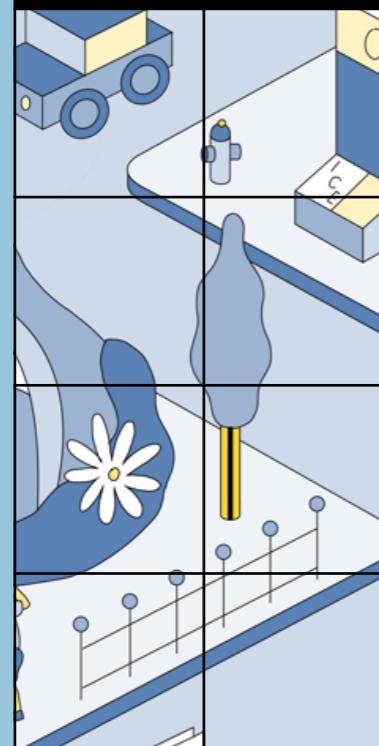
	<u>Low Estimate</u>	<u>High Estimate</u>
Listeners per show	2M	4M
Ad slots per show	1	2
Shows per year	220	260
CPM	\$25	\$35
Revenue	\$11M	\$73M



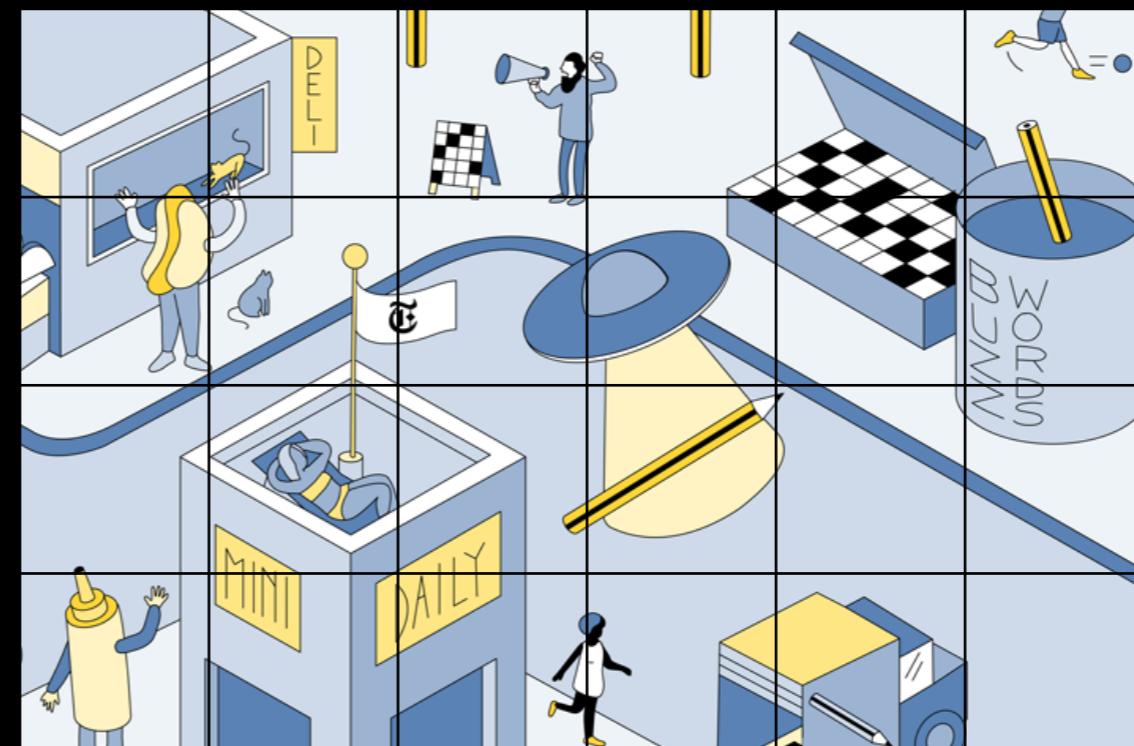
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C R O S S W O R D



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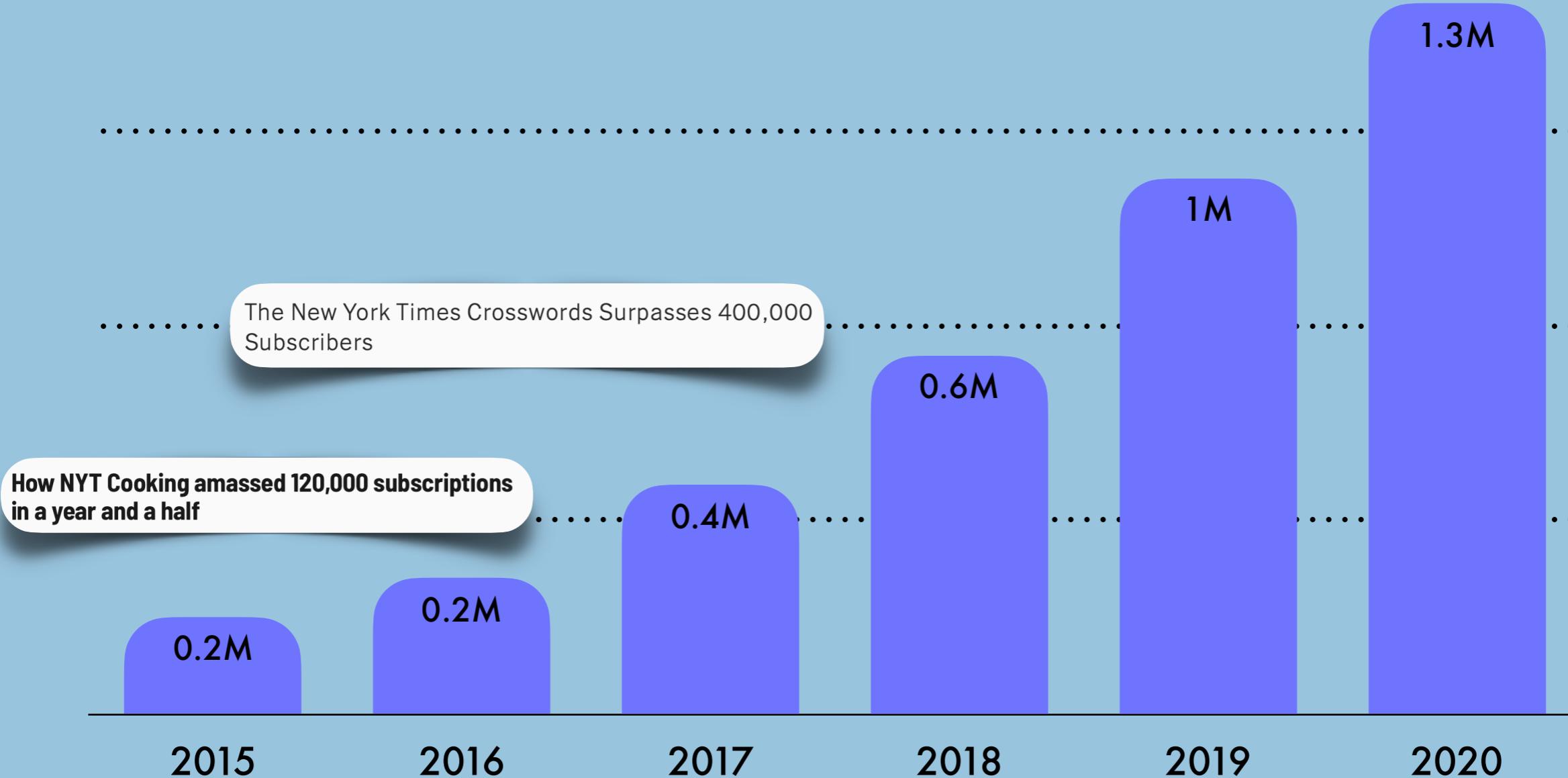
A few years ago, The Times spun off their Cooking and Crossword offerings into standalone products; meaning people could subscribe to either without being a NYT subscriber.

It seemed an odd choice, since the internet doesn't lack for millions of free recipes and games.

But by digitizing decades of old crossword puzzles and cooking recipes, and combining them with lots of new content inside beautiful apps, the NYT has breathed new life into their 70+ year old Crossword and Cooking offerings.

Today, there are 1.3M subscribers paying
\$40/yr...

NYT Cooking + Crossword Subscribers



...the apps are the highest-rated in their categories...



...and it attracts yet another highly-engaged, passionate audience (that skews young) to NYT.

What sets The New York Times' Cooking comments apart?



How NYT Cooking Became the Best Comment Section on the Internet

The subscription-based service offers hundreds of recipes—and even more suggestions, from helpful, well-meaning users. Who knew that such a thing was possible?



The New York Times crossword puzzle

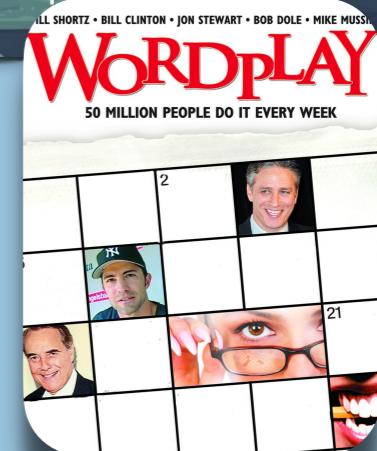
From Wikipedia, the free encyclopedia

The New York Times crossword puzzle is a daily puzzle published in *The New York Times*, online at the newspaper's website, syndicated to more than 300 other newspapers and journals,^[1] and available as mobile apps.^{[2][3][4][5]}

The Sunday crossword, which appears in *The New York Times Magazine*, is an icon in American culture; it is typically considered to be as difficult as a Thursday puzzle.^[6] The

A GOOD PLACE: THE ONLY GOOD COMMENTS SECTION ON THE INTERNET

The comments on the 'New York Times' Cooking section are just as helpful as the recipes themselves.



The New York Times

Wirecutter

In 2016, NYT spent \$30M to acquire
Wirecutter, a product recommendation site
that makes money from affiliate fees.

It's shaping up to be a good acquisition.

\$50M+



Revenue continues to grow year-over-year, and now tops \$50M.

Wirecutter has a loyal—and influential—audience.

Because Wirecutter only recommends the top 1 or 2 products per category, they're known for quality—which aligns with NYT's brand.



Thanks to a new licensing agreement,
Facebook now pays NYT directly for
content.

It's a stark departure from a few years ago,
when the conventional wisdom was that
publishers should distribute their content as
widely—and freely—as possible so that they
could show more ads.

“We think that digital platforms gain real value from having The Times...in their environments. And that value should be reflected back to us to help pay for the journalism. This is a different philosophy than the past [when] there was a sense that perhaps the platforms were doing us a favor by distributing our content to users. We think that the balance of value has changed now.”

- Mark Thompson
Former CEO, NYTimes



**The New York Times
Presents**

NEXT DAY

FX on hulu

[WATCH NOW](#)

NYT has teamed up with  +  on a monthly video documentary series called *New York Times Presents*.

It's yet another opportunity for NYT to extend its brand to a new, younger audience, on a new medium.

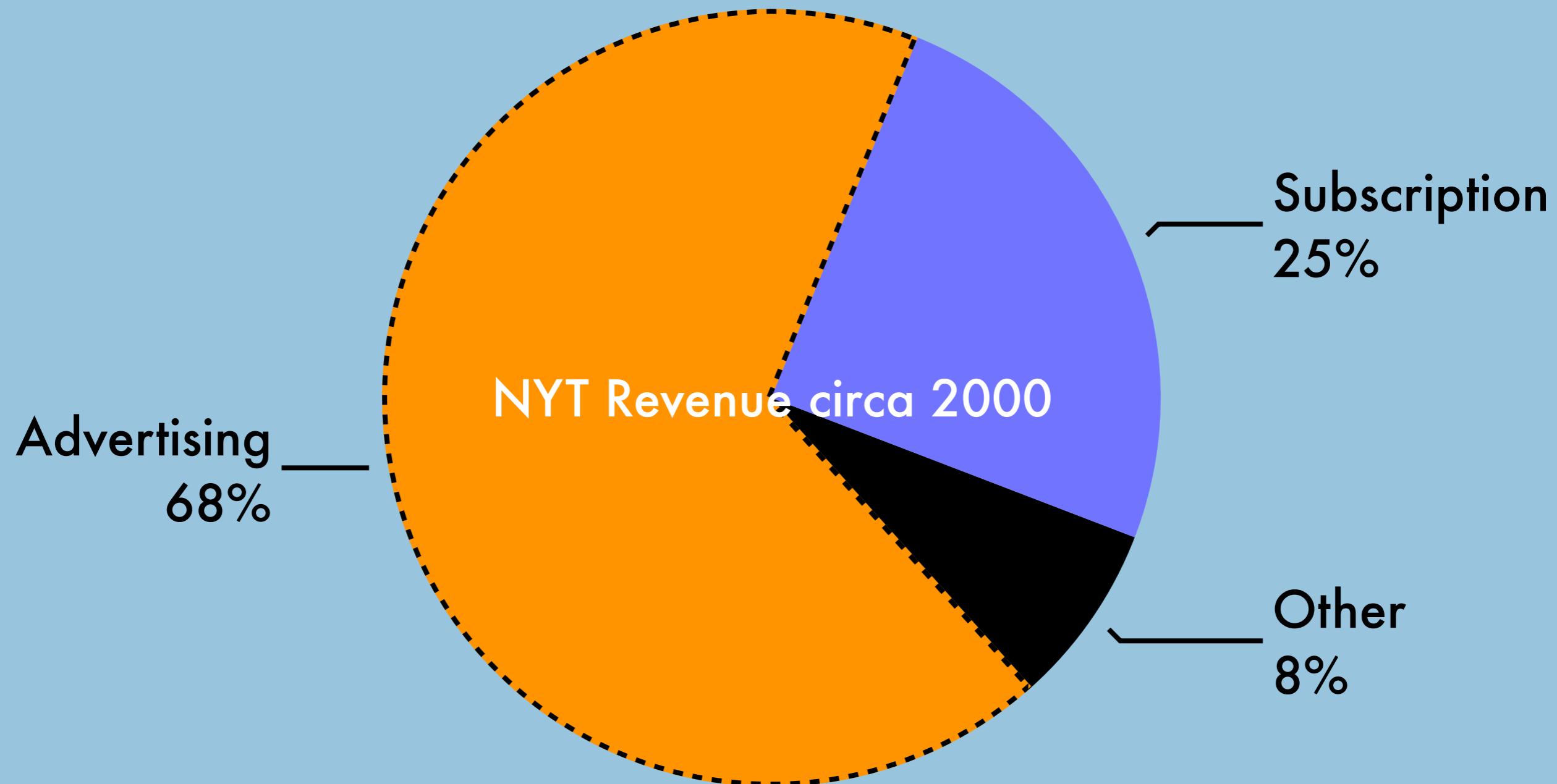
These four efforts—cleaning up the balance sheet, investing in the newsroom, investing in tech, and launching new revenue streams—have enabled NYT to flip their business model from one that favors ads, to one that favors subscriptions.

The New York Times

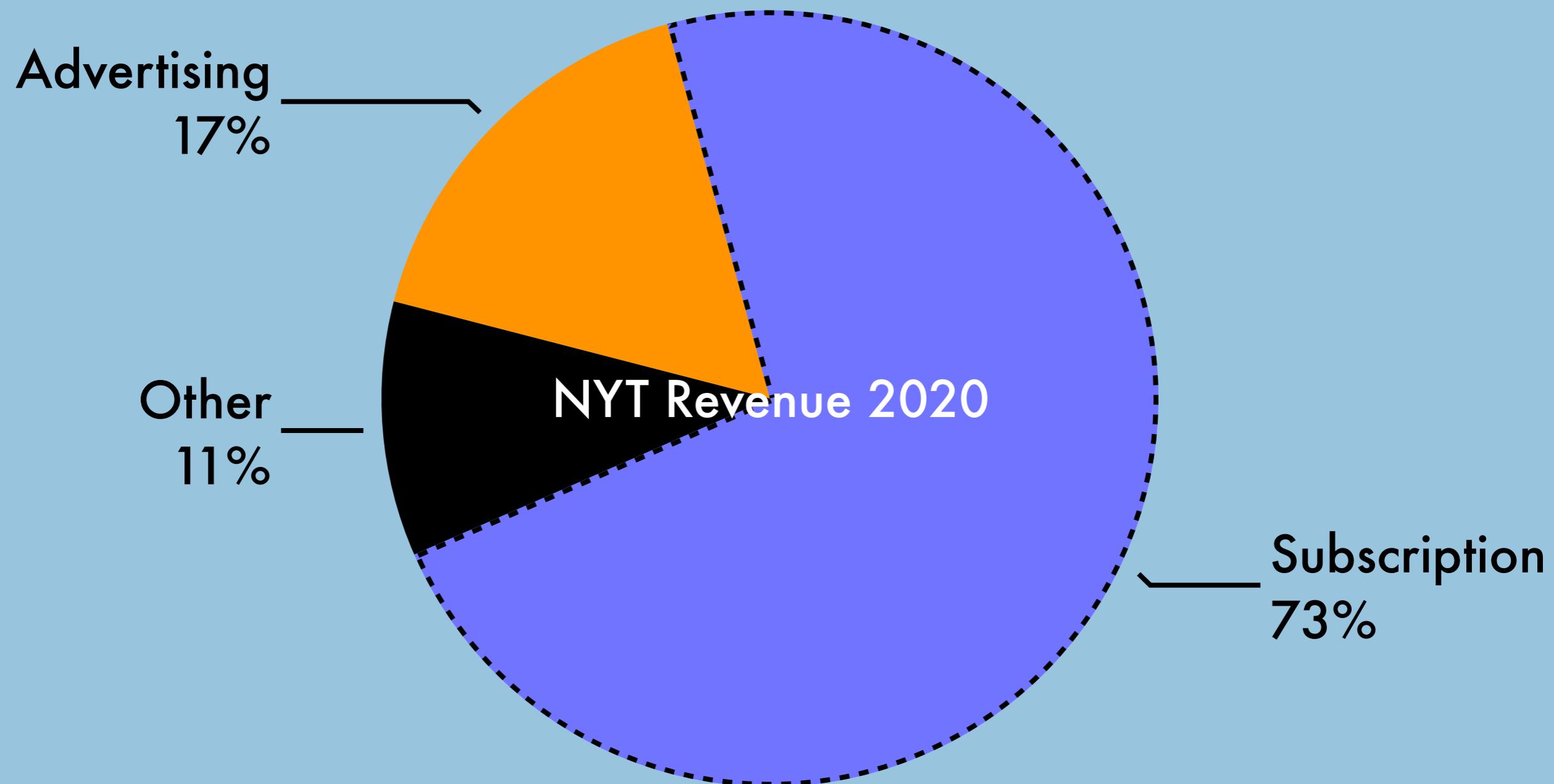
FLIPPED THEIR BUSINESS
MODEL FROM AD-
SUPPORTED TO
SUBSCRIPTION-FIRST

“We are, in the simplest terms, a subscription-first business. We are not trying to maximize clicks and sell low-margin advertising against them. We are not trying to win a pageviews arms race. We believe that the more sound business strategy for The Times is to provide journalism so strong that several million people around the world are willing to pay for it. This strategy is also deeply in tune with our longtime values. Our incentives point us toward journalistic excellence.”

In the heyday of print, advertising drove 2/3rds of NYT's revenue; the remainder was subscriptions.



Today, those figures are reversed.



This change didn't happen overnight.

In fact, for too long, NYT primarily saw itself as an advertising business; believing they could replace print ad revenue with digital ad revenue.

After all, the prevailing wisdom was: more web traffic was better because it meant more ad dollars.

And the easiest way to get lots of traffic was to provide content for free.

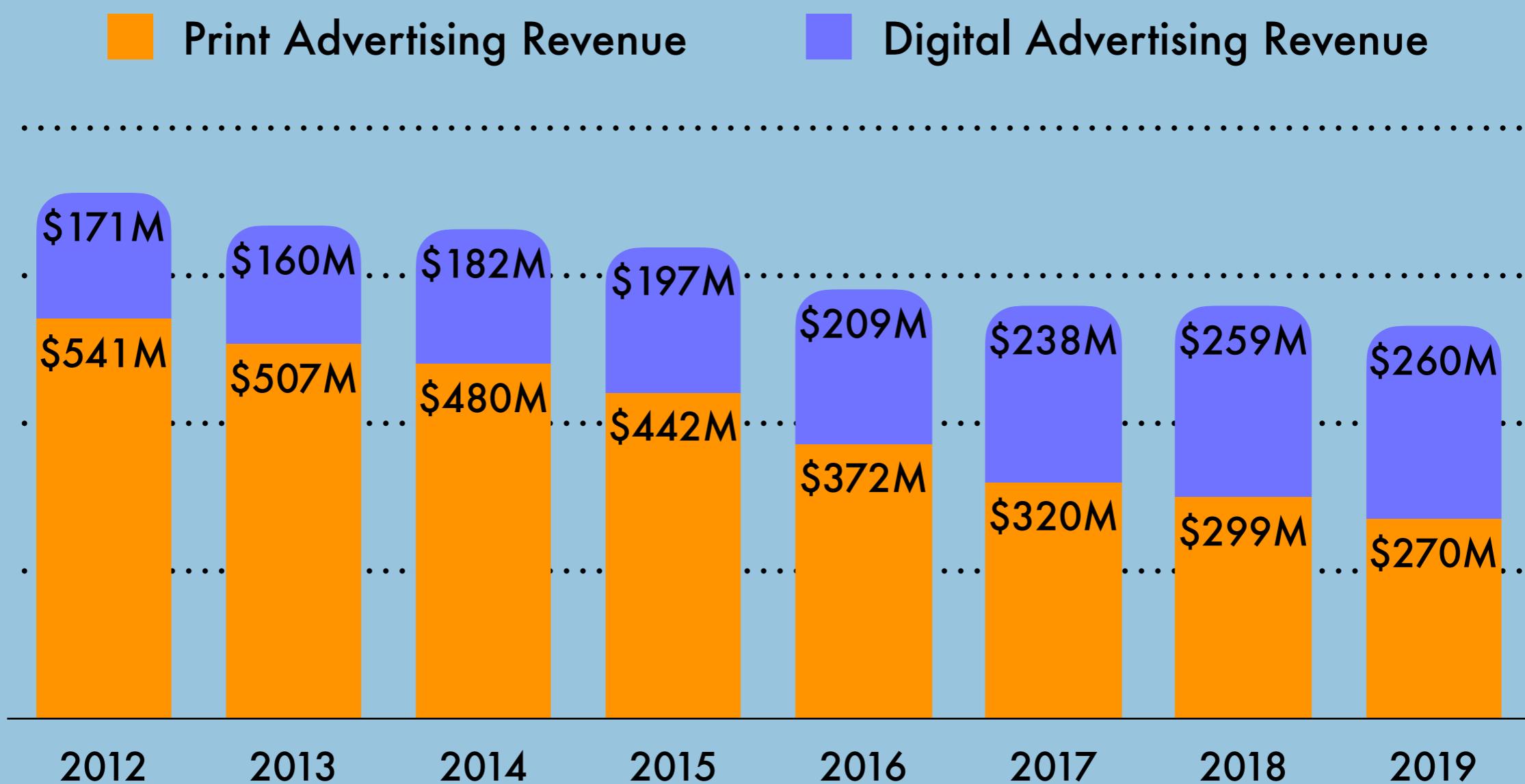
"We are convinced that our advertiser-supported, no-fee registration model, which has worked so well for us...is the best path."



- Martin Nisenholtz

NYTimes SVP of Digital Operations, 1998

But after chasing traffic for 15 years, it became clear that this strategy benefited Google's and Facebook's business more than it benefited NYT's.



This was an existential threat.

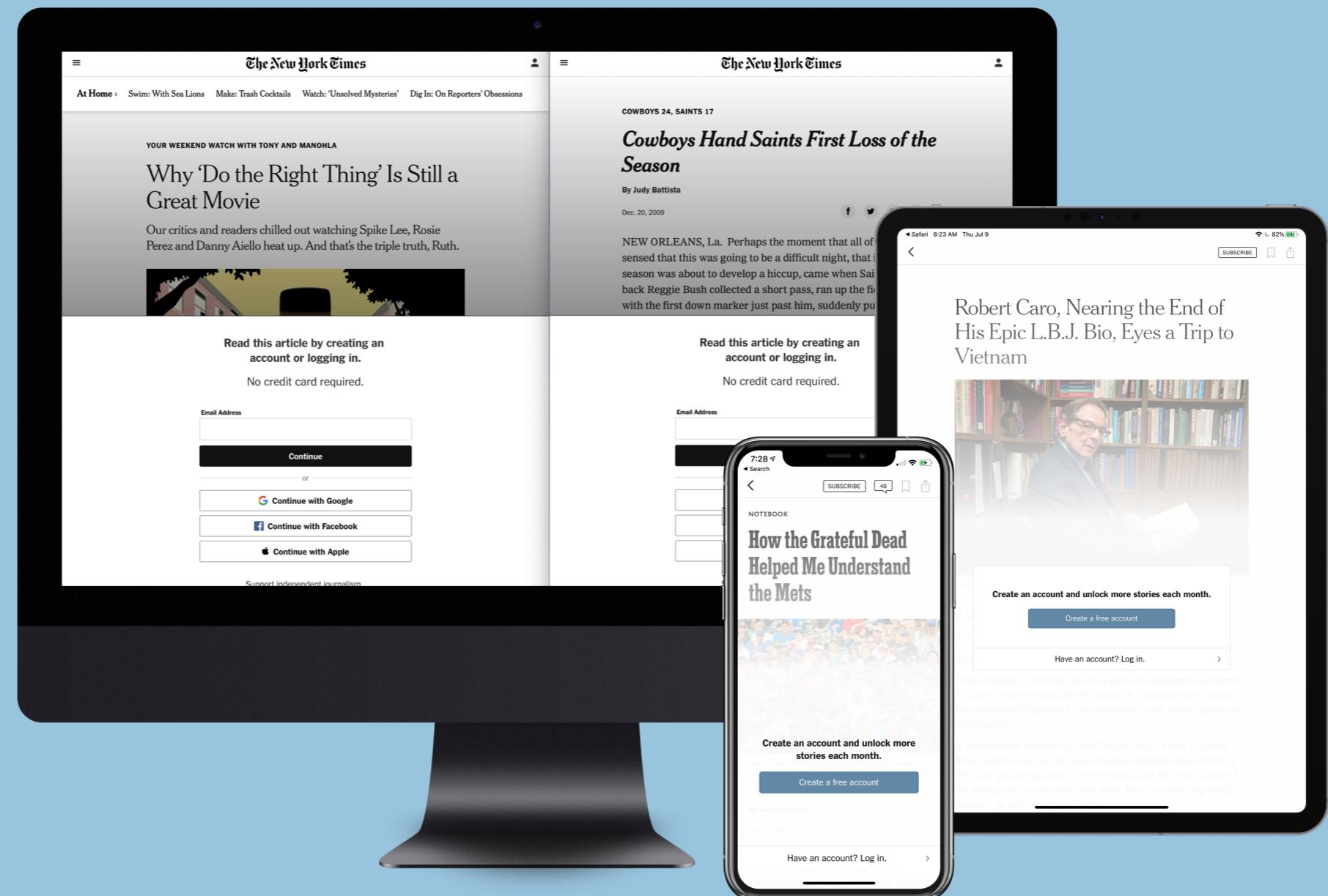
If ad revenue continued to decline, NYT would no longer be able to invest in its newsroom. Without investment, there would be no quality journalism. And without quality journalism, there would be no New York Times.

“Advertising will never be enough to pay for quality journalism.”

- Mark Thompson
Former CEO, NYTimes

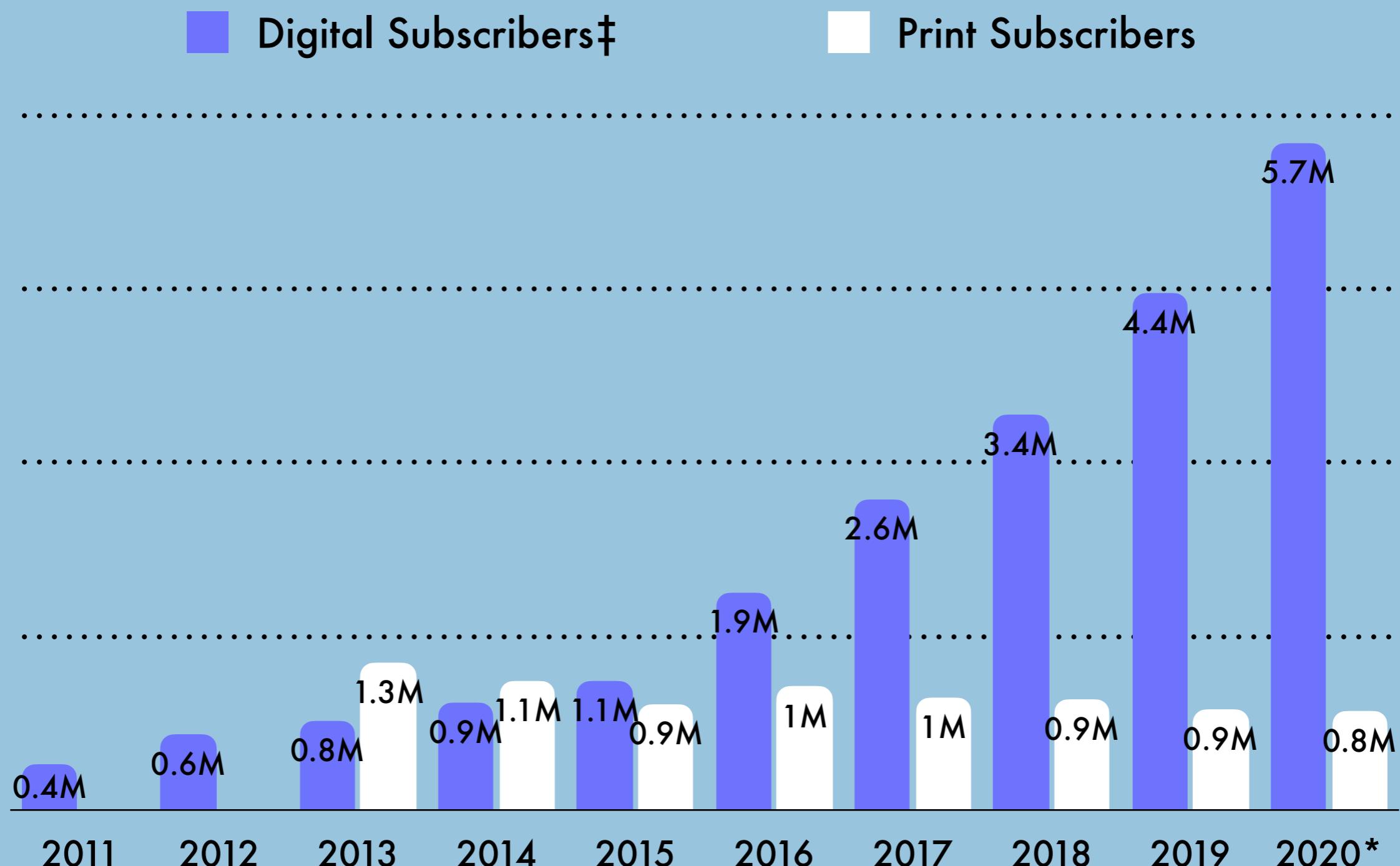
The Times had one choice: get readers to pay for the news.

So in 2011, NYT put up a paywall, asking readers to purchase a subscription if they wanted to read more than a few articles per month.



IT WORKED

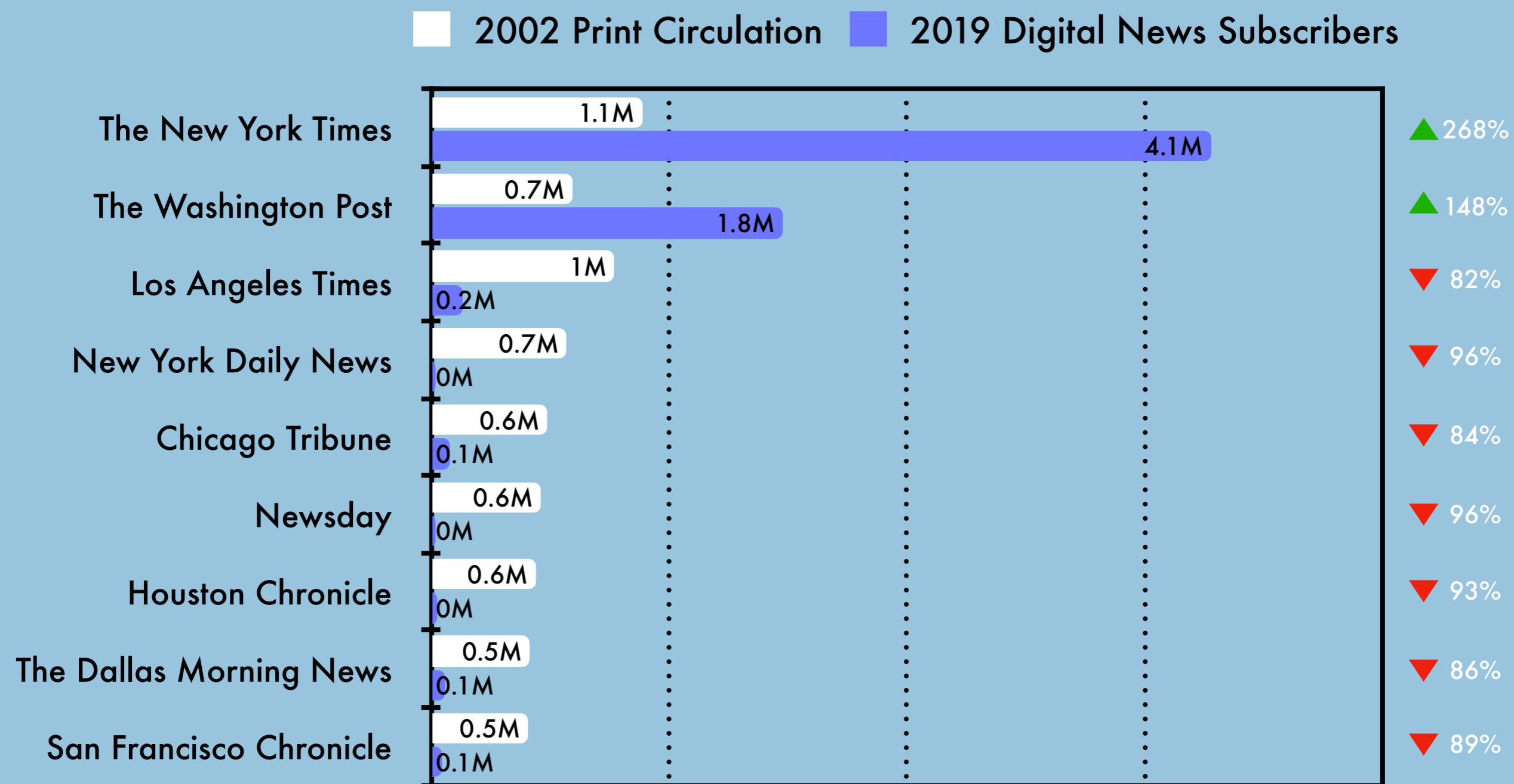
Today, NYT boasts 6.5m subscribers (5.7m of which are digital-only).



†Includes Cooking & Crossword Subscribers

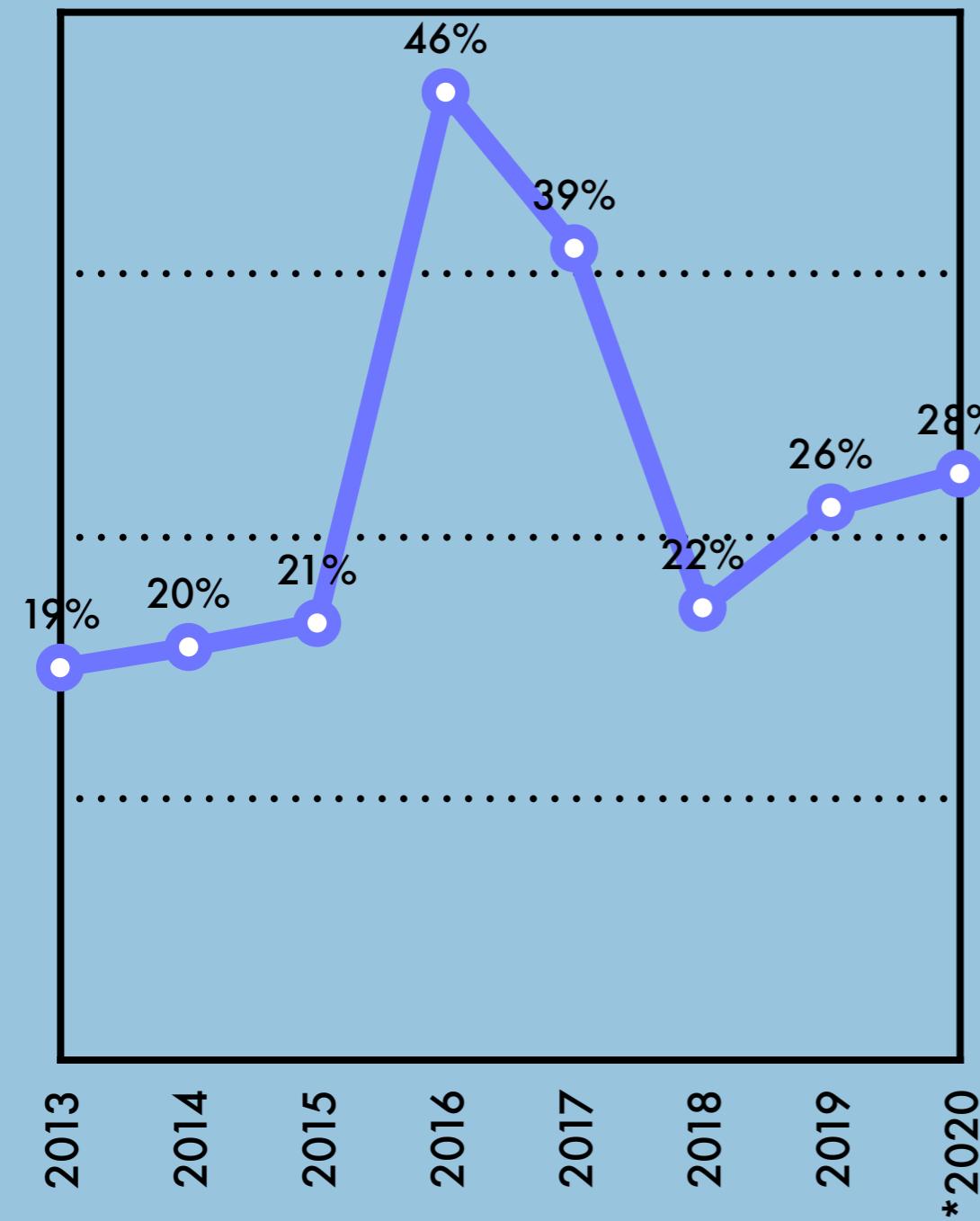
*H1 only, so full year #'s likely to be much higher

This is 4X its print-era peak. No other publisher has had anywhere close to the same success.

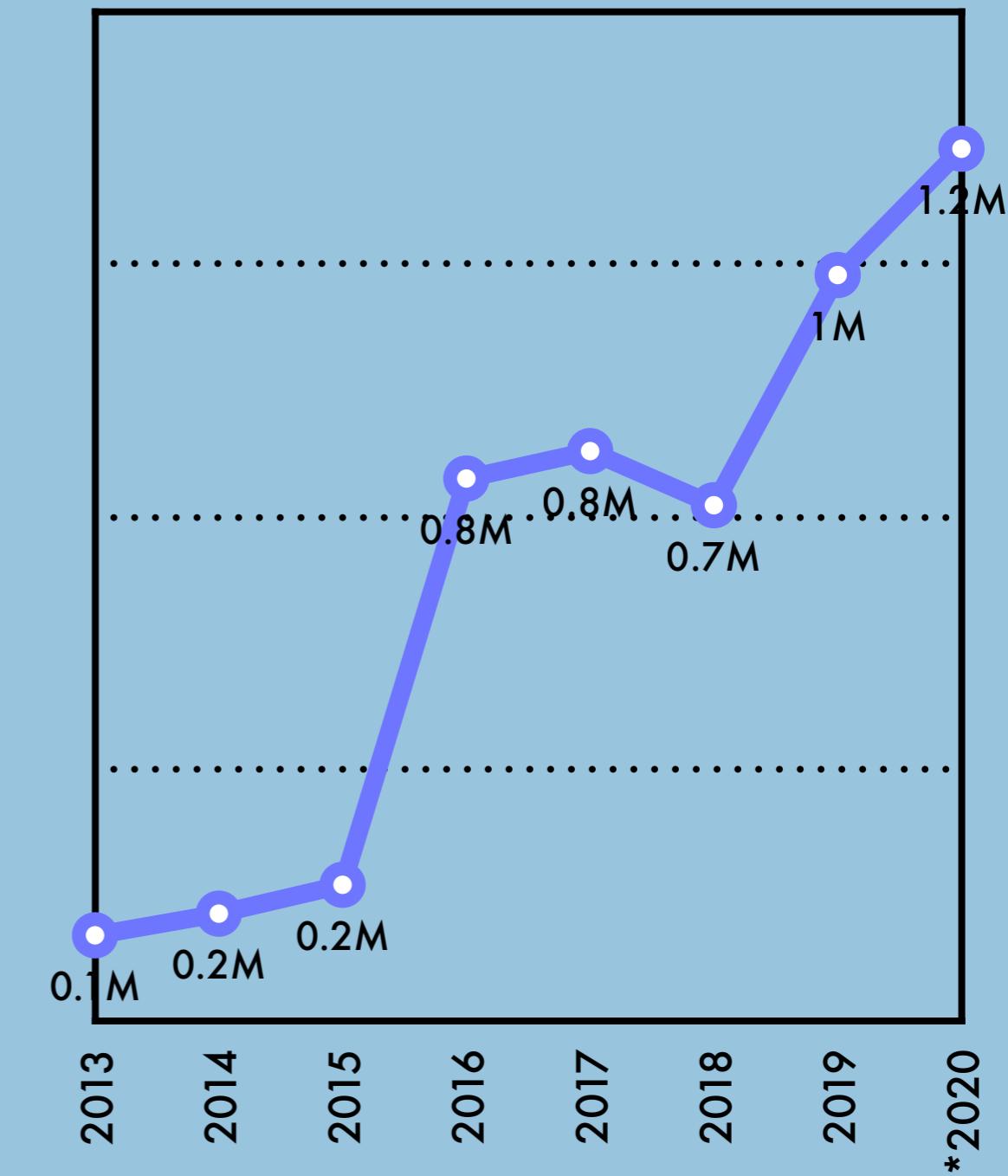


And the company continues to add subscribers at a very healthy clip.

Digital Subscriber Growth



Net New Subscribers



**It turns out millions of people are willing to
pay for high-quality, well-researched
journalism.**

NYT's investment in its newsroom paid off.

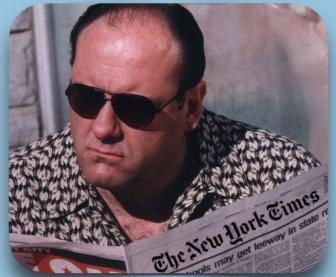
But it takes more than just a paywall to create a subscription business.

Nearly as important is building the infrastructure to support it.

“NYT is no longer just a publisher with a paywall. It is a publisher that understands the acquisition, engagement, and retention of paying subscribers.”

- Jacob Cohen Donnelly

That means using technology & data to...



Determine how readers are engaging with the product



Analyze churn/retention



Segment readers into different cohorts



Re-engage users via newsletters, social media, push notifications, etc.



Experiment with product and price changes

...which NYT can do only because they've invested so much in technology.



Meredith Levien
CEO

"We really advanced...in our understanding of what engagement behaviors correlate to renewal and to return, and we are far better at how to stimulate those engagement behaviors than we were a year or two ago."



Roland Caputo
CFO

"Between...early 2015 and 2018, we more or less halved churn through better tactics and more expertise. Our challenge now is really holding churn down as we massively expand the base. And I would say so far, that's going well."



Nick Rockwell
Former CTO

"We put a ton of work into making it easier for us to experiment with price changes...This work is ongoing—but we got much better at varying, testing and changing pricing, resulting in better exploitation of the demand curve, more subscribers and more revenue."



Mark Thompson
Former CEO

"The success of our price rise tests, and our growing confidence in our ability to deliver discrete messages to different segments of our subscriber base has convinced us that we can execute a price rise for tenured subscribers with minimal risk of reducing new subscriber growth momentum."



Mark Thompson
Former CEO

"We are very good now at understanding churn...every sinew of the organization is focused on trying to make the customer journey, and the fundamental experience of Times journalism, so compelling, and so addictive in terms of features which bring you back, day after day, that usage will be high, perceived value will be high, and therefore churn will be low."

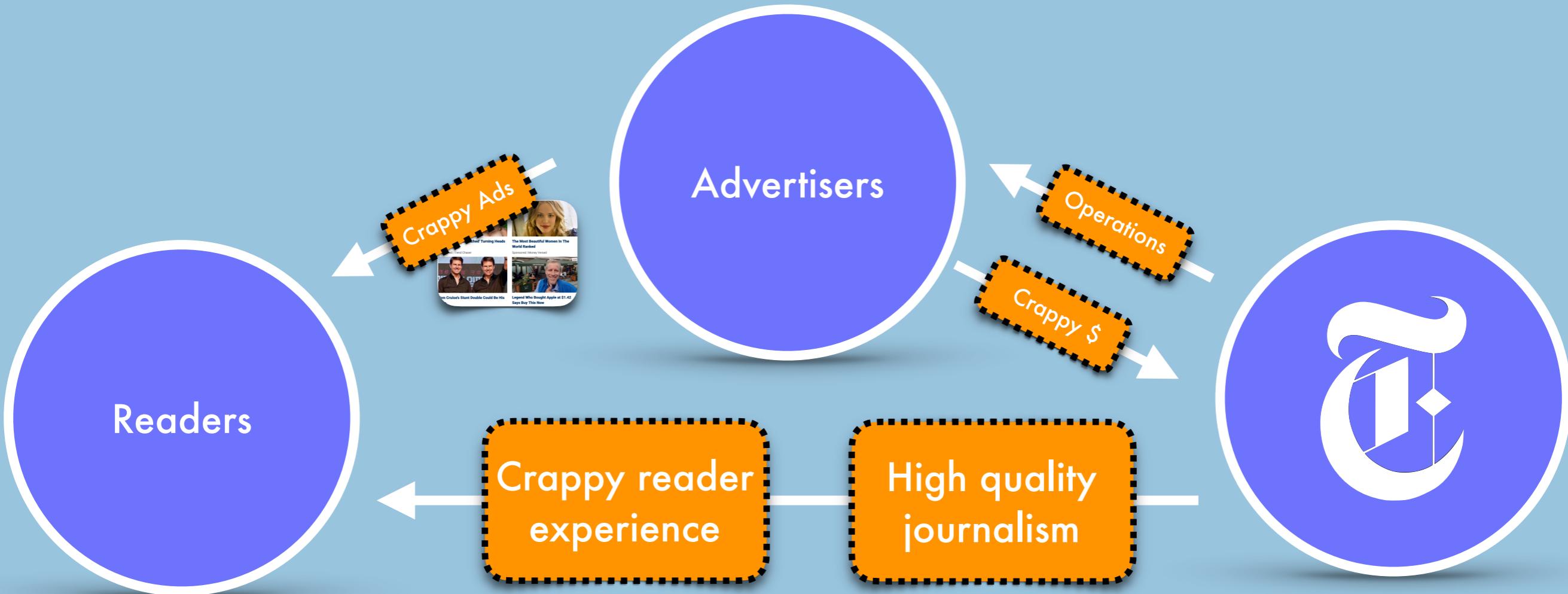
“The journalism is the foundation, but it’s the digital business infrastructure built atop that has propelled [NYT’s] success.”

- Ken Doctor

By adopting the strategies and digital know-how of Netflix, Spotify, Tinder, and Hulu, NYT has remade itself into a subscription-first company.

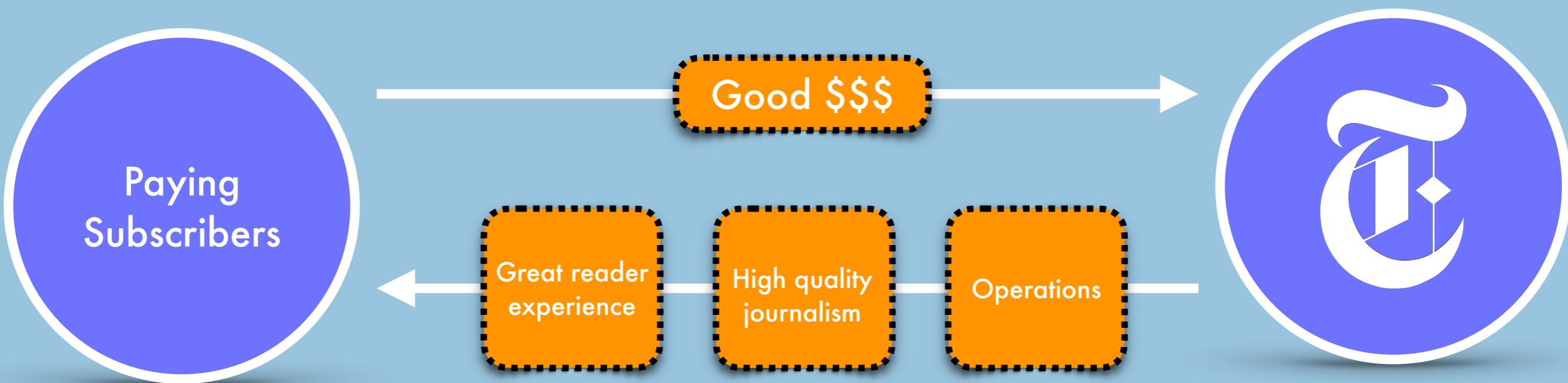
And that's good news, because the subscription model is superior to the ad model by almost any measure.

Ad Model vs. Subscription Model



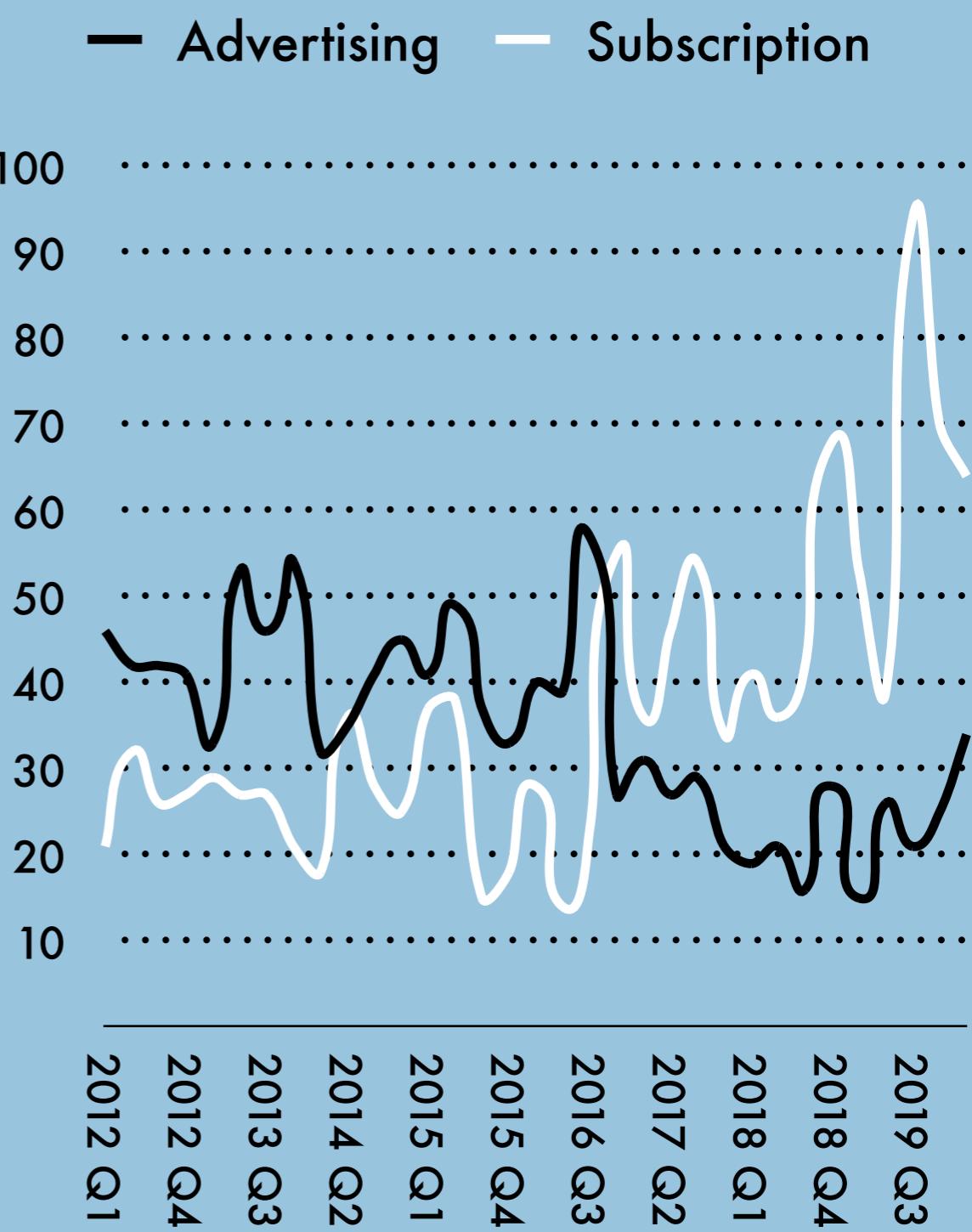
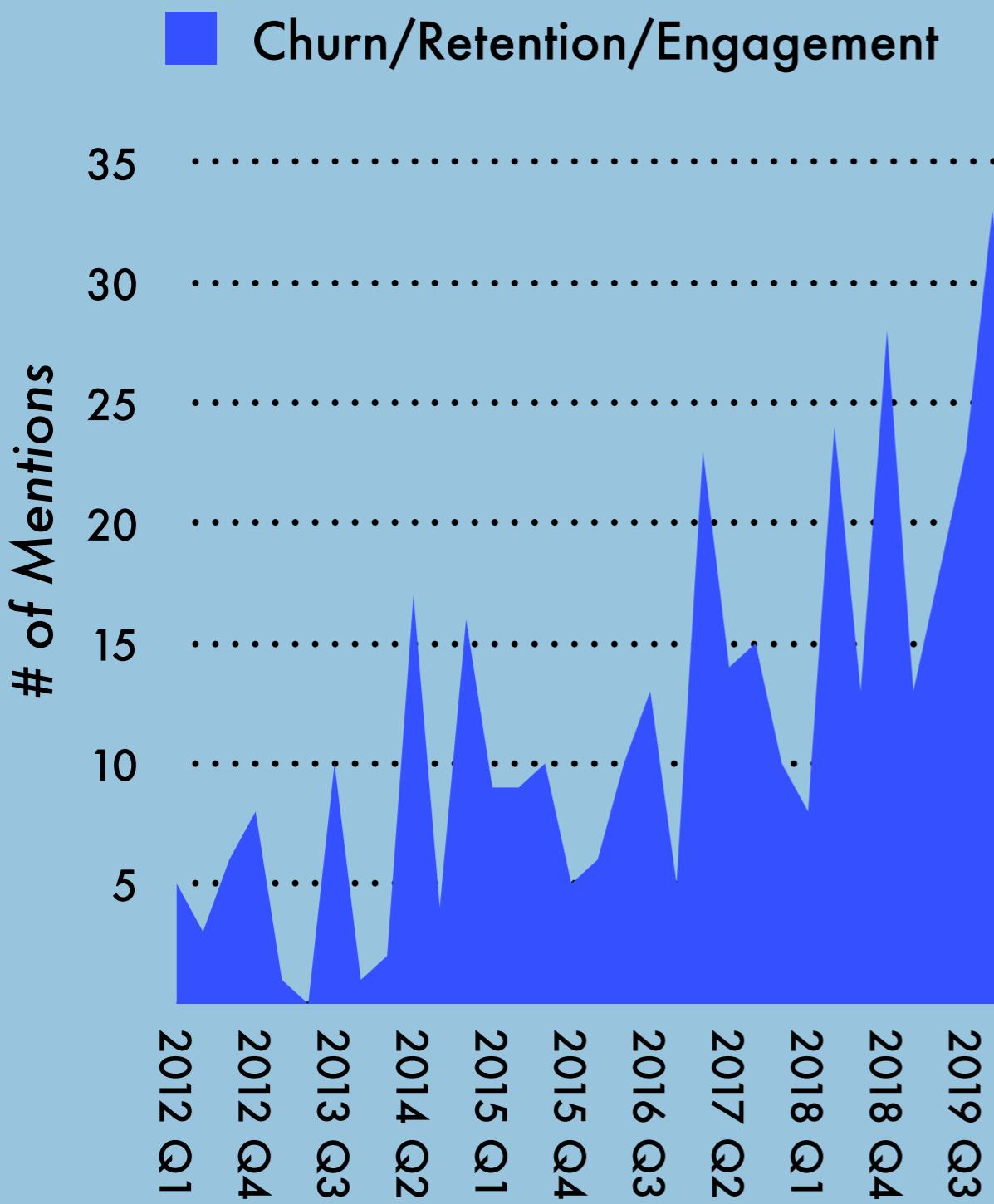
- 👎 Not enough revenue to support high-quality journalism
- 👎 Operations/resources go towards supporting advertisers, and not readers
- 👎 Advertisers don't care about the quality of the content as much as readers do
- 👎 Ads suck. They make the product ugly, and slow down the website/app.

Ad Model vs. Subscription Model



- 👍 Aligns business model, operations, and strategy, with editorial
- 👍 Better reader experience (i.e., no crappy ads)
- 👍 Enables direct relationship with readers
- 👍 Self reinforcing

This shift in focus is reflected in earnings calls.



To achieve its goal of turning readers into paying subscribers, NYT invested heavily in its core product, and the infrastructure to support it.

This was no easy task. But The Times succeeded, and it has completely changed NYT's current and potential financials—for the better.

The New York Times

HAS STRONG FINANCIALS.

AND THEY'RE ABOUT TO
GET STRONGER.

The New York Times has three sources of revenue—subscriptions, advertising, and “other”—which it generates from print and digital products.

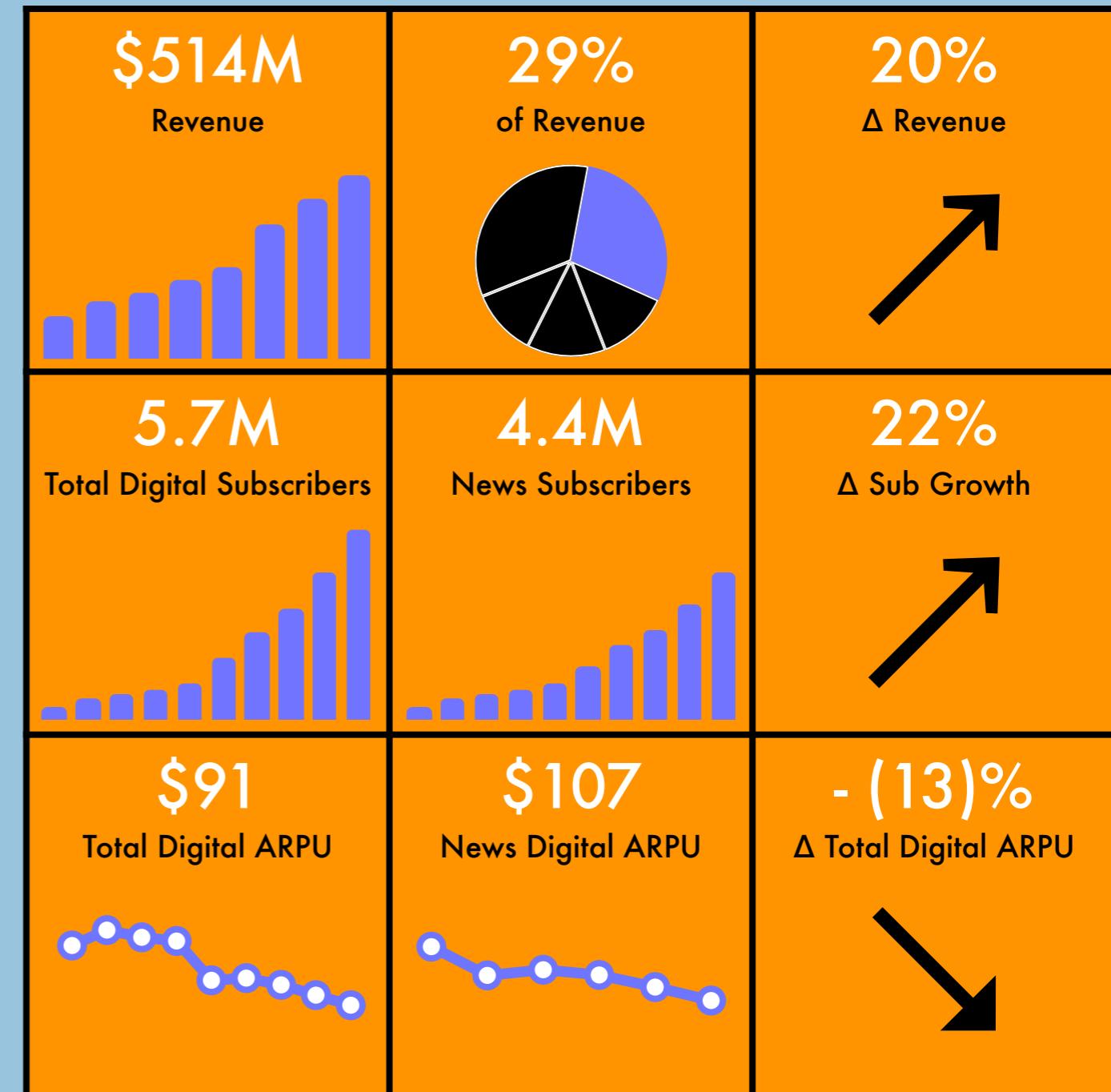
NYT Revenue Sources

Subscriptions	<i>Digital</i>	Subscriptions to digital products, such as News, Crossword, and Cooking. NYT has 5.7m digital subscribers (4.4m News + 1.3m Cooking/Crossword)
	<i>Print</i>	Subscriptions to print paper, as well as single copy + bulk sales. NYT has 840k print subscribers.
Advertising	<i>Digital</i>	Advertising on NYT website, apps, and email. Also includes creative service fees, podcast advertising, ads on Wirecutter, and classifieds (e.g., real estate).
	<i>Print</i>	Advertising in NYT newspaper. Also includes, to a lesser degree, classified advertising and inserts.
Other		Licensing (e.g, Facebook deal), leasing of HQ office space space, WireCutter referrals, commercial printing, TV/film (e.g., "The Weekly"), live events business

Subscriptions | Digital

The digital subscription business is NYT's crown jewel; it's growing fast (both in terms of revenue and # of subscribers); the economics are great; and there's lots of room to add to their 5.7M subscribers. It will soon be the company's largest business.

Though ARPU is declining, this is due to new subscribers being offered introductory pricing. NYT hopes to eventually convert them to full price; so far, results are promising.

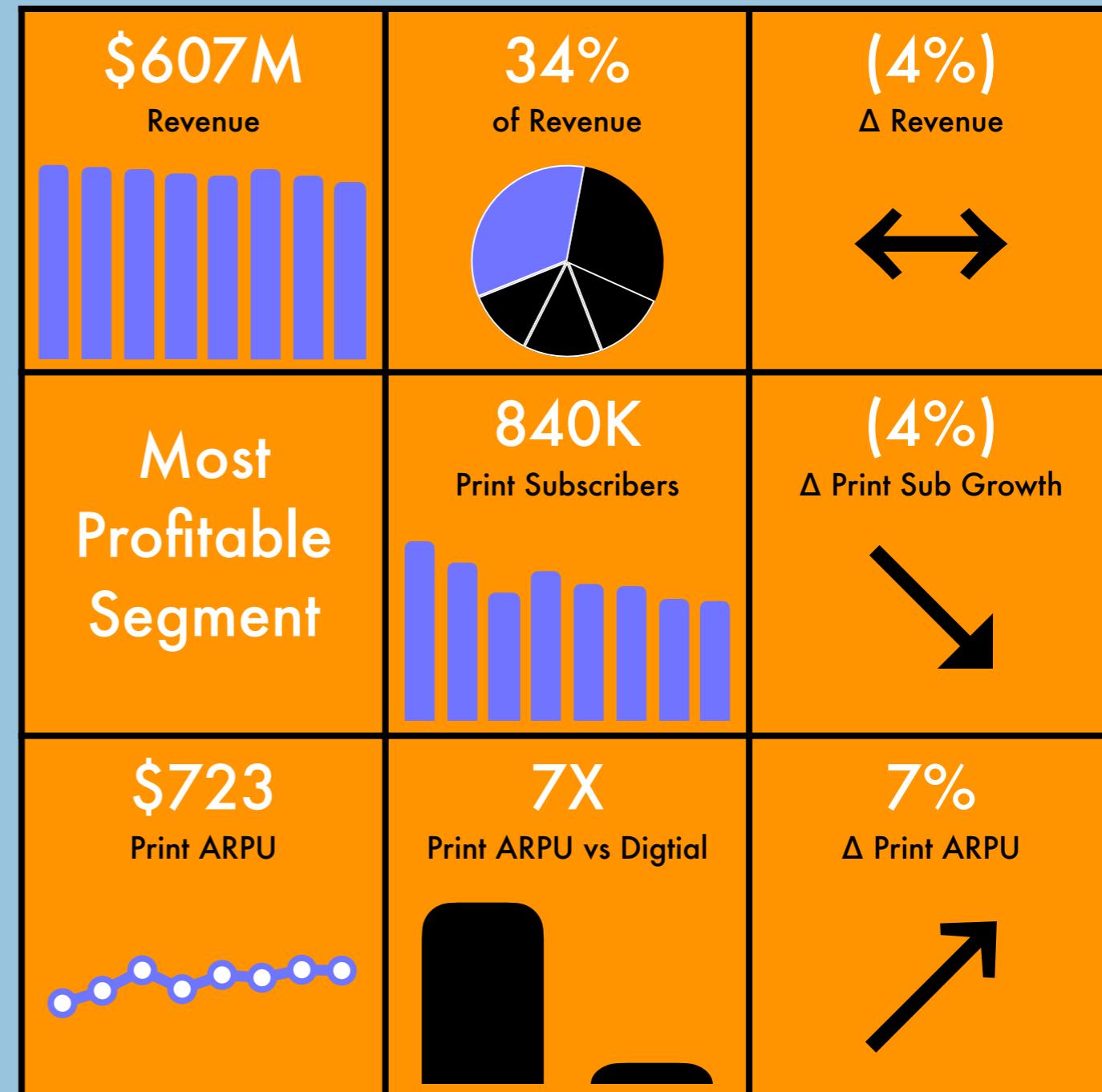


Subscriptions | Print

Print subscriptions are still NYT's biggest business, accounting for 34% of revenue, (and likely an even higher percentage of profits).

To offset circulation declines, NYT has raised prices on existing print subscribers; as a result, ARPU has increased while revenue has stayed flat.

With 840k print subscribers, NYT makes approximately \$723 per print subscriber.

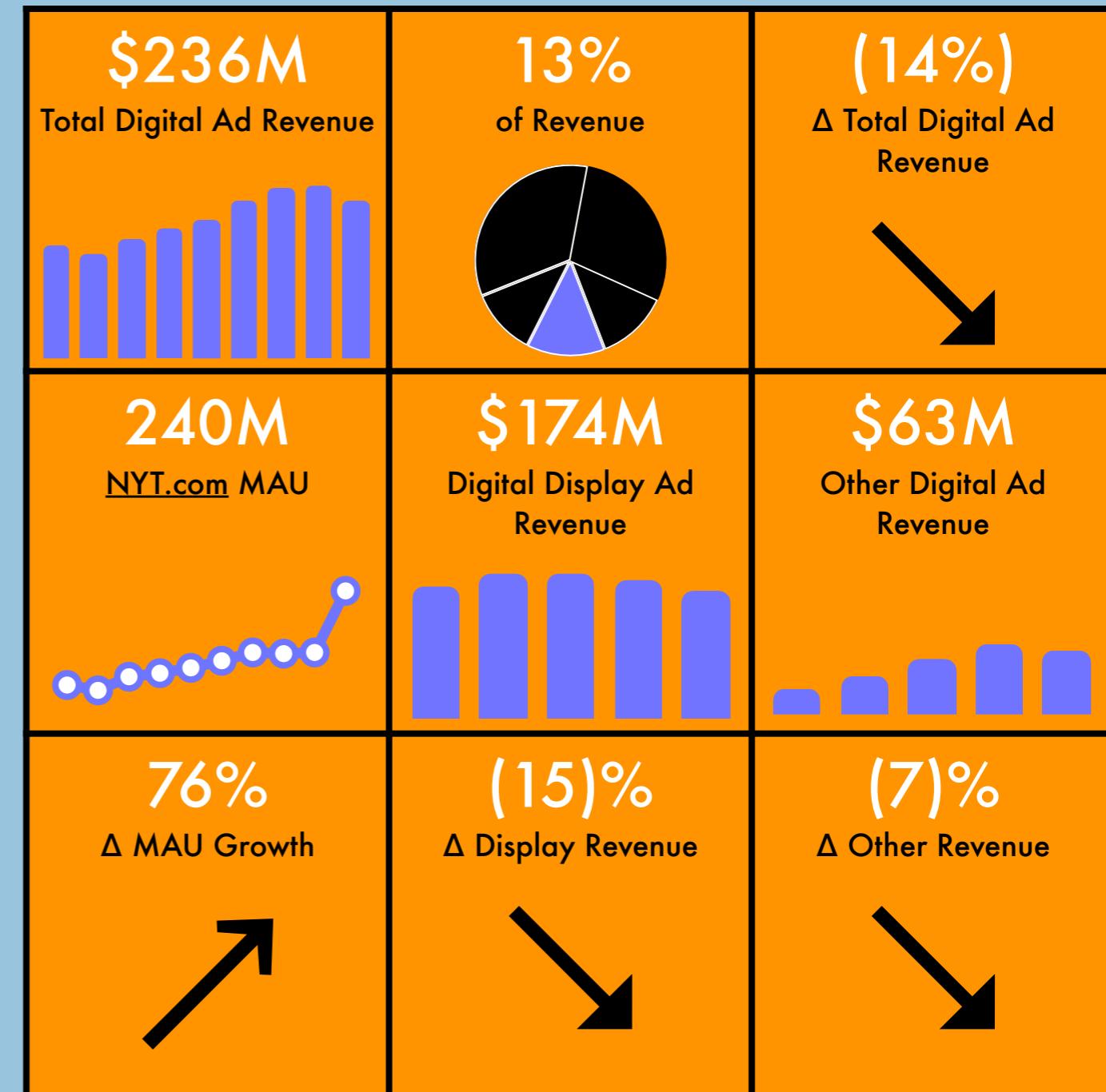


Advertising | Digital

Though digital advertising never quite became the business NYT had hoped, it does remain an important one for the company.

The segment is mostly made up of a stagnant “display” business (e.g, banner & video ads on [NYT.com](https://www.nytimes.com)), and a quickly-growing “other” business (i.e., podcasts).

Revenue had leveled off around \$240M before dropping 32% in the most recent quarter due to impacts from COVID.

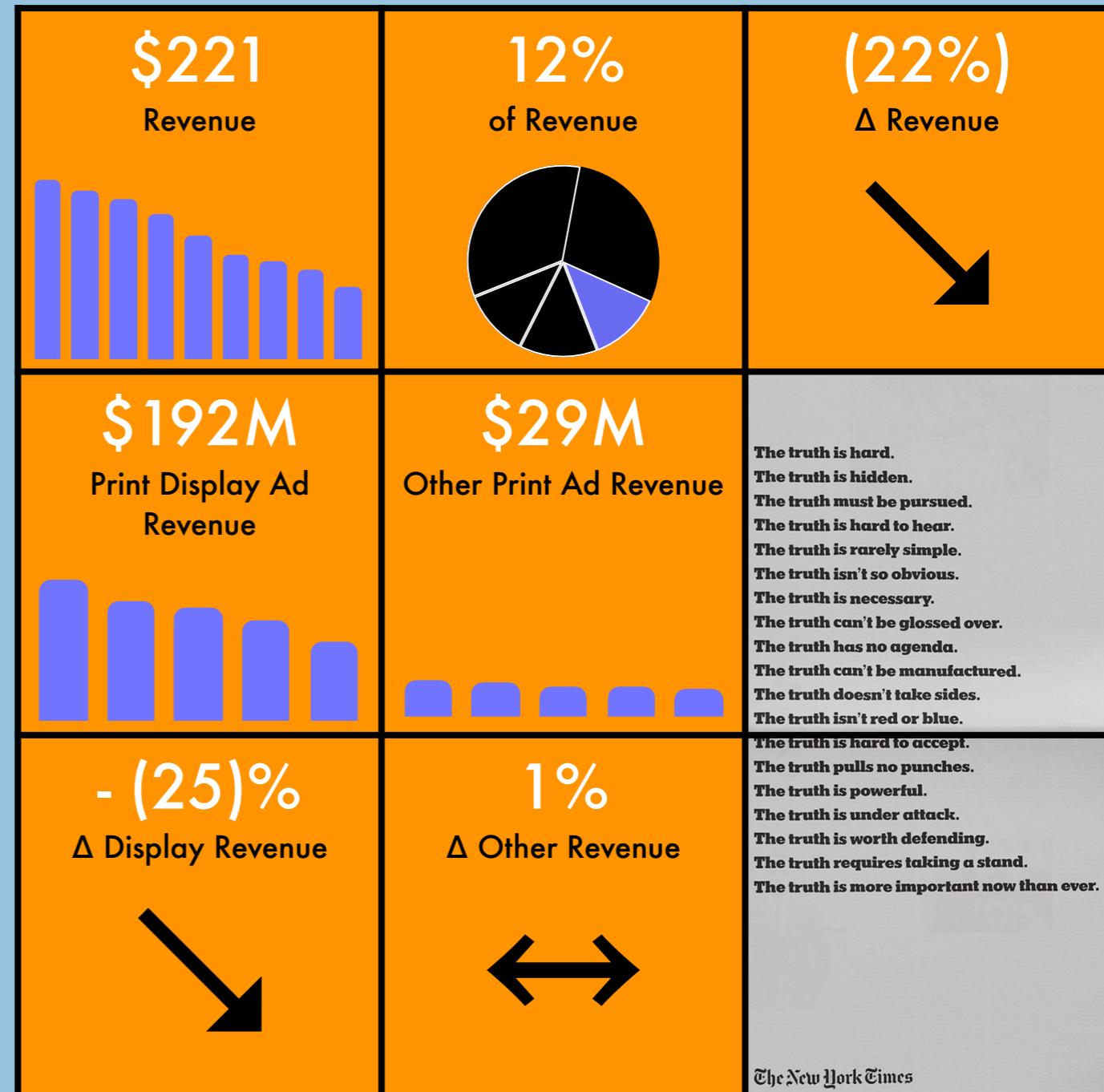


Advertising | Print

Print advertising was NYT's primary business for 150 years; today the business is in terminal decline.

Even prior to COVID it was shrinking -12%/yr, and in the most recent quarter was down a staggering 55%! Management does not expect much of that business to come back.

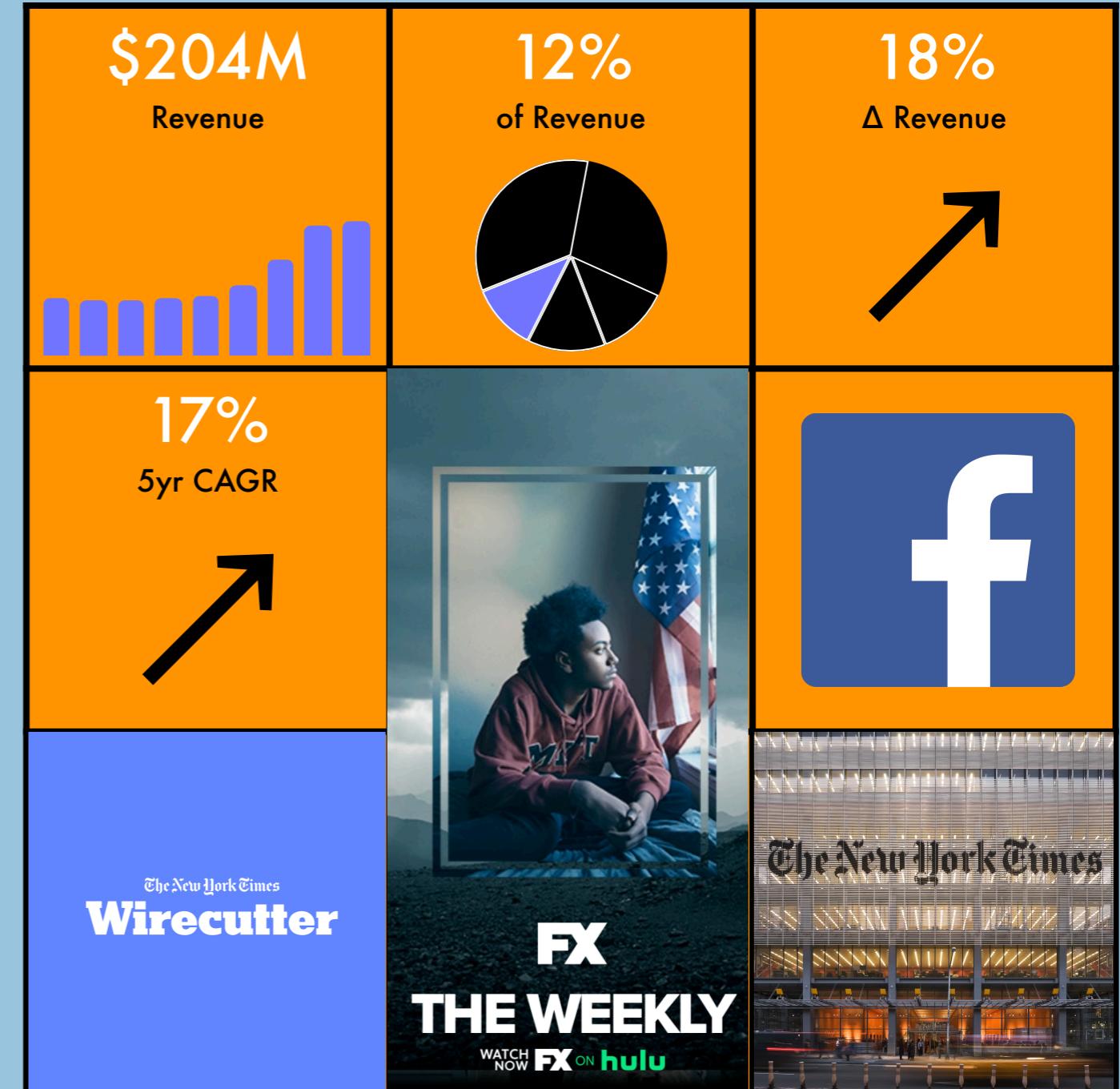
Said more simply: "Print's gone, print's gone, and nothin's gonna bring print back".



Other

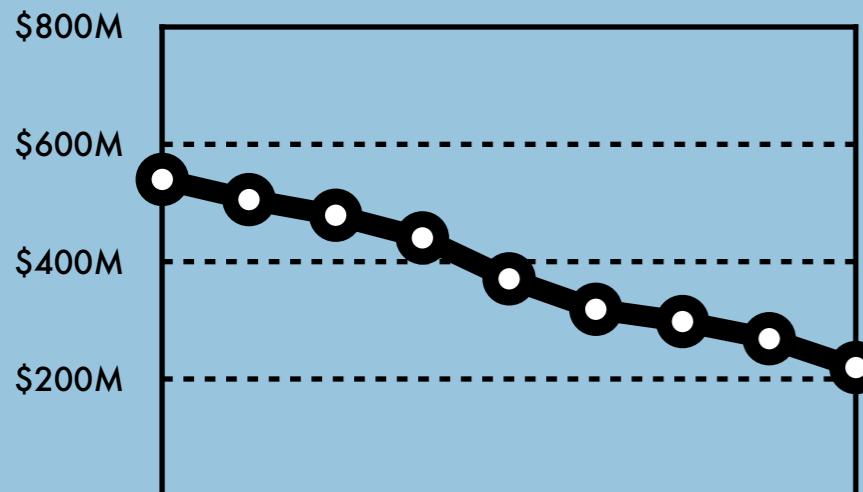
The “Other” segment has shown solid growth, doubling in five years.

The segment is home to many small-but-promising revenue streams, such as: licensing payments from the Facebook deal, referral fees earned from products recommended by Wirecutter, rent payments from tenants, and The New York Times’s foray into original video programming (e.g., The New York Times Presents on FX/Hulu).

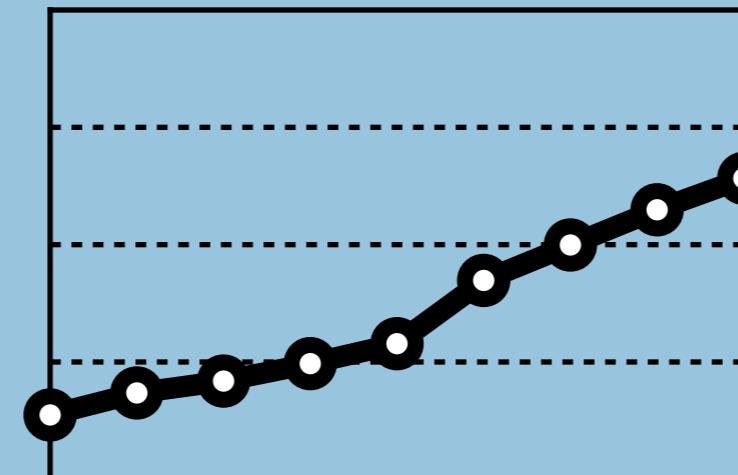


So in summary:

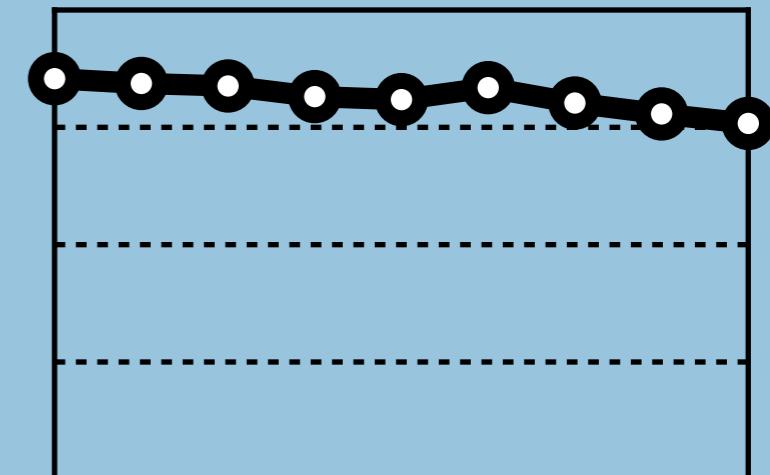
A decline in print advertising...



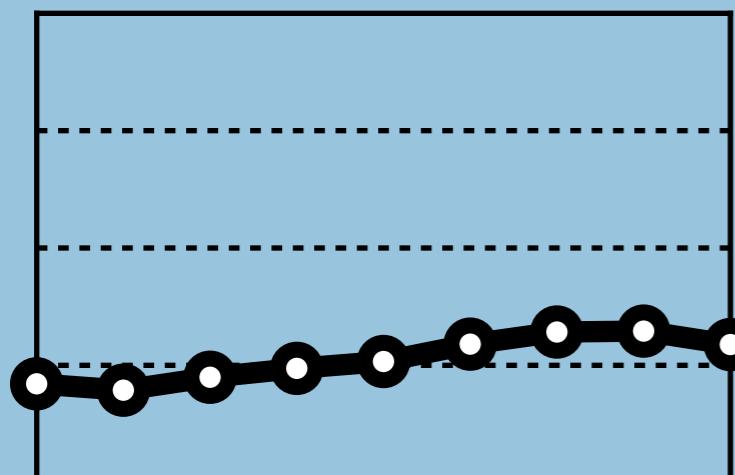
...has been offset by digital sub growth.



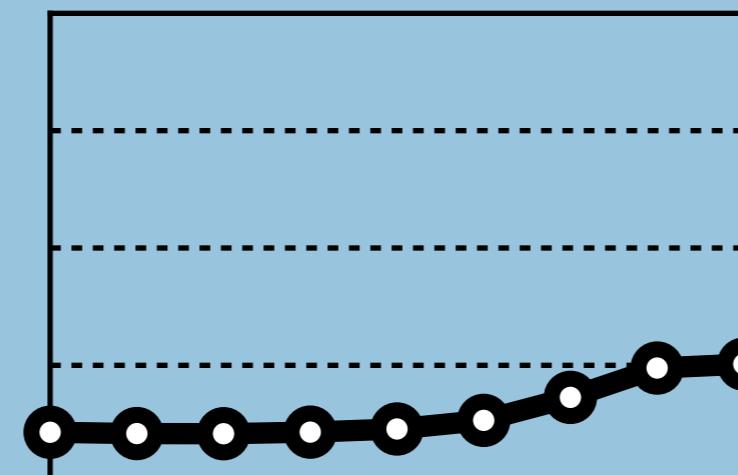
Print sub revenue is flat.



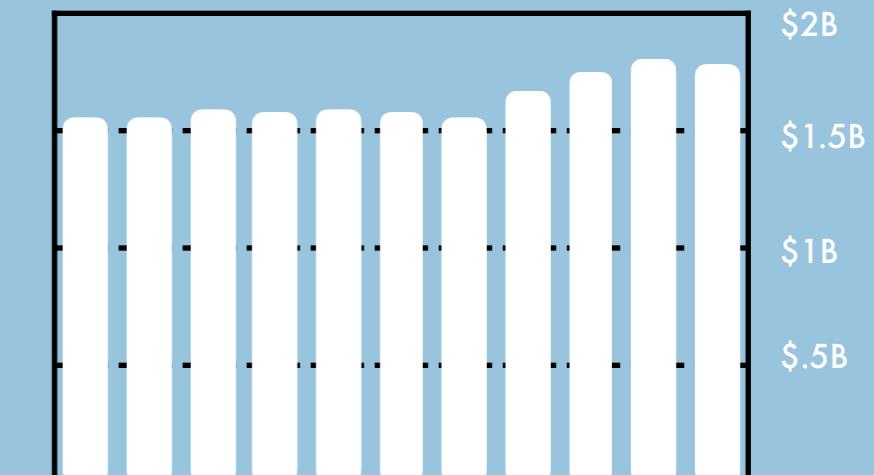
Digital ad revenue is also flat.



And “other” revenue is growing, but from a small base.



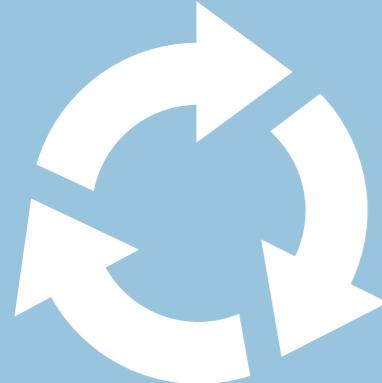
Adding it all up, NYT’s total revenue hasn’t really budged.



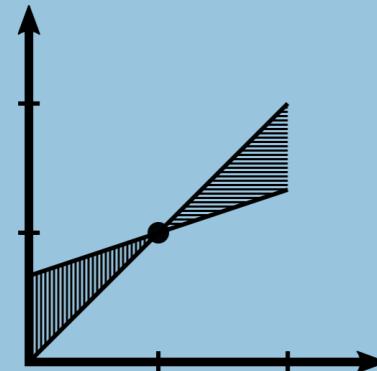
**NYT's flat total revenue masks how
much the business has fundamentally
changed from ad-supported to
subscription-supported.**

**But it won't be masked for much
longer...**

That's because...



THE SUBSCRIPTION MODEL IS A
VIRTUOUS CYCLE



NYT IS NEARING ITS BREAK-EVEN
POINT



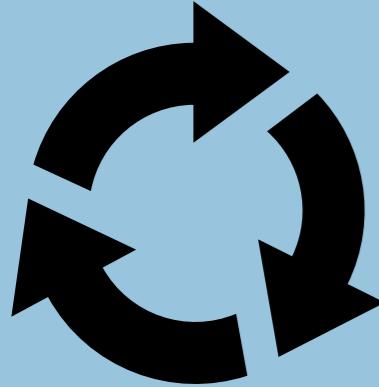
NYT'S ADDRESSABLE MARKET COULD
BE 30M+ SUBSCRIBERS

What makes the subscription model particularly attractive is that it's self-reinforcing.

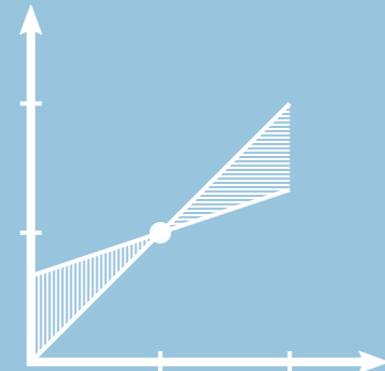
The more subscribers NYT has, the more it can invest in quality journalism and improving its products. Better journalism and products attracts more subscribers...

...which in turn allows for more investment, which in turn...yada yada virtuous circle.





**THE SUBSCRIPTION MODEL IS A
VIRTUOUS CYCLE**



**NYT IS NEARING ITS BREAK-EVEN
POINT**



**NYT'S ADDRESSABLE MARKET COULD
BE 30M+ SUBSCRIBERS**

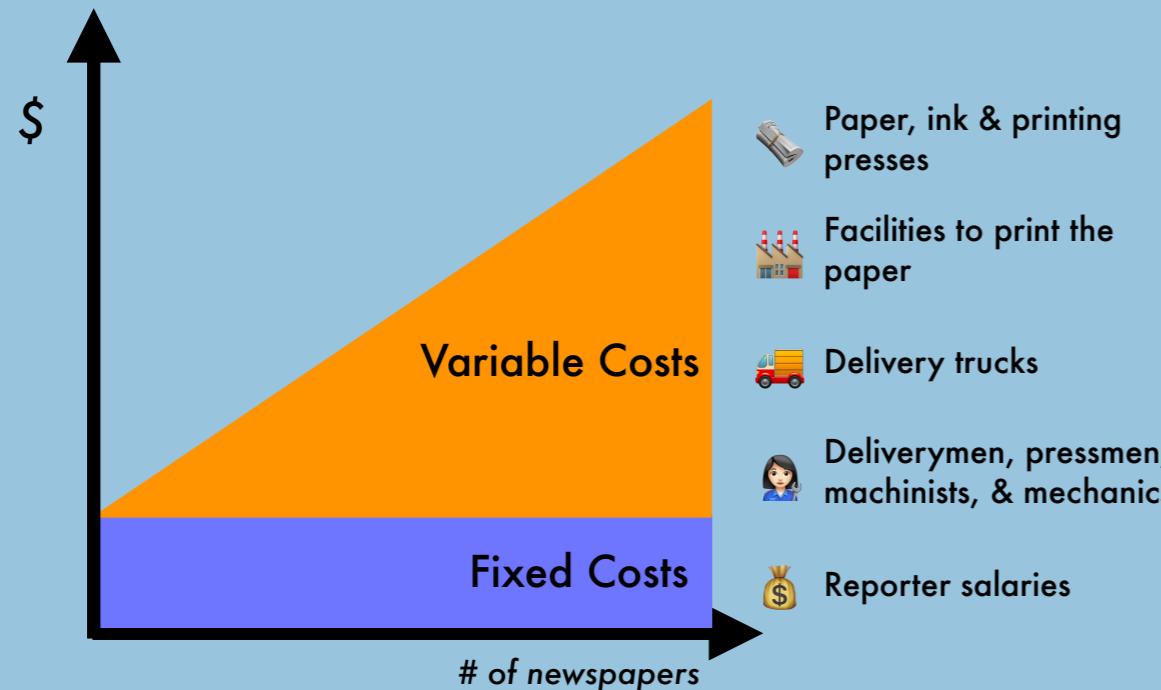
Although it costs NYT about the same to run its business today as it did twenty years ago, the *nature* of the costs are very different.

With newspapers, NYT's costs were largely variable—that is, they increased in proportion with the number of papers produced and sold.

But with digital subscriptions, most of the costs are fixed—that is, they don't increase as NYT adds more subscribers.

Print Cost Structure

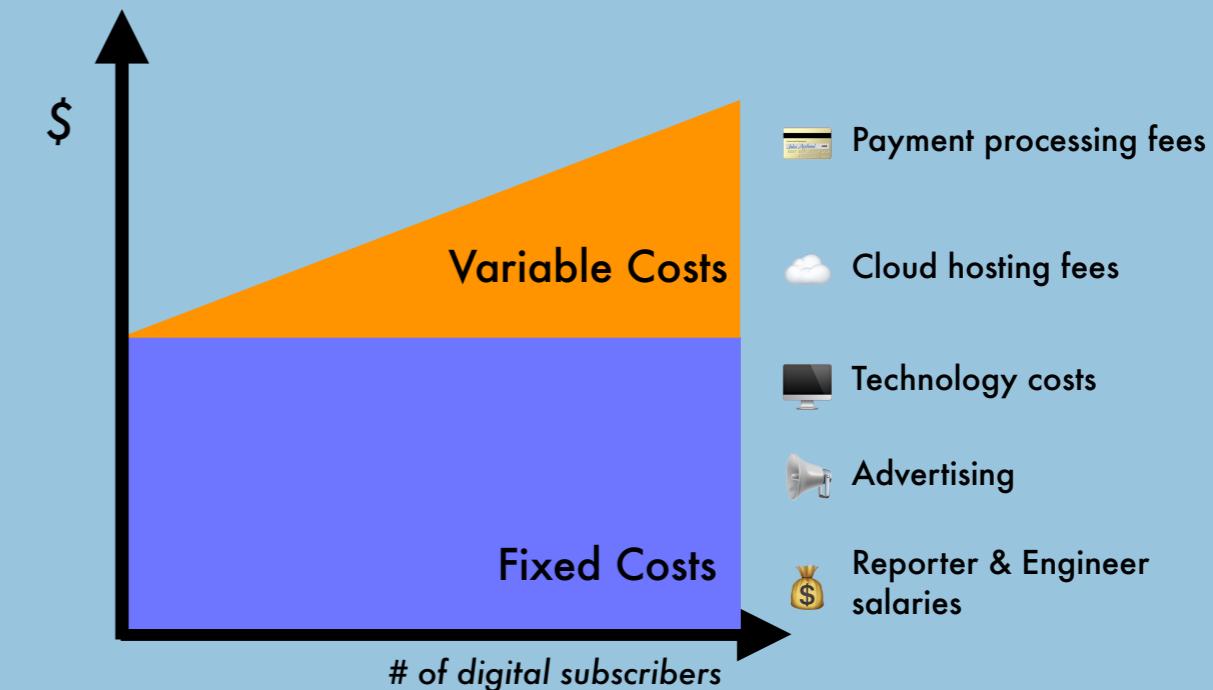
Highly variable



To sell more newspapers, NYT must spend a proportionate amount on: paper, ink, and printing presses; delivery trucks; factories and distribution facilities; and salaries for deliverymen, mechanics, and pressmen.

Digital Cost Structure

Highly fixed



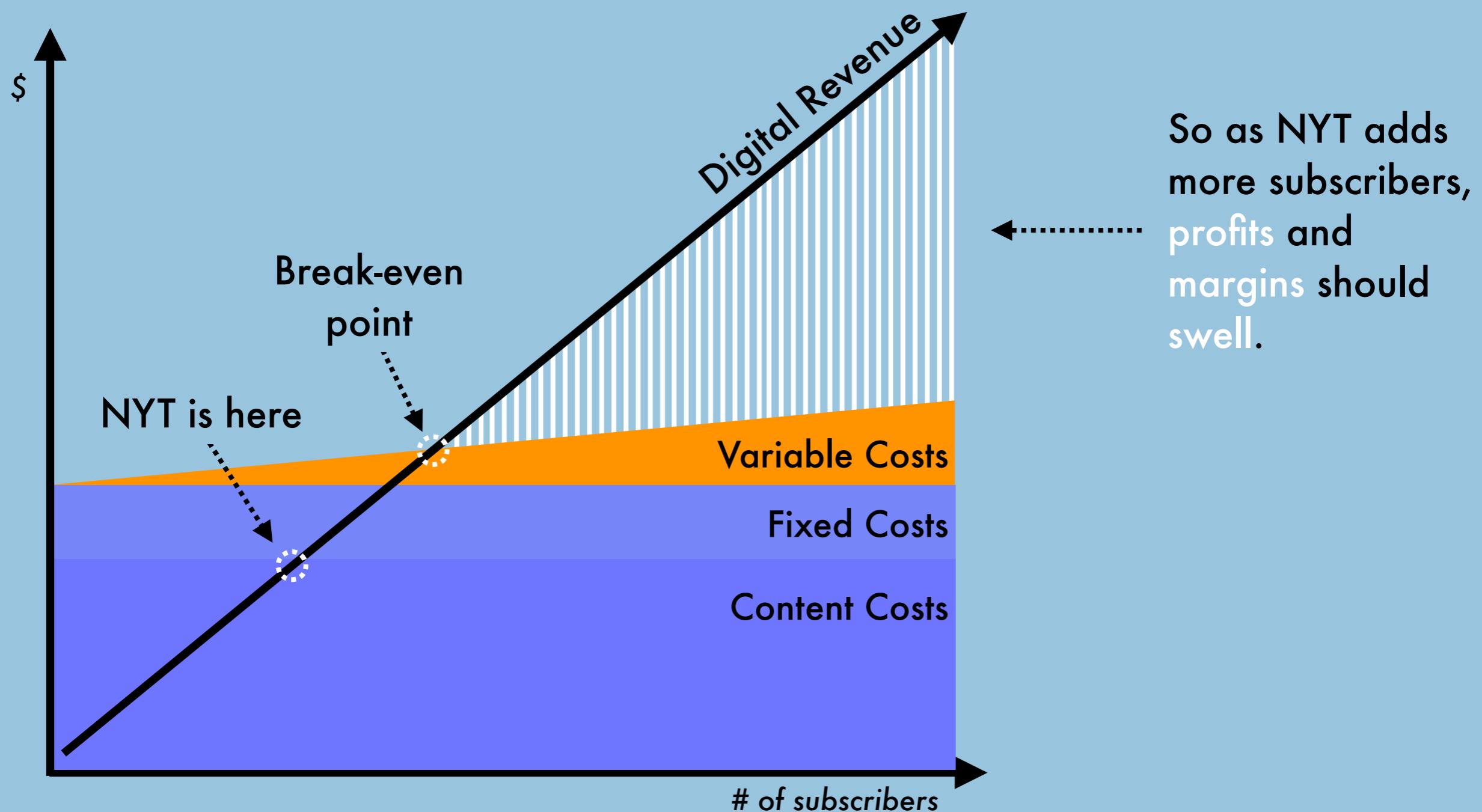
The costs of running a digital subscription business—reporter and engineer salaries, advertising, technology, distribution, etc.—are largely fixed; that is, they don't increase along with revenue.

Think of it this way—the costs of servicing 5M digital subscribers is not much different from the costs of servicing 10M or even 50M.

So after a certain break-even point, revenue from incremental subscribers becomes pure profit.

NYT is nearing this point.

Digital revenue now covers NYT's largest—and most important—fixed cost: news-gathering. Print & Other revenues pay for the remaining fixed costs. And variable costs are low.



“Our view is that over the next few years, we’re going to see progressively improving operating leverage. I can’t tell you...when all the effects play out completely, but it’s not far away.”

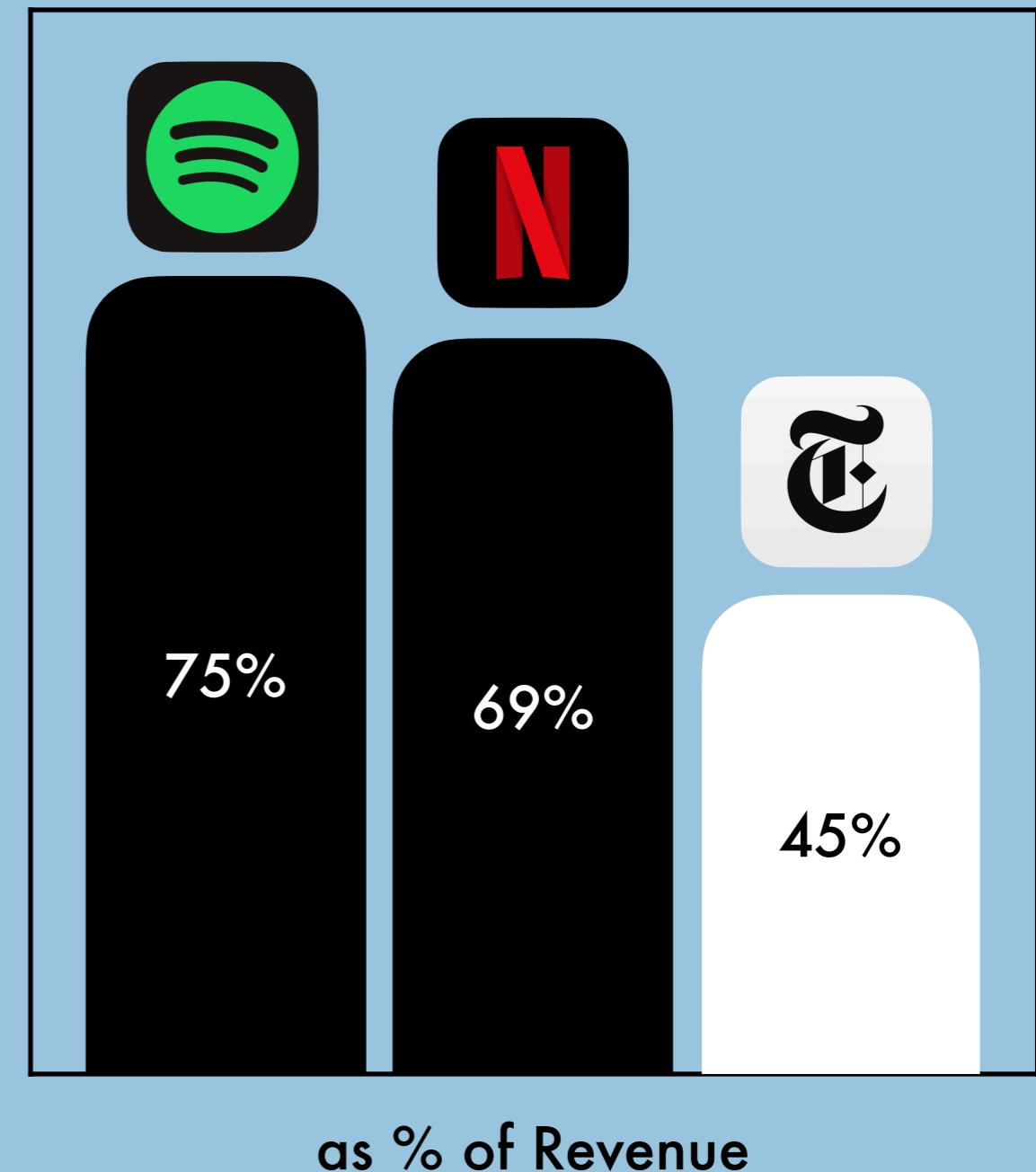
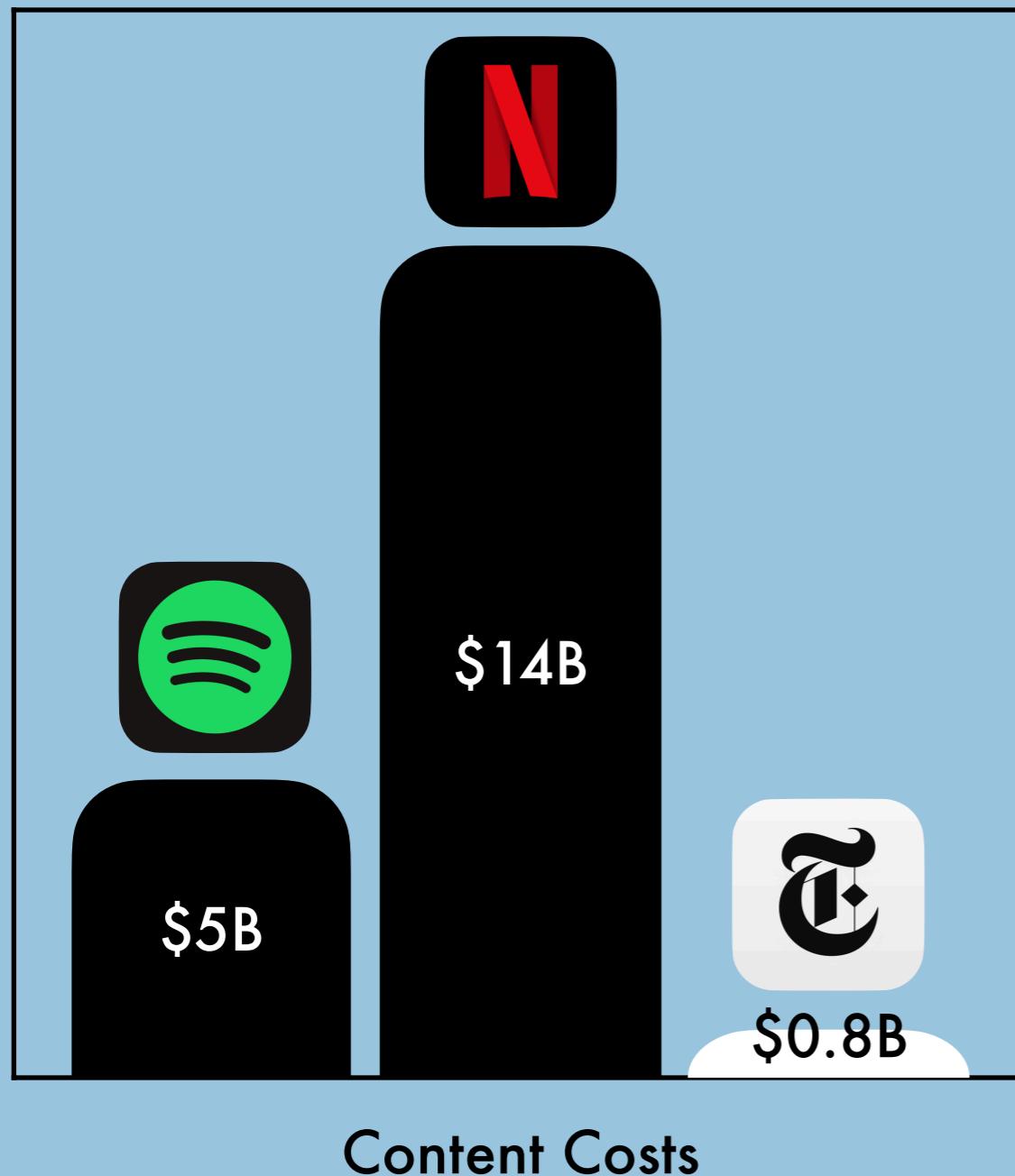
- Mark Thompson
Former CEO, NYTimes

Herein lies the beauty of digital businesses like Netflix, Spotify, and now too, NYT.

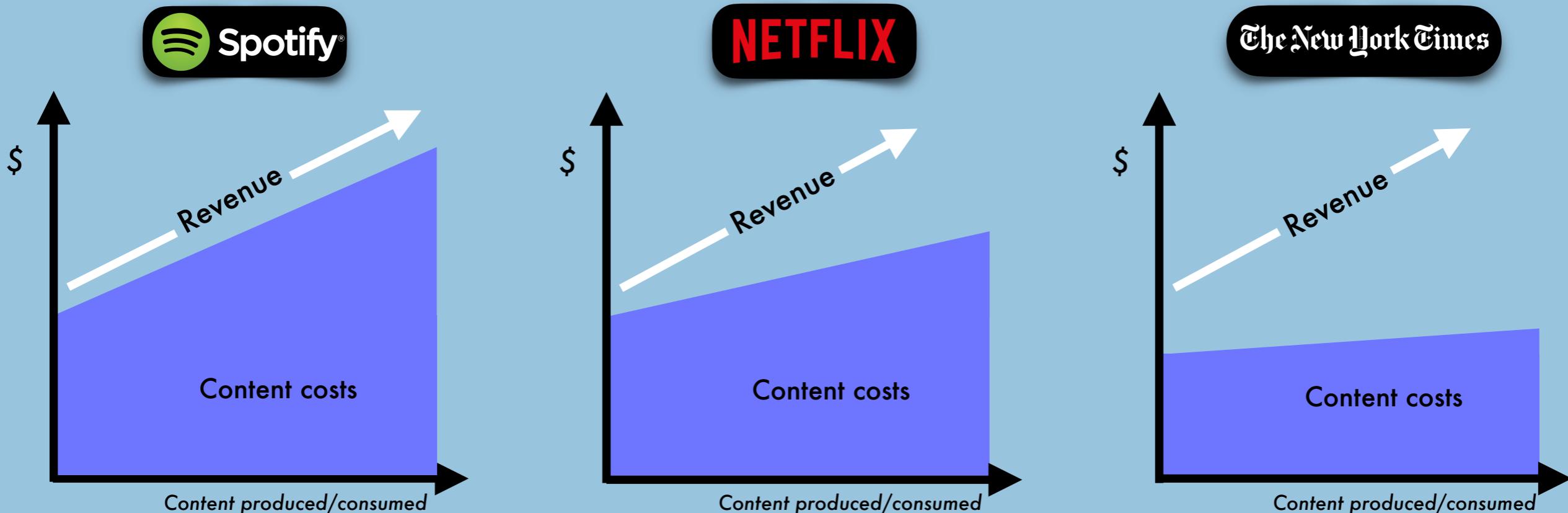
Once fixed costs are paid for, they can scale infinitely; unconstrained by geography, production, or the need for more capital.

**But in some ways, NYT's model is
superior* to other digital subscription
businesses because...**

NYT spends less on content, both in absolute and relative terms*.



NYT owns and distributes its own content, resulting in a lower cost structure*.



Spotify doesn't own the songs they distribute, so they must pay a per-stream royalty to labels and songwriters. This makes it hard to grow profits at a faster rate than revenues and subscribers.

Netflix owns most of the video it distributes, but video is very expensive to produce/acquire. Video also has higher streaming/bandwidth costs, which increases with volume.

NYT creates and distributes its own journalism, and the primary cost of creating it is simply paying salaries for 1,750 reporters and 700 engineers. Variable costs are lower than Netflix and Spotify because text is far cheaper to distribute than music or video.

And NYT has weaker competitors*.



Spotify competes directly with some of the largest—and most cash-rich—companies in the world: Google, Amazon, and Apple.



Netflix competes directly with the same companies as Spotify, plus Disney + Hulu, HBO + AT&T, Showtime, Starz, Quibi, CBS, NBC, etc.



NYT has few competitors.

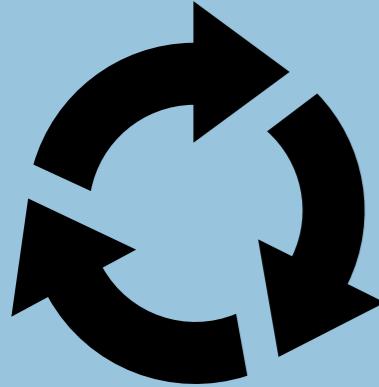
They have more digital subscribers than WSJ, The Washington Post, and 250 local Gannett papers—combined.

And NYT is investing in journalism and product, while the rest of the industry is cutting costs.

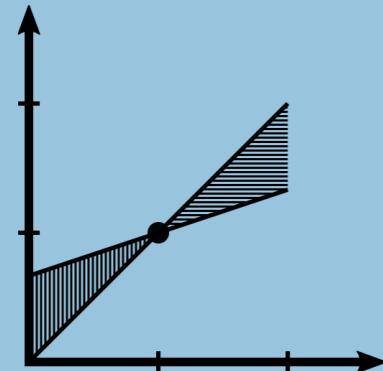
"The competitive context for the Times weirdly feels remarkably thin. We've got 1,750 journalists working their hearts out, trying to produce the best journalism in the world. Not many other people are doing that. And honestly, if you look at the next decade, it may be there's fewer competitors in ten years' time."

- Mark Thompson
Former CEO, NYTimes

*But of course 's total market is
much smaller than 's and 's,
right?



**THE SUBSCRIPTION MODEL IS A
VIRTUOUS CYCLE**



**NYT IS NEARING ITS BREAK-EVEN
POINT**

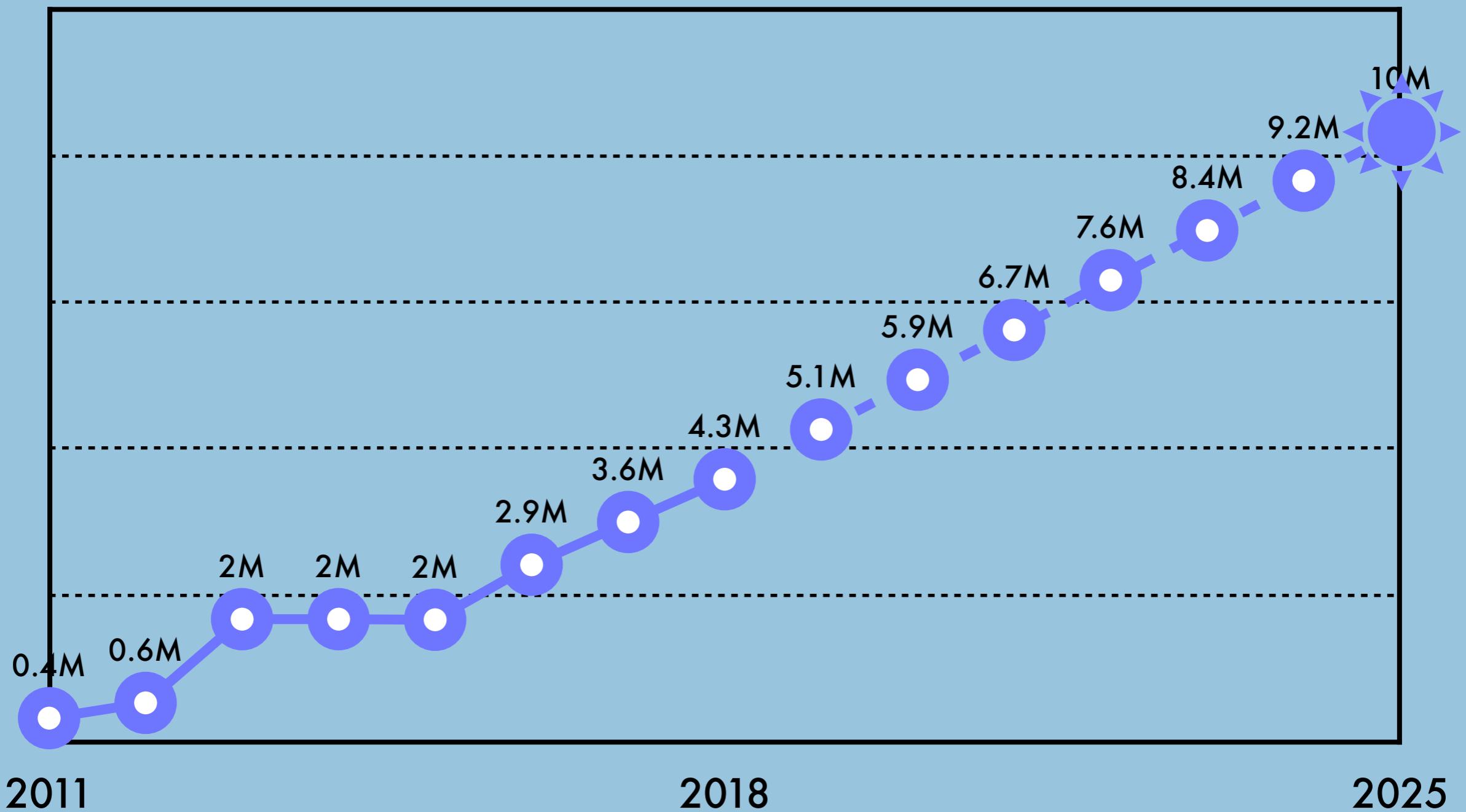


**NYT'S ADDRESSABLE MARKET COULD
BE 30M+ SUBSCRIBERS**

“You once had the idea—which had a grain of truth in it—that the 50-plus white, college-educated, dyed-in-the-wool Democrat Upper West Siders who’d grown up with the Times were the ones who loved it. But you can’t reach 160 million Americans entirely on the basis of the population of the Upper West Side.”

- Mark Thompson
Former CEO, NYTimes

In February of 2019, NYT set a goal: 10 million subscribers by 2025.



The goal represented 10% of their estimated “total addressable market”: people who...

speak English



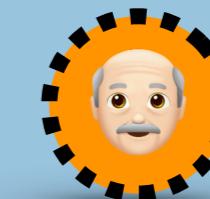
are college-educated



lean left



skew old



and have an interest in US news



But just 18 months later, management is already walking back that goal...

For being too low!

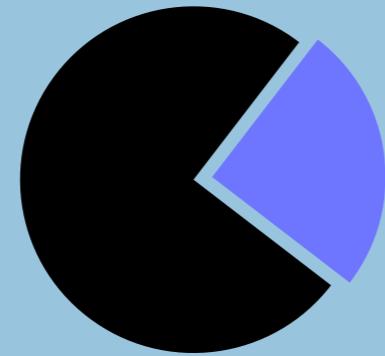
“Honestly, the ten-million-subscriber target...now looks too modest. We said ten million by 2025. The company will be more than two-thirds of the way there by the end of 2020, based on current momentum.”

- **Mark Thompson**
Former CEO, NYTimes

Management now believes that NYT has a much broader appeal—demographically, culturally, and geographically—than has historically been the case.

They might be right.

> 50%



Well over half of all US adults visit NYTimes.com each month. And NYT now reaches more than 1 in 2 US millennials (up from 1 in 5 a few years ago).

25% of subscribers in the most recent quarter were international (18% of subscribers overall).



Healthy growth in other markets like Canada, Australia, UK, India, Southern Europe, and Texas.

Readers no longer skew male.

NYT is meeting this demand by opening new international bureaus, and investing in its existing ones.

The New York Times

PLAY THE CROSSWORD

LETTER 105

Our Australia Bureau Turns Two. Here Are Our Favorite Stories.



A competitor in his “ute” waiting to take part in a so-called circle work competition at the Deni Ute Muster festival in Deniliquin, Australia. Asanka Brendon Ratnayake for The New York Times

By Isabella Kwai

SOURCE
THE CANADIAN JOURNALISM PROJECT

NEWS INTERNATIONAL PEOPLE

NEW YORK TIMES HIRES CATHERINE PORTER AS TORONTO BUREAU CHIEF

BY DYLAN C. ROBERTSON • 4 YEARS AGO



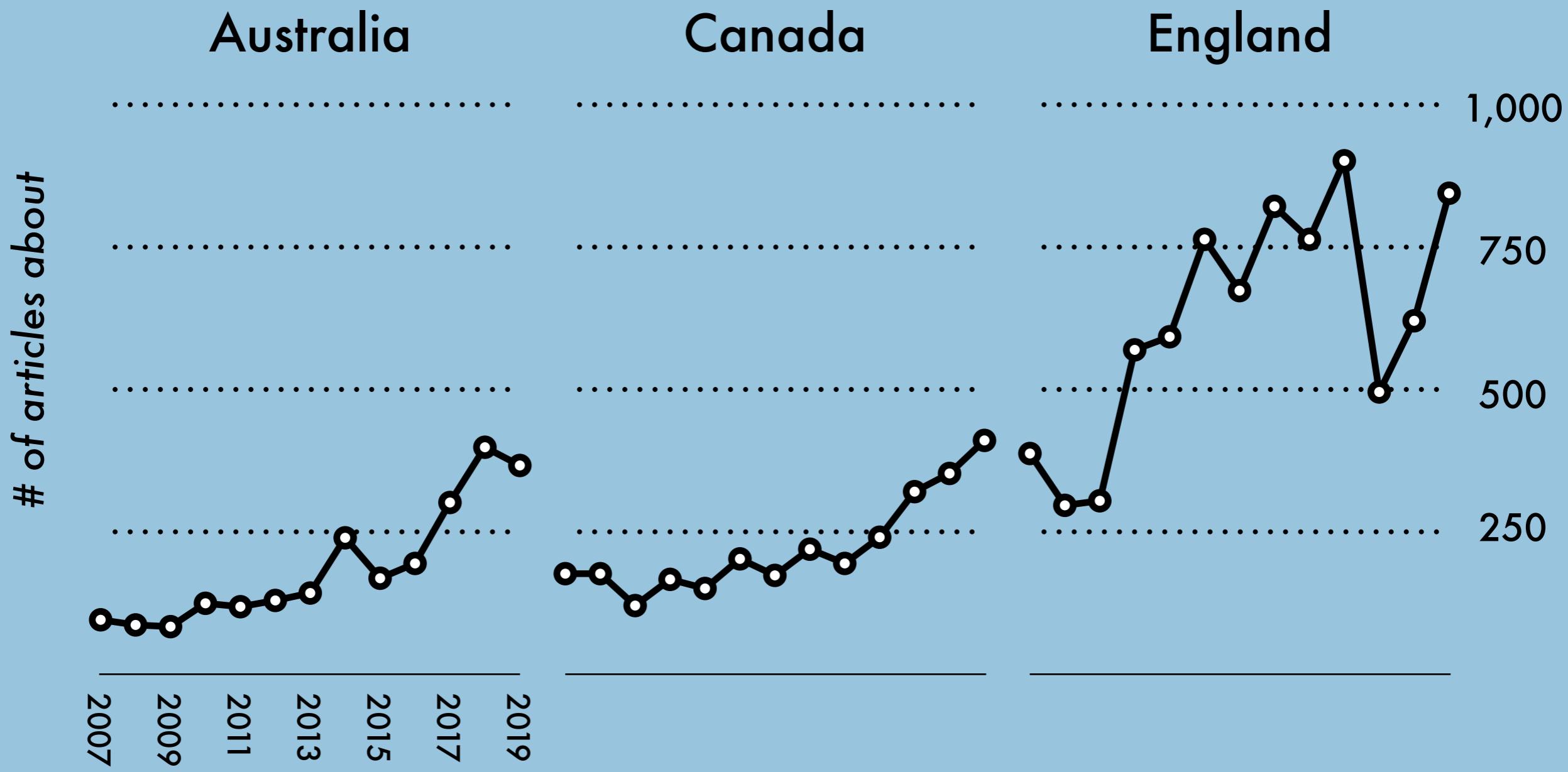
The New York Times has hired its Toronto Bureau Chief.

No plans for further hiring, unlike recently announced Australian bureau.

By Dylan C. Robertson

The New York Times has hired its Toronto Bureau Chief.

And that in turn enables NYT to cover more of the world. Which then attracts more subscribers, which then...(you get the point)



“The New York Times is in the midst of a transition from a newspaper for the New York region, to a digital news resource for the entire world.”

- Jake DuBois

BlueHawk Investors

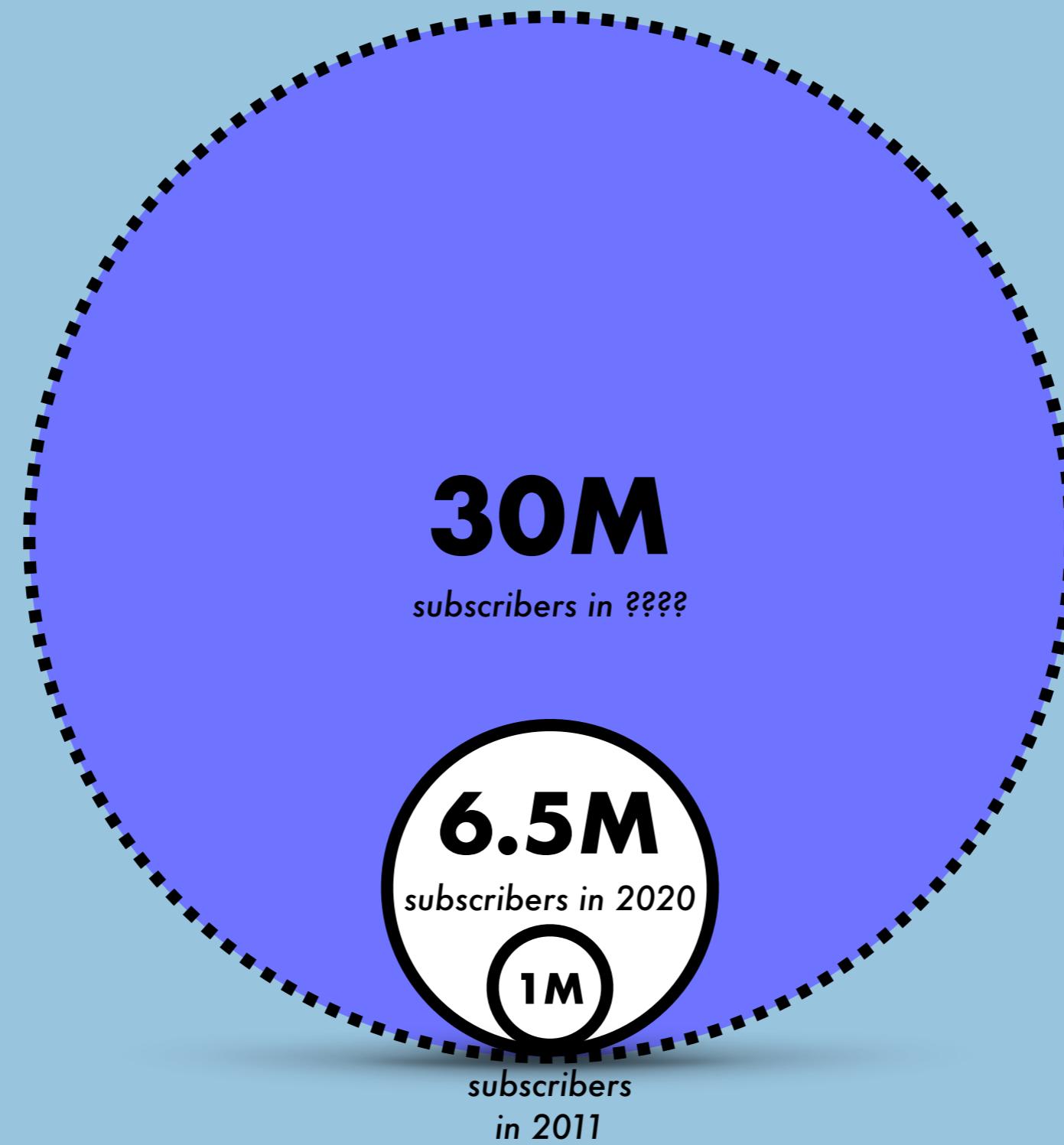
So how big can NYT get?

In a recent interview, outgoing CEO
Mark Thompson dropped a hint...

“The idea of trying to deepen and broaden engagement—to broaden the appeal of NYT and to get smarter about how you attract people of different levels of income, in different cultural contexts and so on—is the way forward. The ultimate scale of the thing could be really immense—maybe 50 times, 30 times what the ambitions of the company were when it launched the pay model in 2011.”

- **Mark Thompson**
Former CEO, NYTimes

That's 30M subscribers—5X more subscribers than NYT has today!



Even if NYT misses this goal by 50%, they would still be a *massively and sustainably profitable business*.

Number of Digital Subscribers

	5M	10M	15M	20M	25M	30M
ARPU	\$0.3B	\$0.6B	\$0.9B	\$1.2B	\$1.5B	\$1.8B
\$60	\$0.4B	\$0.7B	\$1.1B	\$1.4B	\$1.8B	\$2.1B
\$70	\$0.4B	\$0.8B	\$1.2B	\$1.6B	\$2.0B	\$2.4B
\$80	\$0.5B	\$0.9B	\$1.4B	\$1.8B	\$2.3B	\$2.7B
\$90	\$0.5B	\$1.0B	\$1.5B	\$2.0B	\$2.5B	\$3.0B
\$100	\$0.6B	\$1.1B	\$1.7B	\$2.2B	\$2.8B	\$3.3B
\$110	\$0.6B	\$1.2B	\$1.8B	\$2.4B	\$3.0B	\$3.6B
\$120	\$0.7B	\$1.3B	\$2.0B	\$2.6B	\$3.3B	\$3.9B
\$130	\$0.7B	\$1.4B	\$2.1B	\$2.8B	\$3.5B	\$4.2B
\$140						

NYT
Today

+ \$1.2B - \$1.6B =

Other Revenues

Print subs and advertising,
digital advertising, other

Expenses

Mostly fixed



CONCLUSION

A decade ago, NYT was a dying
business like every other newspaper.

Ten years later, they've completely
turned things around.

They accomplished this by cleaning up their balance sheet so they could invest in their core product; which enabled them to flip their business model from ad-first to subscription-first.

This shift is just about to yield fruit, and has positioned The New York Times for massively profitable growth in the next 5 - 10 years.

The New York Times isn't failing anymore.

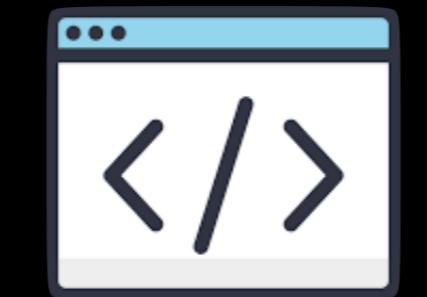
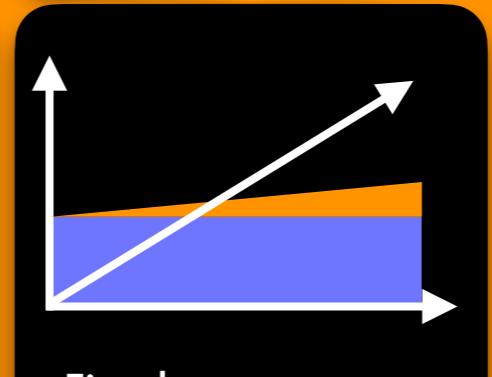
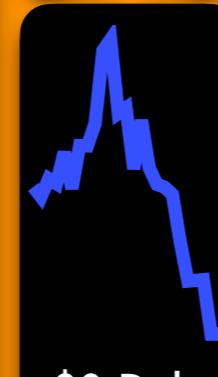


4x Subscribers

Print-era peak

28%

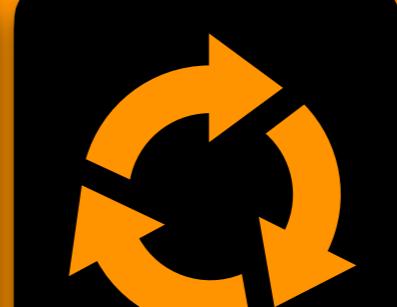
YoY Sub Growth



Industry-leading tech



Clean Balance Sheet



Virtuous Cycle



Few competitors



Net interest



30M
Estimated TAM

1,750
Reporters

SUBSCRIBE

Flipped business model



Profit

thriving

The New York Times

@MineSafety

<https://www.MineSafetyDisclosures.com>

THE END