## NEW YORK TIMES CO

Form 10-Q
August 06, 2015

## 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 June 28, 2015
Commission file number 1-5837
THE NEW YORK TIMES COMPANY
(Exact name of registrant as specified in its charter)

## NEW YORK

(State or other jurisdiction of incorporation or organization)
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 x No o 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 x No o
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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
Number of shares of each class of the registrant's common stock outstanding as of August 4, 2015 (exclusive of treasury shares):
Class A Common Stock 164,491,657 shares
Class B Common Stock 816,635 shares

## THE NEW YORK TIMES COMPANY INDEX

ITEM NO.
PART I Financial Information ..... 1
Item 1 Financial Statements ..... 1
Condensed Consolidated Balance Sheets as of June 28, 2015 (unaudited) and ..... 1 December 28, 2014
Condensed Consolidated Statements of Operations (unaudited) for the quarter and six months ended June 28, 2015 and June 29, 2014 ..... $\underline{3}$
Condensed Consolidated Statements of Comprehensive Income/(Loss)
(unaudited) for the quarter and six months ended June 28, 2015 and June 29, ..... 4
2014
Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 28, 2015 and June 29, 2014 ..... 5
Notes to the Condensed Consolidated Financial Statements ..... 6
Item Management's Discussion and Analysis of Financial Condition and Results of ..... 17 Operations
Item 3 Quantitative and Qualitative Disclosures about Market Risk ..... $\underline{29}$
Item 4 Controls and Procedures ..... $\underline{29}$
PART II Other Information ..... $\underline{29}$
Item 1 Legal Proceedings ..... 30
Item 1A Risk Factors ..... 30
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds ..... 30
Item 6 Exhibits ..... 30

## 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)

|  | June 28, 2015 <br> (Unaudited) | December 28, <br> 2014 |
| :--- | :--- | :--- |
| Assets |  |  |
| Current assets | $\$ 155,001$ | $\$ 176,607$ |
| Cash and cash equivalents | 499,750 | 636,743 |
| Short-term marketable securities | 154,609 | 212,690 |
| Accounts receivable (net of allowances of \$12,003 in 2015 and \$12,860 in | 63,640 | 63,640 |
| 2014) | 23,534 | 25,635 |
| Deferred income taxes | 26,129 | 32,780 |
| Prepaid expenses | 922,663 | $1,148,095$ |
| Other current assets |  |  |
| Total current assets | 224,950 | 167,820 |
| Other assets | 23,121 | 22,069 |
| Long-term marketable securities | 646,101 | 665,758 |
| Investments in joint ventures | 110,314 | 116,422 |
| Property, plant and equipment (less accumulated depreciation and | 246,046 | 252,587 |
| amortization of $\$ 881,960$ in 2015 and $\$ 853,363$ in 2014) | 193,020 | 193,723 |
| Goodwill | $\$ 2,366,215$ | $\$ 2,566,474$ |

See Notes to Condensed Consolidated Financial Statements.

1

THE NEW YORK TIMES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS-(Continued)
(In thousands, except share and per share data)

June 28, 2015
December 28, 2014
(Unaudited)
Liabilities and stockholders' equity
Current liabilities
Accounts payable
Accrued payroll and other related liabilities
Unexpired subscriptions
Current portion of long-term debt and capital lease obligations
Accrued expenses and other
Total current liabilities
\$81,957
\$94,401
67,099
91,755

Other liabilities
Long-term debt and capital lease obligations
428,821
426,458
Pension benefits obligation
Postretirement benefits obligation
Other
Total other liabilities
615,411
631,756
69,490
71,628

Stockholders' equity
Common stock of $\$ .10$ par value:
Class A - authorized: 300,000,000 shares; issued: $2015-168,075,301 ; 2014 \overline{16}, 807$
151,701,136 (including treasury shares: $2015-2,875,914 ; 2014-2,180,442$ )
Class B - convertible - authorized and issued shares: $2015-816,635 ; 2014 \overline{\overline{8}}^{2}$
816,635 (including treasury shares: 2015 - none; 2014 - none)
Additional paid-in capital
142,716
82

Retained earnings
Common stock held in treasury, at cost
1,280,671
(95,576

1,656
(504,218
(502,562
Total accumulated other comprehensive loss, net of income taxes
Total New York Times Company stockholders' equity
Noncontrolling interest
Total stockholders' equity
Total liabilities and stockholders' equity
See Notes to Condensed Consolidated Financial Statements.

98,266 107,775
1,211,988
1,237,617

Accumulated other comprehensive loss, net of income taxes:
Foreign currency translation adjustments

842,138 726,328
1,732 2,021
843,870 728,349
$\$ 2,366,215 \quad \$ 2,566,474$

2

## THE NEW YORK TIMES COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except per share data)

Revenues
Circulation
Advertising
Other
Total revenues
Operating costs
Production costs:
Raw materials
Wages and benefits
Other
Total production costs
Selling, general and administrative costs
Depreciation and amortization
Total operating costs
Pension settlement charges
Multiemployer pension plan withdrawal expense
Early termination charge
Operating profit
(Loss)/income from joint ventures
Interest expense, net
Income from continuing operations before income taxes
Income tax expense/(benefit)
Income from continuing operations
Loss from discontinued operations, net of income taxes
Net income
Net loss attributable to the noncontrolling interest
Net income attributable to The New York Times Company
common stockholders
Amounts attributable to The New York Times Company
common stockholders:
Income from continuing operations
Loss from discontinued operations, net of income taxes
Net income
Average number of common shares outstanding:
Basic
Diluted
Basic earnings/(loss) per share attributable to The New York Times Company common stockholders:
Income from continuing operations
Loss from discontinued operations, net of income taxes
Net income

| For the Quarters Ended |  | For the Six Months Ended |  |
| :---: | :---: | :---: | :---: |
| June 28, | June 29, | June 28, | June 29, |
| 2015 | 2014 | 2015 | 2014 |
| (13 weeks) |  | (26 weeks) |  |
| \$211,658 | \$209,815 | \$423,128 | \$419,538 |
| 148,599 | 157,249 | 298,507 | 316,461 |
| 22,629 | 21,655 | 45,490 | 43,128 |
| 382,886 | 388,719 | 767,125 | 779,127 |

$\left.\begin{array}{llll}18,348 & 21,610 & 38,625 & 43,638 \\ 89,030 & 88,025 & 179,668 & 176,641 \\ 45,395 & 48,309 & 91,116 & 96,648 \\ 152,773 & 157,944 & 309,409 & 316,927 \\ 176,252 & 185,584 & 355,049 & 372,308 \\ 15,810 & 19,169 & 30,654 & 39,261 \\ 344,835 & 362,697 & 695,112 & 728,496 \\ - & 9,525 & 40,329 & 9,525 \\ - & - & 4,697 & - \\ - & - & - & 2,550 \\ 38,051 & 16,497 & 26,987 & 38,556 \\ (356 & 25 & (928 & ) \\ 9,776 & 13,205 & 21,968 & 26,506 \\ 27,919 & 3,317 & 4,091 & 9,928 \\ 11,700 & (5,743 & ) 2,293 & (1,979 \\ 16,219 & 9,060 & 1,798 & 11,907 \\ - & - & - & (994 \\ \hline-16,219 & 9,060 & 1,798 & 10,913 \\ 181 & 128 & 340 & 18 \\ \$ 16,400 & \$ 9,188 & \$ 2,138 & \$ 10,931\end{array}\right)$

| $\$ 16,400$ | $\$ 9,188$ | $\$ 2,138$ | $\$ 11,925$ |
| :--- | :--- | :--- | :--- |
| - | - | - | $(994$ |
| $\$ 16,400$ | $\$ 9,188$ | $\$ 2,138$ | $\$ 10,931$ |
|  |  |  |  |
| 166,355 | 150,796 | 165,173 | 150,683 |
| 168,316 | 161,868 | 167,491 | 161,962 |

$\left.\begin{array}{llll}\$ 0.10 & \$ 0.06 & \$ 0.01 & \$ 0.08 \\ - & - & - & (0.01 \\ \$ 0.10 & \$ 0.06 & \$ 0.01 & \$ 0.07\end{array}\right)$

## Edgar Filing: NEW YORK TIMES CO - Form 10-Q

Diluted earnings/(loss) per share attributable to The New York Times Company common stockholders:

| Income from continuing operations | $\$ 0.10$ | $\$ 0.06$ | $\$ 0.01$ | $\$ 0.07$ |
| :--- | :--- | :--- | :--- | :--- |
| Loss from discontinued operations, net of income taxes | - | - | - | $(0.01$ |
| Net income | $\$ 0.10$ | $\$ 0.06$ | $\$ 0.01$ | $\$ 0.06$ |
| Dividends declared per share | $\$ 0.04$ | $\$ 0.04$ | $\$ 0.08$ | $\$ 0.08$ |

See Notes to Condensed Consolidated Financial Statements.

3

| CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) <br> (Unaudited) <br> (In thousands) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | For the Quarter | Ended | For the Six Mon | nths Ended |
|  | June 28, 2015 (13 weeks) | June 29, 2014 | June 28, 2015 (26 weeks) | June 29, 2014 |
| Net income | \$16,219 | \$9,060 | \$1,798 | \$ 10,913 |
| Other comprehensive income/(loss), before tax: |  |  |  |  |
| Foreign currency translation adjustments-gain/(loss) | 1,907 | (427 ) | ) $(6,620$ | (582 |
| Pension and postretirement benefits obligation | 9,142 | 6,844 | 58,480 | 13,594 |
| Other comprehensive income, before tax | 11,049 | 6,417 | 51,860 | 13,012 |
| Income tax expense | 4,256 | 2,440 | 20,576 | 5,141 |
| Other comprehensive income, net of tax | 6,793 | 3,977 | 31,284 | 7,871 |
| Comprehensive income | 23,012 | 13,037 | 33,082 | 18,784 |
| Comprehensive income attributable to the noncontrolling interest | 130 | 128 | 289 | 18 |
| Comprehensive income attributable to The New York Times Company common stockholders | \$23,142 | \$13,165 | \$33,371 | \$ 18,802 |

See Notes to Condensed Consolidated Financial Statements.
4

## THE NEW YORK TIMES COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

Cash flows from operating activities
Net income
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:
Gain on insurance settlement - $\quad$ (1,421

Pension settlement charges
Multiemployer pension plan withdrawal expense
Early termination charge
Depreciation and amortization
Stock-based compensation expense
Undistributed loss of joint ventures
Long-term retirement benefit obligations
Uncertain tax positions
Other-net
Changes in operating assets and liabilities:
Accounts receivable-net
Inventories
Other current assets
Accounts payable, accrued payroll and other liabilities
Unexpired subscriptions
Net cash provided by operating activities

| 40,329 | 9,525 |
| :--- | :--- |
| 4,697 | - |
| - | 2,550 |
| 30,654 | 39,261 |

Cash flows from investing activities
Purchases of marketable securities
Maturities of marketable securities
Repayment of borrowings against cash surrender value of corporate-owned life insurance
Purchase of investments - net of proceeds
Capital expenditures
Proceeds from insurance settlement
Change in restricted cash
Other-net
Net cash provided by/(used in) investing activities
Cash flows from financing activities
Long-term obligations:
Repayment of debt and capital lease obligations (223,659 ) (297 )
Dividends paid
(13,365 ) (12,106 )

Capital shares.
Stock issuances
Repurchases
Net cash used in financing activities
Net decrease in cash and cash equivalents
Effect of exchange rate changes on cash
Cash and cash equivalents at the beginning of the period

| 102,640 | 1,120 |  |
| :--- | :--- | :--- |
| $(9,342$ | $)$ | - |
| $(143,726$ | $)$ | $(11,283$ |
| $(20,616$ | $)$ | $(108,054$ |
| $(990$ | $)$ | $(65$ |
| 176,607 | 482,745 |  |

Cash and cash equivalents at the end of the period \$155,001
\$374,626
See Notes to Condensed Consolidated Financial Statements.

5

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

## NOTE 1. BASIS OF PRESENTATION

In the opinion of The New York Times Company's (the "Company") management, the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of June 28, 2015 and December 28, 2014, and the results of operations and cash flows of the Company for the periods ended June 28, 2015 and June 29, 2014. 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 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 28, 2014. 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 second-quarter periods and 26 weeks for the full six-month periods.
The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("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 June 28, 2015, our significant accounting policies, which are detailed in our Annual Report on Form 10-K for the year ended December 28, 2014, have not changed.
Recent Accounting Pronouncements
The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs"). ASUs not specifically identified in our disclosures are either not applicable to the Company or will not have a material effect on our financial condition or results of operations.
In May 2014, the Financial Accounting Standards Board ("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 effective for fiscal years beginning December 31, 2017, subject to finalization. Early application is permitted. We are currently in the process of evaluating the impact of the new revenue guidance.

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

## NOTE 3. MARKETABLE SECURITIES

Our marketable debt securities consisted of the following:
(In thousands)
June 28, 2015
December 28,
2014
Short-term marketable securities
Marketable debt securities
U.S Treasury securities

Corporate debt securities
U.S. agency securities

Municipal securities
Certificates of deposit
Commercial paper
Total short-term marketable securities
Long-term marketable securities
Marketable debt securities
Corporate debt securities
U.S. agency securities

Municipal securities
Total long-term marketable securities
June 28, 2015
\$90,033
\$71,191
\$ 127,189 \$238,488

194,516 208,346
49,443 32,009
5,237 13,622
88,393 109,293
34,972 34,985
\$499,750
\$636,743

As of June 28, 2015, our short-term and long-term marketable securities had remaining maturities of less than 1 month to 12 months and 13 months to 35 months, respectively. See Note 8 for additional information regarding the fair value of our marketable securities.
NOTE 4. GOODWILL
The changes in the carrying amount of goodwill as of June 28, 2015 and December 28, 2014 were as follows: (In thousands)
Balance as of December 28, 2014
Foreign currency translation
Balance as of June 28, 2015

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 June 28, 2015, our investments in joint ventures consisted of equity ownership interests in the following entities:
Company
Approximate \% Ownership
$\begin{array}{ll}\text { Donohue Malbaie Inc. } & 49\end{array}$
$\begin{array}{ll}\text { Madison Paper Industries } & 40\end{array}$
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 operating a supercalendered paper mill in Maine (together, the "Paper Mills"), and Women in the World Media, LLC, a live-event conference business.

7

## THE NEW YORK TIMES COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
We received no distributions from the Paper Mills during the six-month periods ended June 28, 2015 and June 29, 2014.

We purchase newsprint and have purchased supercalendered paper from the Paper Mills at competitive prices. Such purchases totaled $\$ 6.1$ million and $\$ 10.0$ million for the six-month periods ended June 28, 2015 and June 29, 2014, respectively. Effective February 2015, we no longer purchase supercalendered paper.
During the second quarter of 2015, we made an investment of $\$ 2.3$ million in Women in the World Media, LLC, which includes our initial investment and additional capital contributions.

## 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)

| Coupon | June 28, 2015 | December 28, <br> Rate |
| :--- | :--- | :--- |
| 2014 |  |  |

Current portion of long-term debt and capital lease obligations:
Senior notes due in 2015
5.0 \% \$
\$223,662
Long-term debt and capital lease obligations:
Senior notes due in 2016
6.625 \% 187,983

187,604
Option to repurchase ownership interest in headquarters
building in 2019
Long-term capital lease obligations
Total long-term debt and capital lease obligations
Total debt and capital lease obligations
234,093 232,118

See Note 8 for information regarding the fair value of our long-term debt.
In March 2015, we repaid, at maturity, the remaining $\$ 223.7$ million principal amount of our $5.0 \%$ senior notes. "Interest expense, net," as shown in the accompanying Condensed Consolidated Statements of Operations was as follows:
(In thousands)
Cash interest expense
Amortization of debt costs and discount on debt
Capitalized interest
Interest income
Total interest expense, net

| For the Quarters Ended | For the Six Months Ended |  |  |
| :--- | :--- | :--- | :--- |
| June 28, 2015 | June 29, 2014 | June 28, 2015 | June 29, 2014 |
| $\$ 9,920$ | $\$ 13,153$ | $\$ 22,089$ | $\$ 26,204$ |
| 1,145 | 1,128 | 2,360 | 2,318 |
| $(106$ | $)$ | $(82$ | $)$ |
| $(1,183$ | $)$ | $(994$ | $)$ |
| $\$ 9,776$ | $\$ 13,205$ | $\$ 21,968$ | $(82$ |

## NOTE 7. OTHER

## Severance Costs

We recognized severance costs of $\$ 1.9$ million in the second quarter of 2015 and $\$ 3.4$ million in the first six months of 2015 compared with $\$ 2.2$ million in the second quarter of 2014 and $\$ 5.3$ million in the first six months of 2014. These costs are recorded in "Selling, general and administrative costs" in our Condensed Consolidated Statements of Operations.
We had a severance liability of $\$ 19.9$ million and $\$ 34.6$ million included in "Accrued expenses and other" in our Condensed Consolidated Balance Sheets as of June 28, 2015 and December 28, 2014, respectively.
Pension Settlement Charges
During 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 were made with cash from the qualified pension plans, not with Company cash.

## THE NEW YORK TIMES COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
During the second quarter of 2014, we recorded a pension settlement charge of $\$ 9.5$ million in connection with a lump-sum payment offer made to certain former employees who participated in certain non-qualified pension plans. See Note 9 for additional information regarding the pension settlement charges.
Multiemployer Pension Plan Withdrawal Expense
During the first quarter of 2015, we recorded a $\$ 4.7$ million charge for a partial withdrawal obligation under a multiemployer pension plan.
Early Termination Charge
In the first quarter of 2014, we recorded a $\$ 2.6$ million charge for the early termination of a distribution agreement. Advertising Expenses
Expenses incurred to promote our consumer and advertising services were $\$ 21.1$ million in the second quarter of 2015 and $\$ 42.5$ million in the first six months of 2015 compared to $\$ 25.6$ million in the second quarter of 2014 and $\$ 47.6$ million in the first six months of 2014.
Capitalized Computer Software Costs
Capitalized computer software costs included in "Depreciation and amortization" in our Condensed Consolidated Statements of Operations were $\$ 3.1$ million in the second quarter of 2015 and $\$ 6.0$ million in the first six months of 2015 compared to $\$ 6.8$ million in the second quarter of 2014 and $\$ 14.3$ million in the first six months of 2014.

## 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 June 28, 2015 and December 28, 2014:

| (In thousands) | June 28, 2015 |  | December 28, 2014 |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Deferred compensation | \$36,459 | \$36,459 | \$- | \$- | \$45,136 | \$45,136 | \$- | \$- |

The deferred compensation liability, included in "Other liabilities-Other" in our Condensed Consolidated Balance Sheets, consists of deferrals under our deferred executive compensation plan, 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.

## THE NEW YORK TIMES COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

## Assets Measured and Recorded at Fair Value on a Non-Recurring Basis

Certain non-financial assets, such as goodwill, other intangible assets, property, plant and equipment and certain investments, that were part of operations that have been classified as discontinued operations are only recorded at fair value if an impairment charge is recognized. The following table presents non-financial assets that were measured and recorded at fair value on a non-recurring basis and the total impairment losses recorded on those assets as of December 28, 2014.

|  | Net Carrying <br> Value as of | Fair Value Measured and Recorded Using |  |
| :--- | :--- | :--- | :--- | :--- | :--- |$\quad$| Impairment Losses |
| :--- |
| as of |

The impairment of assets in 2014 reflects the impairment of our investment in Madison. During the fourth quarter of 2014, we estimated the fair value using unobservable inputs (Level 3). We recorded a $\$ 9.2$ million non-cash charge in the fourth quarter of 2014. Our proportionate share of the loss was $\$ 4.7$ million after tax and adjusted for the allocation of the loss to the non-controlling interest.
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 June 28, 2015 and December 28, 2014, 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 $\$ 422$ million as of June 28, 2015 and $\$ 420$ million as of December 28, 2014. The fair value of our long-term debt was $\$ 523$ million as of June 28, 2015 and $\$ 527$ million as of December 28, 2014. 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 joint Company and Guild-sponsored plans covering employees of The New York Times Newspaper Guild, including The Newspaper Guild of New York-The New York Times Pension Fund, which was frozen and replaced with a new defined benefit pension plan, The Guild-Times Adjustable Pension Plan.

THE NEW YORK TIMES COMPANY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
The components of net periodic pension cost were as follows:

|  | For the Quarters Ended |  | June 29, 2014 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| (In thousands) | Qualified Non- <br> Qualified <br> Plans <br> Plans  | All Plans | Qualified Plans | NonQualified Plans | All Plans |
| Service cost | \$2,987 | \$2,987 | \$2,385 | \$ | \$2,385 |
| erest cost | 18,514 2,502 | 21,016 | 21,112 | 2,711 | 23,823 |
| Expected return on plan assets | (28,832 | $(28,832)$ | (28,460 | ) - | (28,460 ) |
| Amortization of actuarial loss | 9,479 1,270 | 10,749 | 6,711 | 1,033 | 7,744 |
| Amortization of prior service (credit) | (486 | (486 | (484 |  | (484 |
| Effect of settlement |  |  |  | 9,525 | 9,525 |
| Net periodic pension cost | \$ 1,662 \$3,772 | \$5,434 | \$1,264 | \$13,269 | \$14,533 |
|  | June 28, 2015 |  | June 29, 2014 |  |  |
| (In thousands) | Qualified Non- <br> Qualified <br> Plans Plans | All <br> Plans | Qualified <br> Plans | Non- <br> Qualified <br> Plans | All Plans |
| Service cost | \$5,975 | \$5,975 | \$4,772 | \$- | 4,772 |
| Interest cost | 37,452 5,004 | 42,456 | 42,224 | 5,586 | 47,810 |
| Expected return on plan assets | (57,607 ) - | (57,607 ) | (56,920 |  | (56,920) |
| Amortization of actuarial loss | 18,876 2,540 | 21,416 | 13,309 | 2,087 | 15,396 |
| Amortization of prior service (credit) | (972 | (972 | (970 |  | (970 |
| Effect of settlement | 40,329 | 40,329 |  | 9,525 | 9,525 |
| Net periodic pension cost | \$44,053 \$7,544 | \$51,597 | \$2,415 | \$17,198 | \$19,613 |
| During the first six months of 2015 and 2014, we made pension contributions of $\$ 3.2$ million and $\$ 9.1$ million, respectively, to certain qualified pension plans. We expect to make a total contribution of $\$ 8.0$ million in 2015 to satisfy funding requirements. |  |  |  |  |  |
| 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 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. |  |  |  |  |  |
| In the second quarter of 2014 , we recorded a pension settlement charge of $\$ 9.5$ million in connection with a lump-sum payment offer made to certain former employees who participated in certain non-qualified pension plans. These lump-sum payments totaled $\$ 24.0$ million and were paid out of Company cash. The effect of this lump-sum payment offer was to reduce our pension obligations by $\$ 32.0$ million. |  |  |  |  |  |
| Multiemployer Plans |  |  |  |  |  |
| During the first quarter of 2015, we recorded a $\$ 4.7$ million charge related to a partial withdrawal obligation under a multiemployer pension plan. |  |  |  |  |  |

THE NEW YORK TIMES COMPANY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Other Postretirement Benefits
The components of net periodic postretirement benefit expense were as follows:

| For the Quarters Ended | For the Six Months Ended |  |  |
| :--- | :--- | :--- | :--- |
| June 28, 2015 | June 29, 2014 | June 28, 2015 | June 29, 2014 |
| $\$ 147$ | $\$ 147$ | $\$ 294$ | $\$ 294$ |
| 689 | 1,010 | 1,377 | 2,020 |
| 1,303 | 1,184 | 2,606 | 2,368 |
| $(2,475$ | $)$ | $(1,600$ | $(4,950$ |$)(3,200,1)$

## NOTE 10. INCOME TAXES

The Company had income tax expense of $\$ 11.7$ million and $\$ 2.3$ million in the second quarter and first six months of 2015, respectively, and an effective tax rate of $41.9 \%$ and $56.1 \%$ in the second quarter and first six months of 2015, respectively. The Company had an income tax benefit of $\$ 5.7$ million and $\$ 2.0$ million in the second quarter and first six months of 2014, respectively. The tax benefit in the second quarter of 2014 was primarily due to a reduction in the Company's reserve for uncertain tax positions.
On April 13, 2015, New York State enacted legislation amending New York City's corporate tax laws for tax years commencing on or after January 1, 2015. The new legislation did not have a material impact on the Company's provision for income taxes.
NOTE 11. DISCONTINUED OPERATIONS
New England Media Group
The following table summarizes the 2015 and 2014 discontinued operations including post-sale adjustments related to the New England Media Group, which was sold in 2013:

| $\begin{array}{l}\text { For the Quarters Ended } \\ \text { June 28, } 2015\end{array}$ |  | June 29, 2014 | For the Six Months Ended |  |
| :--- | :--- | :--- | :--- | :---: |
|  |  | June 28, 2015 | June 29, 2014 |  |
| $\$-$ | $\$-$ | $\$-$ | $\$(1,559$ |  |
| - | - | - | $(565$ |  |
| - | - | - | $(994$ |  |
| \$- | $\$-$ | $\$-$ | $\$(994$ |  |$)$

(In thousands)
Loss on sale, net of income taxes:
Loss on sale \$-
Income tax benefit
Loss on sale, net of income taxes
Loss from discontinued operations, net of income taxes

NOTE 12. EARNINGS/(LOSS) PER SHARE
The two-class method is an earnings allocation method for computing earnings/(loss) per share 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.

THE NEW YORK TIMES COMPANY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Basic and diluted earnings/(loss) per share have been computed as follows:

For the Quarters Ended
June 28, 2015 June 29, 2014
(In thousands, except per share data)
Amounts attributable to The New York Times
Company common stockholders:
Income from continuing operations
Loss from discontinued operations, net of income taxes
Net income
Average number of common shares outstanding:
Basic
Diluted
Basic earnings/(loss) per share attributable to
The New York Times Company common stockholders:
Income from continuing operations
Loss from discontinued operations, net of income taxes
Net income
Diluted earnings/(loss) per share attributable
to The New York Times Company common stockholders:
Income from continuing operations
Loss from discontinued operations, net of income taxes
Net income
June 28, 2015 June 29, 2014

| $\$ 16,400$ | $\$ 9,188$ |
| :--- | :--- |
| - | - |
| $\$ 16,400$ | $\$ 9,188$ |

166,355

168,316
150,796
161,868
$\$ 0.10$
0.00
\$0.10
$\$ 0.06$
0.00
$\$ 0.06$

| $\$ 0.10$ | $\$ 0.06$ | $\$ 0.01$ | $\$ 0.07$ |
| :--- | :--- | :--- | :--- |
| 0.00 | 0.00 | 0.00 | $(0.01$ |
| $\$ 0.10$ | $\$ 0.06$ | $\$ 0.01$ | $\$ 0.06$ |

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 increase in our basic shares is due to the exercise of warrants in January 2015, partially offset by repurchases of the Company's Class A Common Stock.
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 that was excluded from the computation of diluted earnings per share because they were anti-dilutive was approximately 5 million in the second quarter and first six months of 2015 and approximately 6 million in the second quarter and first six months of 2014.

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

## NOTE 13. SUPPLEMENTAL STOCKHOLDERS' EQUITY INFORMATION

Stockholders' equity is summarized as follows:
(In thousands)
Balance as of December 28, 2014
Net income/(loss)
Other comprehensive income, net of tax
Effect of issuance of shares
Share repurchases
Dividends declared
Stock-based compensation
Balance as of June 28, 2015
(In thousands)
Balance as of December 29, 2013
Net income/(loss)
Other comprehensive income, net of tax
Effect of issuance of shares
Dividends declared
Stock-based compensation
Balance as of June 29, 2014

| Total New York Times |  | Total |
| :---: | :---: | :---: |
| Company Stockholders' | Int | Stockholders' |
| Equity | In | Equity |
| \$726,328 | \$2,021 | \$728,349 |
| 2,138 | (340 ) | 1,798 |
| 31,233 | 51 | 31,284 |
| 100,589 | - | 100,589 |
| (9,342 | - | (9,342 |
| (13,375 | - | (13,375 |
| 4,567 | - | 4,567 |
| \$842,138 | \$1,732 | \$843,870 |
| Total New York Times |  | Total |
| Company Stockholders' | Noncontrolling <br> Interest | Stockholders' |
| Equity |  | Equity |
| \$842,910 | \$3,624 | \$846,534 |
| 10,931 | (18 ) | 10,913 |
| 7,871 | - | 7,871 |
| (823 | - | (823 |
| (12,119 | - | (12,119 |
| 5,160 | - | 5,160 |
| \$853,930 | \$3,606 | \$857,536 |

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 April 13, 2004, our Board of Directors authorized repurchases in an amount up to $\$ 400$ million of our Class A Common Stock. As of December 28, 2014, $\$ 91.4$ million remained under this authorization. On January 13, 2015, the Board of Directors terminated this authorization and approved a new repurchase authorization of $\$ 101.1$ million, equal to the cash proceeds received by the Company from the exercise of warrants. Under this authorization, the Company repurchased 696,018 Class A shares for a cost of $\$ 9.3$ million (excluding commissions), as of June 28, 2015. As of August 4,2015 , repurchases totaled $\$ 18.9$ million and $\$ 82.2$ million remained under this authorization. Our Board of Directors has authorized us to purchase shares from time to time as market conditions permit. There is no expiration date with respect to this authorization.

## THE NEW YORK TIMES COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
The following table summarizes the changes in AOCI by component as of June 28, 2015:
$\left.\begin{array}{llll} & \begin{array}{l}\text { Foreign } \\ \text { Currency } \\ \text { Translation }\end{array} & \begin{array}{l}\text { Funded Status } \\ \text { of Benefit }\end{array} & \begin{array}{l}\text { Total } \\ \text { Accumulated } \\ \text { Plans }\end{array} \\ \text { Adjer }\end{array}\right)$
(1) All amounts are shown net of noncontrolling interest.

The following table summarizes the reclassifications from AOCI for the periods ended June 28, 2015:
(In thousands)
For the Six Months Ended June 28, 2015

Detail about accumulated other comprehensive loss components
Funded status of benefit plans:
Amortization of prior service credit ${ }^{(1)}$
Amortization of actuarial loss ${ }^{(1)}$
Pension settlement charge
Total reclassification, before tax ${ }^{(2)}$
Income tax expense
Total reclassification, net of tax

Amounts reclassified from accumulated other comprehensive loss
\$(5,922
24,022
40,329
58,429
23,147
\$35,282

Affect line item in the statement where net income is presented
) Selling, general \& administrative costs Selling, general \& administrative costs Pension settlement charges

Income tax (benefit)/expense
(1) 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.
(2) There were no reclassifications relating to noncontrolling interest for the quarter ended June 28, 2015.

NOTE 14. SEGMENT INFORMATION
We have one reportable segment that includes The New York Times ("The Times"), the International New York Times, NYTimes.com, international.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, conferences/events, e-commerce and the Crossword product.

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

## NOTE 15. CONTINGENT LIABILITIES

## Restricted Cash

We were required to maintain $\$ 29.0$ million of restricted cash as of June 28, 2015 and $\$ 30.2$ million as of
December 28, 2014, primarily related to certain collateral requirements for obligations under our workers'
compensation programs.
Newspaper and Mail Deliverers-Publishers' Pension Fund
In September 2013, the Newspaper and Mail Deliverers-Publishers' Pension Fund (the "Fund") assessed a partial withdrawal liability to the Company in the amount of $\$ 26$ million for the plan years ending May 31, 2012 and 2013, an amount that was increased to approximately $\$ 34$ million in December 2014, when the Fund issued a revised partial withdrawal liability assessment for the plan year ending May 31, 2013. The Fund claims that when City \& Suburban, a retail and newsstand distribution subsidiary of the Company and the largest contributor to the 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 disagrees with both the Fund's determination that a partial withdrawal occurred and the methodology by which it calculated the withdrawal liability and has initiated arbitration proceedings. We do not believe that a loss is probable on this matter and have not recorded a loss contingency for the period ended June 28, 2015. However, as required by the Employee Retirement Income Security Act of 1974, we have been making the quarterly payments to the Fund set forth in the demand letters. As of June 28, 2015, we made total payments of $\$ 8.1$ million since the receipt of the initial demand letter, including $\$ 3.6$ million in 2015.

## 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. It is the opinion of management after reviewing these actions with our legal counsel that the ultimate liability that might result from these actions would not have a material adverse effect on our Condensed Consolidated Financial Statements.

## 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, digital businesses and investments in paper mills. We currently have one reportable segment comprising businesses that include The New York Times ("The Times"), International New York Times ("INYT"), NYTimes.com, international.nytimes.com 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, conferences/events, e-commerce and the Crossword product.
Our main operating costs are employee-related costs and raw materials, primarily newsprint.
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 items, respectively, diluted (loss)/earnings per share, operating profit and operating costs, see "Results of Operations-Non-GAAP Financial Measures."
Financial Highlights
For the second quarter of 2015 , diluted earnings per share from continuing operations were $\$ 0.10$, compared with diluted earnings per share of $\$ 0.06$ for the second quarter of 2014 . 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) for such periods were $\$ 0.13$ and $\$ 0.07$, respectively.
The Company had an operating profit in the second quarter of 2015 of $\$ 38.1$ million, compared with an operating profit of $\$ 16.5$ million for the prior year period. Operating profit before depreciation, amortization, severance, non-operating retirement costs and special items discussed below (or "adjusted operating profit," a non-GAAP measure) for such periods was $\$ 64.4$ million and $\$ 55.7$ million, respectively.
Total revenues decreased slightly in the second quarter of 2015 to $\$ 382.9$ million from $\$ 388.7$ million in the second quarter of 2014.
Compared with the second quarter of 2014 , circulation revenues increased $0.9 \%$ in the second quarter of 2015 , as digital subscription growth and a print home-delivery price increase for The Times more than offset a decline in the number of print copies sold. Circulation revenues from our digital-only subscription packages, e-readers and replica editions increased $13.8 \%$ in the second quarter of 2015 compared with the same period in 2014.
Paid subscribers to digital-only subscription packages totaled approximately 990,000 as of June 28,2015 , an increase of approximately 33,000 compared to the end of the first quarter of 2015. Strength in international subscriptions and improved retention contributed to this increase.
Advertising revenues remained under pressure during the second quarter of 2015. Total advertising revenues decreased $5.5 \%$ in the second quarter of 2015 compared with the same period in 2014 , reflecting a $12.8 \%$ decrease in print advertising revenues and a $14.2 \%$ increase in digital advertising revenues. The decrease in print advertising revenues also reflected declines associated with our international newspaper. The increase in digital advertising revenues reflected growth in our mobile and video platforms, as well as from Paid Posts, our native advertising product, and our programmatic buying channels.
Compared with the second quarter of 2014 , other revenues increased $4.5 \%$ during the second quarter of 2015, driven primarily by increased revenues from the Company's Crossword product as well as from rental income.

Operating costs in the second quarter of 2015 decreased $4.9 \%$ to $\$ 344.8$ million, compared with $\$ 362.7$ million in the second quarter of 2014. The decrease was primarily due to efficiencies in print distribution as well as declines in depreciation and amortization, raw materials costs and external printing expenses. In addition, marketing costs incurred in the second quarter of 2014 related to the launch of new digital products did not repeat. Operating costs before depreciation, amortization, severance and non-operating retirement costs discussed below (or "adjusted operating costs," a non-GAAP measure) decreased $4.4 \%$ to $\$ 318.5$ million during the second quarter of 2015, compared with $\$ 333.0$ million in the second quarter of 2014.
Non-operating retirement costs increased to $\$ 8.7$ million during the second quarter of 2015 compared to $\$ 8.3$ million in the second quarter of 2014 primarily due to pension amortization.
Outlook
We remain in a challenging business environment, reflecting an increasingly competitive and fragmented landscape, and visibility remains limited.
For the third quarter of 2015, we expect circulation revenues to increase at a rate similar to that of the second quarter of 2015, driven by the benefit from our digital subscription initiatives and from the most recent home-delivery price increase for The Times, partially offset by print volume weakness. We expect the number of net digital subscriber additions in the third quarter of 2015 to be in the high-30,000s.
We expect advertising trends to remain challenging and subject to significant month-to-month volatility. In the third quarter of 2015, we expect advertising revenues to decrease in the mid-single digits compared with the third quarter of 2014. We expect digital advertising revenue to increase in the mid-single digits compared with the third quarter of 2014.

Similar to other publishers, we are in the process of optimizing our website to meet the new industry-wide standard on viewability, which ensures that advertisers only pay for impressions that have actually been viewed by users. We support this new standard and believe that it aligns with our strength in engagement. As we convert to this new standard and make corresponding adjustments to our website, our advertising revenues may be affected beginning in the second half of the year. In the long term, we expect that this transition will benefit digital advertising growth. We expect other revenues to grow in the low-double digits in the third quarter of 2015 compared with the third quarter of 2014, driven by increased revenues from conferences and our Crossword product.
We expect operating costs to decrease in the low-single digits in the third quarter of 2015 compared with the third quarter of 2014. We also believe that recent expense management efforts, including workforce reductions announced in the fourth quarter of 2014, should allow us to maintain lower operating costs in 2015, relative to 2014 levels. We expect non-operating retirement costs in the third quarter of 2015 to be approximately $\$ 9$ million compared with $\$ 8.3$ million in the third quarter of 2014 due to higher multiemployer pension withdrawal costs.
We also expect the following on a pre-tax basis in 2015:
Results from joint ventures: breakeven,
Depreciation and amortization: $\$ 60$ million to $\$ 65$ million,
Interest expense, net: $\$ 40$ million to $\$ 45$ million, and
Capital expenditures: approximately $\$ 35$ million.

## RESULTS OF OPERATIONS

The following table presents our consolidated financial results:


[^0]
## Revenues

## Circulation Revenues

Circulation revenues are based on the number of copies of the printed newspaper (through home-delivery subscriptions and single-copy and bulk sales) and digital subscriptions sold and the rates charged to the respective customers. Total circulation revenues consist of revenues from our print and digital products, including our digital-only subscription packages, e-readers and replica editions.
Circulation revenues increased in the second quarter and first six months of 2015 compared with the same prior-year periods primarily due to growth in our digital subscription base and the increase in print home-delivery prices at The Times, offset by a reduction in the number of print copies sold. Revenues from our digital-only subscription packages, e-readers and replica editions were $\$ 47.5$ million in the second quarter of 2015 and $\$ 93.6$ million in the first six months of 2015, an increase of $13.8 \%$ and $14.1 \%$ from the second quarter and first six months of 2014 , respectively. Advertising Revenues
In the fourth quarter of 2014, the Company reclassified advertising revenues, including prior period information, into three categories: Display, Classified and Other. Display advertising revenue is principally from advertisers promoting products, services or brands, such as financial institutions, movie studios, department stores, American and international fashion and technology in The Times and INYT. In print, display advertising consists of column-inch ads sold. In digital, display advertising consists of banners, video, rich media and other interactive ads on our website and across other digital platforms. Display advertising also includes Paid Posts, a native advertising product that allows advertisers to present longer form marketing content that is distinct from The Times's editorial content. 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 our branded content studio; revenue from preprinted advertising, also known as free-standing inserts; revenue generated from branded bags in which our newspapers are delivered; and advertising revenues from our News Services business.
Advertising revenues (print and digital) by category were as follows:

| (In thousands) | For the Quarters Ended |  |  |  | For the Six Months Ended |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\text { June } 28 \text {, }$ $2015$ | $\begin{aligned} & \text { June 29, } \\ & 2014 \end{aligned}$ | \% |  | $\begin{aligned} & \text { June } 28, \\ & 2015 \end{aligned}$ | $\begin{aligned} & \text { June } 29 \text {, } \\ & 2014 \end{aligned}$ | \% |  |
| Display | \$ 135,505 | \$142,459 | (4.9 | )\% | \$271,938 | \$289,112 | (5.9 | )\% |
| Classified | 8,296 | 9,914 | (16.3 | )\% | 17,620 | 19,067 | (7.6 | )\% |
| Other | 4,798 | 4,876 | (1.6 | )\% | 8,949 | 8,282 | 8.1 | \% |
| Total | \$ 148,599 | \$157,249 | (5.5 | )\% | \$298,507 | \$316,461 | (5.7 | )\% |

Below is a percentage breakdown of advertising revenues (print and digital) for the first six months of 2015 and 2014:

| Display |  | Classified |  |  | Other |  | Total |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :---: | :---: | :---: |
| 91 | $\%$ | 6 | $\%$ | 3 | $\%$ | 100 | $\%$ |  |  |  |
| 91 | $\%$ | 6 | $\%$ | 3 | $\%$ | 100 | $\%$ |  |  |  |

In the second quarter and first six months of 2015, total advertising revenues decreased compared with the same prior-year periods, primarily due to lower print advertising revenues across most advertising categories. Print advertising revenues, which represented $67.5 \%$ and $69.6 \%$ of total advertising revenues for the second quarter and first six months of 2015, respectively, declined $12.8 \%$ in the second quarter of 2015 and $11.9 \%$ in the first six months of 2015 compared with the same prior-year periods. The decrease in print advertising included declines associated with our international newspaper.
Digital advertising revenues, which represented $32.5 \%$ and $30.4 \%$ of total advertising revenues for the second quarter and first six months of 2015 , respectively, increased $14.2 \%$ in the second quarter of 2015 and $12.6 \%$ in the first six months of 2015, compared with the same prior-year periods, due to an increase in display advertising and other advertising revenues, offset by a slight decrease in classified advertising revenue. The increase in display advertising primarily resulted from increases in the technology and automotive categories, partially offset by declines mainly in the financial services, hospitality, transportation and
education categories. In addition, digital advertising revenue growth benefited from growth on our mobile and video platforms, as well as from Paid Posts and our programmatic buying channels.
Other Revenues
Other revenues consist primarily of revenues from news services/syndication, digital archives, rental income, conferences/events, e-commerce and the Crossword product.
Other revenues increased $4.5 \%$ in the second quarter of 2015 and $5.5 \%$ in the first six months of 2015, compared with the same prior-year periods, primarily due to revenues from our Crossword product as well as from rental income.
Operating Costs
Operating costs were as follows:

| (In thousands) | For the Quarters Ended |  |  |  | For the Six Months Ended |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { June 28, } \\ & 2015 \end{aligned}$ | $\begin{aligned} & \text { June 29, } \\ & 2014 \end{aligned}$ | \% Change |  | $\begin{aligned} & \text { June } 28 \text {, } \\ & 2015 \end{aligned}$ | $\begin{aligned} & \text { June 29, } \\ & 2014 \end{aligned}$ | \% Change |  |
| Production costs: |  |  |  |  |  |  |  |  |
| Raw materials | \$ 18,348 | \$21,610 | (15.1 | )\% | \$38,625 | \$43,638 | (11.5 | )\% |
| Wages and benefits | 89,030 | 88,025 | 1.1 | \% | 179,668 | 176,641 | 1.7 | \% |
| Other | 45,395 | 48,309 | (6.0 | )\% | 91,116 | 96,648 | (5.7 | )\% |
| Total production costs | 152,773 | 157,944 | (3.3 | )\% | 309,409 | 316,927 | (2.4 | )\% |
| Selling, general and administrative costs | 176,252 | 185,584 | (5.0 | )\% | 355,049 | 372,308 | (4.6 | )\% |
| Depreciation and amortization | 15,810 | 19,169 | (17.5 | )\% | 30,654 | 39,261 | (21.9 | )\% |
| Total operating costs | \$344,835 | \$362,697 | (4.9 | )\% | \$695,112 | \$728,496 | (4.6 | )\% |

Production Costs
Production costs decreased in the second quarter of 2015 compared with the second quarter of 2014 primarily due to lower raw materials expense (approximately $\$ 3$ million). Raw materials expense decreased as a result of a $21.5 \%$ decline in newsprint expense in the second quarter of 2015 compared with the second quarter of 2014 , with $8.7 \%$ from lower consumption and $12.8 \%$ from lower pricing. The decline was partially offset by a $16.8 \%$ increase in magazine paper expense in the second quarter of 2015 compared with the second quarter of 2014 , with $18.2 \%$ from higher consumption offset by $1.4 \%$ from lower pricing.
Production costs decreased in the first six months of 2015 compared with the first six months of 2014 primarily due to lower other expenses ( $\$ 5.5$ million) and lower raw materials expense (approximately $\$ 5$ million), partially offset by an increase in wages and benefits expense (approximately $\$ 3$ million). Lower other expenses decreased primarily as a result of lower outside printing costs. Raw materials expense decreased as a result of an $18.0 \%$ decline in newsprint expense in the first six months of 2015 compared with the first six months of 2014 , with $9.0 \%$ from lower consumption and $9.0 \%$ from lower pricing. The decline was partially offset by a $19.6 \%$ increase in magazine paper expense in the first six months of 2015 compared with the first six months of 2014 , with $22.1 \%$ from higher consumption offset by $2.5 \%$ from lower pricing. Higher consumption in the second quarter and first six months of 2015 resulted primarily from increased paging in both the Sunday and T Magazines. Wages and benefits expense increased as a result of an increase in hiring.

21

## Selling, General and Administrative Costs

Selling, general and administrative costs decreased in the second quarter of 2015 compared with the second quarter of 2014 primarily due to a decrease in distribution costs (approximately $\$ 6$ million), a decrease in promotion costs (approximately $\$ 5$ million) and a decrease in benefits costs (approximately $\$ 4$ million), partially offset by higher incentive compensation (approximately $\$ 3$ million). Lower distribution costs were mainly due to increased utilization of lower cost vendors, fewer print copies produced, training for new systems in the second quarter of 2014 that did not repeat in 2015 and transportation efficiency. The decrease in promotion costs was primarily due to promotions in 2014 for new product launches that did not repeat in 2015. The decrease in benefits costs was primarily due to lower medical claims during the second quarter of 2015 compared with the second quarter of 2014.
Selling, general and administrative costs decreased in the first six months of 2015 compared with the first six months of 2014 primarily due to a decrease in distribution costs ( $\$ 11.3$ million), a decrease in promotion costs ( $\$ 6.1$ million) and a decrease in benefits costs ( $\$ 3.7$ million), partially offset by an increase in compensation ( $\$ 2.1$ million). Lower distribution costs were mainly due to increased utilization of lower cost vendors, fewer print copies produced and transportation efficiency. The decrease in promotion costs was primarily due to promotions in 2014 for new product launches that did not occur in 2015. The decrease in benefits costs was primarily due to lower medical claims in the first six months of 2015 compared to the same period in 2014, while compensation expense increased primarily as a result of increased hiring to support our digital initiatives.
Depreciation and Amortization
Depreciation and amortization decreased in the second quarter and first six months of 2015 compared with the same prior-year periods primarily due to $\$ 3.7$ million and $\$ 8.3$ million of depreciation expense recognized in the second quarter and first six months of 2014, respectively, as a result of the Company's discontinued use of certain software products.

## Other Items

Severance Costs
We recognized severance costs of $\$ 1.9$ million in the second quarter of 2015 and $\$ 3.4$ million in the first six months of 2015 compared to $\$ 2.2$ million in the second quarter of 2014 and $\$ 5.3$ million in the first six months of 2014 . These costs are recorded in "Selling, general and administrative costs" in our Condensed Consolidated Statements of Operations.
We had a severance liability of $\$ 19.9$ million and $\$ 34.6$ million included in "Accrued expenses and other" in our Condensed Consolidated Balance Sheets as of June 28, 2015 and December 28, 2014, respectively.
Pension Settlement Charges
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 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.
In the second quarter of 2014, we recorded a pension settlement charge of $\$ 9.5$ million in connection with a lump-sum payment offer made to certain former employees who participated in certain non-qualified pension plans. These lump-sum payments totaled $\$ 24.0$ million and were paid out of Company cash. The effect of this lump-sum payment offer was to reduce our pension obligations by $\$ 32.0$ million.
Multiemployer Pension Plan Withdrawal Expense
During the first quarter of 2015, we recorded a $\$ 4.7$ million charge for a partial withdrawal obligation under a multiemployer pension plan.

22

## Early Termination Charge

During the first quarter of 2014, we recorded a $\$ 2.6$ million charge for the early termination of a distribution agreement, resulting in distribution cost savings for the Company.
Advertising Expenses
Expenses incurred to promote our consumer and advertising services were $\$ 21.1$ million in the second quarter of 2015 and $\$ 42.5$ million in the first six months of 2015 compared to $\$ 25.6$ million in the second quarter of 2014 and $\$ 47.6$ million in the first six months of 2014.
Capitalized Computer Software Costs
Capitalized computer software costs included in "Depreciation and amortization" in our Condensed Consolidated Statements of Operations were $\$ 3.1$ million in the second quarter of 2015 and $\$ 6.0$ million in the first six months of 2015 compared to $\$ 6.8$ million in the second quarter of 2014 and $\$ 14.3$ million in the first six months of 2014.

## NON-OPERATING ITEMS

## Joint Ventures

Loss from joint ventures was $\$ 0.4$ million in the second quarter of 2015 compared with income of $\$ 25$ thousand in the second quarter of 2014.
Interest Expense, Net
Interest expense, net, was as follows:

|  | For the Quarters Ended |  | For the Six Months Ended |  |
| :--- | :--- | :--- | :--- | :--- |
|  | June 28, | June 29, | June 28, | June 29, |
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Cash interest expense | $\$ 9,920$ | $\$ 13,153$ | $\$ 22,089$ | $\$ 26,204$ |
| Amortization of debt costs and discount on debt | 1,145 | 1,128 | 2,360 | 2,318 |
| Capitalized interest | $(106$ | $)(82$ | $)$ | $(157$ |
| Interest income | $(1,183$ | $)(994$ | $)$ | $(2,324$ |
| Total interest expense, net | $\$ 9,776$ | $\$ 13,205$ | $\$ 21,968$ | $(1,934$ |$)$

Interest expense, net decreased in the second quarter of 2015 compared with the second quarter of 2014 mainly due to a lower level of debt outstanding as a result of the repayment, at maturity, of the principal amount of the Company's $5.0 \%$ senior notes (the " $5.0 \%$ Notes") made in the first quarter of 2015 and debt repurchases made in 2014.

## Income Taxes

The Company had income tax expense of $\$ 11.7$ million and $\$ 2.3$ million in the second quarter and first six months of 2015, respectively, and an effective tax rate of $41.9 \%$ and $56.1 \%$ in the second quarter and first six months of 2015, respectively. The Company had an income tax benefit of $\$ 5.7$ million and $\$ 2.0$ million in the second quarter and first six months of 2014, respectively. The tax benefit in the second quarter of 2014 was primarily due to a reduction in the Company's reserve for uncertain tax positions.
On April 13, 2015, New York State enacted legislation amending New York City's corporate tax laws for tax years commencing on or after January 1, 2015. The new legislation did not have a material impact on the Company's provision for income taxes.
Discontinued Operations
New England Media Group
The following table summarizes the 2015 and 2014 discontinued operations including post-sale adjustments related to the New England Media Group, which was sold in 2013:
(In thousands)
Loss on sale, net of income taxes:
Loss on sale
Income tax benefit
Loss on sale, net of income taxes
Loss from discontinued operations, net of income taxes

For the Quarters Ended
June 28, June 29, 20152014

For the Six Months Ended
June 28, June 29, 20152014
$\$-\quad \$(1,559$
)
(565
(994
\$(994
)

-     - 
- 

\$-
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 the first six months of 2015 consisted of a $\$ 40.3$ million pension settlement charge 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 charge for a partial withdrawal obligation under a multiemployer pension plan.
The special items in the first six months of 2014 consisted of a $\$ 9.5$ million pension settlement charge in connection with a lump-sum payment offer made to certain former employees who participated in certain non-qualified pension plans, a reduction in the reserve for uncertain tax positions of $\$ 9.5$ million and a $\$ 2.6$ million charge for the early termination of a distribution agreement.
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.
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 service-related 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 Six Months Ended |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { June 28, } \\ & 2015 \end{aligned}$ | $\begin{aligned} & \text { June 29, } \\ & 2014 \end{aligned}$ |  | \% |  | $\begin{aligned} & \text { June 28, } \\ & 2015 \end{aligned}$ | $\begin{aligned} & \text { June 29, } \\ & 2014 \end{aligned}$ |  | \% Ch |  |
| Diluted earnings per share from continuing operations | \$0.10 | \$0.06 |  | 66.7 | \% | \$0.01 | \$0.07 |  | (85.7 | )\% |
| Add: |  |  |  |  |  |  |  |  |  |  |
| Severance | 0.01 | 0.01 |  | * |  | 0.01 | 0.02 |  | (50.0 | )\% |
| Non-operating retirement costs | 0.03 | 0.03 |  | * |  | 0.06 | 0.06 |  | * |  |
| Special items: |  |  |  |  |  |  |  |  |  |  |
| Pension settlement charges | - | 0.03 |  | * |  | 0.14 | 0.03 |  | * |  |
| Multiemployer pension plan withdrawal expense | - | - |  | * |  | 0.02 | - |  | * |  |
| Early termination charge | - | - |  | * |  | - | 0.01 |  | * |  |
| Reduction in uncertain tax positions | - | (0.06 | ) | * |  | - | (0.06 |  | * |  |
| Adjusted diluted earnings per share from continuing operations ${ }^{(1)}$ | \$0.13 | \$0.07 |  | 85.7 | \% | \$0.25 | \$0.13 |  | 92.3 | \% |

${ }^{(1)}$ 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 \& amortization, severance, non-operating retirement costs and special items (or adjusted operating profit)


* Represents a change equal to or in excess of $100 \%$ or not meaningful. 25

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

${ }^{(1)}$ 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 June 28, 2015, we had cash, cash equivalents and short- and long-term marketable securities of $\$ 879.7$ million and total debt and capital lease obligations of $\$ 428.8$ million. Accordingly, our cash, cash equivalents and marketable securities exceeded total debt and capital lease obligations by $\$ 450.9$ million. Our cash and investment balances have declined since the end of 2014, primarily due to our repayment of debt and capital lease obligations of $\$ 223.7$ million, variable compensation payments of $\$ 44.0$ million to eligible employees, net income tax payments of $\$ 14.8$ million, dividend payments of $\$ 13.4$ million and stock repurchases of $\$ 9.3$ million, offset by $\$ 101.1$ million of proceeds from the exercise of warrants and other cash generated from operations.
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 share repurchase authorization and approved a new repurchase authorization of $\$ 101.1$ million, equal to the cash proceeds received by the Company from the exercise. During the first six months of 2015, the Company repurchased 696,018 Class A shares for a cost of $\$ 9.3$ million (excluding commissions). See Note 13 of the Notes to the Condensed Consolidated Financial Statements for more information.
On June 11, 2015, our Board of Directors approved a dividend of $\$ 0.04$ per share on our Class A and Class B common stock that was paid on July 30, 2015, to all stockholders of record as of the close of business on July 15, 2015. Our Board of Directors will continue to evaluate the appropriate dividend level on an ongoing basis in light of our earnings, capital requirements, financial condition, restrictions in any existing indebtedness and other relevant factors. During the first six months of 2015, we made pension contributions of $\$ 3.2$ million to certain qualified pension plans. We expect to make a total contribution of $\$ 8.0$ million in 2015 to satisfy funding requirements.
During the first quarter of 2015 , we recorded a pension settlement charge of $\$ 40.3$ million in connection with lump-sum payments 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. Capital Resources
Sources and Uses of Cash
Cash flows provided by/(used in) by category were as follows:
(In thousands)
Operating activities
Investing activities
Financing activities
For the Six Months Ended

* Represents an increase or decrease in excess of $100 \%$ or not meaningful.

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 increased in the first six months of 2015 compared with the same prior-year period due to an increase in operating performance, lower pension contributions and favorable collections of accounts receivable. We made contributions to certain qualified pension plans of $\$ 3.2$ million in the first six months of 2015 compared with $\$ 33.1$ million (including a lump sum payment of $\$ 24$ million in connection with a pension settlement) in the first six months of 2014.

## 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 primarily subject to collateral requirements for obligations under our workers' compensation programs, acquisitions of new businesses and investments.
During the second quarter of 2015, we made an investment of $\$ 2.3$ million in Women in the World Media, LLC, a live-event conference business, which includes our initial investment and additional capital contributions.
Net cash provided by investing activities in the first six months of 2015 was primarily due to maturities of marketable securities, offset by net purchases of marketable securities and capital expenditures.
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 six months of 2015 was primarily due to the repayment, at maturity, of $\$ 223.7$ million of our $5.0 \%$ Notes, dividend payments of $\$ 13.4$ million and share repurchases of $\$ 9.3$ million offset primarily by $\$ 101.1$ million of proceeds from the exercise of warrants.

## Restricted Cash

We were required to maintain $\$ 29.0$ million and $\$ 30.2$ million of restricted cash as of June 28, 2015 and
December 28, 2014, respectively, primarily related to certain collateral requirements for obligations under our workers' compensation programs.
Third-Party Financing
As of June 28, 2015, our current indebtedness included 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) | Coupon Rate | June 28, 2015 | $\begin{aligned} & \text { December 28, } \\ & 2014 \end{aligned}$ |
| :---: | :---: | :---: | :---: |
| Current portion of long-term debt and capital lease obligations: |  |  |  |
| Senior notes due in 2015 | 5.0 \% | \$- | \$223,662 |
| Long-term debt and capital lease obligations: |  |  |  |
| Senior notes due in 2016 | 6.625 \% | 187,983 | 187,604 |
| Option to repurchase ownership interest in headquarters building in 2019 |  | 234,093 | 232,118 |
| Long-term capital lease obligations |  | 6,745 | 6,736 |
| Total long-term debt and capital lease obligations |  | 428,821 | 426,458 |
| Total debt and capital lease obligations |  | \$428,821 | \$650,120 |

Based on borrowing rates currently available for debt with similar terms and average maturities, the fair value of our long-term debt was approximately $\$ 523$ million as of June 28, 2015, and approximately $\$ 527$ million as of December 28, 2014. We were in compliance with our covenants under our third-party financing arrangements as of June 28, 2015.

## CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 28, 2014. As of June 28, 2015, our critical accounting policies have not changed from December 28, 2014.

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 28, 2014. As of June 28, 2015, our contractual obligations and off-sheet balance sheet arrangements have not changed materially from December 28, 2014.

## 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 cor 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 28, 2014, 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 28, 2014, details our disclosures about market risk. As of June 28, 2015, there were no material changes in our market risks from December 28, 2014.
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 June 28, 2015. 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
There were no changes in our internal control over financial reporting during the quarter ended June 28, 2015, 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. It is the opinion of management after reviewing these actions with our legal counsel that the ultimate liability that might result from these actions would not have a material adverse effect on our Condensed Consolidated Financial Statements.
Newspaper and Mail Deliverers-Publishers' Pension Fund
In September 2013, the Newspaper and Mail Deliverers-Publishers' Pension Fund (the "Fund") assessed a partial withdrawal liability to the Company in the amount of $\$ 26$ million for the plan years ending May 31, 2012 and 2013, an amount that was increased to approximately $\$ 34$ million in December 2014, when the Fund issued a revised partial withdrawal liability assessment for the plan year ending May 31, 2013. The Fund claims that when City \& Suburban, a retail and newsstand distribution subsidiary of the Company and the largest contributor to the 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 disagrees with both the Fund's determination that a partial withdrawal occurred and the methodology by which it calculated the withdrawal liability and has initiated arbitration proceedings. We do not believe that a loss is probable on this matter and have not recorded a loss contingency for the period ended June 28, 2015. However, as required by the Employee Retirement Income Security Act of 1974, we have been making the quarterly payments to the Fund set forth in the demand letters. As of June 28, 2015, we made total payments of $\$ 8.1$ million since the receipt of the initial demand letter, including $\$ 3.6$ million in 2015.
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 28, 2014.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
(c) Issuer Purchases of Equity Securities ${ }^{(1)}$

| 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 <br> (c) | Maximum number (or approximate dollar value) of shares of Class A <br> Common <br> Stock that may yet be purchased under the plans or programs <br> (d) |
| :---: | :---: | :---: | :---: | :---: |
| March 30, 2015-May 3, 2015 | 278,880 | 13.16 | 278,880 | \$93,615,000 |
| May 4, 2015-May 31, 2015 | 75,323 | 13.84 | 75,323 | \$92,572,000 |
| June 1, 2015-June 28, 2015 | 58,872 | 13.95 | 58,872 | \$91,751,000 |
| Total for the second quarter of 2015 | 413,075 | 13.40 | 413,075 | \$91,751,000 |

On April 13, 2004, our Board of Directors authorized repurchases in an amount up to $\$ 400$ million of our Class A Common Stock. As of December 28, 2014, \$91.4 million remained under this authorization. On January 13, 2015, the Board of Directors terminated this authorization and approved a new repurchase authorization of \$101.1

## (1)

million, equal to the cash proceeds received by the Company from an exercise of warrants. As of August 4, 2015, repurchases totaled $\$ 18.9$ million (excluding commissions) and $\$ 82.2$ million remained under this authorization. All purchases were made pursuant to our publicly announced share repurchase program. Our Board of Directors has authorized us to purchase shares from time to time as market conditions permit. 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.

## 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.

Date: August 6, 2015
THE NEW YORK TIMES COMPANY (Registrant)
/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 June 28, 2015

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.


[^0]:    * Represents a change equal to or in excess of $100 \%$ or not meaningful.

