

NEW YORK TIMES CO  
Form 10-Q  
May 03, 2017

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 March 26, 2017  
Commission file number 1-5837  
THE NEW YORK TIMES COMPANY  
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

If an emerging growth company, indicate by the check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

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

Number of shares of each class of the registrant's common stock outstanding as of April 28, 2017 (exclusive of treasury shares):

Class A Common Stock 160,737,693 shares

Class B Common Stock 812,757 shares

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 26, 2017 (Unaudited)	December 25, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 150,964	\$ 100,692
Short-term marketable securities	392,249	449,535
Accounts receivable (net of allowances of \$15,910 in 2017 and \$16,815 in 2016)	176,913	197,355
Prepaid expenses	16,797	15,948
Other current assets	31,008	32,648
Total current assets	767,931	796,178
Other assets		
Long-term marketable securities	209,331	187,299
Investments in joint ventures	16,492	15,614
Property, plant and equipment (less accumulated depreciation and amortization of \$917,617 in 2017 and \$903,736 in 2016)	588,505	596,743
Goodwill	136,391	134,517
Deferred income taxes	298,376	301,342
Miscellaneous assets	153,200	153,702
Total assets	\$ 2,170,226	\$ 2,185,395

See Notes to Condensed Consolidated Financial Statements.

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

(In thousands, except share and per share data)

	March 26, 2017	December 25, 2016
	(Unaudited)	
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 101,924	\$ 104,463
Accrued payroll and other related liabilities	61,645	96,463
Unexpired subscriptions	82,545	66,686
Accrued expenses and other	141,731	131,125
Total current liabilities	387,845	398,737
Other liabilities		
Long-term debt and capital lease obligations	247,785	246,978
Pension benefits obligation	545,957	558,790
Postretirement benefits obligation	57,244	57,999
Other	74,432	78,647
Total other liabilities	925,418	942,414
Stockholders' equity		
Common stock of \$.10 par value:		
Class A – authorized: 300,000,000 shares; issued: 2017 – 169,580,736; 2016 – 169,206,879 (including treasury shares: 2017 – 8,870,801; 2016 – 8,870,801)	16,958	16,921
Class B – convertible – authorized and issued shares: 2017 – 812,757; 2016 – 816,632 (including treasury shares: 2017 – none; 2016 – none)	81	82
Additional paid-in capital	150,428	149,928
Retained earnings	1,338,595	1,331,911
Common stock held in treasury, at cost	(171,211 )	(171,211 )
Accumulated other comprehensive loss, net of income taxes:		
Foreign currency translation adjustments	(442 )	(1,822 )
Funded status of benefit plans	(473,809 )	(477,994 )
Total accumulated other comprehensive loss, net of income taxes	(474,251 )	(479,816 )
Total New York Times Company stockholders' equity	860,600	847,815
Noncontrolling interest	(3,637 )	(3,571 )
Total stockholders' equity	856,963	844,244
Total liabilities and stockholders' equity	\$2,170,226	\$2,185,395
See Notes to Condensed Consolidated Financial Statements.		

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	For the Quarters Ended	
	March 26, 2017	March 27, 2016
	(13 weeks)	
Revenues		
Circulation	\$242,375	\$217,994
Advertising	130,028	139,680
Other	26,401	21,841
Total revenues	398,804	379,515
Operating costs		
Production costs:		
Wages and benefits	90,778	92,471
Raw materials	16,930	17,875
Other	45,528	47,516
Total production costs	153,236	157,862
Selling, general and administrative costs	198,004	178,246
Depreciation and amortization	16,153	15,472
Total operating costs	367,393	351,580
Headquarters redesign and consolidation	2,402	—
Operating profit	29,009	27,935
Income/(loss) from joint ventures	173	(41,896 )
Interest expense, net	5,325	8,826
Income/(loss) from continuing operations before income taxes	23,857	(22,787 )
Income tax expense/(benefit)	10,742	(9,201 )
Net income/(loss)	13,115	(13,586 )
Net loss attributable to the noncontrolling interest	66	5,315
Net income/(loss) attributable to The New York Times Company common stockholders	\$13,181	\$(8,271 )
Average number of common shares outstanding:		
Basic	161,402	161,003
Diluted	162,592	161,003
Basic earnings/(loss) per share attributable to The New York Times Company common stockholders	\$0.08	\$(0.05 )
Diluted earnings/(loss) per share attributable to The New York Times Company common stockholders	\$0.08	\$(0.05 )
Dividends declared per share	\$0.04	\$0.04

See Notes to Condensed Consolidated Financial Statements.

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

	For the Quarters Ended	
	March 26, 2017	March 27, 2016
	(13 weeks)	
Net income/(loss)	\$13,115	\$(13,586)
Other comprehensive income, before tax:		
Income on foreign currency translation adjustments	2,175	1,642
Pension and postretirement benefits obligation	6,921	6,552
Other comprehensive income, before tax	9,096	8,194
Income tax expense	3,531	3,103
Other comprehensive income, net of tax	5,565	5,091
Comprehensive income/(loss)	18,680	(8,495 )
Comprehensive loss attributable to the noncontrolling interest	66	5,315
Comprehensive income/(loss) attributable to The New York Times Company common stockholders	\$18,746	\$(3,180 )
See Notes to Condensed Consolidated Financial Statements.		

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
(In thousands)

	For the Quarters Ended March 26, 2017 (13 weeks)	March 27, 2016
Cash flows from operating activities		
Net income/(loss)	\$ 13,115	\$ (13,586 )
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,153	15,472
Stock-based compensation expense	3,958	2,931
Undistributed (income)/loss of joint ventures	(173 )	41,896
Long-term retirement benefit obligations	(6,458 )	(6,886 )
Uncertain tax positions	80	460
Other-net	1,708	2,882
Changes in operating assets and liabilities:		
Accounts receivable-net	20,442	37,162
Other current assets	442	(1,808 )
Accounts payable, accrued payroll and other liabilities	(34,995 )	(94,399 )
Unexpired subscriptions	15,859	3,867
Net cash provided by/(used in) operating activities	30,131	(12,009 )
Cash flows from investing activities		
Purchases of marketable securities	(80,108 )	(34,912 )
Maturities of marketable securities	117,465	143,965
Cash distribution from corporate-owned life insurance	—	38,000
Business acquisitions	—	(12,250 )
Change in restricted cash	(15 )	(470 )
Capital expenditures	(8,032 )	(10,542 )
Other-net	510	(1,026 )

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Net cash provided by investing activities	29,820		122,765	
Cash flows from financing activities				
Long-term obligations:				
Repayment of debt and capital lease obligations	(138	)	(138	)
Dividends paid	(6,473	)	(6,461	)
Capital shares:				
Stock issuances	445		—	
Repurchases	—		(15,684	)
Share-based compensation tax withholding	(3,726	)	(8,675	)
Net cash used in financing activities	(9,892	)	(30,958	)
Net increase in cash and cash equivalents	50,059		79,798	
Effect of exchange rate changes on cash	213		119	
Cash and cash equivalents at the beginning of the period	100,692		105,776	
Cash and cash equivalents at the end of the period	\$ 150,964		\$ 185,693	

See Notes to Condensed Consolidated Financial Statements.



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

NOTE 1. BASIS OF PRESENTATION

In the opinion of management of The New York Times Company (the “Company”), the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of March 26, 2017 and December 25, 2016, and the results of operations and cash flows of the Company for the periods ended March 26, 2017 and March 27, 2016. The Company and its consolidated subsidiaries are referred to collectively as “we,” “us” or “our.” All adjustments necessary for a fair presentation have been included and are of a normal and recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted from these interim financial statements. These financial statements, therefore, should be read in conjunction with the Consolidated Financial Statements and related Notes included in our Annual Report on Form 10-K for the year ended December 25, 2016. 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 first quarter.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described herein, as of March 26, 2017, our significant accounting policies, which are detailed in our Annual Report on Form 10-K for the year ended December 25, 2016, have not changed materially.

Recently Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, “Compensation-Stock Compensation,” which provides guidance on accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance became effective for the Company for fiscal years beginning after December 25, 2016.

Upon adoption of ASU 2016-09, we recognized excess tax shortfalls in income tax expense rather than additional paid-in capital of \$1.5 million for the first quarter of 2017. Excess tax shortfalls and/or windfalls for share-based payments are now included in net cash from operating activities rather than net cash from financing activities. The changes have been applied prospectively in accordance with the ASU and prior periods have not been adjusted. Additionally, the presentation of employee taxes paid to taxing authorities for share-based transactions are now included in net cash from financing activities rather than net cash from operating activities. This change was applied retrospectively and as a result, we reclassified \$8.7 million for the first quarter of 2016 in our Condensed Statement of Cash Flows from operating activities to financing activities. No other material changes resulted from the adoption of this standard.

Recently Issued Accounting Pronouncements

In March 2017, the FASB issued ASU 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The new guidance requires the service cost component to be presented separately from the other components of net benefit costs. Service cost will be presented with other employee compensation cost within operations. The other components of net benefit cost, such as interest cost, amortization of prior service cost and gains or losses are required to be presented outside of operations. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The guidance should be applied retrospectively for the presentation of the service cost component in the income statement and allows a practical expedient for the estimation basis for applying the retrospective presentation requirements. We are currently in the process of evaluating the

impact of this guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases," which provides guidance on accounting for leases and disclosure of key information about leasing arrangements. The guidance requires lessees to recognize the following for all operating and finance leases at the commencement date: (1) a lease liability, which is the obligation to make lease payments arising from a lease, measured on a discounted basis and (2) a right-of-use asset representing the lessee's right to use, or control the use of, the underlying asset for the lease term. A lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities for short-term leases with a term of 12 months or less. The guidance does not fundamentally change lessor accounting; however, some changes have been made to align that guidance with the lessee guidance and other

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

areas within GAAP. This guidance becomes effective for the Company for fiscal years beginning after December 30, 2018. Early application is permitted. This guidance will be applied on a modified retrospective basis for leases existing at, or entered into after, the earliest period presented in the financial statements. We are currently in the process of evaluating the impact of the new leasing guidance and expect that most of our operating lease commitments will be subject to the new standard. The adoption of the standard will require us to add right-of-use assets and lease liabilities onto our balance sheet. Based upon our initial evaluation, we do not expect the adoption of the standard to have a material effect on our results of operations and liquidity.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which prescribes a single comprehensive model for entities to use in the accounting for revenue arising from contracts with customers. The new guidance will supersede virtually all existing revenue guidance under GAAP and International Financial Reporting Standards and is effective for fiscal years beginning after December 31, 2017. 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 with a cumulative catch-up adjustment recorded to retained earnings. We currently anticipate adopting the new standard using the modified retrospective method beginning January 1, 2018.

Subsequently, in March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB also issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," to reduce the cost and complexity of applying the guidance on identifying promised goods or services when identifying a performance obligation and improve the operability and understandability of the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients," to reduce the cost and complexity of applying the guidance to address certain issues on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in ASU 2014-09, 2016-10, and 2016-12 do not change the core principle of ASU 2014-09.

Based upon our initial evaluation, we do not expect the adoption of the standard to have a material effect on our financial condition or results of operations. While we continue to evaluate the impact of the new revenue guidance, we currently believe that the most significant changes will be primarily related to how we account for certain licensing arrangements in the other revenue category. However, preliminary assessments may be subject to change.

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

NOTE 3. MARKETABLE SECURITIES

Our marketable debt securities consisted of the following:

(In thousands)	March 26, 2017	December 25, 2016
Short-term marketable securities		
U.S. Treasury securities	\$ 123,547	\$ 150,623
Corporate debt securities	154,255	150,599
U.S. governmental agency securities	56,079	64,135
Commercial paper	58,368	84,178
Total short-term marketable securities	\$ 392,249	\$ 449,535
Long-term marketable securities		
U.S. governmental agency securities	\$ 115,690	\$ 110,732

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Corporate debt securities	52,799	61,775
U.S Treasury securities	40,842	14,792
Total long-term marketable securities	\$209,331	\$ 187,299

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

As of March 26, 2017, our short-term and long-term marketable securities had remaining maturities of less than 1 month to 12 months and 13 months to 36 months, respectively. See Note 8 for additional information regarding the fair value of our marketable securities.

NOTE 4. GOODWILL AND INTANGIBLES

During the first and third quarters of 2016, the Company acquired two digital marketing agencies, HelloSociety, LLC and Fake Love, LLC for an aggregate of \$15.4 million in all-cash transactions.

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

The Company allocated the purchase prices based on the final valuation of assets acquired and liabilities assumed, resulting in allocations to goodwill, intangibles, property, plant and equipment and other miscellaneous assets.

The aggregate carrying amount of intangible assets of \$9.6 million related to these acquisitions has been included in "Miscellaneous Assets" in our Condensed Consolidated Balance Sheets. The estimated useful lives for these assets range from 3 to 7 years and are amortized on a straight-line basis.

The changes in the carrying amount of goodwill as of March 26, 2017, and since December 25, 2016, were as follows:

(In thousands)	Total Company
Balance as of December 25, 2016	\$ 134,517
Measurement period adjustment <sup>(1)</sup>	(198 )
Foreign currency translation	2,072
Balance as of March 26, 2017	\$ 136,391

(1)Includes measurement period adjustment in connection with Submarine Leisure Club, Inc. acquisition.

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 March 26, 2017, our investments in joint ventures of \$16.5 million consisted of equity ownership interests in the following entities:

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

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

The Company and UPM-Kymmene Corporation ("UPM"), a Finnish paper manufacturing company, are partners through subsidiary companies in Madison. The Company's 40% ownership of Madison is through an 80%-owned consolidated subsidiary which owns 50% of Madison. UPM owns 60% of Madison, including a 10% interest through a 20% noncontrolling interest in the consolidated subsidiary of the Company. In March 2016, UPM announced the closure of the paper mill, which occurred in May 2016. During the first quarter of 2016, we recognized \$41.4 million loss from joint ventures related to the announced closure of the paper mill. Our proportionate share of the loss is reduced by the 20% noncontrolling interest. As a result of the mill closure, we wrote our investment down to zero and recorded a liability of \$28.8 million, reflecting our share of the losses incurred to date by Madison. These amounts are presented in "Accrued expenses and other" in our Condensed Consolidated Balance Sheets.



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 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

The Company's joint venture in Madison is currently being liquidated. In the fourth quarter of 2016, Madison sold certain assets at the mill site and we recognized a gain of \$3.9 million related to the sale. In April 2017, Madison entered into an agreement to sell the remaining assets at the mill site (consisting of hydro power assets). We expect the sale of the hydro power assets to be completed later this year and we believe the proceeds from the sale will be more than sufficient to cover Madison's obligations and therefore allow us to reverse our liability at that time.

We received no distributions from our equity method investments during the the first quarters of 2017 and 2016.

We purchase newsprint from Malbaie, and previously purchased supercalendered paper from Madison, at competitive prices. Such purchases totaled approximately \$3 million in the first quarters of 2017 and 2016.

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

(In thousands)	For the Quarters Ended	
	March 31, 2017	March 31, 2016
Revenues	\$—	\$25,179
Costs and expenses:		
Cost of sales	(1,054 )	(48,935 )
General and administrative	(26 )	(63,101 )
	(1,080 )	(112,036 )
Operating loss	(1,080 )	(86,857 )
Other (expense)/income	(2 )	1
Net loss	\$(1,082)	\$(86,856)

#### Cost Method Investments

The aggregate carrying amounts of cost method investments included in "Miscellaneous assets" in our Condensed Consolidated Balance Sheets were \$13.7 million and \$13.6 million for March 26, 2017 and December 25, 2016, respectively.

#### NOTE 6. DEBT OBLIGATIONS

Our current indebtedness consisted of 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)	March 26, December 25, 2017 2016	
Option to repurchase ownership interest in headquarters building in 2019:		
Principal amount	250,000	250,000
Less unamortized discount based on imputed interest rate of 13.0%	9,001	9,801
Total option to repurchase ownership interest in headquarters building in 2019	240,999	240,199
Capital lease obligations	6,786	6,779
Total debt and capital lease obligations	247,785	246,978
Total long-term debt and capital lease obligations	\$247,785	\$ 246,978

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

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

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

(In thousands)	For the Quarters Ended	
	March 26, 2017	March 27, 2016
Interest expense	\$6,864	\$ 9,922
Amortization of debt costs and discount on debt	800	1,253
Capitalized interest	(220 )	(116 )
Interest income	(2,119 )	(2,233 )
Total interest expense, net	\$5,325	\$ 8,826

NOTE 7. OTHER

Advertising Expenses

Advertising expenses incurred to promote our consumer and marketing services were \$33.6 million and \$21.1 million in the first quarters of 2017 and 2016, respectively.

Capitalized Computer Software Costs

Amortization of capitalized computer software costs included in “Depreciation and amortization” in our Condensed Consolidated Statements of Operations was \$3.1 million and \$3.0 million in the first quarters of 2017 and 2016, respectively.

Headquarters Redesign and Consolidation

In December 2016, we announced plans to redesign our headquarters building, consolidate our space within a smaller number of floors and lease the remaining floors to third parties. During the first quarter of 2017, we incurred \$2.4 million of total costs related to these measures.

Severance Costs

We recognized severance costs of \$1.6 million and \$3.6 million in the first quarters of 2017 and 2016, respectively. These costs are recorded in “Selling, general and administrative costs” in our Condensed Consolidated Statements of Operations.

We had a severance liability of \$14.4 million and \$23.2 million included in “Accrued expenses and other” in our Condensed Consolidated Balance Sheets as of March 26, 2017, and December 25, 2016, respectively.

NOTE 8. FAIR VALUE MEASUREMENTS

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

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

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

Level 3—unobservable inputs for the asset or liability.



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

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 March 26, 2017 and December 25, 2016:

(In thousands)	March 26, 2017			December 25, 2016				
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Deferred compensation	\$26,699	\$26,699	\$ —	\$ —	-\$31,006	\$31,006	\$ —	\$ —

The deferred compensation liability, included in “Other liabilities—Other” in our Condensed Consolidated Balance Sheets, consists of deferrals under The New York Times Company Deferred Executive Compensation Plan (the “DEC”), which enables certain eligible executives to elect to defer a portion of their compensation on a pre-tax basis. The deferred amounts are invested at the executives’ option in various mutual funds. The fair value of deferred compensation is based on the mutual fund investments elected by the executives and on quoted prices in active markets for identical assets. Participation in the DEC was frozen effective December 31, 2015.

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 March 26, 2017 and December 25, 2016, 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 approximately \$241 million as of March 26, 2017 and approximately \$240 million as of December 25, 2016. The fair value of our long-term debt was approximately \$293 million and \$298 million as of March 26, 2017 and December 25, 2016, respectively. We estimate the fair value of our debt utilizing market quotations for debt that have quoted prices in active markets. Since our debt does not trade on a daily basis in an active market, the fair value estimates are based on market observable inputs based on borrowing rates currently available for debt with similar terms and average maturities (Level 2).

NOTE 9. PENSION AND OTHER POSTRETIREMENT BENEFITS

Pension

Single-Employer Plans

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

(In thousands)	For the Quarters Ended					
	March 26, 2017			March 27, 2016		
	Qualified Plans	Non-Qualified Plans	All Plans	Qualified Plans	Non-Qualified Plans	All Plans
Service cost	\$2,423	\$ —	\$2,423	\$2,247	\$ —	\$2,247
Interest cost	15,594	1,956	17,550	16,574	2,034	18,608
Expected return on plan assets	(26,136)	—	(26,136)	(27,790)	—	(27,790)
Amortization of actuarial loss	7,353	1,088	8,441	7,069	1,053	8,122
Amortization of prior service credit	(486)	—	(486)	(486)	—	(486)
Net periodic pension (income)/cost	\$(1,252)	\$ 3,044	\$ 1,792	\$(2,386)	\$ 3,087	\$ 701

During the first quarters of 2017 and 2016, we made pension contributions of \$2.0 million and \$2.1 million, respectively, to certain qualified pension plans. We expect contributions to total approximately \$8 million to satisfy funding requirements in 2017.



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Other Postretirement Benefits

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

(In thousands)	For the Quarters Ended	
	March 2017	March 2016
Service cost	\$92	\$ 104
Interest cost	470	495
Amortization of actuarial loss	905	1,026
Amortization of prior service credit	(1,939)	(2,110 )
Net periodic postretirement benefit income	\$(472)	\$ (485 )

NOTE 10. INCOME TAXES

The Company had income tax expense of \$10.7 million in the first quarter of 2017 compared to an income tax benefit of \$9.2 million in the first quarter of 2016. The increase in income tax expense was primarily due to higher income from continuing operations in the first quarter of 2017. Income tax expense also increased as a result of the Company's recent adoption of ASU 2016-09 in the first quarter of 2017. See Note 2 for information regarding ASU 2016-09.

NOTE 11. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss) per share is computed using both basic shares and diluted shares. The difference between basic and diluted shares is that diluted shares include the dilutive effect of the assumed exercise of outstanding securities. Our stock options, stock-settled long-term performance awards and restricted stock units could have the most significant impact on diluted shares.

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

The number of stock options excluded from the computation of diluted earnings per share because they were anti-dilutive was approximately 2 million in the first quarter of 2017 and approximately 6 million in the first quarter of 2016.

The number of restricted stock units and long-term incentive compensation stock-settled awards excluded from the computation of diluted earnings per share because they were anti-dilutive was approximately 1 million in the first quarter of 2017 and approximately 2 million for the first quarter of 2016.

NOTE 12. SUPPLEMENTAL STOCKHOLDERS' EQUITY INFORMATION

Stockholders' equity is summarized as follows:

(In thousands)	Total New York Times Company Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance as of December 25, 2016	\$ 847,815	\$ (3,571 )	\$ 844,244
Net income/(loss)	13,181	(66 )	13,115
Other comprehensive income, net of tax	5,565	—	5,565
Effect of issuance of shares	(3,281 )	—	(3,281 )
Dividends declared	(6,495 )	—	(6,495 )

Stock-based compensation	3,815	—	3,815
Balance as of March 26, 2017	\$ 860,600	\$ (3,637 )	\$ 856,963

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(In thousands)	Total New York Times Company Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balance as of December 27, 2015	\$ 826,751	\$ 1,704	\$ 828,455
Net loss	(8,271 )	(5,315 )	(13,586 )
Other comprehensive income, net of tax	5,091	—	5,091
Effect of issuance of shares	(8,675 )	—	(8,675 )
Share repurchases	(15,056 )	—	(15,056 )
Dividends declared	(6,443 )	—	(6,443 )
Stock-based compensation	3,294	—	3,294
Balance as of March 27, 2016	\$ 796,691	\$ (3,611 )	\$ 793,080

On January 14, 2015, the Board of Directors approved an authorization of \$101.1 million to repurchase shares of the Company's Class A Common Stock. As of March 26, 2017, the Company had repurchased 6,690,905 Class A shares under this authorization for a cost of \$84.9 million (excluding commissions) and \$16.2 million remained. Our Board of Directors has authorized us to purchase shares under this authorization from time to time, subject to market conditions and other factors. There is no expiration date with respect to this authorization.

The following table summarizes the changes in AOCI by component as of March 26, 2017:

(In thousands)	Foreign Currency Translation Adjustments	Funded Status of Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance as of December 25, 2016	\$ (1,822 )	\$ (477,994)	\$ (479,816 )
Other comprehensive income before reclassifications, before tax <sup>(1)</sup>	2,175	—	2,175
Amounts reclassified from accumulated other comprehensive loss, before tax <sup>(1)</sup>	—	6,921	6,921
Income tax expense <sup>(1)</sup>	795	2,736	3,531
Net current-period other comprehensive income, net of tax	1,380	4,185	5,565
Balance as of March 26, 2017	\$ (442 )	\$ (473,809)	\$ (474,251 )

(1) All amounts are shown net of noncontrolling interest.

The following table summarizes the reclassifications from AOCI for the first quarter of 2017:

(In thousands)	Amounts reclassified from accumulated other comprehensive loss	Affect line item in the statement where net income is presented
Detail about accumulated other comprehensive loss components		
Funded status of benefit plans:		
Amortization of prior service credit <sup>(1)</sup>	\$ (2,425 )	Selling, general & administrative costs
Amortization of actuarial loss <sup>(1)</sup>	9,346	Selling, general & administrative costs
Total reclassification, before tax <sup>(2)</sup>	6,921	
Income tax expense	2,736	Income tax (benefit)/expense
Total reclassification, net of tax	\$ 4,185	

- (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 March 26, 2017.

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NOTE 13. SEGMENT INFORMATION

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

NOTE 14. CONTINGENT LIABILITIES

Restricted Cash

We were required to maintain \$24.9 million of restricted cash as of March 26, 2017 and December 25, 2016, the majority of which is set aside to collateralize workers' compensation obligations.

Newspaper and Mail Deliverers-Publishers' Pension Fund

In September 2013, the Newspaper and Mail Deliverers-Publishers' Pension Fund (the "NMDU Fund") assessed a partial withdrawal liability against the Company in the amount of approximately \$26 million for the plan years ending May 31, 2012 and 2013 (the "Initial Assessment"), an amount that was increased to approximately \$34 million in December 2014, when the NMDU Fund issued a revised partial withdrawal liability assessment for the plan year ending May 31, 2013 (the "Revised Assessment"). The NMDU Fund claimed that when City & Suburban Delivery Systems, Inc., a retail and newsstand distribution subsidiary of the Company and the largest contributor to the NMDU Fund, ceased operations in 2009, it triggered a decline of more than 70% in contribution base units in each of these two plan years. The Company disagreed with both the NMDU Fund's determination that a partial withdrawal occurred and the methodology by which it calculated the withdrawal liability, and the parties engaged in arbitration proceedings to resolve the matter. On June 14, 2016, the arbitrator issued an interim award and opinion that supported the NMDU Fund's determination that a partial withdrawal had occurred, including concluding that the methodology used to calculate the Initial Assessment was correct. However, the arbitrator also concluded that the NMDU Fund's calculation of the Revised Assessment was incorrect. The Company expects to appeal the arbitrator's decision following the issuance of the final opinion and award.

Due to requirements of the Employee Retirement Income Security Act of 1974 that sponsors make payments demanded by plans during arbitration and any resultant appeals, the Company had been making payments to the NMDU fund since September 2013 relating to the Initial Assessment and February 2015 relating to the Revised Assessment based on the NMDU Fund's demand. As a result, as of March 26, 2017, we have paid \$12.6 million relating to the Initial Assessment since the receipt of the initial demand letter. We also paid \$5.0 million related to the Revised Assessment, which was refunded in July 2016 based on the arbitrator's ruling. The Company recognized \$0.1 million and \$1.8 million of expense for the first quarters of 2017 and 2016, respectively.

As a result of the interim opinion and award relating to the Initial Assessment, the Company had a liability of \$8.9 million as of March 26, 2017. Management believes it is reasonably possible that the total loss in this matter could exceed the liability established by a range of zero to approximately \$10 million.

NEMG T&G, Inc.

The Company has been involved in class action litigation brought on behalf of individuals who, from 2006 to 2011, delivered newspapers at NEMG T&G, Inc., a subsidiary of the Company ("T&G"). T&G was a part of the New England Media Group, which the Company sold in 2013. The plaintiffs asserted several claims against T&G, including a challenge to their classification as independent contractors, and sought unspecified damages. In December 2016, the Company reached a settlement with respect to the claims. This settlement remains subject to court approval. As a result of the settlement, the Company recorded a charge of \$3.7 million in the fourth quarter of 2016 within discontinued operations.

Other

We are involved in various legal actions incidental to our business that are now pending against us. These actions are generally for amounts greatly in excess of the payments, if any, that may be required to be made. Although the Company cannot predict the outcome of these matters, it is possible that an unfavorable outcome in one or more

matters could be material to the Company's consolidated results of operations or cash flows for an individual reporting period. However, based on currently available information, management does not believe that the ultimate resolution of these matters, individually or in the aggregate, is likely to have a material effect on the Company's financial position.

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NOTE 15. SUBSEQUENT EVENT

In April 2017, Madison entered into an agreement to sell the remaining assets at its mill site (consisting of hydro power assets). We expect this sale to be completed later this year. See Note 5 for more information on the Company's investment in Madison.

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

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

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

For the first quarter of 2017, diluted earnings per share from continuing operations were \$0.08, compared with a diluted loss per share of \$0.05 for the first quarter of 2016. Diluted earnings per share from continuing operations excluding severance, non-operating retirement costs and special items discussed below (or "adjusted diluted earnings per share," a non-GAAP measure) were \$0.11 and \$0.10 for the first quarters of 2017 and 2016, respectively. The Company had an operating profit of \$29.0 million in the first quarter of 2017, compared with \$27.9 million for the first quarter of 2016. The increase was driven by growth in overall revenues that more than offset increased costs. Operating profit before depreciation, amortization, severance, non-operating retirement costs and special items discussed below (or "adjusted operating profit," a non-GAAP measure) was \$52.7 million and \$51.5 million for the first quarters of 2017 and 2016, respectively.

Total revenues increased 5.1% to \$398.8 million in the first quarter of 2017 from \$379.5 million in the first quarter of 2016, primarily driven by increases in digital and print circulation revenue, as well as digital advertising revenue, partially offset by a decrease in print advertising revenue.

Circulation revenues increased 11.2% in the first quarter of 2017 compared with the first quarter of 2016, primarily due to digital subscription initiatives and the 2017 increase in home-delivery prices at The New York Times newspaper, which more than offset a decline in print copies sold. Circulation revenues from our digital-only subscriptions (which includes news product and Crossword product subscriptions) increased 40.0% in the first quarter of 2017 compared with the first quarter of 2016.

Paid digital-only subscriptions totaled approximately 2,201,000 at the end of the first quarter of 2017, a 62.2% increase compared to the end of the first quarter of 2016. We continued to see significant growth in the number of paid digital-only subscriptions to our news products following the 2016 presidential election. We expect continued year-over-year growth in the second quarter of 2017; however, we expect this rate of growth to be slower than in the prior two quarters.

Advertising revenues remained under pressure during the first quarter of 2017. Total advertising revenues decreased 6.9% in the first quarter of 2017 compared with the first quarter of 2016, reflecting a 17.9% decrease in print advertising revenues, partially offset by an 18.9% increase in digital advertising revenues. The decrease in print advertising revenues resulted from a decline in display advertising. The increase in digital advertising revenues primarily reflected increases in revenue from our mobile platform, our programmatic channels and branded content, partially offset by a decrease in traditional website display advertising.

Compared with the first quarter of 2016, other revenues increased 20.9% in the first quarter of 2017, largely due to affiliate referral revenue associated with the product review and recommendation websites, The Wirecutter and The Sweethome, which the Company acquired in October 2016.

Operating costs increased in the first quarter of 2017 to \$367.4 million from \$351.6 million in the first quarter of 2016, largely due to higher marketing costs and costs from acquired companies, which were partially offset by lower print production and distribution costs as well as lower severance, international operations, technology and

non-operating retirement costs. First quarter 2017 operating costs also included \$2.4 million of costs related to the redesign of our headquarters building. Operating costs before depreciation, amortization, severance and non-operating retirement costs (or “adjusted operating costs,” a non-GAAP measure) increased in the first quarter of 2017 to \$346.1 million from \$328.0 million in the first quarter of 2016.

Non-operating retirement costs decreased to \$3.5 million during the first quarter of 2017 from \$4.5 million in the first quarter of 2016 due to lower multiemployer pension plan withdrawal obligations.

#### RESULTS OF OPERATIONS

The following table presents our consolidated financial results:

(In thousands)	For the Quarters Ended		% Change	
	March 26, 2017	March 27, 2016		
Revenues				
Circulation	\$242,375	\$217,994	11.2	%
Advertising	130,028	139,680	(6.9)	)%
Other	26,401	21,841	20.9	%
Total revenues	398,804	379,515	5.1	%
Operating costs				
Production costs:				
Wages and benefits	90,778	92,471	(1.8)	)%
Raw materials	16,930	17,875	(5.3)	)%
Other	45,528	47,516	(4.2)	)%
Total production costs	153,236	157,862	(2.9)	)%
Selling, general and administrative costs	198,004	178,246	11.1	%
Depreciation and amortization	16,153	15,472	4.4	%
Total operating costs	367,393	351,580	4.5	%
Headquarters redesign and consolidation	2,402	—	*	
Operating profit	29,009	27,935	3.8	%
Income/(loss) from joint ventures	173	(41,896)	*	
Interest expense, net	5,325	8,826	(39.7)	)%
Income/(loss) from continuing operations before income taxes	23,857	(22,787)	*	
Income tax expense	10,742	(9,201)	*	
Income/(loss) from continuing operations	13,115	(13,586)	*	
Net loss attributable to the noncontrolling interest	66	5,315	*	
Net income/(loss) attributable to The New York Times Company common stockholders	\$13,181	\$(8,271)	*	

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

## Revenues

## Circulation Revenues

Circulation revenues consist of revenues from our print and digital products, including our digital-only subscription packages, e-readers and replica editions. These revenues are based on the number of copies of the printed newspaper sold (through home-delivery subscriptions and single-copy and bulk sales) and digital-only subscriptions and the rates charged to the respective customers.

Circulation revenues increased 11.2% in the first quarter of 2017 compared with the same prior-year period, primarily due to digital subscription initiatives and a print home-delivery price increase for The New York Times newspaper, partially offset by a reduction in the number of print copies sold. Revenues from our digital-only news subscriptions (including e-readers and replica editions) were \$72.9 million in the first quarter of 2017, an increase of 39.9% from the first quarter of 2016.

The following table summarizes first-quarter 2017 and 2016 digital-only subscription revenues:

(In thousands)	For the Quarters Ended		
	March 26, 2017		
	March 26, 2017	March 27, 2016	% Change
Digital-only subscription revenues:			
Digital-only news product subscription revenues	\$72,861	\$52,075	39.9 %
Digital Crossword product subscription revenues	2,956	2,098	40.9 %
Total digital-only subscription revenues	\$75,817	\$54,173	40.0 %

The following table summarizes first-quarter 2017 and 2016 digital-only subscriptions:

(In thousands)	For the Quarters Ended		
	March 26, 2017		
	March 26, 2017	March 27, 2016	% Change
Digital-only subscriptions:			
Digital-only news product subscriptions	1,916	1,161	65.0 %
Digital Crossword product subscriptions	285	196	45.4 %
Total digital-only subscriptions	2,201	1,357	62.2 %

## Advertising Revenues

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

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

(In thousands)	For the Quarters Ended								
	March 26, 2017			March 27, 2016			% Change		
	Print	Digital	Total	Print	Digital	Total	Print	Digital	Total
Display	\$71,627	\$42,976	\$114,603	\$88,637	\$37,384	\$126,021	(19.2)%	15.0 %	(9.1) %
Classified and Other	8,730	6,695	15,425	9,262	4,397	13,659	(5.7) %	52.3 %	12.9 %
Total advertising	\$80,357	\$49,671	\$130,028	\$97,899	\$41,781	\$139,680	(17.9)%	18.9 %	(6.9) %

Below is a percentage breakdown of advertising revenues (print and digital) for the first quarters of 2017 and 2016:

	Display	%	Classified and Other	%	Total
2017	88	%	12	%	100%
2016	90	%	10	%	100%

Print advertising revenues, which represented 61.8% of total advertising revenues for the first quarter of 2017, declined 17.9% to \$80.4 million in the first quarter of 2017 compared with \$97.9 million in the same prior-year period. The decrease in print advertising revenues resulted from steep declines in display advertising, primarily in the luxury goods, technology and telecommunications, financial and travel categories.

Digital advertising revenues, which represented 38.2% of total advertising revenues for the first quarter of 2017, increased 18.9% to \$49.7 million compared with \$41.8 million in the same prior-year period. The increase in digital advertising revenues primarily reflected increases in revenue from our programmatic channels, our mobile platform and branded content, which were partially offset by declines in traditional website display advertising.

Classified and Other advertising revenues increased 12.9% in the first quarter of 2017, compared with the same prior-year period, due to an increase in digital creative services fees, offset by a decrease in the real estate and other categories of classified advertising.

#### Other Revenues

Other revenues primarily consist of revenues from news services/syndication, digital archives, building rental income, our NYT Live business, e-commerce and affiliate referrals.

Other revenues increased 20.9% in the first quarter of 2017, compared with the same prior-year period, largely due to affiliate referral revenue associated with our acquisition of the product review and recommendation websites, The Wirecutter and The Sweethome.

#### Operating Costs

Operating costs were as follows:

(In thousands)	For the Quarters Ended		% Change	
	March 26, 2017	March 27, 2016		
Production costs:				
Wages and benefits	\$90,778	\$92,471	(1.8	)%
Raw materials	16,930	17,875	(5.3	)%
Other	45,528	47,516	(4.2	)%
Total production costs	153,236	157,862	(2.9	)%
Selling, general and administrative costs	198,004	178,246	11.1	%
Depreciation and amortization	16,153	15,472	4.4	%
Total operating costs	\$367,393	\$351,580	4.5	%

#### Production Costs

Production costs include items such as labor costs, raw materials, and machinery and equipment expenses related to news-gathering and production activity, as well as costs related to producing branded content.

Production costs decreased in the first quarter of 2017 compared with the first quarter of 2016, driven by a decrease in other expenses (\$2.0 million) and wages and benefits (\$1.7 million), partially offset by an increase in outside services costs (\$1.5 million). Other expenses decreased primarily as a result of outside printing expenses. Raw materials expense decreased in the first quarter of 2017 compared with the first quarter of 2016 due to lower newsprint and magazine consumption, partially offset by higher newsprint pricing.

#### Selling, General and Administrative Costs

Selling, general and administrative costs include costs associated with the selling, marketing and distribution of products as well as administrative expenses.

Selling, general and administrative costs increased in the first quarter of 2017 compared with the first quarter of 2016, primarily due to an increase in promotion and marketing costs (\$12.8 million) and compensation costs (\$6.6 million).

#### Depreciation and Amortization

Depreciation and amortization costs increased in the first quarter of 2017 compared with the same prior-year period, primarily due to the Company's acquisitions of digital marketing agencies, Hello Society and Fake Love, and product review and recommendation websites, The Wirecutter and The Sweethome.

#### Other Items

See Note 7 of the Notes to the Condensed Consolidated Financial Statements for additional information regarding other items, including costs related to the redesign of our headquarters building.

#### NON-OPERATING ITEMS

##### Joint Ventures

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

##### Interest Expense, Net

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

##### Income Taxes

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

#### Non-GAAP Financial Measures

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

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

The special items in 2017 consisted of:

- A \$2.4 million pre-tax expense (\$1.4 million after tax or \$.01 per share) related to the planned redesign and consolidation of space in our headquarters building.

The special items in 2016 consisted of:

- A \$41.4 million pre-tax loss (\$20.1 million after tax and net of noncontrolling interest, or \$.13 per share) from joint ventures related to the announced closure of the paper mill operated by Madison Paper Industries, in which the Company has an investment through a subsidiary.

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

Adjusted diluted earnings per share provides useful information in evaluating our period-to-period performance because it eliminates items that we do not consider to be indicative of earnings from ongoing operating activities.

Adjusted operating profit is useful in evaluating the ongoing performance of our businesses as it excludes the significant non-cash impact of





depreciation and amortization as well as items not indicative of ongoing operating activities. Total operating costs include depreciation, amortization, severance and non-operating retirement costs. Adjusted operating costs, which exclude these items, provide investors with helpful supplemental information on our underlying operating costs that is used by management in its financial and operational decision-making.

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

Non-operating retirement costs include:

- interest cost, expected return on plan assets and amortization of actuarial gain and loss components of pension expense;

- interest cost and amortization of actuarial gain and loss components of retiree medical expense; and

- all expenses associated with multiemployer pension plan withdrawal obligations, not otherwise included as special items.

These non-operating retirement costs are primarily tied to financial market performance and changes in market interest rates and investment performance. Non-operating retirement costs do not include service costs and amortization of prior service costs for pension and retiree medical benefits, which we believe reflect the ongoing operating costs of providing pension and retiree medical benefits to our employees. We consider non-operating retirement costs to be outside the performance of our ongoing core business operations and believe that presenting operating results excluding non-operating retirement costs, in addition to our GAAP operating results, provides 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, 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		
	March 26, 2017	March 27, 2016	Change, %
Diluted earnings/(loss) per share from continuing operations	\$0.08	\$ (0.05)	) *
Add:			
Severance	0.01	0.02	(50.0)%
Non-operating retirement costs	0.02	0.03	(33.3)%
Special items:			
Headquarters redesign and consolidation	0.01	—	*
Loss from joint ventures, net of noncontrolling interest	—	0.21	*
Income tax expense of adjustments	(0.01)	(0.11)	) (90.9)%
Adjusted diluted earnings per share from continuing operations <sup>(1)</sup>	\$0.11	\$ 0.10	10.0 %

(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)

(In thousands)	For the Quarters Ended		% Change	
	March 26, 2017	March 27, 2016		
Operating profit	\$29,009	\$ 27,935	3.8	%
Add:				
Depreciation & amortization	16,153	15,472	4.4	%
Severance	1,600	3,600	(55.6)	)%
Non-operating retirement costs	3,503	4,536	(22.8)	)%
Special items:				
Headquarters redesign and consolidation	2,402	—	*	
Adjusted operating profit	\$52,667	\$ 51,543	2.2	%

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

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

(In thousands)	For the Quarters Ended		% Change	
	March 26, 2017	March 27, 2016		
Operating costs	\$367,393	\$ 351,580	4.5	%
Less:				
Depreciation & amortization	16,153	15,472	4.4	%
Severance	1,600	3,600	(55.6)	)%
Non-operating retirement costs	3,503	4,536	(22.8)	)%
Adjusted operating costs	\$346,137	\$ 327,972	5.5	%

## 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 March 26, 2017, we had cash, cash equivalents and short- and long-term marketable securities of \$752.5 million and total debt and capital lease obligations of \$247.8 million. Accordingly, our cash, cash equivalents and marketable securities exceeded total debt and capital lease obligations by \$504.7 million. Our cash and investment balances have increased since the end of 2016, primarily due to higher overall revenue, offset by variable compensation payments of approximately \$41 million.

On January 14, 2015, the Board of Directors approved an authorization of \$101.1 million to repurchase shares of the Company's Class A Common Stock. As of March 26, 2017, the Company had repurchased 6,690,905 Class A shares under this authorization for a cost of \$84.9 million (excluding commissions) and \$16.2 million remained. Our Board of Directors has authorized us to purchase shares under this authorization from time to time, subject to market conditions and other factors. There is no expiration date with respect to this authorization.

We have paid quarterly dividends of \$0.04 per share on the Class A and Class B Common Stock since late 2013. We currently expect to continue to pay comparable cash dividends in the future, although changes in our dividend program will be considered by our Board of Directors in light of our earnings, capital requirements, financial condition and other factors considered relevant. In addition, the Board of Directors will consider restrictions in any existing indebtedness.

The Company and UPM-Kymmene Corporation ("UPM"), a Finnish paper manufacturing company, are partners through subsidiary companies in Madison Paper Industries, which previously operated a supercalendered paper mill in Maine ("Madison"). The Company's 40% ownership of Madison is through an 80%-owned consolidated subsidiary that owns 50% of Madison. UPM owns 60% of Madison, including a 10% interest through a 20% noncontrolling interest in the consolidated subsidiary of the Company. In March 2016, UPM announced the closure of the paper mill, which occurred in May 2016. The Company's joint venture in Madison is currently being liquidated. In the fourth quarter of 2016, Madison sold certain assets at the mill site and we recognized a gain of \$3.9 million related to the sale. In April 2017, Madison entered into an agreement to sell the remaining assets at the mill site (consisting of hydro power assets). We expect the sale of the hydro power assets to be completed later this year and we believe the proceeds from the sale will be more than sufficient to cover Madison's obligations and therefore allow us to reverse our liability at that time. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information on the Company's investment in Madison.

### Capital Resources

#### Sources and Uses of Cash

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

(In thousands)	For the Quarters			% Change
	Ended			
	March 26, 2017	March 27, 2016		
Operating activities	\$30,131	\$(12,009)	(350.9)	%
Investing activities	\$29,820	\$122,765	(75.7)	%
Financing activities	\$(9,892)	\$(30,958)	(68.0)	%

#### 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 quarter of 2017 compared with the same prior-year period due to lower income tax payments and an overall increase in revenues.

#### Investing Activities

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

Net cash provided by investing activities in the first quarter of 2017 was primarily related to maturities of marketable securities, partially offset by purchases of marketable securities and capital expenditures.

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### 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 quarter of 2017 was primarily related to dividend payments of \$6.5 million and share-based compensation tax withholding of \$3.7 million.

### Restricted Cash

We were required to maintain \$24.9 million of restricted cash as of March 26, 2017 and December 25, 2016, the majority of which is set aside to collateralize workers' compensation obligations.

### Third-Party Financing

As of March 26, 2017, our current indebtedness consisted of the repurchase option related to a sale-leaseback of a portion of our New York headquarters. See Note 6 for information regarding our total debt and capital lease obligations. See Note 8 for information regarding the fair value of our long-term debt.

### CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are detailed in our Annual Report on Form 10-K for the year ended December 25, 2016. As of March 26, 2017, our critical accounting policies have not changed from December 25, 2016.

### 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 25, 2016. As of March 26, 2017, our contractual obligations and off-balance sheet arrangements have not changed materially from December 25, 2016.

### FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in any such statements. You should bear this in mind as you consider forward-looking statements. Factors that we think could, individually or in the aggregate, cause our actual results to differ materially from expected and historical results include those described in our Annual Report on Form 10-K for the year ended December 25, 2016, 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 25, 2016, details our disclosures about market risk. As of March 26, 2017, there were no material changes in our market risks from December 25, 2016.

### 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 March 26, 2017. 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 March 26, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

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

## Item 1A. Risk Factors

There have been no material changes to our risk factors as set forth in "Item 1A—Risk Factors" in our Annual Report on Form 10-K for the year ended December 25, 2016.

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

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

Period	Total number of shares of Class A Common Stock purchased (a)	Average price paid per share of Class A Common Stock (b)	Total number of shares of Class A Common Stock purchased as part of publicly announced plans or programs (c)	Maximum number (or approximate dollar value) of shares of Class A Common Stock that may yet be purchased under the plans or programs (d)
December 26, 2016 - January 29, 2017	—	—	—	\$ 16,236,612
January 30, 2017 - February 26, 2017	—	—	—	\$ 16,236,612
February 27, 2017 - March 26, 2017	—	—	—	\$ 16,236,612
Total for the first quarter of 2017	—	—	—	\$ 16,236,612

(1) On January 14, 2015, the Board of Directors approved an authorization of \$101.1 million to repurchase shares of the Company's Class A Common Stock. The Company did not repurchase any shares during the first quarter of 2017. As of March 26, 2017, repurchases under this authorization totaled \$84.9 million (excluding commissions), and \$16.2 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, subject to market conditions and other factors. There is no expiration date with respect to this authorization.

## Item 6. Exhibits

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





**SIGNATURES**

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

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

Date: May 3, 2017 /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 March 26, 2017

Exhibit No.

- |         |   |
|---------|---|
| 10.1    | Amendment No. 3 to The New York Times Companies Supplemental Retirement and Investment Plan, amended March 10, 2017, and effective January 1, 2017. |
| 10.2    | Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Company's 2010 Incentive Compensation Plan.                           |
| 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.   |