

NEW YORK TIMES CO
Form 10-Q
November 02, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
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 every Interactive Data File required to be submitted 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 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 October 30, 2018 (exclusive of treasury shares):

Class A Common Stock 164,146,697 shares

Class B Common Stock 803,408 shares

THE NEW YORK TIMES COMPANY
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE NEW YORK TIMES COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

| | September 30, 2018 (Unaudited) | December 31, 2017 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 206,179 | \$ 182,911 |
| Short-term marketable securities | 348,222 | 308,589 |
| Accounts receivable (net of allowances of \$13,370 in 2018 and \$14,542 in 2017) | 157,861 | 184,885 |
| Prepaid expenses | 26,709 | 22,851 |
| Other current assets | 43,666 | 50,463 |
| Total current assets | 782,637 | 749,699 |
| Other assets | | |
| Long-term marketable securities | 240,055 | 241,411 |
| Property, plant and equipment (less accumulated depreciation and amortization of \$944,455 in 2018 and \$945,401 in 2017) | 645,964 | 640,939 |
| Goodwill | 141,273 | 143,549 |
| Deferred income taxes | 146,682 | 153,046 |
| Miscellaneous assets | 184,777 | 171,136 |
| Total assets | \$ 2,141,388 | \$ 2,099,780 |

See Notes to Condensed Consolidated Financial Statements.

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

(In thousands, except share and per share data)

| | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| | (Unaudited) | |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 113,848 | \$ 125,479 |
| Accrued payroll and other related liabilities | 91,108 | 104,614 |
| Unexpired subscriptions revenue | 81,869 | 75,054 |
| Accrued expenses and other | 116,137 | 110,510 |
| Total current liabilities | 402,962 | 415,657 |
| Other liabilities | | |
| Long-term debt and capital lease obligations | 245,932 | 250,209 |
| Pension benefits obligation | 363,509 | 405,422 |
| Postretirement benefits obligation | 45,524 | 48,816 |
| Other | 76,790 | 82,313 |
| Total other liabilities | 731,755 | 786,760 |
| Stockholders' equity | | |
| Common stock of \$.10 par value: | | |
| Class A – authorized: 300,000,000 shares; issued: 2018 – 172,998,668; 2017 – 170,276,449 (including treasury shares: 2018 – 8,870,801; 2017 – 8,870,801) | 17,300 | 17,028 |
| Class B – convertible – authorized and issued shares: 2018 – 803,408; 2017 – 803,763 | 80 | 80 |
| Additional paid-in capital | 204,512 | 164,275 |
| Retained earnings | 1,457,463 | 1,310,136 |
| Common stock held in treasury, at cost | (171,211 |) (171,211) |
| Accumulated other comprehensive loss, net of income taxes: | | |
| Foreign currency translation adjustments | 5,745 | 6,328 |
| Funded status of benefit plans | (504,851 |) (427,819) |
| Net unrealized loss on available-for-sale securities | (2,450 |) (1,538) |
| Total accumulated other comprehensive loss, net of income taxes | (501,556 |) (423,029) |
| Total New York Times Company stockholders' equity | 1,006,588 | 897,279 |
| Noncontrolling interest | 83 | 84 |
| Total stockholders' equity | 1,006,671 | 897,363 |
| Total liabilities and stockholders' equity | \$ 2,141,388 | \$ 2,099,780 |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|--|----------------------------|--|----------------------------|
| | September 30, 2018 2018 (13 weeks) | September 24, 2017 2017 | September 30, 2018 2018 (39 weeks) | September 24, 2017 2017 |
| Revenues | | | | |
| Subscription | \$257,796 | \$ 246,638 | \$779,018 | \$ 739,050 |
| Advertising | 121,677 | 113,633 | 366,525 | 375,895 |
| Other | 37,873 | 25,364 | 100,311 | 76,568 |
| Total revenues | 417,346 | 385,635 | 1,245,854 | 1,191,513 |
| Operating costs | | | | |
| Production costs: | | | | |
| Wages and benefits | 95,941 | 90,100 | 280,688 | 269,913 |
| Raw materials | 19,972 | 15,718 | 54,490 | 48,461 |
| Other production costs | 47,521 | 44,336 | 138,454 | 134,771 |
| Total production costs | 163,434 | 150,154 | 473,632 | 453,145 |
| Selling, general and administrative costs | 202,473 | 185,442 | 614,464 | 598,367 |
| Depreciation and amortization | 14,847 | 15,677 | 43,969 | 46,961 |
| Total operating costs | 380,754 | 351,273 | 1,132,065 | 1,098,473 |
| Headquarters redesign and consolidation | — | 2,542 | 3,140 | 6,929 |
| Gain from pension liability adjustment | (4,851) | — | (4,851) | — |
| Operating profit | 41,443 | 31,820 | 115,500 | 86,111 |
| Other components of net periodic benefit costs/(income) | 2,335 | (1,193) | 6,226) | (3,580) |
| (Loss)/Gain from joint ventures | (16) | 31,557) | (9) | 31,464) |
| Interest expense and other, net | 4,026 | 4,660 | 13,439 | 15,118 |
| Income from continuing operations before income taxes | 35,066 | 59,910 | 95,826 | 106,037 |
| Income tax expense | 10,092 | 23,420 | 25,342 | 40,873 |
| Income from continuing operations | 24,974 | 36,490 | 70,484 | 65,164 |
| Loss from discontinued operations, net of income taxes | — | 488 | — | 488 |
| Net income | 24,974 | 36,002 | 70,484 | 64,676 |
| Net loss/(income) attributable to the noncontrolling interest | 2 | (3,673) | 1) | (3,567) |
| Net income attributable to The New York Times Company common stockholders | \$24,976 | \$ 32,329 | \$70,485 | \$ 61,109 |
| Average number of common shares outstanding: | | | | |
| Basic | 165,064 | 162,173 | 164,742 | 161,798 |
| Diluted | 166,966 | 164,405 | 166,671 | 164,005 |
| Basic earnings per share attributable to The New York Times Company common stockholders | | | | |
| Income from continuing operations | \$0.15 | \$ 0.20 | \$0.43 | \$ 0.38 |
| Loss from discontinued operations, net of income taxes | — | — | — | — |
| Net income | \$0.15 | \$ 0.20 | \$0.43 | \$ 0.38 |

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 September 24, 2018 2017 (13 weeks) | | For the Nine Months Ended September 24, 2018 2017 (39 weeks) | |
|--|---|---------|--|---------|
| Diluted earnings per share attributable to The New York Times Company common stockholders | | | | |
| Income from continuing operations | \$0.15 | \$ 0.20 | \$0.42 | \$ 0.37 |
| Loss from discontinued operations, net of income taxes | — | — | — | — |
| Net income | \$0.15 | \$ 0.20 | \$0.42 | \$ 0.37 |
| Dividends declared per share | \$0.04 | \$ 0.08 | \$0.12 | \$ 0.12 |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(In thousands)

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|----------------------------------|--------------------|----------------------------------|--------------------|
| | September 30, 2018 (13 weeks) | September 24, 2017 | September 30, 2018 (39 weeks) | September 24, 2017 |
| Net income | \$24,974 | \$ 36,002 | \$70,484 | \$ 64,676 |
| Other comprehensive income, before tax: | | | | |
| (Loss)/income on foreign currency translation adjustments | (567 |) 6,099 | (2,923 |) 11,170 |
| Pension and postretirement benefits obligation | 8,009 | 6,921 | 24,850 | 20,762 |
| Net unrealized income/(loss) on available-for-sale securities | 314 | (1,081 |) (784 |) (1,081 |
| Other comprehensive income, before tax | 7,756 | 11,939 | 21,143 | 30,851 |
| Income tax expense | 2,031 | 4,200 | 5,535 | 11,557 |
| Other comprehensive income, net of tax | 5,725 | 7,739 | 15,608 | 19,294 |
| Comprehensive income | 30,699 | 43,741 | 86,092 | 83,970 |
| Comprehensive loss/(income) attributable to the noncontrolling interest | 2 | (3,673 |) 1 | (3,567 |
| Comprehensive income attributable to The New York Times Company common stockholders | \$30,701 | \$ 40,068 | \$86,093 | \$ 80,403 |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands, except share and per share data)

| | Capital Stock Class A and Class B Common | Additional Paid-in Capital | Retained Earnings | Common Stock Held in Treasury, at Cost | Accumulated Other Comprehensive Loss, Net of Income Taxes | Total New York Times Company Stockholders' Equity | Non- controlling Interest | Total Stock- holders' Equity |
|--|---|----------------------------------|----------------------|--|---|--|---------------------------------|---------------------------------------|
| Balance, December 25, 2016 | \$ 17,003 | \$ 149,928 | \$ 1,331,911 | \$(171,211) | \$(479,816) | \$847,815 | \$(3,571) | \$844,244 |
| Net income | — | — | 61,109 | — | — | 61,109 | 3,567 | 64,676 |
| Dividends | — | — | (19,543) | — | — | (19,543) | — | (19,543) |
| Other comprehensive income | — | — | — | — | 19,294 | 19,294 | — | 19,294 |
| Issuance of shares: | | | | | | | | |
| Stock options – 615,150 Class A shares | 62 | 4,080 | — | — | — | 4,142 | — | 4,142 |
| Restricted stock units vested – 276,527 Class A shares | 28 | (2,664) | — | — | — | (2,636) | — | (2,636) |
| Performance-based awards – 115,881 Class A shares | 12 | (1,360) | — | — | — | (1,348) | — | (1,348) |
| Stock-based compensation | — | 9,845 | — | — | — | 9,845 | — | 9,845 |
| Balance, September 24, 2017 | \$ 17,105 | \$ 159,829 | \$ 1,373,477 | \$(171,211) | \$(460,522) | \$918,678 | \$(4) | \$918,674 |
| Balance, December 31, 2017 | \$ 17,108 | \$ 164,275 | \$ 1,310,136 | \$(171,211) | \$(423,029) | \$897,279 | \$84 | \$897,363 |
| Impact of adopting new accounting guidance | — | — | 96,707 | — | (94,135) | 2,572 | — | 2,572 |
| Net income | — | — | 70,485 | — | — | 70,485 | (1) | 70,484 |
| Dividends | — | — | (19,865) | — | — | (19,865) | — | (19,865) |
| Other comprehensive income | — | — | — | — | 15,608 | 15,608 | — | 15,608 |
| Issuance of shares: | | | | | | | | |
| Stock options – 2,219,201 Class A shares | 222 | 40,428 | — | — | — | 40,650 | — | 40,650 |
| Restricted stock units vested – 230,822 Class A shares | 23 | (3,168) | — | — | — | (3,145) | — | (3,145) |
| Performance-based awards – 271,841 Class A shares | 27 | (5,930) | — | — | — | (5,903) | — | (5,903) |
| Stock-based compensation | — | 8,907 | — | — | — | 8,907 | — | 8,907 |
| Balance, September 30, 2018 | \$ 17,380 | \$ 204,512 | \$ 1,457,463 | \$(171,211) | \$(501,556) | \$1,006,588 | \$83 | \$1,006,671 |

THE NEW YORK TIMES COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

| | For the Nine Months Ended | |
|---|------------------------------|-----------------------|
| | September 30, 2018 | September 24, 2017 |
| | (39 weeks) | |
| Cash flows from operating activities | | |
| Net income | \$70,484 | \$ 64,676 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 43,969 | 46,961 |
| Stock-based compensation expense | 9,969 | 10,927 |
| Undistributed (gain)/loss of joint ventures | 9 | (31,464) |
| Long-term retirement benefit obligations | (19,769) | (21,897) |
| Other-net | 351 | 2,748 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable-net | 27,024 | 55,032 |
| Other assets | 6,226 | (1,761) |
| Accounts payable, accrued payroll and other liabilities | (28,702) | 12,473 |
| Unexpired subscriptions | 6,815 | 10,200 |
| Net cash provided by operating activities | 116,376 | 147,895 |
| Cash flows from investing activities | | |
| Purchases of marketable securities | (386,842) | (398,246) |
| Maturities of marketable securities | 346,601 | 454,022 |
| Capital expenditures | (61,983) | (47,831) |
| Other-net | (1,585) | 648 |
| Net cash (used in)/provided by investing activities | (103,809) | 8,593 |
| Cash flows from financing activities | | |
| Long-term obligations: | | |
| Repayment of debt and capital lease obligations | (414) | (414) |
| Dividends paid | (19,761) | (19,483) |
| Capital shares: | | |
| Proceeds from stock option exercises | 40,650 | 4,142 |
| Share-based compensation tax withholding | (9,048) | (3,984) |
| Net cash provided by/(used in) financing activities | 11,427 | (19,739) |
| Net increase in cash, cash equivalents and restricted cash | 23,994 | 136,749 |
| Effect of exchange rate changes on cash | (540) | 294 |
| Cash, cash equivalents and restricted cash at the beginning of the period | 200,936 | 125,550 |
| Cash, cash equivalents and restricted cash at the end of the period | \$224,390 | \$ 262,593 |

See Notes to Condensed Consolidated Financial Statements.

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

NOTE 1. BASIS OF PRESENTATION

In the opinion of management of The New York Times Company (the “Company”), the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of September 30, 2018, and December 31, 2017, and the results of operations, changes in stockholder’s equity and cash flows of the Company for the periods ended September 30, 2018, and September 24, 2017. 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 31, 2017. Due to the seasonal nature of our business, operating results for the interim periods are not necessarily indicative of a full year’s operations. The fiscal periods included herein comprise 13 weeks for the third quarter.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described herein, as of September 30, 2018, our significant accounting policies, which are detailed in our Annual Report on Form 10-K for the year ended December 31, 2017, have not changed materially.

Recently Adopted Accounting Pronouncements

Accounting

| Standard Update(s) | Topic | Effective Period | Summary |
|--------------------|--|--|---|
| 2018-05 | Income Taxes (Topic 740) | Upon issuance | The Financial Accounting Standards Board (“FASB”) issued authoritative guidance that amends Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes” to conform with SEC Staff Accounting Bulletin 118, issued in December 2017, which allowed SEC registrants to record provisional amounts for the year ended December 31, 2017, due to the complexities involved in accounting for the enactment of the 2017 Tax Cuts and Jobs Act (the “Tax Act”). During the nine months ended September 30, 2018, we did not record any measurement period adjustments to the provisional estimate recorded at December 31, 2017 for the Tax Act. The accounting for the impact of the Tax Act is expected to be completed by the fourth quarter of 2018. |
| 2018-02 | Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income | Fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is | The FASB issued authoritative guidance providing financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income (“AOCI”) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate related to the Tax Act is recorded. |

permitted.

The Company elected to adopt this guidance to reclassify the stranded tax effects from AOCI to retained earnings in the first quarter of 2018. Our current accounting policy related to releasing tax effects from AOCI for pension and other postretirement benefits is a plan by plan approach. Accordingly, the Company recorded a \$94.1 million cumulative effect adjustment for stranded tax effects, such as pension and other postretirement benefits, to “Retained earnings” on January 1, 2018. See Note 13 for more information.

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

| Accounting Standard Update(s) | Topic | Effective Period | Summary |
|-------------------------------|--|---|---|
| 2017-07 | Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost | Fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. | The FASB issued authoritative guidance that requires the service cost component of net periodic benefit costs to be presented separately from the other components of net periodic benefit costs. Service cost will be presented with other employee compensation cost within “Operating costs.” The other components of net periodic benefit costs, such as interest cost, amortization of prior service cost and gains or losses, are required to be presented outside of operations. 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. Since Accounting Standards Update (“ASU”) 2017-07 only requires change to the Condensed Consolidated Statements of Operations classification of the components of net periodic benefit cost, there are no changes to income from continuing operations or net income. As a result of the adoption of the ASU during the first quarter of 2018, the service cost component of net periodic benefit costs continues to be recognized in total operating costs and the other components of net periodic benefit costs have been reclassified to “Other components of net periodic benefit costs/(income)” in the Condensed Consolidated Statements of Operations below “Operating profit” on a retrospective basis. The Company reclassified \$0.2 million and \$1.0 million of credits from “Production costs” and “Selling and general and administrative costs,” respectively, to “Other components of net periodic benefit costs/(income)” in the third quarter of 2017 and \$0.7 million and \$2.9 million of credits from “Production costs” and “Selling and general and administrative costs,” respectively, to “Other components of net periodic benefit costs/(income)” in the first |

nine months of 2017. See Note 10 for the components of net periodic benefit costs/(income) for our pension and other postretirement benefits plans.

The FASB issued authoritative guidance that amends the guidance in ASC 230 on the classification and presentation of restricted cash in the statement of cash flows. The key requirements of the ASU are: (1) all entities should include in their cash and cash-equivalent balances in the statements of cash flows those amounts that are deemed to be restricted cash or restricted cash equivalents, (2) a reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents and restricted cash, (3)

2016-18 Statement of Cash Flow:
Restricted Cash

Fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. changes in restricted cash that result from transfers between cash, cash equivalents and restricted cash should not be presented as cash flow activities in the statement of cash flows and (4) an entity with a material balance of amounts generally described as restricted cash must disclose information about the nature of the restrictions.

As a result of the adoption of ASU 2016-18 in the first quarter of 2018, the Company included the restricted cash balance with the cash and cash equivalents balances in the Condensed Consolidated Statements of Cash Flows on a retrospective basis. The reclassification did not have a material impact to the Condensed Consolidated Statement of Cash Flows for the first nine months of 2017. The Company has added a reconciliation from the Condensed Consolidated Balance Sheets to the Condensed Consolidated Statement of Cash Flows. See Note 8 for more information.

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

| Accounting Standard Update(s) | Topic | Effective Period | Summary |
|--|--|--|--|
| 2016-01 2018-03 | Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities | Fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. | <p>The FASB issued authoritative guidance that addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including requirements to measure most equity investments at fair value with changes in fair value recognized in net income, to perform a qualitative assessment of equity investments without readily determinable fair values, and to separately present financial assets and liabilities by measurement category and by type of financial asset on the balance sheet or the accompanying notes to the financial statements.</p> <p>We adopted ASU 2016-01 in the first quarter of 2018 and elected the measurement alternative, defined as cost, less impairments, adjusted by observable price changes, given our equity instruments are without readily determinable fair values. This guidance did not impact our available-for-sale (“AFS”) securities because we only hold debt securities. We also early adopted ASU 2018-03 in the first quarter of 2018. The adoptions of ASU 2016-01 and ASU 2018-03 did not have a material effect on our Condensed Consolidated Financial Statements. See Note 6 for more information.</p> |
| 2014-09 2016-08 2016-10 2016-12 | Revenue from Contracts with Customers (Topic 606) | Fiscal years beginning after December 31, 2017 | <p>The FASB issued authoritative guidance that prescribes a single comprehensive model for entities to use in the accounting of revenue arising from contracts with customers. The new guidance supersedes virtually all existing revenue guidance under GAAP. There are two transition options available to entities: the full retrospective approach or the modified retrospective approach.</p> <p>On January 1, 2018, the Company adopted Topic 606. The Company has elected the modified retrospective approach, which allows for the new revenue standard to be applied to all existing contracts as of the effective date and a cumulative catch-up adjustment to be recorded to “Retained earnings.” The Company recognizes revenue under the core principle to depict the transfer of control to the Company’s customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when a performance obligation is satisfied.</p> <p>The most significant change to the Company’s accounting practices related to accounting for certain licensing</p> |

arrangements in the other revenue category for which archival and updated content is included. Under the former revenue guidance, licensing revenue was generally recognized over the term of the contract based on the annual minimum guarantee amount specified in the contractual agreement with the licensee. Based on the guidance of Topic 606, the Company has determined that the archival content and updated content included in these licensing arrangements represent two separate performance obligations. As such, a portion of the total contract consideration related to the archival content was recognized at the commencement of the contract when control of the archival content is transferred. The remaining contractual consideration will be recognized proportionately over the term of the contract when updated content is transferred to the licensee, in line with when the control of the new content is transferred.

The net impact of these changes accelerated the revenue of contracts not completed as of January 1, 2018. In connection with the adoption of the standard the Company recorded a net increase to opening retained earnings of \$2.6 million (\$3.5 million before tax) and a contract asset of \$3.5 million, with \$1.3 million categorized as a current asset and \$2.2 million categorized as a long term asset as of January 1, 2018. The impact to “Other revenues” as a result of applying Topic 606 will be a decrease of \$1.3 million for the twelve months ended December 30, 2018.

Our subscription and advertising revenues were not changed by the new guidance. See Note 3 for more information on our revenues and the application of Topic 606.

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

Recently Issued and Not Yet Adopted Accounting Pronouncements

Accounting

| Standard Update(s) | Topic | Effective Period | Summary |
|--------------------|--|--|---|
| 2018-15 | Intangibles—Goodwill and Other—Internal-Use Software | Fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. | The FASB issued authoritative guidance that clarifies the accounting for implementation costs in cloud computing arrangements. The standard provides that implementation costs be evaluated for capitalization using the same criteria as that used for internal-use software development costs, with amortization expense being recorded in the same income statement expense line as the hosted service costs and over the expected term of the hosting arrangement. We are currently in the process of evaluating the impact of this guidance on our consolidated financial statements. |
| 2018-14 | Compensation—Retirement Benefits—Defined Benefit Plans—General | Fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. | The FASB issued authoritative guidance that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The guidance removes disclosures, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. We are currently in the process of evaluating the impact of this guidance on our consolidated financial statements. |
| 2018-13 | Fair Value Measurement (Topic 820) Disclosure Framework | Fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. | The FASB issued authoritative guidance that modifies the disclosure requirements on fair value measurements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. We are currently in the process of evaluating the impact of this guidance on our consolidated financial statements. |
| 2016-13 | Financial Instruments—Credit Losses | Fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods | The FASB issued authoritative guidance that amends guidance on reporting credit losses for assets, including trade receivables, available-for-sale marketable securities and any other financial assets not excluded from the scope that have the contractual right to receive cash. For trade receivables, ASU 2016-13 eliminates the probable initial recognition threshold in current generally accepted accounting standards, and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses |

within those fiscal
years.

is a valuation account that is deducted from the gross trade receivables balance to present the net amount expected to be collected. For available-for-sale marketable securities, credit losses should be measured in a manner similar to current generally accepted accounting standards; however, ASU 2016-13 will require that credit losses be presented as an allowance rather than as a write-down.

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| Accounting Standard Update(s) | Topic | Effective Period | Summary |
|-------------------------------|--------|--|---|
| 2016-02 2018-10 2018-11 | Leases | Fiscal years beginning after December 30, 2018. Early adoption is permitted. | <p>The FASB issued authoritative guidance that provides guidance on accounting for leases and disclosure of key information about leasing arrangements. The guidance requires lessees to recognize the following for all operating and finance leases at the commencement date: (1) a lease liability, which is the obligation to make lease payments arising from a lease, measured on a discounted basis, and (2) a right-of-use asset representing the lessee's right to use, or control the use of, the underlying asset for the lease term. A lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities for short-term leases with a term of 12 months or less. The guidance does not fundamentally change lessor accounting; however, some changes have been made to align that guidance with the lessee guidance and other areas within GAAP.</p> <p>The Company expects to adopt this guidance in the first quarter of 2019 utilizing the alternative transition method. Upon adoption, the Company expects to elect the transition package of practical expedients permitted within the new standard, which, among other things, allows the carryforward of the historical lease classification and allows the Company to recognize a cumulative effect adjustment to the opening balance of retained earnings. The Company continues to evaluate which other, if any, practical expedients will be elected.</p> <p>The adoption of the standards will require us to add right-of-use assets and lease liabilities onto our balance sheet. Based on our lease portfolio at December 31, 2017, the right-of-use asset and lease liability would have been in the range of \$40 million to \$45 million on our Consolidated Balance Sheets based on the remaining lease payments, with no material impact to our Consolidated Statement of Operations or liquidity. However, the ultimate impact of adopting ASU 2016-02 will depend on the Company's lease portfolio as of the adoption date.</p> |

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. REVENUE

We generate revenues principally from subscriptions and advertising. Subscription revenues consist of revenues from subscriptions to our print and digital products (which include our news product, as well as our Crossword and Cooking products) and single-copy and bulk sales of our print products. Subscription revenues are based on both the number of copies of the printed newspaper sold and digital-only subscriptions, and the rates charged to the respective customers.

Advertising revenues are derived from the sale of our advertising products and services on our print and digital platforms. These revenues are primarily determined by the volume, rate and mix of advertisements.

Other revenues primarily consist of revenues from commercial printing, building rental income, news services/syndication, affiliate referrals (revenue generated by offering direct links to merchants in exchange for a portion of the sale price), digital archive licensing, NYT Live (our live events business) and retail commerce.

Revenue is recognized when a performance obligation is satisfied by transferring a promised good or service to a customer. A good or service is considered transferred when the customer obtains control, which is when the customer has the ability to direct the use of and/or obtain substantially all of the benefits of an asset.

Proceeds from subscription revenues are deferred at the time of sale and are recognized on a pro rata basis over the terms of the subscriptions. Payment is typically due upfront and the revenue is recognized ratably over the subscription period. The deferred proceeds are recorded within “Unexpired subscription revenue” in the Condensed Consolidated Balance Sheet. Single-copy revenue is recognized based on date of publication, net of provisions for related returns. Payment for single-copy sales is typically due upon complete satisfaction of our performance obligations. The Company does not have significant financing components or significant payment terms as we only offer industry standard payment terms to our customers.

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When our subscriptions are sold through third parties, we are a principal in the transaction and, therefore, revenues and related costs to third parties for these sales are reported on a gross basis. We are considered a principal if we control a promised good or service before transferring that good or service to the customer. The Company considers several factors to determine if it controls the good and therefore is the principal. These factors include: (1) if we have primary responsibility for fulfilling the promise, (2) if we have inventory risk before the goods or services are transferred to the customer or after the transfer of control to the customer and (3) if we have discretion in establishing price for the specified good or service.

Advertising revenues are recognized when advertisements are published in newspapers or placed on digital platforms or, with respect to certain digital advertising, each time a user clicks on certain advertisements, net of provisions for estimated rebates and rate adjustments.

We recognize a rebate obligation as a reduction of revenues based on the amount of estimated rebates that will be earned related to the underlying revenue transactions during the period. Measurement of the rebate obligation is estimated based on the historical experience of the number of customers that ultimately earn and use the rebate. We recognize a reserve for rate adjustments as a reduction of revenues based on the amount of estimated post-billing adjustments that will be claimed. Measurement of the rate adjustment reserve is estimated based on historical experience of credits actually issued.

Payment for advertising is due upon complete satisfaction of our performance obligations. The Company has a formal credit checking policy, procedures and controls in place that evaluate collectability prior to ad publication. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts do not include a significant financing component.

Subscription, advertising and other revenues were as follows:

| (In thousands) | For the Quarters Ended | | For the Nine Months Ended | |
|----------------------|------------------------|--------------------|---------------------------|--------------------|
| | September 30, 2018 | September 24, 2017 | September 30, 2018 | September 24, 2017 |
| Subscription | \$257,796 | \$246,638 | \$779,018 | \$739,050 |
| Advertising | 121,677 | 113,633 | 366,525 | 375,895 |
| Other ⁽¹⁾ | 37,873 | 25,364 | 100,311 | 76,568 |
| Total | \$417,346 | \$385,635 | \$1,245,854 | \$1,191,513 |

⁽¹⁾ Other revenue includes approximately \$7 million and \$5 million of building rental income for the third quarters of 2018 and 2017, respectively, and approximately \$17 million and \$13 million for the first nine months of 2018 and 2017, respectively, which is not under the scope of Topic 606.

The following table summarizes digital-only subscription revenues, which are a component of subscription revenues above, for the third quarters and first nine months of 2018 and 2017:

| (In thousands) | For the Quarters Ended | | For the Nine Months Ended | |
|--|------------------------|--------------------|---------------------------|--------------------|
| | September 30, 2018 | September 24, 2017 | September 30, 2018 | September 24, 2017 |
| Digital-only subscription revenues: | | | | |
| News product subscription revenues ⁽¹⁾ | \$95,568 | \$82,073 | \$279,693 | \$234,234 |
| Other product subscription revenues ⁽²⁾ | 5,639 | 3,610 | 15,669 | 9,810 |
| Total digital-only subscription revenues | \$101,207 | \$85,683 | \$295,362 | \$244,044 |

⁽¹⁾ Includes revenues from subscriptions to the Company's news product. News product subscription packages that include access to the Company's Crossword and Cooking products are also included in this category.

⁽²⁾ Includes revenues from standalone subscriptions to the Company's Crossword and Cooking products.

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

| | For the Quarters Ended | | | | | |
|----------------------|---------------------------|-----------|-----------|--------------------|-----------|-----------|
| | September 30, 2018 | | | September 24, 2017 | | |
| (In thousands) | Print | Digital | Total | Print | Digital | Total |
| Display | \$57,245 | \$43,730 | \$100,975 | \$56,710 | \$41,547 | \$98,257 |
| Classified and Other | 6,676 | 14,026 | 20,702 | 7,679 | 7,697 | 15,376 |
| Total advertising | \$63,921 | \$57,756 | \$121,677 | \$64,389 | \$49,244 | \$113,633 |
| | For the Nine Months Ended | | | | | |
| | September 30, 2018 | | | September 24, 2017 | | |
| (In thousands) | Print | Digital | Total | Print | Digital | Total |
| Display | \$188,853 | \$123,870 | \$312,723 | \$196,836 | \$129,008 | \$325,844 |
| Classified and Other | 22,182 | 31,620 | 53,802 | 24,966 | 25,085 | 50,051 |
| Total advertising | \$211,035 | \$155,490 | \$366,525 | \$221,802 | \$154,093 | \$375,895 |

Performance Obligations

Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price.

In the case of our licensing contracts, the transaction price was allocated among the performance obligations, (i) the archival content and (ii) the updated content, based on the Company's estimate of the standalone selling price of each of the performance obligations, as they are currently not sold separately.

As of September 30, 2018, the aggregate amount of the transaction price allocated to the remaining performance obligations is approximately \$25 million. The Company will recognize this revenue as control of the performance obligation is transferred to the customer. We expect that approximately \$5 million, \$10 million and \$10 million will be recognized in the remainder of 2018, 2019 and 2020, respectively.

Contract Assets

We record revenue from performance obligations when performance obligations are satisfied. For our licensing revenue, we record revenue related to the portion of performance obligation (i) satisfied at the commencement of the contract when the customer obtains control of the archival content or (ii) when the updated content is transferred. We receive payments from customers based upon contractual billing schedules. As the transfer of control represents a right to the contract consideration, we record a contract asset in "Other current assets" for short-term contract assets and "Miscellaneous assets" for long-term contract assets on the Consolidated Balance Sheet for any amounts not yet invoiced to the customer. As of September 30, 2018, the Company had \$2.6 million in contract assets recorded in the Condensed Consolidated Balance Sheet. The contract asset is reclassified to "Accounts receivable" when the customer is invoiced based on the contractual billing schedule. The increase in the contract assets balance for the nine months ended September 30, 2018, is primarily driven by the cumulative catch-up adjustment recorded by the Company on January 1, 2018, of \$3.5 million as a result of adoption of Topic 606, offset by \$0.9 million of consideration that was reclassified to "Accounts receivable" when invoiced based on the contractual billing schedules for the period ended September 30, 2018.

Significant Judgments

Our contracts with customers sometimes include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. We use an observable price to determine the standalone selling price for separate performance obligations if available or, when not available, an estimate that maximizes the use of observable inputs and faithfully depicts the selling price of the promised goods or services if we sold those goods or services separately to a similar customer in similar circumstances.

Practical Expedients and Exemptions

We expense the cost to obtain or fulfill a contract as incurred because the amortization period of the asset that the entity otherwise would have recognized is one year or less. We also apply the practical expedient for the significant

financing component when the difference between the payment and the transfer of the products and services is a year or less.

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NOTE 4. MARKETABLE SECURITIES

The Company accounts for its marketable securities as AFS. The Company recorded \$3.3 million and \$2.5 million of net unrealized loss in AOCI as of September 30, 2018, and December 31, 2017, respectively.

The following tables present the amortized cost, gross unrealized gains and losses, and fair market value of our AFS debt securities as of September 30, 2018, and December 31, 2017:

| | | September 30, 2018 | | |
|-------------------------------------|----------------|------------------------|-------------------------|------------|
| (In thousands) | Amortized Cost | Gross unrealized gains | Gross unrealized losses | Fair Value |
| Short-term AFS securities | | | | |
| Corporate debt securities | \$ 138,983 | \$ 2 | \$ (350) | \$ 138,635 |
| U.S. Treasury securities | 113,016 | — | (232) | 112,784 |
| U.S. governmental agency securities | 77,872 | — | (717) | 77,155 |
| Commercial paper | 11,800 | — | — | 11,800 |
| Certificates of deposit | 7,848 | — | — | 7,848 |
| Total short-term AFS securities | \$ 349,519 | \$ 2 | \$ (1,299) | \$ 348,222 |
| Long-term AFS securities | | | | |
| Corporate debt securities | \$ 139,179 | \$ 14 | \$ (959) | \$ 138,234 |
| U.S. governmental agency securities | 48,347 | — | (458) | 47,889 |
| U.S. Treasury securities | 54,560 | — | (628) | 53,932 |
| Total long-term AFS securities | \$ 242,086 | \$ 14 | \$ (2,045) | \$ 240,055 |
| | | December 31, 2017 | | |
| (In thousands) | Amortized Cost | Gross unrealized gains | Gross unrealized losses | Fair Value |
| Short-term AFS securities | | | | |
| Corporate debt securities | \$ 150,334 | \$ — | —\$ (227) | \$ 150,107 |
| U.S. Treasury securities | 70,985 | — | (34) | 70,951 |
| U.S. governmental agency securities | 45,819 | — | (179) | 45,640 |
| Commercial paper | 32,591 | — | — | 32,591 |
| Certificates of deposit | 9,300 | — | — | 9,300 |
| Total short-term AFS securities | \$ 309,029 | \$ — | —\$ (440) | \$ 308,589 |
| Long-term AFS securities | | | | |
| U.S. governmental agency securities | \$ 97,798 | \$ — | —\$ (1,019) | 96,779 |
| Corporate debt securities | 92,687 | — | (683) | 92,004 |
| U.S. Treasury securities | 53,031 | — | (403) | 52,628 |
| Total long-term AFS securities | \$ 243,516 | \$ — | —\$ (2,105) | \$ 241,411 |

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The following tables represent the AFS securities as of September 30, 2018 and December 31, 2017, that were in an unrealized loss position, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

| (In thousands) | September 30, 2018 | | | | | |
|-------------------------------------|---------------------|-------------------------|----------------------|-------------------------|------------|-------------------------|
| | Less than 12 Months | | 12 Months or Greater | | Total | |
| | Fair Value | Gross unrealized losses | Fair Value | Gross unrealized losses | Fair Value | Gross unrealized losses |
| Short-term AFS securities | | | | | | |
| Corporate debt securities | \$82,866 | \$(123) | \$41,587 | \$(227) | \$124,453 | \$(350) |
| U.S. Treasury securities | 92,021 | (56) | 20,763 | (176) | 112,784 | (232) |
| U.S. governmental agency securities | 3,484 | (3) | 73,670 | (714) | 77,154 | (717) |
| Total short-term AFS securities | \$178,371 | \$(182) | \$136,020 | \$(1,117) | \$314,391 | \$(1,299) |
| Long-term AFS securities | | | | | | |
| Corporate debt securities | \$94,522 | \$(459) | \$28,379 | \$(500) | \$122,901 | \$(959) |
| U.S. Treasury securities | 35,178 | (305) | 18,754 | (323) | 53,932 | (628) |
| U.S. governmental agency securities | 37,688 | (318) | 10,202 | (140) | 47,890 | (458) |
| Total long-term AFS securities | \$167,388 | \$(1,082) | \$57,335 | \$(963) | \$224,723 | \$(2,045) |
| (In thousands) | December 31, 2017 | | | | | |
| | Less than 12 Months | | 12 Months or Greater | | Total | |
| | Fair Value | Gross unrealized losses | Fair Value | Gross unrealized losses | Fair Value | Gross unrealized losses |
| Short-term AFS securities | | | | | | |
| Corporate debt securities | \$140,111 | \$(199) | \$9,996 | \$(28) | \$150,107 | \$(227) |
| U.S. Treasury securities | 70,951 | (34) | — | — | 70,951 | (34) |
| U.S. governmental agency securities | 19,770 | (50) | 25,870 | (129) | 45,640 | (179) |
| Total short-term AFS securities | \$230,832 | \$(283) | \$35,866 | \$(157) | \$266,698 | \$(440) |
| Long-term AFS securities | | | | | | |
| Corporate debt securities | \$81,118 | \$(579) | \$10,886 | \$(104) | \$92,004 | \$(683) |
| U.S. Treasury securities | 23,998 | (125) | 72,781 | (894) | 96,779 | (1,019) |
| U.S. governmental agency securities | 52,628 | (403) | — | — | 52,628 | (403) |
| Total long-term AFS securities | \$157,744 | \$(1,107) | \$83,667 | \$(998) | \$241,411 | \$(2,105) |

We conduct an other-than-temporary impairment (“OTTI”) analysis on a quarterly basis or more often if a potential loss-triggering event occurs. We consider factors such as the duration, severity and the reason for the decline in value, the potential recovery period and whether we intend to sell. We also consider whether (i) it is more likely than not that we will be required to sell the debt securities before recovery of their amortized cost basis and (ii) the amortized cost basis cannot be recovered as a result of credit losses.

As of September 30, 2018, we did not intend to sell and it was not likely that we would be required to sell these investments before recovery of their amortized cost basis, which may be at maturity. Unrealized losses related to these investments are primarily due to interest rate fluctuations as opposed to changes in credit quality. Therefore, as of September 30, 2018, we have recognized no OTTI loss.

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As of September 30, 2018, 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 9 for more information regarding the fair value of our marketable securities.

NOTE 5. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill as of September 30, 2018, and since December 31, 2017, were as follows:

| (In thousands) | Total Company |
|----------------------------------|------------------|
| Balance as of December 31, 2017 | \$143,549 |
| Foreign currency translation | (2,276) |
| Balance as of September 30, 2018 | \$141,273 |

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

The aggregate carrying amount of intangible assets of \$6.7 million is included in “Miscellaneous assets” in our Condensed Consolidated Balance Sheets as of September 30, 2018.

NOTE 6. INVESTMENTS

Equity Method Investments

As of September 30, 2018, our investments in joint ventures of \$1.7 million consisted of a 40% equity ownership interest in Madison Paper Industries (“Madison”), a partnership that previously operated a supercalendered paper mill in Maine. 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 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 2016, the paper mill closed and we recognized a \$41.4 million loss related to the closure. As a result of the mill closure, we wrote our investment down to zero. In the fourth quarter of 2016, Madison sold certain assets at the mill site and we recognized a \$3.9 million gain related to the sale. In 2017, we recognized a \$20.8 million gain, primarily related to the sale of the remaining assets (which primarily consisted of hydro power assets), partially offset by the loss related to Madison’s settlement of certain pension obligations. The partnership is currently in the process of liquidation.

The investment is accounted for under the equity method, and is recorded in “Miscellaneous assets” in our Condensed Consolidated Balance Sheets. Our proportionate share of the operating results of our investment is recorded in “(Loss)/Gain from joint ventures” in our Condensed Consolidated Statements of Operations.

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

| (In thousands) | For the Quarters Ended | | For the Nine Months Ended | |
|---|---------------------------|-----------------------|------------------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| | Revenues | \$— | \$— | \$— |
| Expenses: | | | | |
| Cost of sales | — | (105) | — | (1,277) |
| General and administrative (expense)/income and other | (65) | 60,216 | (99) | 59,662 |
| Total (expense)/income | (65) | 60,111 | (99) | 58,385 |
| Operating (loss)/income | (65) | 60,111 | (99) | 58,385 |
| Other income/(expense) | 33 | (1) | 81 | (7) |
| Net (loss)/income | \$(32) | \$60,110 | \$(18) | \$58,378 |

We received no distributions from Madison during the third quarters and first nine months of 2018 and 2017, respectively.

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Non-Marketable Equity Securities

Our non-marketable equity securities are investments in privately held companies/funds without readily determinable market values. Prior to January 1, 2018 and the adoption of ASU 2016-01, we accounted for our non-marketable equity securities at cost less impairment. Subsequent to the adoption of ASU 2016-01 as of January 1, 2018, we elected the measurement alternative, defined as cost, less impairments, adjusted by observable price changes given our non-marketable equity securities are without readily determinable fair values. We estimate the fair value based on valuation methods using the observable transaction price at the transaction date. Realized gains and losses on non-marketable securities sold or impaired are recognized in "Interest expense and other, net."

Non-marketable equity securities are classified within Level 3 in the fair value hierarchy. See Note 9 for the definition of Level 3. As of September 30, 2018 and December 31, 2017, non-marketable equity securities included in "Miscellaneous assets" in our Condensed Consolidated Balance Sheets had a carrying value of \$14.6 million and \$13.6 million, respectively. We did not have any material fair value adjustments in the third quarter and first nine months of 2018.

NOTE 7. DEBT OBLIGATIONS

Our 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) | September 30, 2018 | December 31, 2017 |
|--|-----------------------|----------------------|
| 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% | 4,068 | 6,596 |
| Net option to repurchase ownership interest in headquarters building in 2019 | 245,932 | 243,404 |
| Capital lease obligations | 6,825 | 6,805 |
| Total debt and capital lease obligations | 252,757 | 250,209 |
| Less current portion | 6,825 | — |
| Total long term debt and capital lease obligations | \$ 245,932 | \$ 250,209 |

The current portion of capital lease obligations of \$6.8 million as of September 30, 2018, is included in "Accrued expenses and other" as shown in the accompanying Condensed Consolidated Balance Sheets. See Note 9 for more information regarding the fair value of our long-term debt.

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

| (In thousands) | For the Quarters Ended | | For the Nine Months Ended | |
|---|------------------------|-----------------------|---------------------------|-----------------------|
| | September 30, 2018 | September 24, 2017 | September 30, 2018 | September 24, 2017 |
| Interest expense | \$7,061 | \$ 6,956 | \$21,078 | \$ 20,775 |
| Amortization of debt costs and discount on debt | 839 | 801 | 2,528 | 2,379 |
| Capitalized interest | (38) | (345) | (412) | (852) |
| Interest income and other, net | (3,836) | (2,752) | (9,755) | (7,184) |
| Total interest expense and other, net | \$4,026 | \$ 4,660 | \$13,439 | \$ 15,118 |

Notice of Intent to Exercise Repurchase Option Under Lease Agreement

On January 30, 2018, the Company provided notice to an affiliate of W.P. Carey & Co. LLC of the Company's intention to exercise its option under the Lease Agreement, dated March 6, 2009, by and between the parties (the "Lease") to repurchase a portion of the Company's leasehold condominium interest in the Company's headquarters building located at 620 Eighth Avenue, New York, New York (the "Condo Interest").

The Lease was part of a transaction in 2009 under which the Company sold and simultaneously leased back approximately 750,000 rentable square feet, comprising the Condo Interest. The sale price for the Condo Interest was

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approximately \$225 million. Under the Lease, the Company has an option exercisable in the second half of 2019 to repurchase the Condo Interest for approximately \$250 million.

The Company has accounted for the transaction as a financing transaction, and has continued to depreciate the Condo Interest and account for the rental payments as interest expense. The difference between the purchase option price and the net sale proceeds from the transaction is being amortized over the 10-year period of 2009-2019 through interest expense.

NOTE 8. OTHER

Advertising Expenses

Advertising expenses incurred to promote our brand and products (which we also refer to as marketing expenses) were \$40.4 million and \$26.6 million in the third quarters of 2018 and 2017, respectively, and \$107.6 million and \$86.0 million in the first nine months of 2018 and 2017, respectively.

Capitalized Computer Software Costs

Amortization of capitalized computer software costs included in “Depreciation and amortization” in our Condensed Consolidated Statements of Operations were \$4.1 million and \$4.0 million in the third quarters of 2018 and 2017, respectively, and \$11.4 million and \$9.7 million in the first nine months of 2018 and 2017, 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 additional floors to third parties. We incurred \$2.5 million of total expenses related to these measures in the third quarter of 2017, and \$3.1 million and \$6.9 million in the first nine months of 2018 and 2017, respectively. We capitalized approximately \$3 million and \$26 million in the third quarters of 2018 and 2017, respectively, and \$14 million and \$37 million in the first nine months of 2018 and 2017, respectively, related to these measures. We expect the capital expenditures and spending in connection with this project to be completed in the fourth quarter of 2018.

Restricted Cash

A reconciliation of cash, cash equivalents and restricted cash as of September 30, 2018 and December 31, 2017 from the Condensed Consolidated Balance Sheets to the Condensed Consolidated Statements of Cash Flows is as follows:

| (In thousands) | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Reconciliation of cash, cash equivalents and restricted cash | | |
| Cash and cash equivalents | \$ 206,179 | \$ 182,911 |
| Restricted cash included within other current assets | 651 | 375 |
| Restricted cash included within miscellaneous assets | 17,560 | 17,650 |
| Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows | \$ 224,390 | \$ 200,936 |

Substantially all of the amount included in restricted cash is set aside to collateralize workers’ compensation obligations.

Severance Costs

We recognized severance costs of \$0.3 million and \$2.1 million in the third quarters of 2018 and 2017, respectively, and \$4.9 million and \$23.0 million in the first nine months of 2018 and 2017, respectively, related to workforce reductions. The costs in 2017 were related to a workforce reduction primarily affecting our newsroom in connection with measures to streamline our editing process and allow for further investments in the newsroom. These costs are recorded in “Selling, general and administrative costs” in our Condensed Consolidated Statements of Operations. We had a severance liability of \$8.3 million and \$18.8 million included in “Accrued expenses and other” in our Condensed Consolidated Balance Sheets as of September 30, 2018, and December 31, 2017, respectively. We anticipate most of the payments will be made within the next twelve months.

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NOTE 9. 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 assets and liabilities measured at fair value on a recurring basis as of September 30, 2018, and December 31, 2017:

| (In thousands) | September 30, 2018 | | | | December 31, 2017 | | | |
|---|--------------------|----------|-----------|---------|-------------------|----------|-----------|---------|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | | | | |
| Short-term AFS securities ⁽¹⁾ | | | | | | | | |
| Corporate debt securities | \$138,635 | \$— | \$138,635 | \$— | -\$150,107 | \$— | \$150,107 | \$— |
| U.S. Treasury securities | 112,784 | — | 112,784 | — | 70,951 | — | 70,951 | — |
| U.S. governmental agency securities | 77,155 | — | 77,155 | — | 45,640 | — | 45,640 | — |
| Commercial paper | 11,800 | — | 11,800 | — | 32,591 | — | 32,591 | — |
| Certificates of deposit | 7,848 | — | 7,848 | — | 9,300 | — | 9,300 | — |
| Total short-term AFS securities | \$348,222 | \$— | \$348,222 | \$— | -\$308,589 | \$— | \$308,589 | \$— |
| Long-term AFS securities ⁽¹⁾ | | | | | | | | |
| Corporate debt securities | \$138,234 | \$— | \$138,234 | \$— | -\$92,004 | \$— | \$92,004 | \$— |
| U.S. Treasury securities | 53,932 | — | 53,932 | — | 52,628 | — | 52,628 | — |
| U.S. governmental agency securities | 47,889 | — | 47,889 | — | 96,779 | — | 96,779 | — |
| Total long-term AFS securities | \$240,055 | \$— | \$240,055 | \$— | -\$241,411 | \$— | \$241,411 | \$— |
| Liabilities: | | | | | | | | |
| Deferred compensation ⁽²⁾ | \$25,817 | \$25,817 | \$— | \$— | -\$29,526 | \$29,526 | \$— | \$— |

⁽¹⁾ 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 fair value (see Note 4). We classified these investments as Level 2 since the fair value is based on market observable inputs for investments with similar terms and maturities.

⁽²⁾ 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

The carrying value of our long-term debt was approximately \$246 million as of September 30, 2018, and approximately \$243 million as of December 31, 2017. The fair value of our long-term debt was approximately \$266 million and \$279 million as of September 30, 2018, and December 31, 2017, 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).

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NOTE 10. PENSION AND OTHER POSTRETIREMENT BENEFITS

Pension

Single-Employer Plans

We sponsor several frozen single-employer defined benefit pension plans including The Newspaper Guild of New York - The New York Times Pension Fund, which prior to January 1, 2018, was a joint Company and Guild-sponsored defined benefit pension plan. We also participate in The Guild-Times Adjustable Pension Plan, a joint Company and Guild sponsored defined benefit pension plan covering employees who are members of The NewsGuild of New York. Participants in The Guild-Times Adjustable Pension Plan continue to actively accrue benefits.

The components of net periodic pension cost were as follows:

| (In thousands) | For the Quarters Ended | | | September 24, 2017 | | |
|--------------------------------------|---------------------------|---------------------|-----------|--------------------|---------------------|-----------|
| | September 30, 2018 | | All Plans | September 24, 2017 | | All Plans |
| | Qualified Plans | Non-Qualified Plans | | Qualified Plans | Non-Qualified Plans | |
| Service cost | \$2,393 | \$ — | \$2,393 | \$2,423 | \$ — | \$2,423 |
| Interest cost | 13,207 | 1,848 | 15,055 | 15,596 | 1,956 | 17,552 |
| Expected return on plan assets | (20,591) | — | (20,591) | (26,136) | — | (26,136) |
| Amortization of actuarial loss | 6,680 | 1,294 | 7,974 | 7,351 | 1,088 | 8,439 |
| Amortization of prior service credit | (487) | — | (487) | (486) | — | (486) |
| Other | — | 421 | 421 | — | — | — |
| Net periodic pension cost/(income) | \$1,202 | \$ 3,563 | \$4,765 | \$(1,252) | \$ 3,044 | \$1,792 |
| (In thousands) | For the Nine Months Ended | | | September 24, 2017 | | |
| | September 30, 2018 | | All Plans | September 24, 2017 | | All Plans |
| | Qualified Plans | Non-Qualified Plans | | Qualified Plans | Non-Qualified Plans | |
| Service cost | \$7,593 | \$ — | \$7,593 | \$7,269 | \$ — | \$7,269 |
| Interest cost | 39,564 | 5,543 | 45,107 | 46,784 | 5,868 | 52,652 |
| Expected return on plan assets | (61,736) | — | (61,736) | (78,408) | — | (78,408) |
| Amortization of actuarial loss | 20,122 | 3,882 | 24,004 | 22,057 | 3,264 | 25,321 |
| Amortization of prior service credit | (1,459) | — | (1,459) | (1,458) | — | (1,458) |
| Other | — | 421 | 421 | — | — | — |
| Net periodic pension cost/(income) | \$4,084 | \$ 9,846 | \$13,930 | \$(3,756) | \$ 9,132 | \$5,376 |

In the first quarter of 2018, the Company signed an agreement that froze the accrual of benefits under the Retirement Annuity Plan For Craft Employees of The New York Times Companies (“RAP”) with respect to all participants covered by a collective bargaining agreement between the Company and The Newspaper and Mail Deliverers’ Union of New York and Vicinity. This group of participants was the last group under the RAP to have their benefit accruals frozen. As a result, we recorded a curtailment of \$2.6 million in 2018.

During the first nine months of 2018 and 2017, we made pension contributions of \$6.2 million and \$5.9 million, respectively, to certain qualified pension plans. We expect contributions in 2018 to total approximately \$8 million to satisfy funding requirements.

Multiemployer Plans

During the third quarter of 2018, we recorded a gain of \$4.9 million from a pension liability adjustment, which was recorded in “Gain from pension liability adjustment” in our Condensed Consolidated Statements of Operations.

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Other Postretirement Benefits

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

| (In thousands) | For the Quarters Ended | | For the Nine Months Ended | |
|--|---------------------------|-----------------------|------------------------------|-----------------------|
| | September 30, 2018 | September 24, 2017 | September 30, 2018 | September 24, 2017 |
| Service cost | \$8 | \$ 92 | \$18 | \$ 276 |
| Interest cost | 370 | 470 | 1,108 | 1,410 |
| Amortization of actuarial loss | 1,183 | 905 | 3,551 | 2,715 |
| Amortization of prior service credit | (1,590) | (1,939) | (4,772) | (5,816) |
| Net periodic postretirement benefit income | \$(29) | \$ (472) | \$(95) | \$ (1,415) |

As a result of the adoption of ASU 2017-07 during the first quarter of 2018, the service cost component of net periodic pension cost/(income) and net periodic postretirement benefit cost/(income) continues to be recognized in “Total operating costs” while the other components have been reclassified to “Other components of net periodic benefit costs/(income)” in our Condensed Consolidated Statements of Operations below “Operating profit” on a retrospective basis.

NOTE 11. INCOME TAXES

The Company had income tax expense of \$10.1 million and \$25.3 million in the third quarter and first nine months of 2018, respectively. The Company had income tax expense of \$23.4 million and \$40.9 million in the third quarter and first nine months of 2017, respectively. The decrease in income tax expense in the third quarter of 2018 compared to the same period in the prior year was primarily due to taxes incurred for a gain related to a joint venture in the third quarter of 2017 and the reduction in the U.S. federal corporate income tax rate, which took effect in 2018. The decrease in income tax expense in the first nine months of 2018 compared with the same period in the prior year was largely due to the reduction in the U.S. federal corporate income tax rate, which took effect in 2018.

The Company’s effective tax rates from continuing operations were 28.8% and 26.4% for the third quarter and first nine months of 2018, respectively. The Company’s effective tax rates from continuing operations were 39.1% and 38.5% for the third quarter and first nine months of 2017, respectively. The decrease in the effective tax rate in the third quarter of 2018 and the first nine months of 2018 compared with the same periods in the prior year was largely due to the reduction in the U.S. federal corporate income tax rate, which took effect in 2018.

NOTE 12. EARNINGS PER SHARE

We compute earnings 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 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 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 a 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.

There were no anti-dilutive stock options, stock-settled long-term performance awards or restricted stock units excluded from the computation of diluted earnings per share in the third quarter and first nine months of 2018. There were approximately 2 million stock options excluded from the computation of diluted earnings per share because they were anti-dilutive in the third quarter and first nine months of 2017, respectively. There were no anti-dilutive restricted stock units or stock-settled long-term incentive compensation awards excluded from the computation of diluted earnings per share in the third quarter and first nine months of 2017.

NOTE 13. SUPPLEMENTAL STOCKHOLDERS' EQUITY INFORMATION

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 third quarter of 2018. As of September 30, 2018, the Company had repurchased 6,690,905 Class A shares for a cost of \$84.9 million (excluding commissions) and \$16.2 million remained under this authorization. All purchases were made pursuant to our publicly

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announced share repurchase program. 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 September 30, 2018:

| (In thousands) | Foreign Currency Translation Adjustments | Funded Status of Benefit Plans | Net Unrealized Loss on Available-For-Sale Securities | Total Accumulated Other Comprehensive Loss |
|---|---|---|---|--|
| Balance as of December 31, 2017 | \$ 6,328 | \$(427,819) | \$ (1,538) | \$ (423,029) |
| Other comprehensive (loss)/income before reclassifications, before tax ⁽¹⁾ | (2,923) | 3,103 | (784) | (604) |
| Amounts reclassified from accumulated other comprehensive loss, before tax | — | 21,747 | — | 21,747 |
| Income tax expense/(benefit) | (764) | 6,504 | (205) | 5,535 |
| Net current-period other comprehensive (loss)/income, net of tax | (2,159) | 18,346 | (579) | 15,608 |
| AOCI reclassification to retained earnings ⁽²⁾ | 1,576 | (95,378) | (333) | (94,135) |
| Balance as of September 30, 2018 | \$ 5,745 | \$(504,851) | \$ (2,450) | \$ (501,556) |

⁽¹⁾ The Company recorded a curtailment of \$2.6 million in AOCI in connection with the freezing of benefits for the RAP in the first quarter of 2018. This transaction does not have any impact to net income for the first quarter of 2018. See Note 10 for more information.

⁽²⁾ As a result of adopting ASU 2018-02 in the first quarter of 2018, stranded tax effects of \$94.1 million were reclassified from AOCI to “Retained earnings.” See Note 2 for more information.

The following table summarizes the reclassifications from AOCI for the first nine months of 2018:

| (In thousands) | Amounts reclassified from accumulated other comprehensive loss | Affects 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 ⁽¹⁾ | \$ (6,229) | Other components of net periodic benefit costs/(income) |
| Amortization of actuarial loss ⁽¹⁾ | 27,555 | Other components of net periodic benefit costs/(income) |
| Other | 421 | Other components of net periodic benefit costs/(income) |
| Total reclassification, before tax ⁽²⁾ | 21,747 | |
| Income tax expense | 5,692 | Income tax expense |
| Total reclassification, net of tax | \$ 16,055 | |

⁽¹⁾ These AOCI components are included in the computation of net periodic benefit cost for pension and other retirement benefits. See Note 10 for more information.

⁽²⁾ There were no reclassifications relating to noncontrolling interest for the nine months ended September 30, 2018.

NOTE 14. 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 subscriptions and advertising. Other revenues primarily consist of revenues from commercial printing, building rental income, news services/syndication, affiliate referrals, digital archive licensing, NYT Live (our live events business) and retail commerce.

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NOTE 15. CONTINGENT LIABILITIES

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 gross amount of approximately \$26 million for the plan years ending May 31, 2012, and 2013 (the “Initial Assessment”), an amount that was increased to a gross amount of 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. In June 2016, the arbitrator issued an interim award and opinion that supported the NMDU Fund’s determination that a partial withdrawal had occurred, and concluded 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. In July 2017, the arbitrator issued a final award and opinion reflecting the same conclusions, which both the Company and NMDU Fund challenged in federal district court. In March 2018, the court determined that a partial withdrawal had occurred, but supported the Company’s position that the NMDU Fund’s calculation of the withdrawal liability was improper. The Company has appealed the court’s decision with respect to the determination that a partial withdrawal had occurred, and the NMDU Fund has appealed the court’s decision with respect to the calculation of the withdrawal liability.

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 September 30, 2018, we have paid \$18.0 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 had a liability of \$4.0 million as of September 30, 2018, related to this matter. 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.

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.

Letters of Credit Commitment

We have issued letters of credit totaling \$56.2 million and \$56.0 million as of September 30, 2018, and December 31, 2017, respectively, in connection with a sub-lease entered into in the fourth quarter of 2017 for approximately four floors of our headquarters building, as well as a sub-lease entered into in the second quarter of 2018 for a portion of an additional floor. A portion of the letters of credit will expire pro rata through the second quarter of 2019, while a substantial amount of the remaining portion of the letters of credit will expire upon the Company’s repurchase of the Condo Interest in our headquarters building in 2019. Approximately \$68 million and \$63 million of marketable securities were used as collateral for the letters of credit, as of September 30, 2018, and December 31, 2017, respectively.

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

We are a global media organization that includes The New York Times newspaper, print and digital products and investments. We have one reportable segment with businesses that include our newspaper, websites, mobile applications and related businesses.

We generate revenues principally from subscriptions and advertising. Other revenues primarily consist of revenues from commercial printing, building rental income, news services/syndication, affiliate referrals, digital archive licensing, NYT Live (our live events business) and retail commerce. Our main operating costs are employee-related costs.

In the accompanying analysis of financial information, we present certain information derived from consolidated financial information but not presented in our financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). We are presenting in this report supplemental non-GAAP financial performance measures that exclude depreciation, amortization, severance, non-operating retirement costs or multiemployer pension plan withdrawal 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 "Non-Operating Items—Non-GAAP Financial Measurements" for more details.

In connection with the adoption of ASU 2017-07 in the first quarter of 2018, the Company modified its definitions of adjusted operating profit, adjusted operating costs and non-operating retirement costs in response to changes in the GAAP presentation of single employer pension and postretirement benefit costs. For comparability purposes, the Company has also presented each of its non-GAAP financial measures for the third quarter and first nine months of 2017 reflecting the recast of its financial statements for such periods to account for the adoption of ASU 2017-07 and the revised definitions of the non-GAAP financial measures. See "Non-Operating Items—Non-GAAP Financial Measurements" for more details.

Financial Highlights

For the third quarter of 2018, diluted earnings per share from continuing operations were \$0.15, compared with \$0.20 for the third quarter of 2017. 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 \$0.15 and \$0.12 for the third quarters of 2018 and 2017, respectively.

The Company had an operating profit of \$41.4 million in the third quarter of 2018, compared with \$31.8 million in the third quarter of 2017. The increase was principally driven by higher digital subscription, digital advertising and other revenues, as well as a gain from a pension liability adjustment, partially offset by higher operating costs. Operating profit before depreciation, amortization, severance, multiemployer pension plan withdrawal costs and special items discussed below (or "adjusted operating profit," a non-GAAP measure) was \$53.7 million and \$54.0 million for the third quarters of 2018 and 2017, respectively, as higher digital subscription, digital advertising and other revenues were offset by higher adjusted operating costs.

Total revenues increased 8.2% to \$417.3 million in the third quarter of 2018 from \$385.6 million in the third quarter of 2017, primarily driven by an increase in digital subscription revenues, other revenues and digital advertising revenues, which were partially offset by a decrease in print subscription revenues.

Subscription revenues increased 4.5% in the third quarter of 2018 compared with the third quarter of 2017, primarily due to growth in recent years in the number of subscriptions to the Company's digital-only subscription products.

Revenue from our digital-only subscription products (which include our news product, as well as our Crossword and Cooking products) increased 18.1% in the third quarter of 2018 compared with the third quarter of 2017.

Paid digital-only subscriptions totaled approximately 3,095,000 at the end of the third quarter of 2018, a 24.4% increase compared with the end of the third quarter of 2017. News product subscriptions totaled approximately 2,541,000 at the end of the third quarter of 2018, a 19.2% increase compared with the end of the third quarter of 2017.

Other product subscriptions totaled approximately 554,000 at the end of the third quarter of 2018, a 56.1% increase compared with the end of the third quarter of 2017.

Total advertising revenues increased 7.1% in the third quarter of 2018 compared with the third quarter of 2017, reflecting a 17.3% increase in digital advertising revenues and a 0.7% decrease in print advertising revenues. The increase in digital advertising revenue reflected growth in revenue from creative services and traditional direct-sold advertising on our digital platforms. (The character of our digital advertising model, with its increasing reliance on strategic commercial partnerships and often large individual campaigns, means more variable results as individual partnerships and campaigns launch and end.) The

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relatively moderate decline in print advertising revenues in the third quarter reflected improved display advertising revenues, primarily in the financial and technology and telecommunications categories.

Other revenues increased 49.3% in the third quarter of 2018 compared with the third quarter of 2017, primarily as a result of growth in our commercial printing operations, four and a half additional floors of rental income from the lease of space in our New York headquarters building and affiliate referral revenue associated with the product review and recommendation website, Wirecutter.

Operating costs increased in the third quarter of 2018 to \$380.8 million from \$351.3 million in the third quarter of 2017, largely due to higher marketing costs, labor and raw material costs from commercial printing and costs related to our newsroom and advertising business. Operating costs before depreciation, amortization, severance and multiemployer pension plan withdrawal costs (or “adjusted operating costs,” a non-GAAP measure) increased in the third quarter of 2018 to \$363.7 million from \$331.6 million in the third quarter of 2017, primarily as a result of the factors identified above.

RESULTS OF OPERATIONS

The following table presents our consolidated financial results:

| (In thousands) | For the Quarters Ended | | | For the Nine Months Ended | | | | |
|---|------------------------|--------------------|----------|---------------------------|--------------------|----------|----|--|
| | September 30, 2018 | September 30, 2017 | % Change | September 30, 2018 | September 30, 2017 | % Change | | |
| Revenues | | | | | | | | |
| Subscription | \$257,796 | \$246,638 | 4.5 | % \$779,018 | \$739,050 | 5.4 | % | |
| Advertising | 121,677 | 113,633 | 7.1 | % 366,525 | 375,895 | (2.5) |)% | |
| Other | 37,873 | 25,364 | 49.3 | % 100,311 | 76,568 | 31.0 | % | |
| Total revenues | 417,346 | 385,635 | 8.2 | % 1,245,854 | 1,191,513 | 4.6 | % | |
| Operating costs | | | | | | | | |
| Production costs: | | | | | | | | |
| Wages and benefits | 95,941 | 90,100 | 6.5 | % 280,688 | 269,913 | 4.0 | % | |
| Raw materials | 19,972 | 15,718 | 27.1 | % 54,490 | 48,461 | 12.4 | % | |
| Other production costs | 47,521 | 44,336 | 7.2 | % 138,454 | 134,771 | 2.7 | % | |
| Total production costs | 163,434 | 150,154 | 8.8 | % 473,632 | 453,145 | 4.5 | % | |
| Selling, general and administrative costs | 202,473 | 185,442 | 9.2 | % 614,464 | 598,367 | 2.7 | % | |
| Depreciation and amortization | 14,847 | 15,677 | (5.3) |)% 43,969 | 46,961 | (6.4) |)% | |
| Total operating costs | 380,754 | 351,273 | 8.4 | % 1,132,065 | 1,098,473 | 3.1 | % | |
| Headquarters redesign and consolidation | — | 2,542 | * | 3,140 | 6,929 | (54.7) |)% | |
| Gain from pension liability adjustment | (4,851) | — | * | (4,851) | — | * | | |
| Operating profit | 41,443 | 31,820 | 30.2 | % 115,500 | 86,111 | 34.1 | % | |
| Other components of net periodic benefit costs/(income) | 2,335 | (1,193) |)* | 6,226 | (3,580) |)* | | |
| (Loss)/Gain from joint ventures | (16) |) 31,557 | * | (9) |) 31,464 | * | | |
| Interest expense and other, net | 4,026 | 4,660 | (13.6) |)% 13,439 | 15,118 | (11.1) |)% | |
| Income from continuing operations before income taxes | 35,066 | 59,910 | (41.5) |)% 95,826 | 106,037 | (9.6) |)% | |
| Income tax expense | 10,092 | 23,420 | (56.9) |)% 25,342 | 40,873 | (38.0) |)% | |
| Income from continuing operations | 24,974 | 36,490 | (31.6) |)% 70,484 | 65,164 | 8.2 | % | |
| Loss from discontinued operations, net of income taxes | — | 488 | * | — | 488 | * | | |
| Net income | 24,974 | 36,002 | (30.6) |)% 70,484 | 64,676 | 9.0 | % | |
| Net (income)/loss attributable to the noncontrolling interest | 2 | (3,673) |)* | 1 | (3,567) |)* | | |
| Net income attributable to The New York Times Company common stockholders | \$24,976 | \$32,329 | (22.7) |)% \$70,485 | \$61,109 | 15.3 | % | |

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

Revenues

Subscription Revenues

Subscription revenues consist of revenues from subscriptions to our print and digital products (which include our news product, as well as our Crossword and Cooking products), and single-copy and bulk sales of our print products (which represent less than 10% of these revenues). Our Cooking product first launched as a paid digital product in the third quarter of 2017. Subscription revenues are based on both the number of copies of the printed newspaper sold and digital-only subscriptions, and the rates charged to the respective customers.

Subscription revenues increased 4.5% in the third quarter and 5.4% in the first nine months of 2018 compared with the same prior-year periods, primarily due to year-over-year growth of 24.4% as of the end of third quarter of 2018 in the number of subscriptions to the Company's digital subscription products. Revenues from our digital-only news subscriptions (including e-readers and replica editions) were \$101.2 million in the third quarter and \$295.4 million in the first nine months of 2018, an increase of 18.1% and 21.0% from the third quarter and first nine months of 2017, respectively.

The following table summarizes digital-only subscription revenues, which are a component of subscription revenues, for the third quarters and first nine months of 2018 and 2017:

| (In thousands) | For the Quarters Ended | | | For the Nine Months Ended | | | |
|--|------------------------|--------------------|----------|---------------------------|--------------------|----------|---|
| | September 30, 2018 | September 24, 2017 | % Change | September 30, 2018 | September 24, 2017 | % Change | % |
| Digital-only subscription revenues: | | | | | | | |
| News product subscription revenues ⁽¹⁾ | \$95,568 | \$ 82,073 | 16.4 | % \$279,693 | \$ 234,234 | 19.4 | % |
| Other product subscription revenues ⁽²⁾ | 5,639 | 3,610 | 56.2 | % 15,669 | 9,810 | 59.7 | % |
| Total digital-only subscription revenues | \$101,207 | \$ 85,683 | 18.1 | % \$295,362 | \$ 244,044 | 21.0 | % |

⁽¹⁾ Includes revenues from subscriptions to the Company's news product. News product subscription packages that include access to the Company's Crossword and Cooking products are also included in this category.

⁽²⁾ Includes revenues from standalone subscriptions to the Company's Crossword and Cooking products.

The following table summarizes digital-only subscriptions as of the end of the third quarters of 2018 and 2017:

| (In thousands) | For the Quarters Ended | | |
|--|------------------------|--------------------|----------|
| | September 30, 2018 | September 24, 2017 | % Change |
| Digital-only subscriptions: | | | |
| News product subscriptions ⁽¹⁾ | 2,541 | 2,132 | 19.2 |
| Other product subscriptions ⁽²⁾ | 554 | 355 | 56.1 |
| Total digital-only subscriptions | 3,095 | 2,487 | 24.4 |

⁽¹⁾ Includes subscriptions to the Company's news product. News product subscription packages that include access to the Company's Crossword and Cooking products are also included in this category.

⁽²⁾ Includes standalone subscriptions to the Company's Crossword and Cooking products.

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; advertising revenue from our podcasts; 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:

| | For the Quarters Ended | | | | | | | | |
|----------------------|------------------------|----------|-----------|--------------------|----------|-----------|-----------|---------|--------|
| | September 30, 2018 | | | September 24, 2017 | | | % Change | | |
| (In thousands) | Print | Digital | Total | Print | Digital | Total | Print | Digital | Total |
| Display | \$57,245 | \$43,730 | \$100,975 | \$56,710 | \$41,547 | \$98,257 | 0.9 % | 5.3 % | 2.8 % |
| Classified and Other | 6,676 | 14,026 | 20,702 | 7,679 | 7,697 | 15,376 | (13.1)% | 82.2 % | 34.6 % |
| Total advertising | \$63,921 | \$57,756 | \$121,677 | \$64,389 | \$49,244 | \$113,633 | (0.7 %) % | 17.3 % | 7.1 % |

| | For the Nine Months Ended | | | | | | | | |
|----------------------|---------------------------|-----------|-----------|--------------------|-----------|-----------|-----------|-----------|--------|
| | September 30, 2018 | | | September 24, 2017 | | | % Change | | |
| (In thousands) | Print | Digital | Total | Print | Digital | Total | Print | Digital | Total |
| Display | \$188,853 | \$123,870 | \$312,723 | \$196,836 | \$129,008 | \$325,844 | (4.1 %) % | (4.0 %) % | (4.0)% |
| Classified and Other | 22,182 | 31,620 | 53,802 | 24,966 | 25,085 | 50,051 | (11.2)% | 26.1 % | 7.5 % |
| Total advertising | \$211,035 | \$155,490 | \$366,525 | \$221,802 | \$154,093 | \$375,895 | (4.9 %) % | 0.9 % | (2.5)% |

Print advertising revenues, which represented 52.5% of total advertising revenues for the third quarter of 2018 and 57.6% of total advertising revenues for the first nine months of 2018, declined 0.7 percent to \$63.9 million in the third quarter of 2018 and 4.9 percent to \$211.0 million in the first nine months of 2018, compared to \$64.4 million and \$221.8 million, respectively, in the same prior-year periods. The relatively moderate decline in print advertising revenues in the third quarter of 2018 compared with the same period in the prior year reflected improved display advertising revenues, primarily in the financial and technology and telecommunications categories, which mostly offset declines in classified and other advertising revenues. The decrease in the first nine months of 2018 compared with the same period in the prior year was primarily driven by a decline in display advertising revenue, primarily in the entertainment, luxury, technology and telecommunications, retail and media categories.

Digital advertising revenues, which represented 47.5% of total advertising revenues for the third quarter of 2018 and 42.4% of total advertising revenues for the first nine months of 2018, increased 17.3 percent to \$57.8 million in the third quarter of 2018 and 0.9 percent to \$155.5 million in the first nine months of 2018, compared to \$49.2 million and \$154.1 million, respectively, in the same prior-year periods. The increase in digital advertising revenue for the third quarter of 2018 compared with the same period in the prior year primarily reflected growth in revenue from both creative services and traditional direct-sold advertising on our digital platforms. The increase in the first nine months of 2018 compared with the same period in the prior year primarily reflected growth in revenue from podcasts and creative services, which was partially offset by a decline in traditional website display advertising.

Classified and other advertising revenues increased 34.6% in the third quarter of 2018 and 7.5% in the first nine months of 2018, compared to the same prior-year periods, primarily due to an increase in creative services revenue and podcasts revenue, partially offset by a decline in classified advertising revenue, primarily in the help wanted and real estate categories.

Other Revenues

Other revenues primarily consist of revenues from commercial printing, building rental income, news services/syndication, affiliate referrals, digital archive licensing, NYT Live (our live events business) and retail commerce.

Other revenues increased 49.3% in the third quarter of 2018 and 31.0% in the first nine months of 2018, compared with the same prior-year periods, primarily as a result of growth in our commercial printing operations, four and a half additional floors of rental income from our New York headquarters building and affiliate referral revenue associated with the product review and recommendation website, Wirecutter.

Operating Costs

Operating costs were as follows:

| (In thousands) | For the Quarters Ended | | | For the Nine Months Ended | | | |
|---|------------------------|--------------------|----------|---------------------------|--------------------|----------|----|
| | September 30, 2018 | September 24, 2017 | % Change | September 30, 2018 | September 24, 2017 | % Change | |
| Production costs: | | | | | | | |
| Wages and benefits | \$95,941 | \$90,100 | 6.5 | % \$280,688 | \$269,913 | 4.0 | % |
| Raw materials | 19,972 | 15,718 | 27.1 | % 54,490 | 48,461 | 12.4 | % |
| Other production costs | 47,521 | 44,336 | 7.2 | % 138,454 | 134,771 | 2.7 | % |
| Total production costs | 163,434 | 150,154 | 8.8 | % 473,632 | 453,145 | 4.5 | % |
| Selling, general and administrative costs | 202,473 | 185,442 | 9.2 | % 614,464 | 598,367 | 2.7 | % |
| Depreciation and amortization | 14,847 | 15,677 | (5.3) |)% 43,969 | 46,961 | (6.4) |)% |
| Total operating costs | \$380,754 | \$351,273 | 8.4 | % \$1,132,065 | \$1,098,473 | 3.1 | % |

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 increased in the third quarter of 2018 compared with the third quarter of 2017, primarily driven by an increase in wage and benefits of \$5.8 million primarily due to additional headcount in the newsroom and related to our commercial printing operations, raw materials of \$4.3 million largely due to higher volume as a result of commercial printing operations and higher newsprint prices, and other expenses of \$3.2 million largely due to higher outside services and other operating expenses.

Production costs increased in the first nine months of 2018 compared with the first nine months of 2017, primarily driven by an increase in wage and benefits of \$10.8 million primarily due to additional headcount in the newsroom and related to our commercial printing operations, raw materials of \$6.0 million largely due to higher newsprint prices and higher volume as a result of commercial printing operations, and other expenses of \$3.7 million largely due to higher outside services and other operating expenses.

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 in the third quarter of 2018 increased by \$17.0 million compared with the third quarter of 2017 largely due to higher marketing costs of \$15.0 million.

Selling, general and administrative costs in the first nine months of 2018 increased by \$16.1 million compared with the first nine months of 2017 as higher marketing costs of \$25.1 million and higher compensation expense of \$7.5 million were partially offset by lower severance costs of \$18.1 million.

Depreciation and Amortization

Depreciation and amortization costs in the third quarter and the first nine months of 2018 decreased by \$0.8 million and \$3.0 million, compared with the same prior-year periods, respectively, primarily as assets became fully depreciated in prior periods.

Other Items

See Note 8 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

Other Components of Net Periodic Benefit Costs/(Income)

See Note 10 of the Notes to the Condensed Consolidated Financial Statements for information regarding other components of net periodic benefit costs/(income).

Joint Ventures

See Note 6 of the Notes to the Condensed Consolidated Financial Statements for information regarding our joint venture investments.

Interest Expense and other, Net

See Note 7 of the Notes to the Condensed Consolidated Financial Statements for information regarding interest expense and other, net.

Income Taxes

See Note 11 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, multiemployer pension plan withdrawal costs and special items (or adjusted operating profit); and
- operating costs before depreciation, amortization, severance and multiemployer pension plan withdrawal costs (or adjusted operating costs).

The special items in 2018 consisted of:

- A \$4.9 million gain (\$3.6 million after tax or \$.02 per share) from a pension liability adjustment; and
- A \$1.3 million charge (\$0.9 million after tax or \$.01 per share) in the second quarter and a \$1.9 million charge (\$1.4 million after tax or \$.01 per share) in the first quarter in connection with the redesign and consolidation of space in our headquarters building.

The special items in 2017 consisted of:

- A \$30.1 million gain (\$16.1 million after tax and net of noncontrolling interest or \$.10 per share) from the sale of the remaining assets at a paper mill previously operated by Madison Paper Industries (“Madison”), in which the Company has an investment through a subsidiary, in the third quarter; and
- A \$2.5 million charge (\$1.5 million after tax or \$.01 per share), \$2.0 million charge (\$1.2 million after tax or \$.01 per share) and \$2.4 million charge (\$1.4 million after tax or \$.01 per share) related to the redesign and consolidation of space in our headquarters building in the third, second and first quarters, respectively.

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.

As a result of the adoption of ASU 2017-07 during the first quarter of 2018, all single employer pension and other postretirement benefit expenses with the exception of service cost were reclassified from operating costs to “Other components of net periodic benefit costs/(income).” See Note 2 of the Notes to the Condensed Consolidated Financial Statements for more information. In connection with the adoption of ASU 2017-07, the Company made the following changes to its non-GAAP financial measures in order to align them with the new GAAP presentation:

- Revised the components of non-operating retirement costs to include amortization of prior service credit of single employer pension and other postretirement benefit expenses.

- Revised the definition of adjusted operating profit and adjusted operating costs to exclude multiemployer pension plan withdrawal costs (which historically have been and continue to be a component of non-operating retirement costs), rather than all non-operating retirement costs. As a result of the adoption of ASU 2017-07, non-operating retirement costs other than multiemployer pension plan withdrawal costs are now separately presented outside of operating costs

and accordingly have no impact on operating profit and operating costs under GAAP, or adjusted operating profit or adjusted operating costs. Multiemployer pension plan withdrawal costs remain in GAAP operating costs and therefore continue to be an adjustment to these non-GAAP measures.

Non-operating retirement costs include:

- interest cost, expected return on plan assets, amortization of actuarial gain and loss components and amortization of prior service credits of single employer pension expense;

- interest cost, amortization of actuarial gain and loss components and amortization of prior service credits of retiree medical expense; and

- multiemployer pension plan withdrawal costs, 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, 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.

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 multiemployer pension plan withdrawal 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.

Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are set out in the tables below.

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

| | For the Quarters Ended | | | For the Nine Months Ended | | | |
|---|------------------------|----------------|----------------------------|---------------------------|----------------|----------------------------|---|
| | September 2018 | September 2017 | September 24, (1) % Change | September 2018 | September 2017 | September 24, (1) % Change | |
| Diluted earnings per share from continuing operations | \$0.15 | \$ 0.20 | (25.0)% | \$0.42 | \$ 0.37 | 13.5 | % |
| Add: | | | | | | | |
| Severance | — | 0.01 | * | 0.03 | 0.14 | (78.6)% | |
| Non-operating retirement costs | 0.03 | — | * | 0.07 | 0.01 | * | |
| Special item: | | | | | | | |
| Headquarters redesign and consolidation | — | 0.02 | * | 0.02 | 0.04 | (50.0)% | |
| Gain from pension liability adjustment | (0.03) | — | * | (0.03) | — | * | |
| Gain from joint ventures, net of noncontrolling interest | — | (0.16) | * | — | (0.16) | * | |
| Income tax expense of adjustments | — | 0.05 | * | (0.02) | (0.01) | * | |
| Adjusted diluted earnings per share from continuing operations ⁽²⁾ | \$0.15 | \$ 0.12 | 25.0 % | \$0.49 | \$ 0.40 | 22.5 | % |

(1) Revised to reflect recast of GAAP results to conform with current period presentation and the revised definition of non-operating retirement costs. See “—Impact of Modification of Non-GAAP Measures” for more detail.

(2) 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, multiemployer pension plan withdrawal costs and special items (or adjusted operating profit)

| (In thousands) | For the Quarters Ended | | | For the Nine Months Ended | | | |
|---|------------------------|----------------|----------------------------|---------------------------|----------------|----------------------------|---|
| | September 2018 | September 2017 | September 24, (1) % Change | September 2018 | September 2017 | September 24, (1) % Change | |
| Operating profit | \$41,443 | \$ 31,820 | 30.2 % | \$115,500 | \$ 86,111 | 34.1 | % |
| Add: | | | | | | | |
| Depreciation & amortization | 14,847 | 15,677 | (5.3)% | 43,969 | 46,961 | (6.4)% | |
| Severance | 293 | 2,123 | (86.2)% | 4,926 | 22,977 | (78.6)% | |
| Multiemployer pension plan withdrawal costs | 1,943 | 1,870 | 3.9 % | 5,838 | 5,951 | (1.9)% | |
| Special items: | | | | | | | |
| Headquarters redesign and consolidation | — | 2,542 | * | 3,140 | 6,929 | (54.7)% | |
| Gain from pension liability adjustment | (4,851) | — | * | (4,851) | — | * | |
| Adjusted operating profit | \$53,675 | \$ 54,032 | (0.7)% | \$168,522 | \$ 168,929 | (0.2)% | |

(1) Revised to reflect recast of GAAP results to conform with current period presentation and the revised definition of adjusted operating profit. See “—Impact of Modification of Non-GAAP Measures” for more detail.

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

Reconciliation of operating costs before depreciation & amortization, severance and multiemployer pension plan withdrawal costs (or adjusted operating costs)

| (In thousands) | For the Quarters Ended | | | For the Nine Months Ended | | | |
|---|------------------------|-----------------------------------|----------|---------------------------|-----------------------------------|----------|----|
| | September 2018 | September 24, 2017 ⁽¹⁾ | % Change | September 2018 | September 24, 2017 ⁽¹⁾ | % Change | % |
| Operating costs | \$380,754 | \$ 351,273 | 8.4 | % \$1,132,065 | \$ 1,098,473 | 3.1 | % |
| Less: | | | | | | | |
| Depreciation & amortization | 14,847 | 15,677 | (5.3) |)% 43,969 | 46,961 | (6.4) |)% |
| Severance | 293 | 2,123 | (86.2) |)% 4,926 | 22,977 | (78.6) |)% |
| Multiemployer pension plan withdrawal costs | 1,943 | 1,870 | 3.9 | % 5,838 | 5,951 | (1.9) |)% |
| Adjusted operating costs | \$363,671 | \$ 331,603 | 9.7 | % \$1,077,332 | \$ 1,022,584 | 5.4 | % |

⁽¹⁾ Revised to reflect recast of GAAP results to conform with current period presentation and the revised definition of adjusted operating costs. See “—Impact of Modification of Non-GAAP Measures” for more detail.

Impact of Modification of Non-GAAP Measures

In connection with the adoption of ASU 2017-07 in the first quarter of 2018, the Company modified its definitions of adjusted operating profit, adjusted operating costs and non-operating retirement costs in response to changes in the GAAP presentation of single employer pension and postretirement benefit costs. For comparability purposes, the Company has presented its non-GAAP financial measures for the third quarter and first nine months of 2017 reflecting the recast of its financial statements for such period to account for the adoption of ASU 2017-07 and the revised definitions of the non-GAAP financial measures. The following tables show the adjustments to the previously presented metrics.

Adjustments made to the reconciliation of diluted earnings per share from continuing operations to adjusted diluted earnings per share from continuing operations

| | Third Quarter 2017 | | Adjustment | Nine Months 2017 | | 2017 Recast |
|---|--------------------|-----------|------------------|-------------------|----------|-------------|
| | Previous Reported | Adjusted | | Previous Reported | Adjusted | |
| Diluted earnings per share from continuing operations | \$0.20 | \$ — | | \$0.20 | \$0.37 | \$ — |
| Add: | | | | | | |
| Severance | 0.01 | — | | 0.01 | 0.14 | — |
| Non-operating retirement costs | 0.02 | (0.02) |) ⁽¹⁾ | — | 0.06 | (0.05) |
| Special items: | | | | | | |
| Headquarters redesign and consolidation | 0.02 | — | | 0.02 | 0.04 | — |
| Gain in joint ventures, net of noncontrolling interest | (0.16) | — |) | (0.16) | (0.16) | — |
| Income tax expense of adjustments | 0.04 | 0.01 | | 0.05 | (0.03) | 0.02 |
| Adjusted diluted earnings per share from continuing operations ⁽²⁾ | \$0.13 | \$ (0.01) |) | \$0.12 | \$0.42 | \$ (0.03) |

⁽¹⁾ Reflects the inclusion of amortization of prior service credits in the definition of non-operating retirement costs.

⁽²⁾ Amounts may not add due to rounding.

Adjustments made to the reconciliation of operating profit to adjusted operating profit

| (In thousands) | Third Quarter 2017 | | | Nine Months 2017 | | |
|---|------------------------|----------------------------|----------------------|------------------------|----------------------------|----------------------|
| | Previously Reported | Adjustment | 2017 Recast | Previously Reported | Adjustment | 2017 Recast |
| Operating profit | \$33,013 | \$ (1,193) ⁽¹⁾ | \$31,820 | \$89,691 | \$ (3,580) ⁽¹⁾ | \$86,111 |
| Add: | | | | | | |
| Depreciation & amortization | 15,677 | — | 15,677 | 46,961 | — | 46,961 |
| Severance | 2,123 | — | 2,123 | 22,977 | — | 22,977 |
| Non-operating retirement costs | 3,100 | (3,100) ⁽²⁾ | — | 9,642 | (9,642) ⁽²⁾ | — |
| Multiemployer pension plan withdrawal costs | — | 1,870 | ⁽²⁾ 1,870 | — | 5,951 | ⁽²⁾ 5,951 |
| Special items: | | | | | | |
| Headquarters redesign and consolidation | 2,542 | — | 2,542 | 6,929 | — | 6,929 |
| Adjusted operating profit | \$56,455 | \$ (2,423) ⁽³⁾ | \$54,032 | \$176,200 | \$ (7,271) ⁽³⁾ | \$168,929 |

⁽¹⁾ Recast as a result of the adoption of ASU 2017-07. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for more information.

⁽²⁾ As a result of the change in definition of adjusted operating profit, only multiemployer pension plan withdrawal costs, rather than all non-operating retirement costs, are excluded from adjusted operating profit.

⁽³⁾ Represents amortization of prior service credits, which historically were a component of operating profit but not an adjustment to adjusted operating profit. As a result of the adoption of ASU 2017-07, amortization of prior service credits are now a component of other components of net periodic benefit costs/(income) rather than operating profit. For the third quarter and first nine months of 2017, \$(2.4) million and \$(7.3) million, respectively, of amortization of prior service credits have been reclassified out of operating profit, thereby reducing operating profit and adjusted operating profit.

Adjustments made to the reconciliation of operating costs to adjusted operating costs

| (In thousands) | Third Quarter 2017 | | | Nine Months 2017 | | |
|---|------------------------|-------------------------|--------------------------|------------------------|-------------------------|----------------------------|
| | Previously Reported | Adjustment | 2017 Recast | Previously Reported | Adjustment | 2017 Recast |
| Operating costs | \$350,080 | \$ 1,193 | ⁽¹⁾ \$351,273 | \$1,094,893 | \$ 3,580 | ⁽¹⁾ \$1,098,473 |
| Less: | | | | | | |
| Depreciation & amortization | 15,677 | — | 15,677 | 46,961 | — | 46,961 |
| Severance | 2,123 | — | 2,123 | 22,977 | — | 22,977 |
| Non-operating retirement costs | 3,100 | (3,100) ⁽²⁾ | — | 9,642 | (9,642) ⁽²⁾ | — |
| Multiemployer pension plan withdrawal costs | — | 1,870 | ⁽²⁾ 1,870 | — | 5,951 | ⁽²⁾ 5,951 |
| Adjusted operating costs | \$329,180 | \$ 2,423 | ⁽³⁾ \$331,603 | \$1,015,313 | \$ 7,271 | ⁽³⁾ \$1,022,584 |

⁽¹⁾ Recast as a result of the adoption of ASU 2017-07. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for more information.

⁽²⁾ As a result of the change in definition of adjusted operating costs, only multiemployer pension plan withdrawal costs, rather than all non-operating retirement costs, are excluded from adjusted operating costs.

⁽³⁾ Represents amortization of prior service credits, which historically were a component of operating costs but not an adjustment to adjusted operating costs. As a result of the adoption of ASU 2017-07, amortization of prior service credits are now a component of other components of net periodic benefit costs/(income) rather than operating costs.

For the third quarter and first nine months of 2017, \$(2.4) million and \$(7.3) million, respectively, of amortization of prior service credits have been reclassified out of operating costs, thereby increasing operating costs and adjusted operating costs.

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The following table reconciles other components of net periodic benefit costs/(income), excluding special items, to the comparable non-GAAP metric, non-operating retirement costs.

| (In thousands) | Third Quarter of 2017 | Nine Months of 2017 |
|---|-----------------------------|---------------------------|
| Pension: | | |
| Interest cost | \$17,552 | \$52,652 |
| Expected return on plan assets | (26,136) | (78,407) |
| Amortization and other costs | 8,439 | 25,321 |
| Amortization of prior service credit ⁽¹⁾ | (486) | (1,458) |
| Non-operating pension income | (631) | (1,892) |
| Other postretirement benefits: | | |
| Interest cost | 470 | 1,410 |
| Amortization and other costs | 905 | 2,715 |
| Amortization of prior service credit ⁽¹⁾ | (1,937) | (5,813) |
| Non-operating other postretirement benefits income | (562) | (1,688) |
| Other components of net periodic benefit income | (1,193) | (3,580) |
| Multiemployer pension plan withdrawal costs | 1,870 | 5,951 |
| Total non-operating retirement costs | \$677 | \$2,371 |

⁽¹⁾ The total amortization of prior service credit was \$(2.4) million and \$(7.3) million for the third quarter and first nine months of 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We believe our cash balance and cash provided by operations, in combination with other sources of cash, will be sufficient to meet our financing needs over the next twelve months. As of September 30, 2018, we had cash, cash equivalents and short- and long-term marketable securities of \$794.5 million and total debt and capital lease obligations of \$252.8 million. Accordingly, our cash, cash equivalents, and marketable securities exceeded total debt and capital lease obligations by \$541.7 million. Our cash and investment balances have increased since the end of 2017, primarily due to cash proceeds from operating activities and stock option exercises partially offset by cash capital expenditures of approximately \$62 million.

We have paid quarterly dividends of \$.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 March 2009, we entered into an agreement to sell and simultaneously lease back the Condo Interest in our headquarters building. The sale price for the Condo Interest was \$225.0 million less transaction costs, for net proceeds of approximately \$211 million. We have an option, exercisable in the second half of 2019, to repurchase the Condo Interest for \$250.0 million, and we have provided notice of our intent to exercise this option. We believe that exercising this option is in the best interest of the Company given that the market value of the Condo Interest exceeds the exercise price.

We expect to receive a cash distribution of approximately \$12 million to \$15 million related to the wind down of our Madison investment. See Note 6 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 Nine Months Ended | | % Change |
|----------------------|---------------------------|--------------------|----------|
| | September 30, 2018 | September 24, 2017 | |
| Operating activities | \$ 116,376 | \$ 147,895 | (21.3)% |
| Investing activities | \$(103,809) | \$ 8,593 | * |
| Financing activities | \$ 11,427 | \$ (19,739) | * |

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

Operating Activities

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

Net cash provided by operating activities decreased in the first nine months of 2018 compared with the same prior-year period due to higher cash payments made to settle accrued payroll and other liabilities and lower cash collections from accounts receivables, partially offset by higher operating profit.

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, and acquisitions of new businesses and investments.

Net cash used in investing activities in the first nine months of 2018 was primarily related to approximately \$62 million in capital expenditures payments and \$40 million in net purchases of marketable securities.

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, the payment of long-term debt and capital lease obligations and share-based compensation tax withholding.

Net cash provided by financing activities in the first nine months of 2018 was primarily related to proceeds from stock option exercises of approximately \$41 million, partially offset by dividend payments of \$19.8 million and share-based compensation tax withholding payments of \$9.0 million.

Restricted Cash

We were required to maintain \$18.2 million of restricted cash as of September 30, 2018, and \$18.0 million as of December 31, 2017, substantially all of which is set aside to collateralize workers' compensation obligations.

Capital Expenditures

Capital expenditures totaled approximately \$48 million and \$67 million in the first nine months of 2018 and 2017, respectively. The decrease in capital expenditures was primarily driven by higher expenditures in the first nine months of 2017 related to the redesign and consolidation of space in our headquarters building. The cash payments related to capital expenditures totaled approximately \$62 million and \$48 million in the first nine months of 2018 and 2017, respectively.

Third-Party Financing

As of September 30, 2018, our current indebtedness consisted of the repurchase option related to a sale-leaseback of a portion of our New York headquarters. See Note 7 of the Notes to the Condensed Consolidated Financial Statements for information regarding our total debt and capital lease obligations. See Note 9 of the Notes to the Condensed Consolidated Financial Statements 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 31, 2017. Other than as described in Note 2 of the Notes to the Condensed Consolidated Financial Statements, as of September 30, 2018, our critical accounting policies have not changed from December 31, 2017.

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 31, 2017. As of September 30, 2018, our contractual obligations and off-balance sheet arrangements have not changed materially from December 31, 2017.

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 31, 2017, 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 31, 2017, details our disclosures about market risk. As of September 30, 2018, there were no material changes in our market risks from December 31, 2017.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of September 30, 2018. 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 September 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal actions incidental to our business that are now pending against us. These actions are generally for amounts greatly in excess of the payments, if any, that may be required to be made. See Note 15 of the Notes to the Condensed 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 31, 2017.

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

(c) Issuer Purchases of Equity Securities

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 third quarter of 2018. As of September 30, 2018, 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 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

Exhibit No.

- 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.

SIGNATURES

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

THE NEW YORK TIMES COMPANY
(Registrant)

Date: November 2, 2018 /s/ ROLAND A. CAPUTO
Roland A. Caputo
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)