

# The New York Times

## The New York Times: Breakdowns Research

By: [Fateh Singh Mann](#)

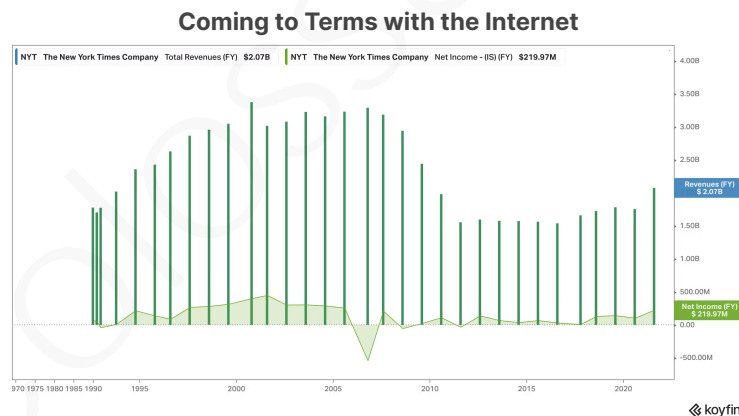
### Primary Research Sources

[Q4-2021 Earnings Release](#)  
[2020 10-Q](#)

### Executive Summary

During 170 years of existence, The New York Times has faced several existential challenges. Its response has been the same - to double down on the quality journalism that has always been its greatest differentiator. This playbook has recently transformed NYT from a business in secular decline to a growing media business.

The financials might never regain their full glory - due to the vast difference between print and digital ARPUs - its revenue is still 30% down from the peak but NYT has a revered brand and enjoys the largest newspaper subscriber base in the US, which allows it to employ 5% of the industry's journalists at over 2x the average the salary (Source: [Acquired.fm](#)). The massive increase in its addressable market, ability to leverage its fixed costs, and a favorable digital advertising market point to a brighter future. NYT's best days might well be ahead of it.



### Company History and Key People

#### The Birth of the New York Times:

*We, being The Times, do not believe that everything in society is either exactly right or exactly wrong. We do not mean to write as if we were in a passion, unless that shall really be the case; and we shall make it a point to get into a passion as rarely as possible.*

-Editorial in the first issue of The New York Times ([Source](#))

- **A Balanced Newspaper amidst extremes:** The *Times* was established in 1851 as a penny paper that would avoid sensationalism and report the news in a restrained and objective fashion. The leading New York newspapers at the time were moralistic and sensationalist. NYT prospered amongst these extremes as a balanced and (relatively) objective newspaper that didn't "soil the breakfast linen".

- **Takedown of the 'Tweed Ring' (1871)**- NYT's extended campaign took down the brazenly corrupt and powerful operation run that controlled New York City, "*a success no American newspaper had ever scored before*". Reportedly, the editor turned down a bribe of 5 Million( equivalent to 108 million dollars) to stop the story. (Source: [Page 102](#))

## Second Founding

- **NYT was close to Bankruptcy in 1896** due to a succession crisis and the meteoric rise of two sensationalistic papers, Pulitzer's *World* and Hearst's *New York Journals*.
- **Turnaround under new owner:** Adolph Ochs had grown from a newspaper boy to buying and turning around a struggling newspaper in a small Tennessee town. He repeated this with NYT. The key move was dropping the price from 3 cent to 1 cent, increasing circulation from 25k to 75k. (Source: [Page 403](#))
- **Editorial Policy:** Two quotes sum it up
  - *To cover the news without fear or favor.*
  - *All the News that's fit to print-* NYT would record details ignored by others like financial reports, official proceedings, schedules, complete speeches, along with an index of the subjects, earning it the nickname- *the paper of record.*
- **NYT and Times Square:** A prosperous NYT moved into a beautifully designed new building in a part of the city that would later become Time Square, named after NYT.
- **The Foremost Chronicler of WWII:** During WWII, then owner Arthur Sulzberger (Och's Son-in-Law) cut down advertising to leave space for news, becoming the foremost chronicler of WWII. It's rivals did the opposite, in response to the rising cost of raw materials. This move both heightened NYT's prestige and vastly increased circulation. NYT has repeatedly followed this playbook of doubling down on quality journalism whenever under duress.
- **Response to TV:** NYT responded to digging deeper with more details and interpreting the meaning behind the facts.

## Falling Behind in Digital

*"We are convinced that our advertising supported, no-fee registration model is the best path"*

- Martin Niselhotz, SVP of Digital @ NYT, 1999

- **Not Blindsided by the Internet:** Contrary to popular opinion, NYT and other media channels had been exploring the web since it's emergence, launching a website in 1996. Indeed, NYT Digital was to IPO and break out as a separate unit for operational independence before the Dotcom crash scuttled the plan

Welcome! First-time users [register here](#) or [take a QuickTour](#) of the site.

The screenshot shows the homepage of The New York Times website as of Tuesday, November 12, 1996. The page features the newspaper's masthead, a navigation menu with sections like 'AUTO CLASSIFIEDS', 'NEWS BY CATEGORY', and 'CLASSIFIEDS | FORUMS'. A central image shows a crowd of people, with a caption 'Crowds Looking for Food in Zaire'. To the right, there are news updates: 'Two Aircraft Collide In Air Near Delhi, Killing About 350' and 'Europe Betting on Self-Regulation to Control the Internet'. The page also includes a 'LATE NEWS UPDATE' section and a 'HELP CENTER | LOW GRAPHICS' link at the bottom.

[Help Center](#) | [Low Graphics](#)

PLEASE OPEN YOUR WINDOW TO THE WIDTH OF THIS LINE OF TEXT.

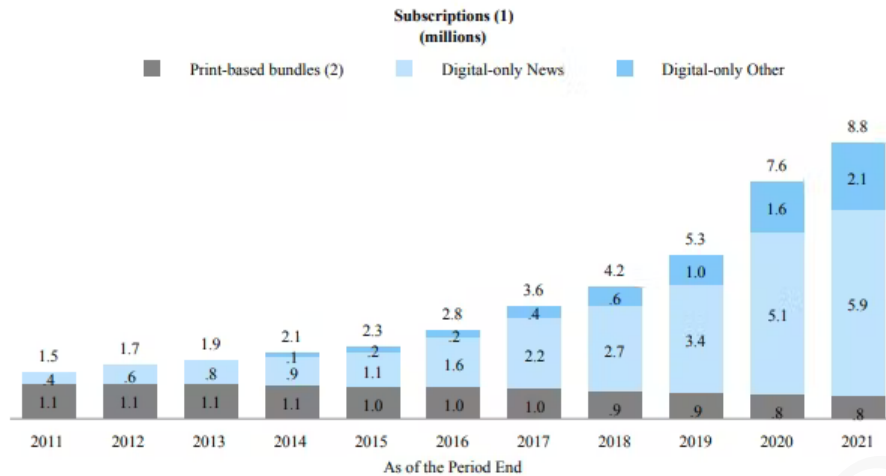
[Copyright 1996 The New York Times](#)

- **In Search of Digital Advertising:** As a primarily advertising funded company, NYT saw the web as an opportunity to drastically increase viewership and advertising potential. According to Martin Neisholtz, who led digital efforts for 17 years, they underestimated the scale of social platforms and how long legacy media would retain brand advertising.
- **2007 Crisis** led to a **25% reduction** of advertising, while NYT found itself behind digital upstarts like BuzzFeed and Huffington Post.
  - NYT also had a week balance sheet at this point due to several strange purchases- such as a stake in Boston Red Sox, which they subsequently sold over the next years to become debt free.

## The Empire Strikes Back

*"The New York Times is winning at journalism. At the same time, we are falling behind in the second critical area — the art and science of getting our journalism to readers."*

- **Metered Paywall** (20 articles free, then paid) was implemented in 2011, was a moderate success in revenue, but it severely declined website traffic.
- **The Innovation Report** may turn out to be the third founding moment. Led by A.G. Sulzberger (5th Generation in family), it's a **100 page document** made after considerable research and both internal and external interviews - including at new media competitors and tech companies.
  - **Major Cultural Shift:** The Report advocated moving from a print-first organisation where the newsroom was insulated from distribution to a digital-first organization where writing and distribution are connected.
- **The Turnaround:** After slow growth during the first decade, NYT's subscriber growth has recently skyrocketed.



Source: NYT Q4 2021 Release

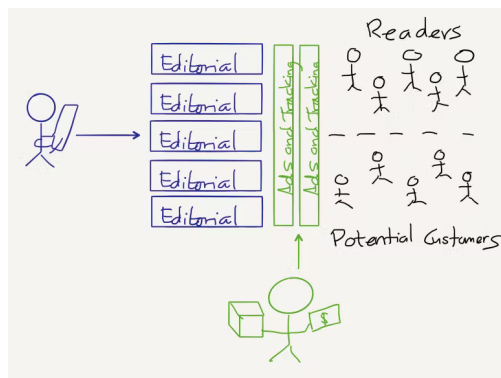
● **Factors behind Turnaround:**

- A sophisticated Tech-Stack [covered here](#), leading to improved employee efficiency and an excellent user interface across platforms.
- Digital literacy of employees- in coding (NYT boasts that it has the largest number of journalists who can code), digital marketing (150 employees did the Reforge Growth Course (on Digital Marketing), and data science
- Building out several new distribution channels such as email, mobile and most notably The Daily, one of the largest podcasts in the world. More on this later.
- Data-driven experimentation around customer journeys to improve conversions, test pricing increases, reduce churn, etc.
- A highly favourable 5 year news cycle, including Trump-presidency and COVID.
- Other subscription services such as Netflix and Spotify making consumers comfortable with paying subscriptions for content.

## The Evolution of Newspaper Business Models

### Emergence

- The initial use-cases of the printing press- books and pamphlets, were difficult to monetize due to widespread piracy. Newspapers worked because of small half-life of information- by the time substitutes could enter the market- a new issue was already out! Their wide reach among the population also made them the first mass advertising product.
- Overtime, newspapers built up geographic monopolies, connecting readers with advertisers, in their region. This was a highly lucrative business model with two revenue streams on the same product- subscription and advertising. Rupert Murdoch called “Rivers of Gold”, and they were a canonical example of a good business in Warren Buffet’s eyes (needed/desired by customers, no substitutes, no price regulation).
- As newspaper circulation flattened in the second half of the 20th century, Newspapers added lifestyle and entertainment content to increase advertising inventory.



Source: *Stratechery*

## The Digital Era

- With the internet, every newspaper had infinite substitutes, which drove down the price of undifferentiated news content to zero
- Even media companies that captured users attention were unable to compete in an advertising market cornered by Google/Facebook's vastly superior offerings.
- However, media companies with strong brands and differentiated content could achieve much larger scale. As digital advertising grows and the industry transitions towards a first-party data model, these companies (such as New York Times) are now better-placed to capitalize.

## NYT's Business Model & Secret Sauce

### Value Proposition

- NYT is a news and lifestyle content bundle, rooted in text but with consumption options across audio, video, gaming and events
- To this day, NYT remains a source of high-quality, trusted and in-depth information amidst an explosion of content and fake news. This means NYT readers are willing to subscribe, or at the very least, register on the website, in a way they aren't for other publishers.

### Distribution Channel

- NYT generates an enormous amount of traffic, across different products and mediums, all of which generate subscriptions and advertising inventory:
- The NYT website is the 39th most visited website in the US (Source: Similar Web). It runs a 'metered paywall'- offering some free articles every month, and some more upon a free registration. Over 100 million users have registered.
- Paid subscription offerings:
  - **10 Million Subscribers** in total (including The Athletic, which they recently purchased).
    - Breakdown as follows:
      - **Print:** 800,000 total subscriptions
      - **Digital News:** 6 million subscribers
      - **Cooking + Games:** +2 Million Subscribers Total
      - **The Athletic** Sports subscription with 1.2 Subscribers
- Other properties:
  - **Audio:** NYT's key asset is 'The Daily' with 4M downloads per episode, and other hit shows like The Ezra Klein Show.
  - **Newsletters:** The Times has 70 Newsletters that reach some 28 million people.

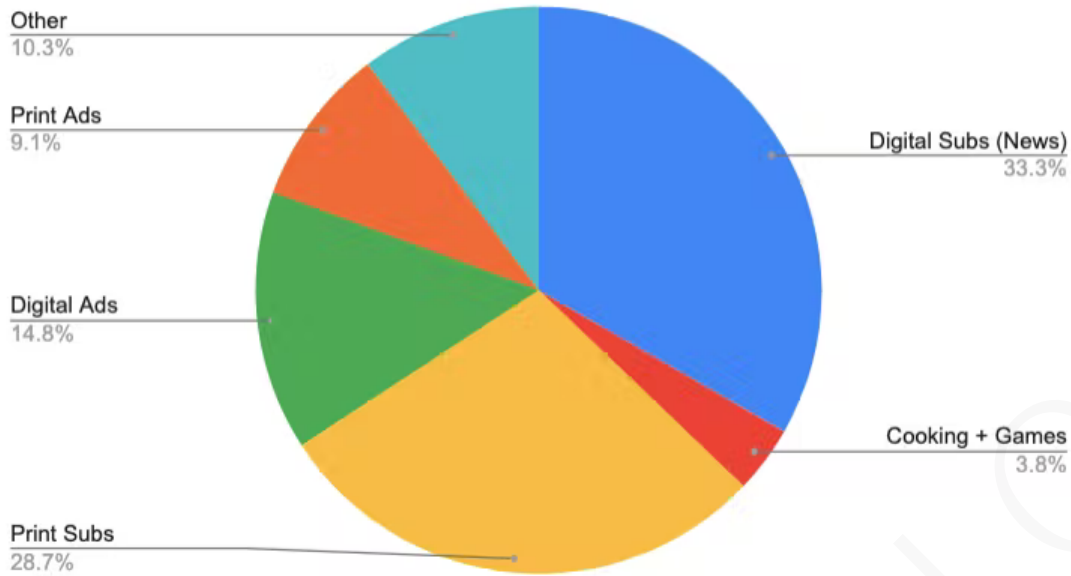
- **OTT Documentaries/Shows:** Revenue generators on their own right, but bring NYT properties to a wider audience. Eg. The Amazon Prime Show 'Modern Love' drove an interest in the column and the podcast.
- Management has reportedly said that NYT now has four 'home pages', the digital edition, the print edition, The Daily Podcast, and The Morning newsletter

## Economics

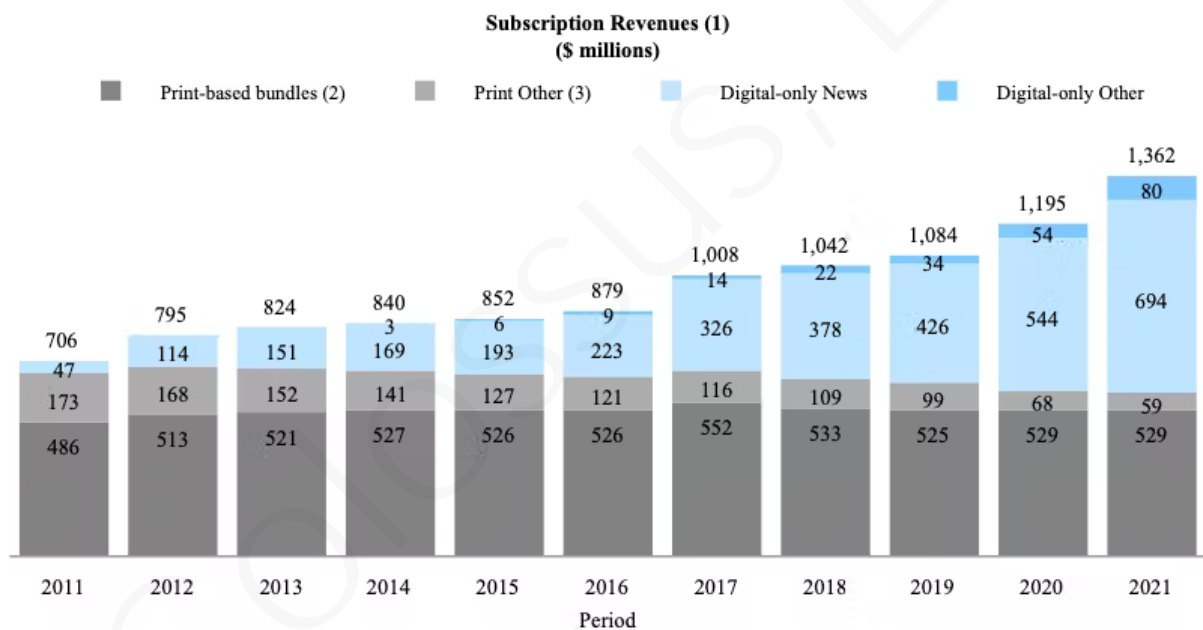


- The internet and digital shift has been painful for traditional print-based news outlets - both in terms of revenue and margins. However, growth is returning.
- While subscriber CAGR is over 25% for the past five years, CAGR for revenue growth has only been 5% since 2016 due to the decline of print revenues, lower digital ARPUs, and a retooling of the Digital Advertising business which shut down creative services and open-market programmatic ads
- **2021 Revenue was nearly \$2.1 Billion**, still some 30-40% less than its pre-internet peak.
  - Majority of the revenue is earned on Print and Digital Subscribers.
  - Advertising Revenue is earned on all NYT web properties- including Print, Website, Apps, Podcasts and Newsletter
  - Other Revenue includes licensing of content, affiliate revenue from Wirecutter, television and film, real estate leases, live events, retail commerce, etc.

## The New York Times 2021 Revenue Mix



Source: Made by Author using 2021 financials



(1) Amounts may not add due to rounding.

(2) Includes access to some of our digital products.

(3) Print Other includes single-copy, NYT International and other subscription revenues.

Note: Revenues for 2012 and 2017 include the impact of an additional week.

Source: NYT Quarterly Earnings

### • Cost structure

- 2021 Gross profit margins were 50%.
  - Total operating costs were \$1.8bn (on revenue of \$2.1bn)
  - NYT's primary cost is that of its journalists and other employees. On its income statement, it's included as Cost of Revenue along with cost of infrastructure, advertisement servicing etc, which represents 60% of total costs.
  - Other costs are Sales and Market, G&A (13% each).



- **Profitability:** The company is debt-free and earned an operating profit of \$268 million in 2021. This represents an operating profit margin of 13%.

**THE NEW YORK TIMES COMPANY**  
**SUPPLEMENTAL FINANCIAL INFORMATION**  
(Amounts in thousands)

	Twelve Months				
	2021	2020	2021 vs 2020 % Change	2019	2021 vs 2019 % Change
<b>Revenues</b>					
Digital	\$ 773,882	\$ 598,280	29.4 %	\$ 460,452	68.1 %
Print	588,233	597,088	(1.5)%	623,399	(5.6)%
Subscription revenues	1,362,115	1,195,368	13.9 %	1,083,851	25.7 %
Digital	308,616	228,594	35.0 %	260,454	18.5 %
Print	188,920	163,826	15.3 %	270,224	(30.1)%
Advertising revenues	497,536	392,420	26.8 %	530,678	(6.2)%
Other revenues	215,226	195,851	9.9 %	197,655	8.9 %
<b>Total revenues</b>	<b>2,074,877</b>	<b>1,783,639</b>	<b>16.3 %</b>	<b>1,812,184</b>	<b>14.5 %</b>
<b>Operating costs</b>					
Cost of revenue (excluding depreciation and amortization) <sup>(1)</sup>	1,039,568	959,312	8.4 %	988,159	5.2 %
Sales and marketing <sup>(1)</sup>	294,947	228,993	28.8 %	272,626	8.2 %
Product development <sup>(1)</sup>	160,871	133,384	20.6 %	106,415	51.2 %
General and administrative	250,124	223,558	11.9 %	206,778	21.0 %
Depreciation and amortization	57,502	62,136	(7.5)%	60,661	(5.2)%
<b>Total operating costs</b>	<b>1,803,012</b>	<b>1,607,383</b>	<b>12.2 %</b>	<b>1,634,639</b>	<b>10.3 %</b>
<b>Lease termination charge</b> <sup>(2)</sup>	3,831	—	*	—	*
<b>Restructuring charge</b> <sup>(3)</sup>	—	—	—	4,008	*
<b>Gain from pension liability adjustment</b> <sup>(4)</sup>	—	—	—	(2,045)	*
<b>Operating profit</b>	<b>\$ 268,034</b>	<b>\$ 176,256</b>	<b>52.1 %</b>	<b>\$ 175,582</b>	<b>52.7 %</b>

<sup>(1)</sup> The Company reclassified certain expenses in the prior periods to conform with the current period presentation.

<sup>(2)</sup> In the second quarter of 2021, the Company recorded a \$3.8 million charge resulting from the termination of a tenant's lease in our headquarters building.

<sup>(3)</sup> In the third quarter of 2019, the Company recognized \$4.0 million of pre-tax expense related to restructuring charges, including impairment and severance charges related to the closure of our digital marketing agency, HelloSociety, LLC.

<sup>(4)</sup> In the third quarter of 2019, the Company recorded a gain of \$2.0 million from a multiemployer pension plan liability adjustment.

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

Source: [NYT Quarterly Earnings](#)

## Competitive Advantage

- **Brand:** After practically inventing and sustaining high quality journalism for 170 years, NYT's word is gospel among the left-leaning societal elites. It is also by far the most prestigious place to work for journalists.
- **Scale:**
  - NYT has more digital subscribers than the Wall Street Journal, The Washington Post, and the 250 local Gannett papers combined.
  - Having the largest subscriber base, NYT can afford to employ more journalists (1700- 5% of all journalists in the US) with an average salary double that of the industry, allowing them to create better content.





Source: Mine Safety Disclosures

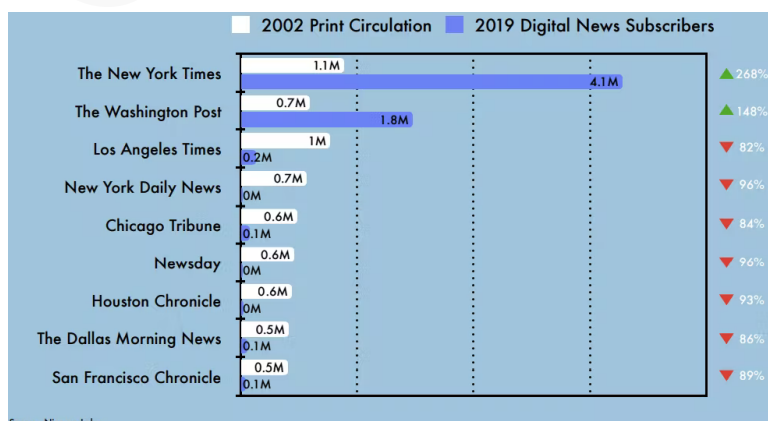
## Competitive Position

### Industry

- Newspapers are a news-centered content bundle. While the number of traditional newspaper companies have had a much publicized collapse, the world now has more news sources than ever before. Further, their competition now includes all media/content companies- including social media, streaming and gaming, especially for the non-news part of the bundle.
- The barrier to entry is both at its lowest and its highest ebb. It is easier than ever to start a media company but the leading companies (NYT in particular) have a brand and a scale advantage that is much stronger than it was in the physical world.

### Position within the industry

- Due to the brand and scale advantage mentioned above, it is extremely difficult for rivals to catch up to NYT. The gap between NYT and the rest of the market has only been growing in recent years
  - WSJ in Q4 2021 had 3.5 million subscribers, 2.7 million of which were digital subscribers.



Source: Neiman Labs

## Opportunities:

### □ **Growing Subscribers and Margins:**

- The addressable market for NYT has turned from a small section of the US to the English Speaking world. NYT believes there are 135 million adults worldwide who are paying or are willing to pay for one or more subscriptions to English-language news, sports coverage, puzzles, recipes, or expert shopping advice.
- Their aim is to hit 15 million subscribers by 2027, after having achieved its goal of 2025 goal of 10 million subscribers three years ahead of schedule.
- As they expand, they should be able to significantly improve margins by leveraging fixed contents and zero marginal cost of distribution.

### □ **Acquisitions and New Product Development:** Demonstrated ability to leverage brand and bundle pricing to establish new verticals, eg:

- Acquired for \$30M, Wirecutter now generates \$50M high margin annual revenue.
- Created in-house, Cooking and Games now have a total of 1 Million+ Subscribers. Acquisition of Wordle will provide a boost.
- The Athletic will benefit considerably from the reach offered by other NYT properties and attractive bundle pricing

The company is likely to continue creating/acquiring new products that increase addressable market and increase ARPU

### □ **Increasing News ARPUs:** Digital ARPU \$15-17/month is currently about 25% of Print ARPU (\$60) due to aggressive introductory pricing. In 2020, 690k news subscribers received a \$2 price increase with minimal churn. While print levels maybe unattainable, News Digital ARPU may have room for significant growth.

### □ **Growing Digital Advertising:**

- In Q3 2021, NYT Digital Advertising Revenue was \$67M. The following comparables suggest a much higher ceiling.
  - iHeart Media's podcasts had 280 Million monthly downloads, generating \$64M (Q3 2021). If NYT's the Daily Show, with at least 100M Monthly downloads ([source](#)) monetizes at the same rate, it should generate at least \$20M. In addition, NYT has several other popular podcasts like The Ezra Klein Show, Kara Swisher's Sway, etc.
  - At acquisition, Morning Brew generated \$2 per subscriber per quarter via ads ([20M Annual revenue, 2.5M subscribers](#)). At the same rate, NYT should be able to generate \$34 out of its 17M subscribers ([source](#)) from its flagship newsletter 'The Morning' alone, let alone it's 28M total subscribers.
  - If monetized at a similar rate, NYT should have generated \$50M+ alone from these two properties, which, of course, is a small part of NYT's overall reach!
- Apple's recent ATT changes have drastically shifted advertising power in favor of platforms with first party data. With 10M subscribers, 100M registered users, one of the most popular websites in the US (#39 acc. to Similar Web), and a massive cross-platform reach, esp. among the affluent population, NYT is an excellent position to capitalize.

## Biggest risk(s) to competitive position

- **Polarization:** According to Pew Research, NYT is only a trusted news source for 1 out of 4 political segments, due to accusations of bias and being 'captured by woke culture'. This may limit NYT's appeal outside its core segment and thus its addressable market

## Ideology adds another layer to party-line divides of most trusted and distrusted news sources

% who trust each source for political and election news (first five shown)

Democrat/Lean Dem				Republican/Lean Rep			
LIBERAL		MODERATE/ CONSERVATIVE		MODERATE/ LIBERAL		CONSERVATIVE	
CNN	70%	CNN	65%	Fox News	51%	Fox News	75%
New York Times	66	ABC News	63	ABC News	47	Hannity (radio)	43
PBS	66	NBC News	61	CBS News	42	Limbaugh (radio)	38
NPR	63	CBS News	60	NBC News	41	ABC News	24
NBC News	61	PBS	48	CNN	36	CBS News	23

% who distrust each source for political and election news (first five shown)

Democrat/Lean Dem				Republican/Lean Rep			
LIBERAL		MODERATE/ CONSERVATIVE		MODERATE/ LIBERAL		CONSERVATIVE	
Fox News	77%	Fox News	48%	CNN	43%	CNN	67%
Limbaugh (radio)	55	Limbaugh (radio)	34	MSNBC	32	MSNBC	57
Breitbart	53	Hannity (radio)	28	HuffPost	30	New York Times	50
Hannity (radio)	50	Breitbart	22	BuzzFeed	29	NBC News	50
NY Post	27	BuzzFeed	20	Fox News	29	CBS News	48

Note: Order of outlets does not necessarily indicate statistically significant differences.

Source: Survey of U.S. adults conducted Oct. 29-Nov. 11, 2019.

"U.S. Media Polarization and the 2020 Election: A Nation Divided"

PEW RESEARCH CENTER

- **Low Switching Costs:** Although their advantages are seemingly insurmountable, it is easier than ever for a consumer to switch to a different news/content source. Their cooking and games product may especially be vulnerable.
- **Substack and the Creator Economy:** While not an existential threat, NYT may lose subscribers upon the departure of star journalists like Kara Swisher and Ezra Klein - superstar journalists who can get paid more by going solo.

## Useful Resources

Title	Type	What You Will Learn (140 Characters)	URL (Must be https://)
The (Not Failing) New York Times	Article	A beautifully illustrated report on the Digital turnaround of the New York Times	<a href="https://minesafetydisclosures.com/blog/newyorktimes">https://minesafetydisclosures.com/blog/newyorktimes</a>
The New York Times Company	Podcast	Covering the 170 year history, business model, turnaround strategy and competitive advantage of the New York Times	<a href="https://podcasts.apple.com/in/podcast/the-new-york-times-company/id1050462261?i=1000509678090">https://podcasts.apple.com/in/podcast/the-new-york-times-company/id1050462261?i=1000509678090</a>
The Full New York Times Innovation Report	Article	A Copy of The New York Times Innovation Report that catalyzed the Digital Turnaround of the times	<a href="https://www.slideshare.net/SeanSmith12/224608514-thefullnewyorktimesinnovationreport">https://www.slideshare.net/SeanSmith12/224608514-thefullnewyorktimesinnovationreport</a>
Digital Riptides Interview with Martin Nisenholtz	Article	An interview with the long-time head of NYT Digital about NYT's early digital strategy	<a href="https://www.digitalriptide.org/person/martin-nisenholtz/">https://www.digitalriptide.org/person/martin-nisenholtz/</a>
Building a digital New York Times: CEO Mark Thompson	Article	An interview with the CEO who led the successful transition of the New York Times	<a href="https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/building-a-digital-new-york-times-ceo-mark-thompson">https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/building-a-digital-new-york-times-ceo-mark-thompson</a>