



Performance of Digital News Business (Non-Print Media)

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Abstract

Digital news is an emerging industry with tremendous potential to connect people and display the power of a media industry. With the rise of digital news and new technologies, distribution channels are opening up, allowing us to access the information we need as consumers. The complexities of this industry however, can be overwhelming for both business owners and researchers alike. This research paper aims to look into the contrasting performance of digital news businesses of The New York Times through comparing current performance through the performance of the previous years.

Different sections of performance were analyzed such as performance in revenues, performance in operating costs, performance in the interests, performance in the income taxes department, liquidity of the business, performance in the pension obligations, performance of the capital expenditures. The statistical figures will be compared of year 2021 with the statistical figures of year 2020 and year 2019. The access to digital news platforms has increased over the years, and this has shown to have a positive impact on the general public. The ability of people to access news no matter their location or economic status has been a significant factor in driving up digital news consumption.

Outlook on Performance of “The New York Times”

In the press released by “The New York Times” Company, the company targets to get at least and around 15 Million subscribers by the end of the year 2027 (Lischka, 2016). This is the goal of the company for their followers count. The company announced increase in the dividend in the press. New share repurchase program was also announced by the company. The adjusted diluted earnings in the fourth quarter of year 2020 were 0.40 dollars whereas the adjusted diluted earnings in the fourth quarter of year 2021 were around 0.43 dollars. So increase can be seen in the section of diluted earnings per share. The comparison in the section of operating profit tells that in year 2020, the operating profit was around 80.5 million dollars. On the other hand, this profit increased to around 95 million dollars in the fourth quarter of year 2021. The adjusted profit also saw some improvements. It was around ninety-eight million dollars in year 2020 and it saw a boost to around 110 million dollars in the same period of year 2021. This

was because of multiple aspects such as increased and higher advertising and subscriptions. the approach used by “The New York Times” is the digital-first and subscription-first.

In today’s time, the non-print media businesses or news business are earning a lot because people are more interested in the digital news as it is easier and more convenient for them as compared to the printed news. The company focuses on penetrating the growing total market that they are addressing and also by capitalizing their platform/stage and intentional investments that they have made in sectors of technology, journalism and other products side by side in order to generate a company with larger profit than before. There are around 135 million adults who are already paying and some of them are ready to pay for subscription of news of different categories such as food, travel, health, sports, educational, political, religious, etc.

There are total of around 37500 total digital subscriptions. Out of these total subscriptions, around 20000 subscriptions were from News. The total revenue of this non print media business “The New York Times” was around 2 billion dollars in 2021. This revenue was largest since year 2012. The company has already crossed their goal of crossing the mark of ten million subscribers by 2025 already with the still 4 years to reach the set target which is a bigger achievement. In this way, the company is way ahead of their set goal in subscribers count. This was possible for The New York Times because of acquisition of The Athletic. But even if there was no acquisition of The Athletic, the company would have still hit their target of ten million subscribers on their own basis. Non print media business are running at very successive rate.

In order to dig deeper to the market, the company is concentrating and focusing on becoming the necessary and vital subscription for every individual body or person that can speak and communicate in English language, who is trying to mix and understand the world and its different layered aspects. This is possible by the provision of highest possible quality, expert and rocky journalism on the widest and broadest scale of subjects, and also meeting the requirements and demands of lives and passions of people on regular basis. The company is also deciding to promote their digital subscriptions that are more on high price side. This will earn the company more profit. The new goal of company in subscribers count is 15 million before 2027 which if seen alone, is pretty big (Carroll, 1987).

Special Items in the 2020 Performance of “The New York Times”

- The company saw a gain of around 5 million dollars. This contributes to around 0.02 dollars per share after tax. This was the proportionate share of distribution by selling the assets by “Madison Paper Industries”. The company had investment in this industry through subsidiary.
- In pension settlement charges were around 81 million dollars which contributes to after tax of around fifty-nine million dollars and per share of 0.35 dollars.

Results and Outcomes from Continuing Operations - Performance in Revenues

The total revenue for The New York Times increased around 17 percent. It was around 509 million dollars in previous year and in 2021 it was near 595 million dollars. The subscriptions revenues for the company increased around 12 percent to 351 million dollars. The advertising revenues also saw an increase of around 27 percent to 178

million dollars in year 2021. The company noticed an increase of 17 percent to 65 million dollars in other revenues. By comparing this performance of the company to the previous performance of company in prior years especially the year of Covid-19 it can be seen that there was increase of subscription revenue around 28 percent, advertising revenue around 4 percent only and other revenues increased around 8 percent only. So this is clearly visible that now this digital news business is generating more revenues than before.

The reason for the increase in the subscription revenue of The New York Times is the growth and increase in the quantity or numbers of subscriptions to the products that are digital-only. These digital-only products ranges from news, sports, educational, cooking. There is a benefit from subscriptions graduating to increased prices from introductory promotional pricing. The subscription revenue for digital only products of the company increased 23 percent to around 200 million dollars. The company saw a decrease in the print subscription revenue of around 3 percent to 145 million dollars. This decrease was mainly due to some factors such as decreased single-copy revenue, decreased domestic home delivery revenue that was reduced around 0.3 percent. In the end of 2021, the company saw an increase in the digital advertising revenue of 24 percent and around 34 percent in print advertising revenue. It was around 110 million dollars. The reason for the increase in the digital advertising revenue was higher direct-sold advertising, that included traditional display and podcasts (Nossek, Adoni, & Nimrod, 2015).

The categories that saw increase in print advertising revenue were luxury and entertainment categories that were largely effected by deadly Covid-19 pandemic. This digital advertising revenue was partially offset by lower creative services due to continuous declines and exacerbation by Covid-19 pandemic. There was 22 percent increase in other revenues of the company in the 4th quarter of 2021. This increase was seen mainly because of the revenue from the live events that were majorly impacted and effected by the covid-19 pandemic in the last quarter of the year 2020. The revenue from the higher commercial printing and revenue from the television series was also included in the other revenues list. When we compare this performance of revenues with the revenues generated in the year 2019, we see that other revenues increased around 8 percent with majority including referral revenues and licensing revenues more than offsetting lower revenues of television series.

Operating Costs of “The New York Times”

The performance of “The New York Times” in the operating cost section is provided by the company’s press release. In the 4th quarter of the year 2021 the total operating cost of the company increased around 17 percent. This increase was up to 500 million dollars. Whereas if we compare this total operating costs with the operating cost in year 2020 we can see that total operating cost increased 14 percent only. In year 2019 the total operating cost were increased around 16.2 percent. The adjusted operating costs increased around 18 percent to 485 million dollars in 2020 from 411 million dollars in 4th quarter of year 2020. In 2019, the operating costs increased around 18 percent.

Cost of revenues increased around 12 percent to around 300 million dollars from the 250 million dollars in the 4th quarter of 2020. This increase was seen mainly because of growth in the number of employees that were employed and working in the newsroom and their games, cooking, educational, Audm and Wirecutter products. Also, higher and increased advertising costs, cost of subscribers servicing, cost of audio content production, cost of

print production and print distribution as a consequence of growth in commercial printing. By comparing this with the year 2019, there was around 8 percent increase in the cost of revenue (Ansoff, 1965).

Sales and marketing costs performance also saw some downfall. The sales and marketing costs of the company were increased 50 percent to around 100 million dollars. Whereas this sales and marketing cost was around 65 million dollars in the fourth quarter of 2021. This increase was due to the higher and increased expenses of media. It is a part of sales and marketing which denotes and presents the cost that is utilized to promote the subscription business of the company. Media expenses of the company also increased around 66 percent to 68 million dollars in the 4th quarter of 2021. The media expenses were around 40 million dollars in the fourth quarter of 2020. In 2019, the media expenses were increased around 59 percent.

Product development costs of the company also increased around 13 percent to 42 million dollars as compared to the product development costs of 4th quarter of 2020 that were around 37 million dollars. The reason for this growth and increase in the production cost was increase in the number of digital product development employees in connection and linkage with the digital subscription strategic initiatives.

General and administrative costs also saw an increase of about 10 percent. This increase was around 68 million dollars in 2021. Whereas, in year 2020 the increase in the general and administrative cost was around 61 million dollars. So that means there is increase in this section as well. The reason for the increase in the general and administrative cost was majorly due to larger or higher incentive compensation accrual. Growth in the number of employees and higher consulting costs were also another reason for the increase in the general and administrative costs. If we compare these costs with the costs of the fourth quarter of year 2019, we see that the general and administrative cost saw an increase of about 25 percent (Thoemg, 1988). The reason for the increase in that year was due to higher incentive compensation accrual and growth in the number/ quantity of the employees, mainly in the department of human resources and enterprise technology departments in the support of employee's growth in other departments.

Interest Income and Other, Net of “The New York Times”

In the fourth quarter of year 2021 interest income and other, net was around 1 million dollars whereas interest income and others, net were around 3.5 million dollars in the year 2020. There was a visible decrease in the performance of this section. The reason for this decrease was lower gains from the investments of non-marketable equity. Lower dividend income from the investments was also a reason for this decrease.

Income Taxes of “The New York Times”

In the fourth quarter of 2021 the New York Times had income tax expenses around 23 million dollars. While in comparison to that, the income tax expenses were around 4.5 million dollars in the year 2020. The reason for this increase was due to the tax benefit from the pension settlement charges in the fourth quarter of 2020. Higher income from the continuing operations was also another reason for this increase.

Liquidity – “The New York Times”

The New York Times had marketable securities and cash securities of around 1.07 billion dollars. There was increase of 188 million dollars from 880 million dollars in year 2020. Around 550 million dollars were utilized

subsequent to the fiscal year end to fund the purchase and buying price amount of The Athletic. The New York Times has revolving line of credit of around 250 million dollars through year 2024. The company also did not have any other debt and any major borrowings under the credit facility.

Capital Expenditures of “The New York Times”

The capital expenditures of the company were around 9 million dollars in the 4th quarter of 2021 as compared to the capital expenditures of year 2020 that were around 5 million dollars. There was a visible increase in the capital expenditure performance of the company. This increase was seen due to the improvements and changing in the building of the headquarters that are intended to address growth in number of employees and to update and enhance the technologies that goes with and support the hybrid work with employees and workers working both from office and also remotely (Thoemg, 1988).

Class A stock repurchase program of 150 million dollars has also been approved by the board of directors of “The New York Times”. These shares of Class A will be purchased along with the passage of time as the conditions of the market warrants. This will be done through open market purchases, transactions that are negotiated privately or other means such as trading plans.

Performance in the Area of Pensions Obligations

The company’s qualified and professional pensions plans had plan assets that were around 75 million dollars above the current value of future benefit obligations. This price was for the year 2021. Whereas, in comparison to the year 2020, these assets were around 36 million dollars. So that means there is an increase in the assets. Contributions of around 10 million dollars were made by the company in the year 2021. In order to satisfy the minimum funding requirements of around 10 million dollars, the company expects to make the contributions in future. The company has also made a change to its fiscal calendar. And as a consequence, the fiscal year of The New York Times will end on the 31st December. This will be same as the calendar year.

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