NEW YORK TIMES CO
Form 10-Q
May 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2009

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 incorporation or organization)	(I.R.S. Employer 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 x No o.

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

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

Number of shares of each class of the registrant s common stock outstanding as of May 1, 2009 (exclusive of treasury shares):

Class A Common Stock	143,143,020 shares
Class B Common Stock	825,475 shares

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE NEW YORK TIMES COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	For the Quarters Ended	
	March 29, 2009	March 30, 2008
	(13 weeks)	
Revenues		
Advertising	$ 334,661	$ 458,339
Circulation	228,914	226,629
Other	45,447	62,887
Total revenues	609,022	747,855
Operating costs		
Production costs:		
Raw materials	55,930	59,076
Wages and benefits	145,461	169,907
Other	89,308	111,581
Total production costs	290,699	340,564
Selling, general and administrative costs	326,820	340,854
Depreciation and amortization	36,774	41,931
Total operating costs	654,293	723,349
Loss on abandoned leases	16,363	
Impairment of assets		18,291
Operating (loss)/profit	(61,634)	6,215
Net income/(loss) from joint ventures	4,403	(1,793)
Interest expense, net	18,146	11,745
Loss from continuing operations before income taxes	(75,377)	(7,323)
Income tax benefit	(1,148)	(7,692)
(Loss)/income from continuing operations	(74,229)	369
Discontinued operations, net of income taxes-Broadcast Media Group		(600)
Net loss	(74,229)	(231)
Net income attributable to the noncontrolling interest	(239)	(104)
Net loss attributable to The New York Times Company common stockholders	$ (74,468)	$ (335)
Amounts attributable to The New York Times Company common stockholders:		
(Loss)/income from continuing operations	$ (74,468)	$ 265
Loss from discontinued operations		(600)
Net loss	$ (74,468)	$ (335)
Average number of common shares outstanding		
Basic	143,907	143,760
Diluted	143,907	144,006
Basic (loss)/income per share attributable to The New York Times Company common stockholders:		

(Loss)/income from continuing operations	$	(0.52)	$	0.00
Loss from discontinued operations		0.00		0.00
Net loss	$	(0.52)	$	0.00
Diluted (loss)/income per share attributable to The New York Times Company common stockholders:				
(Loss)/income from continuing operations	$	(0.52)	$	0.00
Loss from discontinued operations		0.00		0.00
Net loss	$	(0.52)	$	0.00
Dividends per share	$	0.00	$	0.23

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 29, 2009 (Unaudited)	December 28, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 33,584	$ 56,784
Cash held in escrow	260,000	
Accounts receivable-net	306,380	403,830
Inventories:		
Newsprint and magazine paper	25,992	19,565
Other inventory	6,091	5,265
Total inventories	32,083	24,830
Deferred income taxes	51,732	51,732
Other current assets	88,691	87,024
Total current assets	772,470	624,200
Other Assets		
Investment in joint ventures	114,744	112,596
Property, plant and equipment (less accumulated depreciation and amortization of $978,947 in 2009 and $938,430 in 2008)	1,340,408	1,353,619
Intangible assets acquired:		
Goodwill	656,722	661,201
Other intangible assets acquired	49,278	51,407
Total intangible assets acquired	706,000	712,608
Deferred income taxes	380,463	377,237
Miscellaneous assets	187,992	221,420
TOTAL ASSETS	$ 3,502,077	$ 3,401,680

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 29, 2009 (Unaudited)	December 28, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Borrowings under revolving credit agreements	$ 220,000	$ 380,000
Accounts payable	158,310	174,858
Accrued payroll and other related liabilities	81,259	104,183
Accrued expenses	195,192	194,703
Unexpired subscriptions	81,542	80,523
Current portion of long-term debt and capital lease obligations	294,050	98,969
Total current liabilities	1,030,353	1,033,236
Other Liabilities		
Long-term debt	760,081	573,760
Capital lease obligations	6,644	6,646
Pension benefits obligation	860,286	855,667
Postretirement benefits obligation	149,484	149,727
Other	241,410	275,615
Total other liabilities	2,017,905	1,861,415
Stockholders Equity		
Common stock of $.10 par value:		
Class A authorized 300,000,000 shares; issued: 2009 148,197,221; 2008 148,057,158 (including treasury shares: 2009 5,054,762; 2008 5,078,581)	14,820	14,806
Class B convertible authorized and issued shares: 2009 825,475; 2008 825,634	83	83
Additional paid-in-capital	47,863	22,149
Retained earnings	924,231	998,699
Common stock held in treasury, at cost	(159,423)	(159,679)
Accumulated other comprehensive loss, net of income taxes:		
Foreign currency translation adjustments	10,303	14,493
Funded status of benefit plans	(387,363)	(386,588)
Total accumulated other comprehensive loss, net of income taxes	(377,060)	(372,095)
Total The New York Times Company stockholders equity	450,514	503,963
Noncontrolling interest	3,305	3,066
Total stockholders equity	453,819	507,029
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 3,502,077	$ 3,401,680

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Quarters Ended March 29, 2009	March 30, 2008
	(13 weeks)	
OPERATING ACTIVITIES		
Net loss	$ (74,229)	$ (231)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Impairment of assets		18,291
Depreciation and amortization	36,774	41,931
Stock-based compensation	4,688	8,674
(Undistributed earnings)/excess distributed earnings of affiliates	(1,628)	2,667
Long-term retirement benefit obligations	3,387	(2,624)
Other-net	13,147	(2,640)
Changes in operating assets and liabilities, net of acquisition/dispositions:		
Account receivables, net	89,950	64,935
Inventories	(7,253)	(4,920)
Other current assets	(2,097)	(7,742)
Accounts payable and other liabilities	(46,341)	(86,583)
Unexpired subscriptions	1,019	3,224
Net cash provided by operating activities	17,417	34,982
INVESTING ACTIVITIES		
Capital expenditures	(21,642)	(62,677)
Acquisitions, net of cash acquired $2,426 in 2008		(5,424)
Other investing payments net	(575)	(2,151)
Net cash used in investing activities	(22,217)	(70,252)
FINANCING ACTIVITIES		
Commercial paper repayments-net		(111,741)
Borrowings under revolving credit agreements-net	(160,000)	175,000
Long-term obligations:		
Proceeds from sale-leaseback financing	213,599	
Proceeds from issuance of senior unsecured notes	221,322	
Repayments	(54,414)	(15)
Cash held in escrow for redemption of long-term debt	(260,000)	
Proceeds from sale of warrants	20,529	
Capital shares:		
Issuances	14	
Repurchases	(49)	(6)
Dividends paid to stockholders		(33,288)
Net cash (used in)/provided by financing activities	(18,999)	29,950

Decrease in cash and cash equivalents		(23,799)		(5,320)
Effect of exchange rate changes on cash and cash equivalents		599		811
Cash and cash equivalents at the beginning of the year		56,784		51,532
Cash and cash equivalents at the end of the quarter	$	33,584	$	47,023

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of The New York Times Company s (the Company) management, the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of March 29, 2009, and December 28, 2008, and the results of operations and cash flows of the Company for the periods ended March 29, 2009, and March 30, 2008. All adjustments and reclassifications 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. For comparability, certain prior year amounts have been reclassified to conform with the current period presentation. The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission 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 statements, therefore, should be read in conjunction with the Consolidated Financial Statements and related Notes included in the Company s Annual Report on Form 10-K for the year ended December 28, 2008. Due to the seasonal nature of the Company s business, operating results for the interim periods are not necessarily indicative of a full year s operations. The fiscal periods included herein comprise 13 weeks for the first-quarter periods.

As of March 29, 2009, the Company s significant accounting policies, which are detailed in the Company s Annual Report on Form 10-K for the year ended December 28, 2008, have not changed materially.

The Company adopted Statement of Financial Accounting Standards (FAS) No. 160, Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51 (FAS 160). Changes in accounting for noncontrolling (minority) interests pursuant to FAS 160 include, among others, the classification of noncontrolling interest as a component of consolidated stockholders equity and the elimination of minority interest accounting in results of operations. The Company s Condensed Consolidated Financial Statements include the new presentation for noncontrolling (minority) interests in accordance with FAS 160.

Recent Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) 132(R)-1. FSP 132(R)-1 amends FASB Statement No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits, to require more detailed disclosures about employers plan assets, including employers investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132(R)-1 will result in an enhancement of the

Company s disclosures for its qualified pension plans, but will not have a material impact on its financial statements.

NOTE 2. GOODWILL AND OTHER INTANGIBLE ASSETS ACQUIRED

Goodwill is the excess of cost over the fair market value of tangible and other intangible assets acquired. Goodwill is not amortized but tested for impairment annually or in an interim period if certain circumstances indicate a possible impairment may exist, in accordance with FAS No. 142, Goodwill and Other Intangible Assets (FAS 142).

Other intangible assets acquired consist primarily of trade names on various acquired properties, customer lists and other assets. Other intangible assets acquired that have indefinite lives (primarily trade names) are not amortized but tested for impairment annually or in an interim period if certain circumstances indicate a possible impairment may exist in accordance with FAS 142. Certain other intangible assets acquired (customer lists and other assets) are amortized over their estimated useful lives and tested for impairment if certain circumstances indicate an impairment may exist in accordance with FAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

The Company performs its annual impairment testing in the fourth quarter of its fiscal year. However, due to certain impairment indicators, including lower-than-expected operating results, the Company performed an interim impairment test in the first quarter of 2009 at the Regional Media Group. The Regional Media Group, which is part of the News Media Group reportable segment, includes approximately $160 million of goodwill. The interim test did not result in an impairment because it was concluded that the fair value of the Regional Media Group was greater than its carrying value. The excess of the fair value over the carrying value was minimal, and therefore the Company will continue to monitor the Regional Media Group for potential impairment.

The changes in the carrying amount of goodwill were as follows:

(In thousands)	**News Media Group**	**About Group**	**Total**
Balance as of December 28, 2008	$ 291,223	$ 369,978	$ 661,201
Foreign currency translation adjustments	(4,479)		(4,479)
Balance as of March 29, 2009	$ 286,744	$ 369,978	$ 656,722

Other intangible assets acquired were as follows:

(In thousands)	March 29, 2009 Gross Carrying Amount	Accumulated Amortization	Net	December 28, 2008 Gross Carrying Amount	Accumulated Amortization	Net
Amortized other intangible assets:						
Customer lists	$ 28,322	$ (17,807)	$ 10,515	$ 28,346	$ (17,228)	$ 11,118
Other	62,123	(37,471)	24,652	62,210	(36,032)	26,178
Total	90,445	(55,278)	35,167	90,556	(53,260)	37,296
Unamortized other intangible assets:						
Trade names	14,111		14,111	14,111		14,111
Total	14,111		14,111	14,111		14,111
Total other intangible assets acquired	$ 104,556	$ (55,278)	$ 49,278	$ 104,667	$ (53,260)	$ 51,407

As of March 29, 2009, the remaining weighted-average amortization period was seven years for customer lists and six years for other amortizable intangible assets acquired included in the table above.

Amortization expense related to other intangible assets acquired that are subject to amortization was $2.1 million in the first quarter of 2009 and is expected to be $8.2 million for the fiscal year 2009. Estimated annual amortization expense for the next five years related to these intangible assets is expected to be as follows:

(In thousands)

Year	Amount
2010	$ 8,100
2011	$ 7,700
2012	$ 5,300
2013	$ 2,100
2014	$ 1,100

NOTE 3. DEBT OBLIGATIONS

The Company s total debt was $1.3 billion as of March 29, 2009, which includes approximately $250 million of notes redeemed effective April 8, 2009, as well as debt incurred under its sale-leaseback financing and the issuance of senior unsecured notes (see discussions below for additional information on these transactions).

The table below details the maturities and carrying value of the Company s debt as of March 29, 2009.

(In thousands) **Year**		**Amount**
2009	$	294,500
2011		220,000
2012		75,000
2015		500,000
2019		250,000
Total	$	1,339,500
Unamortized amounts		(65,403)
Carrying value as of March 29, 2009	$	1,274,097

Included in 2009 maturities is $250.0 million of notes redeemed effective April 8, 2009, and included in 2011 maturities is $220.0 million outstanding as of March 29, 2009, under the Company s revolving credit facility.

Sale-Leaseback Financing

In March 2009, an affiliate of the Company entered into an agreement to sell and simultaneously lease back a portion of its leasehold condominium interest in the Company s headquarters building located at 620 Eighth Avenue in New York City (Condo Interest). The sale price for the Condo Interest was $225.0 million. The Company has an option, exercisable during the 10th year of the lease term, to repurchase the Condo Interest for $250.0 million. The lease term is 15 years, and the Company has three renewal options that could extend the term for an additional 20 years.

The transaction is accounted for as a financing transaction. As such, the Company will continue to depreciate the Condo Interest and account for the rental payments as interest expense. The difference between the purchase option price of $250.0 million and the net sale proceeds of approximately $214 million will be amortized over a 10-year period through interest expense. The effective interest rate on this transaction was approximately 13%. The net proceeds are included in Long-term debt in the Company s Condensed Consolidated Balance Sheet as of March 29, 2009.

Redemption of Debt

On March 9, 2009, the Company called for redemption all $250.0 million aggregate principal amount of its 4.5% notes due March 15, 2010. The redemption price is equal