

**The New York Times Company
Credit Suisse 21st Annual Communications Conference**

**June 4, 2019
1:45 PM EDT**

Unidentified Participant: All right. We're going to get started with our next session. Very pleased to have with us Meredith Kopit Levien...

Meredith Kopit Levien: You did it.

Unidentified Participant: ...I did it. (inaudible) Executive Vice President and Chief Operating Officer of The New York Times. There's been a lot of investor interest in The New York Times. So, I'm looking forward to this discussion.

And I guess what I wanted to start was, a pretty ambitious target: 10 million subscribers by 2025. You obviously wanted to focus investors on a long-term opportunity that you see. Can you sort of talk about why you put that target out there, the confidence in that number, what you think drives you towards that? Not to give you sort of a half-an-hour question as the first question.

Meredith Kopit Levien: I think that's a fair question, and I'll say we've put it out there as a target, but I wouldn't say it's – it's not a stretch target. It's where we think the business should go for the work we do in the world and also what we think the business can do based on what we can see today. So, worth noting that.

We were actually just chatting a minute ago. I was saying that for – I've been at the *Times* now six years. And for most of my time at the *Times* – probably the first four and a half years, maybe even five – because we had such a large anonymous audience, because we weren't particularly sophisticated at the application of data or the development of software, sort of the answer to cause of subscription was unknown. And in the last 12, 18 months we have gotten far better than we've been in years at understanding who our audiences are and, frankly, who they aren't in terms of who might subscribe and what channels and surfaces they're coming to us on and what that means, what behaviors correlate with subscription, what value propositions and jobs to be done correlate with subscriptions.

So, we've just gotten a whole lot better at sort of understanding the drivers of the business and, more importantly, what are the interventions to move those drivers in positive ways. And I would say the results of the last few quarters, sort of a year after feeling the Trump bump subside, suggest that we are getting our hands on those levers and that there's a lot more room to go.

Unidentified Participant: I think – I'm guessing, at least some of the ones I've talked to you, a lot of investors from the 30,000-foot view didn't think it was sort of a Trump bump a year ago. You've made progress. They sort of assume that it's the Trump bump continuing.

Meredith Kopit Levien: Yes.

Unidentified Participant: Are –? Do you –? So, obviously, you're seeing growth from a lot of other areas beyond that. Do you want to talk through that a little bit?

Meredith Kopit Levien: Yes. And it's just worth saying on politics, politics has obviously been one great big story. But what makes the *Times* I think so unique in the world is the sort of depth and quality that we bring to our journalism, but across a really broad range of topics. And I think there is huge demand for the kind of journalism we do well beyond politics: huge demand to understand how technology is changing literally everything about how work works and the world works and privacy; huge demand for understanding what climate change will mean to security and food and geopolitics and so forth. So, demand for what we do is rising and I think will continue to rise.

You asked, though, sort of where else do we see real opportunity in the business. Probably the most – the best manifestation of just a green field of opportunity is "The Daily." So, it's a small group. I'll ask hands up if you listen or have listened to "The Daily." Okay. Like, nearly everyone in the room.

So, it didn't exist two and a half years ago. And today, it has two million listeners every single day. Most of the people who listen listen all the way through. Most of the people who listen are under 40. The audience is much more likely to be women than men. And so, it's brought a huge new audience to the *New York Times* and dropped a huge number of new people through into our funnel, and we're just at the beginning of that. And I would say there are lots and lots of other examples like that.

Unidentified Participant: So, you gave some of the pieces. You sort of know who your audience is and you see what channels they're using and what their behaviors are. Should we sort of go through each one of those? So, who is your audience and how broad is it?

Meredith Kopit Levien: So, let me do kind of how broad it is. First, we have spent a lot of time thinking about who's our – what's our TAM and who's our addressable audience and how much of that market should we expect to get. And I would say at the broadest level there's probably 100 million people in the world who pay for news today. That's through a newspaper, but I mean excluding people who pay cable bill and assume that part of that bill is going to television news. So, 100 million people are paying for a subscription to news in some regard. roughly half of them in the United States and half of them outside the United States. We get a tiny percentage of that total market today. It is not easy to – it's not hard to assume we could with some ease double or triple our share of that market.

I think you're also asking kind of who they are demographically or psychographically. I do think they move in every age cohort, increasingly in younger ago cohorts. But the defining set of characteristics about a *New York Times* subscriber is, like, a bunch of stuff that we put under the very simple word "curious," which generally means, "I want my ideas to be challenged, I'm kind of open to other viewpoints, I choose to enrich myself in my leisure time, I want to see the world." Stuff like that. Exactly who you would assume would be in our audience.

Unidentified Participant: Do you feel like this is sort of a race to the finish? You've got Apple trying to push harder into news and aggregation. There's a lot of outlets: CNN, CBS. The *New York Times* is not the only one out there trying to sort of perfect the online subscription model. So, I guess I'm curious who you feel is your competitive threat and how you see your differentiation out in the future as more and more resources head in this direction, especially if you sort of blaze a trail and grow your subscription revenue. Others will sort of see that.

Meredith Kopit Levien: Well, I'll say I do think it's a big market, and I address just what I think is the total addressable market for us, but that's a pretty big market. That said, I do think that market will end up with a small handful of winners because of everything we know about businesses that are sort of software-driven and the way music and entertainment and now journalism is.

So, how do we become one of those winners? I think we – I'll address who we think our competitors are and then I'll say how. We are competing with anyone who takes media time from curious people. So, in news that is certainly Apple News and Google News. I think it's morning television. When I think about those two million listeners of "The Daily" and where they came from, I bet some of that habit came from not watching a morning show and, instead, listening to "The Daily" while you're doing your morning routine.

So, I think it is a pretty broad list of competitors, and I think it is a pretty different list. But what I'll say is when I think about all of those – particularly, Google and Apple – I think about the fact that the thing we do in the world is pretty differentiated. I think the competitive advantage of the *New York Times* is that we don't just give people more stories, but we give them sort of much needed layer of judgment on top of those stories. So, the Mueller Report comes out and you could read hundreds – probably thousands – of stories on the Mueller Report. But how do you know which ones to read? And what is the best way to get a full sense of what happened and what the future implications will be?

I think the *Times* is able to bring a level of authority and craft and judgment to that, that is unrivaled. And again, just to go back to your original question, we do that on such a broad range of topics that I think we will be able to compete with the Apple's and the Google's of the world.

Unidentified Participant: So, I think that gets me to how you balance investment in content versus the capabilities and profitability of sort of this sort of digital model. And so, it's interesting. You don't necessarily have to proliferate the site with tons and tons of articles. You want a certain level of quality. You want to wrap it around your brand. But there's also others who are trying to do that, and you're trying to stay above the fray. So, this is all growing pretty fast. This is a big opportunity. How do you balance driving profits versus driving subscribers?

Meredith Kopit Levien: Well, let me say a few things about that. And first, on kind of content investment, it doesn't take a lot in terms of content investment for the *Times* to get at that market of 100 million people. So, that's true geographically and it's often true topically. The best example of this is we had a few reporters – I literally think three or four – working in Canada, and a few years ago we decided to make a sizable push into Canada. And so, that meant we doubled the size. That's a small handful of people added to great effect in terms of the *Times'* presence in the lives of Canadians.

And I think you could imagine that replicated across geographies. You could imagine that replicated across topics. And if you put that in contrast to how it works in entertainment

or music right now, if you're Netflix you have to spend enormously into programming to assume you're going to get that next cohort of subscribers. And if you're Spotify, every time someone listens you're paying a royalty.

So, I do think there's some basic advantages in journalism if you are functioning at a scale in terms of what you're already able to do, and the *Times* already has that scale. We've got 1,600 journalists producing 200, or so, stories from all over the world. So, there's that piece of it.

The other piece of it in terms of investment and profitability is I've just basically described we see this as a really unique and important moment where we should be investing into growth and investing into scaling direct relationships. And some of that investment goes into the journalism.

A lot of that investment goes into the product itself, the digital user experience. And our thesis is that we already have 150 million people who use us every month. Only a tiny fraction of them actually pay us. And if we can actually make our own experience better at getting people to form a habit and pay and stay, whatever money we spend on marketing gets that much more efficient.

So, I think over the long haul you can imagine not just a larger *New York Times* playing not just a bigger role in people's lives, but doing so as an even more profitable company.

Unidentified Participant: I was actually wondering if there wouldn't be sort of more ad-supported efforts, understanding the importance of a paywall and driving people through that. I think I get to my three articles, and I hate to admit it but I might sort of move on to another source if I have to get through that paywall. To me, it makes sense. I don't want to fill things out, not because I don't want to pay. But is ad-supported a bigger and bigger part? And do you have any ideas how to convert guys like me to paying customers?

Meredith Kopit Levien: Yes, those are both big questions. On advertising, it's striking to me. Probably three or four years ago now we sort of said to the world we are going to be a subscription business first and we are going to begin to run our ad business with that in mind, and that actually coincided. The last few years have been sort of our best period in the last decade and since 2006 or 2007 in advertising. So, in fact, we are running a far better ad business as a subscription business first than we were running when it was just an ad business sort of for the sake of scaling an ad business.

And a better way to say that is that the competitive advantage in the ad business is that we actually make a product that consumers at scale love and spend time with and build a relationship with, and that is just inherently more valuable to advertisers, who, therefore, pay high CPMs and can get their ads to work.

So, I think we will continue to run the ad business that way. I think the *Times* is kind of uniquely at scale in both the subscription business and the ad business, which allows us, particularly here in the United States, to monetize twice quite well, and I don't see that abating.

I think the bigger, harder, more important question is how do I get you to not – you see some friction and decide to go to another source. And I think really the most important sort of next body of work for the *Times* to crack is in just engaging people in the combination of user experience or software for discovering and engaging with journalism, plus the journalism itself, to fundamentally become so compelling and so

habit-forming that if presented with friction you will, in fact, pay and stay and not say, "I'm going to go and find that story somewhere else."

And I would say if we're kind of mid-course in all the stuff I said at the beginning – optimizing the commercial elements and the pay models and the customer journey – we're making real strides there. We are in much earlier days of getting the UX and the journalism to kind of collectively function in a way that gets people to form a habit, pay, and stay. But we are really optimistic at our ability to get better at that.

And the last thing I'll say there is what has made us not great at that up to this point is just we were organized for many, many years like an old media company. So, there was sort of the digital product and then there was the journalism. And one was a vessel, and the other is the thing that went into it. And we've kind of gotten past that culturally and, frankly, practically in execution terms at the *Times*.

Unidentified Participant: Well, that's interesting, I think. There's a lot there. Is this get your articles out there so more people see them and engage with them and, therefore, you bring them in? Is this marketing and just telling people about the service more? Are there other aspects to it?

Meredith Kopit Levien: Look, I think it's aspects of both of those things, but I would cast it a bit differently. I would say it is about building a lasting, habituating relationship with people. And the thing we have really not spent a ton of effort doing until recently is actually building that relationship. So, some much of the work in the past was just figuring out the right price for the right friction point to get a very large anonymous audience, some modest percentage of them to make a transaction with us.

Two things are quite different now. One, we are incredibly focused on a deliberate customer journey that kind of acknowledges all those things I said before about the things we now know drive subscription: the behaviors, the usage patterns, the value proposition.

And then, on the flip side, you mentioned marketing. We are really clear that if we can move sentiment in particular ways that people are much more likely to pay. So, we didn't use to be a major brand advertiser. We are now, because we know from the last few years of our business that if we can convince people that what the *Times* does is different and worth paying for, in fact, they are that much more likely to pay. And that is working and I expect that we'll continue to do that. Over time, you could imagine us having to spend less money to do that, having the digital product and the journalism itself doing more of that work.

Unidentified Participant: It sort of turns the revenue optimization model on its head, partly because the revenue is still evolving and you can bring a lot of subscribers in a lot easier and digital is easier to scale. I think the other part of managing a digital business – which Netflix has been incredibly successful at, which is sort of their secret sauce – is managing churn.

Meredith Kopit Levien: Yes.

Unidentified Participant: And you talked about behaviors at the start, and you're learning about behaviors. And I'm sure a big part of that is the people who don't stay...

Meredith Kopit Levien: Yes.

Unidentified Participant: ...how are they behaving differently than the people who do? So, people that do...

Meredith Kopit Levien: It's such a basic answer. And I'll preface by saying I think churn has been a particularly good story over the last few years. There was real concern by everyone about what would happen to those half million people who came in right in the four or five months around the election of 2016, what would happen when we asked them to step up to twice as much in price on an annual basis, would they stay as people got used to Trump in office, and so forth.

And we lived through that moment quite well and the same way that we live through sort of all of these moments now, and that is simply to, like, actually get people to engage and form a habit around the journalism. So, we know what that looks like, and we are getting – I said before I still think we're at early days at it, but we are getting much better at intervening to get people to engage. So, we know how to onboard them better. We actually know – and again, like, still lots of room to get better, but we know how to get a little bit of investment of time from you, the reader, or the watcher or the listener upfront so that you tell us a little bit about what you're going to find valuable. You'll see us do that more aggressively in the coming months.

We know what role newsletters play in the life of the subscriber. And we're really clear that the most important thing we can possibly get you to do is just come back more days. So, if you – if we can get you to come more than once a week, you are much more likely to subscribe. And if we can get you to come five days a week, you're going to stay.

Unidentified Participant: Another part of this, you mentioned marketing a couple of times. Are there particular sort of marketing channels that are working better than others? Subscription services tend to get to the point where they sort of take the most effective or most efficient – depending on the particular goal – and they sort of spend until it stops working and then they go on to the next and spend. Is it more sophisticated than that? Or is it simply sort of just going channel by channel and seeing what works?

Meredith Kopit Levien: I think it's more – I think what you just described is absolutely part of it. You spend in a channel, and, increasingly, in a platform-dominated world you're spending in a relatively small number of channels. And you are sorting out pretty aggressively what works in those channels and optimizing up to a hurdle rate and stopping when you hit it.

I'll say a few things about that. We are a unique business in that we are also our own biggest and best channel, and I would say that is, like, the great opportunity at the *New York Times*, in two ways. In the way I said before, that before you spend a dime in marketing you already have 150 million people coming to the *New York Times* from Facebook, from Google, or typed in directly, or from another platform, and so forth. So, they are already sort of entering our funnel, and then it's up to us to get the product to work in a way that makes them form a relationship and ultimately pay and stay. And we're just at the beginning of doing that better.

But how does that relate to marketing spend? One of the reasons – I was on the ad side of the business for a long time, and you would go out and talk to any of these, like, direct-to-consumer digital businesses now, and their biggest worry is they're going to run out of population to target. At their efficiency, the curve, they're going to hit that point on the curve where there's literally nowhere else to market. But because we still have people coming directly to our product, we actually kind of have this constant flow of more people to market to.

So, I think both in the paid side of our business we have real running room and in the product side of the business. And they actually travel together, because of the nature of the *Times* business.

Unidentified Participant: That's interesting. I think the other aspect that comes into marketing is pricing.

Meredith Kopit Levien: Yes.

Unidentified Participant: And you're trying to drive growth. But you I imagine have different sort of measures of value. And so – it's interesting. We also went through a phase where consumers online weren't really used to price increases, often weren't used to paying anything. But now you're seeing a lot of different products – the video products, in particular – driving through price increases. How do you think about pricing and pricing power? And ultimately, over time, 10 million subs, are you going to create more value and price higher? Or is really the goal just driving subscribers?

Meredith Kopit Levien: "Yes, and," I would say. So, I'll say sort of broadly on pricing power, history would suggest that we have it. So, if you just look at our print product. If you get seven-day-a-week home delivery, now in many markets you're paying well over \$1,000 for that. We've taken that price up pretty substantially in the time that I've been at the *Times* and actually over – I'm looking at Roland, our CFO – over a very long period of time. So, there's real pricing power just in the brand.

I would say in digital we also believe we have pricing power, for a few reasons. One, we are sort of midstream in a series of tests trying to understand can we raise price so that if, in fact, we do want to use it as a lever we have it at our disposal to use. And that's, as I said, midstream. But thus far, we're pretty optimistic about that as a lever.

And then I would also say – and I think this is even more important and maybe a little bit different than where the entertainment business is and where the music business is – I think we are just at the beginning of being able to give value. And I think you're going to see us both in our core news product and in a broader *New York Times* bundle have a lot to add in terms of value.

In the core news product, if you assume now most of our use is happening on a phone, we are really not very good today at getting the full value of the judgment of the *New York Times*, the full value of the breadth of the *New York Times* to you on that phone. If you go to our app right now and you look at the first five stories, the top three or four are probably all about the same topic, and we've taken up a lot of screen space on that. And the three people sitting here in the front row or the second row are all going to get the same sort of home screen from us. So, just think about all the value we can unlock from a user if we can program based on the signals we have about their behavior and their activities, and think about all the value we can unlock if we just know a little bit more about them. So, we're just at the beginning of that.

We're also I think just at the beginning of what I said when I think about how we compete with an Apple News or even a Google News, just at the beginning of applying that layer of judgment. So, the story behind the story, how a story fits in context, the relative importance of one story to another – all those things that a newspaper did really well, but that I would say no digital news product – no mobile news product does really well today. And I think that's going to make us more valuable and make it easier to raise price.

And then, the last thing I'll just say is in the bundle we've got a crosswords and now broader games product with crosswords that it is the fourth largest newspaper subscription in America, for better or worse, and that's gone really well. The best channel for growth in crosswords is the "thank you" event when you've just bought a subscription

to the core products, and that shows you the power of a bundle. We've got a fast-growing cooking product. We just launched parenting, and so forth.

Unidentified Participant: The interesting thing when you mentioned mobile sort of strikes back to (inaudible) the younger generation who's consuming news for free online, doesn't necessarily appreciate quality news. They have to have their own filters because there's so much news that's lower quality coming through. How do you sort of convince and when you're looking out – it doesn't matter for next quarter, but when you're looking out for 10 million subs in 2025 you're going to have to convert some of these younger people into paying for news. Any thoughts on that?

Meredith Kopit Levien: A few things. I won't guess your age, but I'm Gen X. And I would say we're the generation – I'm guessing you are, too – that thought news was meant to be free on the internet. I don't think young people think that. We have all the evidence in the world to suggest they don't. They've come of age – if you were under 40, probably under 35, certainly under 30, you've come of age in a world where you pay for media that has value to you. You pay for music, you pay for entertainment, and you will pay for news. And we think the world is absolutely moving in that direction.

And then your other point – there's so much coming at them sort of for free – I think there's going to be less coming at them for free, because I think that the supply of sort of free journalism is under extreme economic pressure and I think that's going to have profound consequences.

And I also think – it goes back to my judgment point – like, what people want is relationships with companies and brands who are going to use their time well. And I think to a young person, to a millennial, or a Gen Z-er I think that is the value of the *New York Times*.

So, I think it gets easier as that population becomes a bigger part of our total addressable audience, not harder.

Unidentified Participant: So, two more questions, before we run out of time, on the subscriber trends. One is, you did have a one-year promotion that brought a lot of subscribers in. I think that starts coming up in August.

Meredith Kopit Levien: August 24, to be exact.

Unidentified Participant: August 24, probably 2:00 pm. Anything in particular about churn mitigation efforts that you're thinking about as that starts to approach?

Meredith Kopit Levien: I think I've said a lot of it already. But we feel pretty confident now, that in a way we've seen this movie before because we had that giant cohort of people who suddenly came in after the election of 2016 and got ourselves prepared through data science and target application of that data science and software and targeting and experimentation to say, how do we stimulate engagement when we don't think they're engaged? How do we message to them based on that engagement about what's going to happen to their price? And we sort of got all ready for that, and the reality was most people stepped up to full price.

So, that's not to say all these people will, but I would say we are exceedingly well prepared to treat them based on their levels of engagement and to bring them up in price and to message around that or to step them up where that's necessary. So, we're not

terribly worried about that. I would say we feel quite confident that we'll get through that moment as we've gotten through the prior ones.

Unidentified Participant: Now, if I do my math right, which is always a question mark, to get to your subscriber goal I think you have to have sort of another inflection point, sort of step up in the pace of growth relative to what you've been doing. And you've obviously talked a lot about initiatives to drive subscribers. Is that something that sort of – when would you expect that to happen? And what's it based on?

Meredith Kopit Levien: I don't want to challenge your math, but I will challenge the idea that it will be another sort of single point of inflection. I do think in the last couple of years what seemed like a bump has led to a sustained change in the public consciousness around quality journalism and also a sustained change in the ecosystem, both for worse and a little bit for better.

So, I don't actually think it's going to be – I would say to those of you who are sort of watching and thinking and building models, like, I wouldn't expect a single point of inflection. What I would expect and what I would be looking for is steady progress in three areas. One, kind of command of the levers of the customer journey and the path to subscription and the ability to intervene to move the drivers in our favor.

Two, to deliver on that value proposition which I've just said and to be able to do that more and more over time, where that layer of judgment is so present and readily accessible. And therefore, it is well understood in the product itself why to have a daily habit with us versus, say, a tech company or someone else for news.

And then, lastly, a sustained impact from all of the things that the *New York Times* is doing to prove to the world that we're different and worth paying for, which I would say our marketing does and "The Daily" does. And hopefully all of you spend Sunday night at 10:00 pm in front of FX watching "The Weekly," but that's what "The Weekly" does. And those are the things I'd be looking for.

Unidentified Participant: I think that – obviously, I wanted to spend our time, a lot of time walking through digital. I think something your investors want to hear more about is – you sort of dropped "The Daily" and crosswords and other growth initiatives. There's always a lot of questions coming in on how meaningful those will be and how many subscribers and how much revenue and how much cost. Anything you want to share on efforts like "The Daily" or the TV show being launched on FX or Hulu or any of the other growth initiatives that you know investors are always asking about?

Meredith Kopit Levien: Yes. I think I would say – I've now talked a lot about "The Daily." I'll say of "The Weekly," it's intended to do a similar thing, which is to actually show people the craft: take a single story at a time, go deep on it, show people how that story came to be, set it in context in the broader world, and do that in a highly visual and compelling and, dare I say, entertaining way, which I think will have a few effects. It will have the effect of bringing a new audience to our work. We were very deliberate. We could have gone a number of places. We were very deliberate in choosing FX. They've been a wonderful partner. But that's getting into many, many homes that the *New York Times* probably isn't already in.

It should have the effect of staking a different position in people's lives, taking more of their time. If we can get 30 more minutes a week from you, we think that is a really, really good thing.

And I think it has the effect of stoking people's curiosity about the world, and that ultimately sends them back to the *Times*.

And I guess I'll end by saying what is the sort of virtuous circle of quality journalism. To the degree that we're a digital business and one that has to have a flywheel, it sort of starts and ends with quality journalism. Quality journalism sort of begets an understanding that you're different and worth paying for, which begets more quality journalism.

Unidentified Participant: That makes sense. Anything that I missed that investors need to understand about the *New York Times*?

Meredith Kopit Levien: I would say just continue to watch for, on the point I just made, kind of first dollar going to that which genuinely does make us different and worth paying for.

Unidentified Participant: All right. I'm going to go sign up right now.

Meredith Kopit Levien: Okay. Very good.

Unidentified Participant: Thanks for being here, Meredith.

Meredith Kopit Levien: Thanks. This was lots of fun.