Web ad sales help New York Times Co. halt declines

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In this file photo made June 23, 2010, Arthur Sulzberger Jr., Chairman and Publisher of The New York Times, speaks during the New York Forum in New York. The New York Times Co. posted its first quarterly revenue growth since 2007 on Thursday, July 22, 2010, with a jump in online advertising revenue offsetting further declines in print.(AP Photo/Mark Lennihan, File)

(AP) -- The New York Times Co. has managed to steady itself after more than two years of watching its main source of revenue - newspaper advertising - drop at an alarming rate.

And it has done so at least in part by tapping a force that has contributed much to its decline: the Web.

Second-quarter results, released Thursday, showed the Times Co.'s advertising revenue finally stopped falling as a 21 percent jump in digital ad sales canceled a 6 percent decline in print. Overall revenue grew about 1 percent because of subscription and newsstand price increases at the flagship newspaper and The Boston Globe, one of 16 other dailies the company owns.

It was the company's first revenue gain since 2007. And CEO Janet Robinson said the company expects the same advertising trends to continue in the third quarter.

That is not to say the Times Co. or the newspaper industry as a whole is in great shape. Print advertising still accounts for nearly three quarters of the company's total ad revenue, and it is still sliding. Overall ad revenue at the Globe and the Times Co.'s smaller regional dailies continued to fall in the second quarter.

Still, an increase in revenue from NYTimes.com and other websites could help give the Times Co. some breathing room as it experiments with new initiatives such as mobile applications on smart phones and fees for reading news online.

"Digital really kicked in, and it's big enough now to really matter," Benchmark Co. analyst Edward Atorino said. "They've put a lot of muscle behind NYTimes.com, and it's paying off."

The results gave Times Co. shares a modest boost Thursday. The stock closed up 11 cents, or 1.2 percent, to $9.16.

The company reported an 18 percent drop in net income compared with a year ago, when it recorded a big one-time tax gain. It earned $32 million, or 21 cents per share, in the latest quarter, down from $39.1 million, or 27 cents per share. Excluding one-time items, the company said earnings more than doubled to 18 cents per share from 8 cents.

Revenue climbed 1.2 percent to $590 million, from $582.7 million, and was still far below the $789 million it booked in the same quarter of 2007. Operating expenses fell 4.3 percent to $528.8 million, from $552.4 million.

Online ad revenue jumped 21 percent to more than $80 million, while print advertising declined 6 percent to nearly $235 million.

Even a small increase in revenue is a significant milestone for the Times Co.

Like other publishers, the Times Co. has suffered over the past two years as the recession forced cutbacks in ad spending. At the same time, more ad dollars have moved to the Web, where fierce competition keeps ad prices at just a fraction of what they are in print.

The second quarter was the first in which the Times Co. was able to make enough money online to offset print declines.

That could help the company avoid the kind of painful cost cutting that it resorted to during the recession. It slashed about 18 percent of its work force last year.

Still, the Times Co. was able to report flat ad revenue only by including ad sales from the About Group, standalone websites the company acquired in 2005. The News Media Group, which includes the newspapers and its websites, saw ad revenue decline 2.3 percent.

And an uneven performance across the company's newspapers suggests that the digital tide might not lift every boat.

Overall ad revenue at the flagship newspaper, the International Herald Tribune and their websites climbed 1 percent. But ad revenue at the New England Media Group, which includes the Globe and the Telegram & Gazette of Worcester, Mass., dropped 9 percent. The Regional Media Group, consisting of 14 smaller dailies, saw ad revenue fall 7 percent.

Results from newspaper companies with a bigger footprint in local markets show online ad sales haven't completely offset print declines either.

Gannett Co., publisher of USA Today and more than 80 other daily newspapers, reported last week that cost cutting helped boost earnings. But a 5.7 percent ad decline in its publishing division resulted in an overall revenue drop of 1.6 percent.

The same was true at Lee Enterprises Inc., publisher of the St. Louis Post-Dispatch and other newspapers. Overall revenue slipped 3.6 percent, while cost-cutting helped produce a $10 million profit.

The Times Co. sounded a few cautious notes about how third-quarter results are likely to shape up.

Robinson said the company expects an uptick in expenses from the same quarter last year, in part because of spending on new technology for charging readers of NYTimes.com, as the company plans to do early next year.

The company also expects a small decline in circulation revenue after a 3.2 percent increase in the second quarter. That's because it imposed price increases last summer, so it won't see any change in the third quarter from the year before.