

Liberty Media gives up stake in Diller's IAC

December 2 2010, By BARBARA ORTUTAY , AP Technology Writer

(AP) -- Barry Diller and John Malone, two media moguls whose partnerships over the past 17 years have been rocky at times, are cutting more of their business ties as Malone's Liberty Media sheds its voting stake in Diller's IAC/InteractiveCorp.

Diller, 68, is also stepping down as CEO of IAC/[InterActiveCorp](#), though he will stay on as chairman and likely increase his ownership stake in the [Internet company](#). His replacement is Greg Blatt, 42, who has been with IAC since 2003 and most recently served as CEO of the online dating site Match.com.

[Liberty Media](#) Corp. gave up its 60 percent voting stake in IAC for \$220 million in cash and IAC's Evite and Gifts.com businesses, which are small but profitable.

"These last 17 years of my association with John Malone and Liberty Media have been a great, and occasionally, wild ride," Diller said in a statement Thursday.

He said Liberty's exit from IAC is a "turning point. He also thanked Malone for his support over the years and called "one brief period of mutual discontent" an aberration.

That was in 2008, when Liberty sued IAC after IAC split into five publicly traded companies. Malone had resisted the [spinoff](#) because the new companies' voting structure diluted Liberty's power. Liberty later dropped the fight after a judge sided with Diller.

More recently, Diller sold nearly all of his shares in Live Nation Entertainment Inc., the company he helped create through the merger of Live Nation and Ticketmaster. He had resigned as chairman of the combined company after a boardroom power struggle with Malone.

"It seems that if one of these moguls can't control their own investment, they tend to liquidate the investment," said Wedbush Morgan analyst Kerry Rice.

Rice said Diller's exit from the CEO post shouldn't have a huge effect on IAC, given that he is staying on as chairman and will continue to own a large stake in the company. The change could even appeal to IAC investors, who've assigned a "Diller discount" to the company's shares, he added, amid concerns that the media titan would use IAC's large cash hoard to make a large acquisition that wouldn't complement the company's current portfolio.

As part of the deal, Diller exchanged about 4.3 million IAC shares he held for 4.3 million shares of Class B shares in IAC that Liberty had held. These Class B shares hold a higher voting power than IAC's common shares - 10 votes per share.

This gives him ownership of about 34 percent of the votes of IAC's shares, the largest voting stake in the company. He also has the option to increase the voting stake to 41 percent in the next nine months.

Diller had previously controlled 61 percent of the vote, but that's because he also had the power to vote the shares Liberty owned.

Though Liberty's exit from IAC is a big step, Diller and Malone are not severing all their business dealings. Diller is the chairman of Expedia, in which Liberty owns a large stake, and he said the two will continue their association as "significant shareholders" in the companies that have been

spun off from IAC.

Shares of New York-based IAC rose 82 cents, or 2.8 percent, to \$29.54 in late morning trading Thursday. Earlier, the stock hit a 52-week high of \$29.70.

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Citation: Liberty Media gives up stake in Diller's IAC (2010, December 2) retrieved 12 May 2024 from <https://phys.org/news/2010-12-liberty-media-stake-diller-iac.html>

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