

News Corp. confirms it's considering split in 2

June 26 2012

(AP) — Under pressure to limit contagion from the British phone hacking scandal, Rupert Murdoch's News Corp. confirmed Tuesday that it is considering splitting into two publicly traded companies.

The media conglomerate did not specify Tuesday which businesses each company would contain.

The Wall Street Journal, [News Corp.](#)'s flagship newspaper, reported late Monday that the company is considering the separation of the newspaper and book publishing businesses from the entertainment arm, which includes Fox News Channel, broadcast TV network and 20th Century Fox movie studio.

British investigators have been probing allegations that News Corp.'s U.K. newspaper journalists hacked into phones and bribed public officials in the hunt for scoops. The probe has caused the company to abandon its bid for full control of satellite TV firm British Sky Broadcasting and put its broadcast license under regulatory scrutiny.

Bernstein analyst Todd Juenger said in a research note the split would allow the company to invest more in the growing entertainment field "without the baggage of publishing."

Markets welcomed the news. News Corp. shares rose \$1.26, or 6.3 percent, to \$21.34 in morning trading, touching a new 52-week high.

A former News Corp. executive familiar with internal company deliberations says such a split has been talked about for years, although discussions gained new momentum in the wake of the phone hacking scandal which erupted last July.

The split would allow Murdoch to keep control of his prized publishing operations through his voting shares while pleasing investors who have viewed the newspapers as a drag on the more profitable TV businesses. The Murdoch family controls about 40 percent of News Corp.'s voting shares.

The former executive, who spoke on condition of anonymity in order to speak candidly about internal [company](#) deliberations, said no final decision has been made.

News Corp.'s entertainment businesses accounted for about 75 percent of the company's revenue and nearly all of the operating profit in the first nine months of the fiscal year.

Evercore Partners analyst Alan Gould said the publishing assets could be worth about \$5 billion. Without them, he estimated revenue growth of the bigger TV and movie entity would nearly double to about 7 percent a year.

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