

UK's Pearson invests in Barnes & Noble's Nook (Update)

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(AP)—Pearson, the U.K. publisher and education company, is to take a 5 percent stake in Barnes & Noble's NOOK e-reader as technology companies seek new inroads into the potentially lucrative business of digital textbooks for schools.

Pearson PLC will pay \$89.5 million cash for a 5 percent stake in NOOK Media LLC which includes the bookseller's e-reader and tablets, its digital bookstore and its 674 stores serving U.S. colleges. Barnes & Noble will hold 78.2 percent of the business and Microsoft will have about 16.8 percent, the company said Friday.

Major tech companies have looked for inroads into the industry, seeing tablets like the iPad and the NOOK as replacements for the dozens of books that students must lug to and from school each day.

Walter Isaacson in his biography of Steve Jobs wrote about meetings between the co-founder of Apple Inc. and major publishers to accomplish just that before his death last year.

Janney Capital Markets described the tie-up between Pearson and Barnes & Noble as an "online education dream team."

"After this investment from Pearson, it is more clear that Nook Media has its sight set on transforming the way education is administered in the U.S. and around the world," analyst David Strasser wrote.

Pearson is the largest higher educational publisher in the world and the largest in kindergarten-through-high school publisher in the United States, Janney said. The company, which also owns the Financial Times and whose Penguin book brand is in the process of being merged with Random House, reported that its textbooks and training made 1.9 billion pounds (\$3 billion) in revenue the first six months of 2012.

Will Ethridge, CEO of Pearson North America, says his company had worked with Barnes & Noble for decades and have invested heavily in providing engaging and effective digital reading experiences.

"It is another example of our strategy of making our content and services broadly available to students and faculty through a wide range of distribution partners," Ethridge said.

Barnes & Noble Inc. has invested heavily in the Nook e-reader. It has faced tough competition from online retailers like Amazon.com and discount stores, with shoppers moving away from traditional books in favor of electronic books.

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