News Corp profit drops; results top Wall Street (Update)

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In this Oct. 12, 2011 file photo, people walk in front of the News Corporation building in New York. News Corp. reports quarterly earnings on Thursday, May 8, 2014. (AP Photo/Kathy Willens, File)

News Corp.'s net income fell in its fiscal third quarter, but its results beat Wall Street expectations due to better book publishing thanks to thriving sales of the "Divergent" series, which was launched as a movie in March.

The lift from books underlined News Corp.'s announcement last week that it would purchase romance fiction publisher Harlequin Enterprises for $415 million from Canada's Torstar Corp.

Chief Executive Robert Thomson told analysts on a conference call that there's "no doubt that book publishing is transitioning successfully to digital" and said Harlequin's international presence in 34 languages will help its HarperCollins division, which primarily publishes in English.

News Corp. also reported gains in its Australian real estate website division, which blunted a steep decline in its newspaper business, where revenue fell 9 percent. The company's flagship publication is The Wall Street Journal. Australian newspapers caused most of the decline, as double-digit percentage advertising revenue declines were worsened by currency fluctuations.

Net income in the quarter through March came to $48 million, or 8 cents per share, down from $323 million, or 56 cents per share, a year ago. Last year, News Corp. booked a gain on the sale of its stake in New Zealand pay TV operator Sky Network.

Excluding that and other items, adjusted earnings fell 2 cents to 11 cents per share. Analysts polled by FactSet predicted 2 cents per share.

Revenue fell 5 percent to $2.08 billion, still above the $2.07 billion expected.

New York-based News Corp., which is controlled by Rupert Murdoch, saw its shares rise 35 cents, or 2.1 percent, to $17.46 in after-hours trading following the release of results. Earlier they closed up 3 cents at $17.11 in the regular session.

Douglas Arthur, an analyst with investment banking adviser Evercore, said in a research note the results showed a "significant upside surprise" for the second quarter in a row despite the drag of Australian newspapers. He called the current fiscal year "a year of transition" as the company operates on its own after splitting off from the more profitable TV and movie assets held by Twenty-First Century Fox Inc. last year.