GLOBAL focus

International Mergers

in practice In July 2005, Australian-based media giant News Corp launched a series of acquisitions involving U.S. assets. The first was a $580 million buyout of Intermix Media, owner of Myspace.com, the fifth most viewed Internet domain in the United States at the time. Rupert Murdoch, the media mogul running News Corp, calculated that the Myspace networking site would drive traffic to his Fox TV sites.

Murdoch's next purchase came in September 2006, when News Corp acquired, from Verisign, a majority stake in Jamba, which runs Jamster, a download service for such commodities as ring tones and screen "wallpapers." News Corp's intent was to hardwire Fox's presence in the entire content life-cycle, from creation, through production, to delivery on your cell phone screen. It already had a mobile content provider, Mobizzo, launched in June 2005 under the Fox Mobile Entertainment division. Among the things Mobizzo was designed to offer were 1-minute episodes derived from Fox properties such as its *American Idol* franchise.

In May 2007, News Corp set its sight on a new target, Dow Jones, publisher of *The Wall Street Journal* and *Barron's* and the owner of other financial news and content assets including the Dow Jones Newswires, the financial website MarketWatch, and several stock market indicators (for example, the Dow Jones Industrial Average). Murdoch's News Corp bid $5 billion for Dow Jones but faced resistance from members of the Bancroft family—descendents of Clarence Barron, the "father of financial journalism"—which controls more than 50 percent of the voting power in the company. The News Corp bid was remarkable for its premium, which would value Dow Jones at more than double its trading value prior to the bid.

International mergers, such as the ones pursued by News Corp, are not as easy to execute as domestic mergers. Complicating matters are multiple legal and regulatory regimes, cultural differences, and complex timing requirements involving simultaneously closing the deal in multiple jurisdictions. Further complications may arise from a potential distrust of employees or owners from another country. In the Dow Jones case, the Dow Jones board and the Bancroft family sought to negotiate some level of independence for the *Journal* so that it may remain free of corporate interference.

Ultimately, Rupert Murdoch would have his way. On December 13, 2007, News Corp announced the completion of its acquisition of Dow Jones. The terms of the merger agreement provided that each share of Dow Jones common stock was entitled to receive, at the election of the holder, either $60.00 in cash or 2.8681 share of Class B common units of Ruby Newco LLC, a wholly owned subsidiary of News Corp. Ruby Newco Class B common units are convertible after a period of time into a share of News Corp Class A common stock. On completion of the merger, Dow Jones became a wholly owned subsidiary of Ruby Newco and Natalie Bancroft was appointed to the Company's Board of Directors.

▶ *If you had been a shareholder of Dow Jones, what trade-offs would you have considered when deciding whether to take the $60.00 per share or the shares in Ruby Newco?*

LG 5 18.4 Business Failure Fundamentals

A business failure is an unfortunate circumstance. Although the majority of firms that fail do so within the first year or two of life, other firms grow, mature, and fail much later. The failure of a business can be viewed in a number of ways and can result from one or more causes.

TYPES OF BUSINESS FAILURE

A firm may fail because its *returns are negative or low.* A firm that consistently reports operating losses will probably experience a decline in market value. If the firm fails to earn a return that is greater than its cost of capital, it can be viewed as having failed. Negative or low returns, unless remedied, are likely to result eventually in one of the following more serious types of failure.