

Pearson plunges on profit warning and Penguin sale

LONDON: Shares in UK publisher Pearson plunged up to 28 percent on Wednesday after it issued a profit warning and said it would sell holdings in Penguin Random House, a joint venture with German media company Bertelsmann.



"The challenges we have faced during 2016 mean we begin 2017 with a base level of underlying profitability that is around £180m lower than we had expected," Pearson said in a statement.

"Our preliminary guidance range is for operating profit in 2017 of £570-630m" -- up to 19 percent short of the £702m average forecast from analysts surveyed by Bloomberg.

The stock had lost 27.4 percent around 1100 GMT, its worst-ever fall, trading at 587 pence on the London Stock Exchange.

Pearson chief executive John Fallon told reporters on a conference call that the firm was facing a "challenging transition", Bloomberg News reported, as its US college textbook business faces declines in line with university enrolments.

The publisher is largely dependent on the education market, after it shed the Financial Times newspaper and half of the Economist Group in 2015.

No stranger to headwinds, Pearson announced 4,000 job cuts -- 10 percent of its workforce -- early last year.

Pearson also said it would exercise a sell option on its 47-percent stake in Penguin Random House, created in 2013 by combining its Penguin imprint with Bertelsmann's Random House.

"We intend to issue an exit notice," the Pearson statement said, "with a view to selling our stake or recapitalising the

business and extracting a dividend."

In its own statement, Bertelsmann said Wednesday it would be "open" to buying up Pearson's share in the group.

"We are open to increasing our stake in Penguin Random House, provided the financial terms are fair," said Bertelsmann chief executive Thomas Rabe.

"This would not only strengthen one of our most important content businesses, it would also once further strengthen our presence in the United States, our second largest market," he went on.

Penguin Random House was "the clear number one in the publishing industry" Rabe said, with sales of around 3.7bn euros (\$4.0bn) in 2015.

As well as publishing, the private media group Bertelsmann owns TV channels RTL and M6 as well as a stable of magazines.

Source: AFP

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