

Pearson Considers Selling its Stake in Penguin Random House

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On January 18, 2017, the British multinational Pearson PLC informed its intention to [drop](#) its 47% share in Penguin Random House - PRH. This announcement occurs only three years after the biggest merger of publishing companies, which currently is responsible for 25% of the worldwide sale of books.

In July 2013, Pearson, the controller of Penguin and Bertelsmann, the owner of Random House reached an agreement in which the German stakeholder would keep 53% and its British counterpart would own the remaining 47% of the resulting company, PRH. When the merger occurred, the companies together had more than 10,000 employees and near to \$4 billion in annual revenues. At that time, Pearson's chief executive John Fallon said that PRH would have a "strong platform for continued creative and commercial success in a rapidly changing consumer publishing industry". Further, Random House's chairman and chief executive Markus Dohle explained that one of the ends of the merger was to "crack the code of discoverability", in reference to the knowledge of both companies on how to bring books to the buyers, and how to face the challenges of new competitors of the publishing industry such as Kindle / Amazon.

Nevertheless, Pearson's announcement foretells the end of the joint venture. Bertelsmann will likely increase [its share up to 75%](#), pursuant to its right to first refusal. The remaining stock be acquired by private equity.

Opinion about the effect of the buy-out of the stock are divided. Some authors, editors and literary agents fear that the consolidation of Bertelsmann will diminish the titles published and the variety of the literary content. Also, staff members on the Penguin side have worries about the consequences of the consolidation on employment. Others such as literary agent Jane Gregory of Gregory and Company, don't foresee immediate changes for authors. Bertelsmann's CEO Thomas Rabe indicated that if they choose to purchase Pearson's stake, they would guarantee business' development and the independence of publishers.

It is speculated that Pearson considered the sale, because of a decrease in the profits. The sale would help to strengthen Pearson's financial statements. This is because its education business will reflect the biggest loss in its history.

The price of Pearson's stock in PRH is estimated at \$1.5 billion. The negotiations who include, among others, Nobel laureate Alice Munro, and best sellers John Grisham and Paula Hawkins, will likely take several months.