

Pearson to merge Penguin with Bertelsmann's Random House

Pearson Plc. would be combining its Penguin publishing unit with Bertelsmann's Random House to create the largest book publisher across UK and USA. The joint venture will be named Penguin Random House and will be headquartered in New York. Germany based Bertelsmann group, closely held by the Mohn family, will own 53% in the joint venture, while Pearson will hold the remaining stake. In recent years book publishers have witnessed a drop in sales and electronic books have made authors more powerful in choosing where to publish their work. Publishers are therefore attempting to consolidate and bring their costs down.

With a combined market share of 26% in UK and 29% in USA, the proposed joint venture would be the largest publisher in these two markets. In terms of size, the venture will lead the competition with a wide margin. It will be more than three times bigger than HarperCollins, the nearest competitor in USA and more than twice as large as their follower in UK, the Hachette Group. According to their agreement, Bertelsmann would have the right of first refusal in case Pearson decides to sell its stake in future. The joint venture's board would have four directors nominated by Pearson, whereas Bertelsmann will nominate five directors.

Source: Bloomberg News Service, October 29, 2012