

Mossberg's Investor Digest

Best Idea Profile:

News Corporation (NASDAQ:NWSA)

DESCRIPTION:

In July 2013 the media giant News Corporation separated its business into two individual companies: 21st Century Fox and the new News Corporation. The premier entertainment and media assets exited with Fox and the less attractive news and information services assets remained with the new News Corporation. Its news and information services segment generates the majority of earnings and represents more than three-quarters of revenue. It includes News International (U.K.), News Limited (Australia), Dow Jones (*The Wall Street Journal* and *Barron's*), and The New York Post. Book publishing operates HarperCollins, which is the second largest English language consumer publisher. The television and media segment operates the largest sports broadcaster in Australia. The company is also rapidly growing its digital education business. News Corporation is based in New York City.

KEY INVESTMENT CONSIDERATIONS:

Hidden Assets – In the spin-off, News Corporation received 50% interest in Foxtel, the practically monopolistic pay TV distributor in Australia, offering satellite and cable to customers. It is rapidly growing and taking market share and, most interestingly, is not consolidated into NWSA's financial results.

Underappreciated Spin-off – NWSA is not getting the media and investor attention that 21st Century Fox (NASDAQ:FOX) receives for a variety of reasons. Investors are turned off by what looks like old-school media business. However, only 1/2 of revenue come from non-advertising sales and this percentage will decline as the premium content and iconic brands go more digitized and globalized. Second, NWSA is under the radar because its value metrics based on traditional measures such as P/E are unattractive, yet not particularly relevant. Additionally, NWSA has almost \$4/share sitting in cash. Rupert Murdoch has been in the middle of scandal and controversy, which also scares off investors.

Midas Touch – Ok, so Executive Chairman Rupert Murdoch hasn't turned everything to gold, but he has a well deserved reputation as a value creator. And his involvement in controversy over phone hacking in the U.K. opens the door for investor opportunity. Murdoch is committed, operationally and financially, to the success of News Corp. He is back to his roots in Australia and controls a substantial number of the voting shares. He stated it has "some of the most extraordinary and

brilliant brands in the world" that are "undervalued and...underdeveloped."

Growth – The secular decline in print media forces News Corp. to move increasingly to providing digital multi-platform news. This effort continues and its success will substantially impact its future growth. It is important to note that *The Wall Street Journal* actually grew circulation revenue over the last decade. In Australia, News Corp. is the premier media franchiser with businesses that are growing rapidly. It owns Fox Sports Australia, which dominates the cable sports market in Australia, with little threat of competition or piracy issues. It has almost two-thirds share of REA Group, which is a dominant force in online real estate classifieds in Australia. This business is expanding into Hong Kong and Italy. NWSA's current geographic spread of revenues is 36% in Australia, 41% in U.S. and Canada and 21% in Europe, primarily the U.K.

VALUATION:

News Corporation is a compelling investment with hidden assets, assets that may be wrongly viewed as obsolete, lots of cash, no debt, and a proven leader. And you get all of that for substantially less than book value. Investors may benefit from the market's general view of News Corporation as simply an unattractive print newspaper business.

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Investment Data (as of 1/21/14)

Recent Price	\$16.76
52-Week Range	\$14.39 - \$18.17
Fiscal Year End	Jun 30
Dividend	NA
Yield	NA
Shares Outstanding	579 M
Average Trading Volume (3 mos)	3.8 M
Market Capitalization	\$9.7 B
Cash	\$2.7 B
Long-term Debt	0
Enterprise Value (EV)	\$7.2 B
Book Value per share	\$22.15
TTM Revenue	\$8.8 B
P/ Revenue	1.1 x
TTM EPS	\$1.08
P/ EPS	15.5 x
TTM EBITDA	\$618 M
EV/ EBITDA	11.7 x

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