

From: Stephen Jones (NSW)
Sent: Thursday, 9 February 2012 1:38 PM
To: DL - Media Ownership Diversity
Subject: rumours on Lachlan's return in today's crikey.... [SEC=UNCLASSIFIED]

Relevant part highlighted in yellow below...

5. Tweeting Rupert skips earnings grilling from analysts, hacks

[Stephen Mayne writes:](#)

CHASE CAREY, DAVID DEVOE, KIM WILLIAMS, LACHLAN MURDOCH, NEWS CORP, NEWS LTD, NEWS OF THE WORLD HACKING SCANDAL, RUPERT MURDOCH

For the second straight quarter, News Corporation's executive chairman and controlling shareholder Rupert Murdoch skipped the [quarterly earnings call](#) with analysts and journalists this morning.

In what was quite a lacklustre [52-minute discussion](#) starting at 8.30am, COO Chase Carey and CFO David DeVoe seemed cautious in allowing too much extra information to seep out.

The [results themselves](#) saw a solid 16% gain in operating profit to \$US1.5 billion for the December quarter. The bottom line jumped from \$US642 million to \$US1.05 billion and these are real profits as the quarterly tax bill jumped from \$US190 million to \$US373 million.

After a one-off restructuring charge of \$US91 related to the hacking scandal in the September quarter, News Corp backed up with another \$US87 million one-off charge in the December quarter.

On top of this \$188 million hit for the half year, DeVoe warned that operating profits from the British newspapers would be down \$US150 million in the 2011-12 financial year, with the biggest factor being the last income from the *News of The World* against a high fixed-cost base.

News Corp has recently built the biggest print facility in Europe, but it now only services three newspapers rather than four.

Former *News of The World* chief reporter Neville Thurlbeck has been [blogging about why](#) News Corp's UK newspaper division is stuffed because *The Times* and *The Sunday Times* lose about \$100 million a year and *The Sun*'s operating model has been destroyed by a sudden obsession with ethics.

While the 60 payouts -- including another nine settlements overnight -- have been getting all the headlines, DeVoe said about 85% of the one-off costs related to "professional fees". In other words, News Corp is funding a massive lawyers' picnic.

Investors were told that News Limited's Australian newspaper business is headed for a "significant decline" in 2011-12, which is why Carey said the management had been changed ahead of a significant restructuring program.

While the world's biggest and most powerful newspaper empire is suffering a world of pain in the print business, television, pay-TV and film continue to perform strongly.

For all the headlines about phone hacking, News Corp shares have jumped 15% over the past three months and it is now a \$US52 billion with net debt of only \$US6 billion. Then again, Apple is capitalised at \$US437 billion.

News Corp shares have been helped by a \$US2.7 billion buyback, but Carey was right to say the balance sheet would remain "overly liquid" once the \$US5 billion buyback of non-voting stock was completed.

And with the Murdochs carrying no debt on their \$US7 billion stake -- plus holding external assets estimated at about \$2 billion, the world's most powerful family remain in rude financial health, albeit with a battered reputation.

After about a dozen analysts asked questions over 25 minutes this morning, the media were given less than 10 minutes. The speaking order was Bloomberg, *The Wall Street Journal*, *The Financial Times*, Reuters, Associated Press and finally Peter Ryan from the ABC who got nothing out of DeVoe after asking how the hacking settlement process worked.

The moderator asked for a seventh and final question but none were forthcoming, which does not reflect well on Fairfax and News Ltd, which both declined to participate.

And with that, we were done. The market digested all that was said and sent News Corp's voting shares 11c higher to \$18.85 in morning trade.

With Rupert exempting himself from official business, News Corp followers will have to look to his [Twitter account](#) for thoughts from the great man about the greenie-captured Gillard, the likelihood of Israel bombing Iran, Mitt Romney's devastating tax problems, the disaster of the euro and why all Europeans should become German.

Rupert's [last tweet](#) was at about 7am AEST yesterday when he declared: "I have nothing to do with Sky News." And it was a real shame he certainly had nothing to do with today's News Corp earnings conference call.

The most relevant question for Rupert today came from a Reuters correspondent who asked when Lachlan Murdoch would return to the Australian business. Carey simply said that Rupert has publicly endorsed such a move but that "right now there are no plans to announce".

Lachlan was seen mingling with News Ltd's new CEO Kim Williams at the 103rd birthday for Dame Elisabeth Murdoch in Melbourne last night.

While Rupert didn't find time for a tweet for his mum's birthday, 63 Murdoch family members turned out after Melbourne City Council voted unanimously in December to make her the first Freewoman of the City. This is the highest honour a council can give and there have only previously been nine Freeman, the last being Nelson Mandela 22 years ago.

The other particularly pertinent issue for Rupert on the [conference call](#) relates to his current obsession with education. A puzzled analyst asked what's it all about and DeVoe admitted education losses would exceed \$US75 million this financial year.

Joel Klein, the man who transformed public education in New York and was hired to build News Corp's global education offering, has instead found himself totally consumed by the phone-hacking scandal.

Send your tips to boss@crikey.com.au or submit them anonymously [here](#).

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