Murdoch Talking With Yahoo About Swap for MySpace

Web Portal Wants Social-Networking Site

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News Corp.’s Rupert Murdoch has been discussing a deal to swap his MySpace social-networking site with Yahoo for a one-quarter stake in the Internet-portal company, even as he pursues his $5 billion offer for Dow Jones.

The talks with Yahoo are preliminary and began before chief executive Terry S. Semel resigned Monday, said a source familiar with the situation who spoke on condition of anonymity because the discussion is ongoing. It is unclear whether the talks will move forward under Semel's successor, Jerry Yang.

Yahoo declined to comment. The talks were reported in today's Times of London, which is owned by News Corp.

MySpace is the Internet's most popular social-networking site, claiming more than 100 million users. Yahoo has been trying to break into social networking and made a run at Facebook last year, without success.

Murdoch bought MySpace and a group of other online properties in summer 2005 for $650 million. Yahoo was valued at about $37 billion yesterday.

Yahoo has been struggling recently. Despite its popularity as one of the Internet's top destinations, it has been unable to convert that traffic into share value. In 2004, for example, the company hired former ABC executive Lloyd Braun to head its media unit in an attempt to convert itself from a Web portal into a broadcaster. Braun never achieved significant success and left Yahoo in December.

Yahoo stock traded at more than $42 a share as recently as January 2006; it closed yesterday at $27.63, down 49 cents.

By trading MySpace to Yahoo, Murdoch would lose total control of the site but would gain access to Yahoo's much larger audience,
which averages 100 million unique users a month, according to Nielsen/NetRatings.

Meanwhile, Murdoch continues his efforts to buy Dow Jones and its crown jewel, the Wall Street Journal. Dow Jones's board of directors is scheduled to meet today.

Murdoch has said he wants to protect the Journal's editorial independence while integrating the paper into his media empire, which includes Fox and the New York Post, and distributing its journalism around the world. His company plans to start a Fox business news channel later this year to rival CNBC.

Some members of the Bancroft family, which controls Dow Jones, have been leery of Murdoch owning the Journal. The family is working on a proposed structure for an editorial board that it thinks would prevent Murdoch from meddling and plans to deliver the proposal to him in coming days.

At the same time, some family members have hoped for a rival bidder they would find more palatable than Murdoch. So far, Murdoch's offer of $60 per share has discouraged potential bidders, but last week Pearson of Britain, owner of the Financial Times, began shopping for partners for a potential bid for Dow Jones.

Pearson chief executive Marjorie Scardino has approached a number of companies, including NBC Universal, owned by General Electric, to partner in a bid for Dow Jones. In addition to the Financial Times, Britain's version of the Wall Street Journal, Pearson owns a number of finance-related businesses that it thinks could match well with Dow Jones's other properties. Pearson, however, probably would need a partner, or partners, to make a competitive bid. Pearson declined to comment yesterday.

Meanwhile, NBC Universal chief executive Jeff Zucker is in Britain, but not to speak with Pearson executives, said a source close to the matter who spoke on condition of anonymity. Zucker and other NBC executives are attending a long-scheduled meeting with company employees there, similar to the annual company get-togethers that former chief executive Robert C. Wright held. NBC declined to comment yesterday.

GE's talks with Pearson are exploratory only, and could end at any time, those close to the situation said.

The emergence of potential bidders besides Murdoch has created much chatter, if not deals, among media moguls.

For example, GE informally approached Barry Diller's InterActiveCorp, a media holding company that includes such businesses as Match.com and Ticketmaster, about partnering with Pearson.

Then on Sunday, Diller lunched with Murdoch along the French Mediterranean coast, where both were vacationing. Diller, a director of The Washington Post Co., characterized the lunch as social.