



Alibaba Agrees to Purchase Hong Kong's South China Morning Post

By Bloomberg News

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Alibaba Group Holding Ltd., the e-commerce giant headed by billionaire Jack Ma, agreed to buy Hong Kong's South China Morning Post and other affiliated media assets as the Internet tycoon follows in the footsteps of Jeff Bezos in pursuing the revival of a century-old newspaper.

Though financial terms weren't disclosed, Alibaba said in a statement on Friday that the purchase will include the flagship newspaper and other related businesses including magazine and recruitment. The Chinese company also said it will scrap the publication's Internet pay wall and that editorial decisions will be made "in the newsroom, not in the corporate boardroom."

The SCMP, once the envy of the industry in terms of profitability, has in recent years joined other mastheads in struggling to attract advertisers amid the rise of free publications online. Control of the city's premier English-language broadsheet has been unchanged since media magnate Rupert Murdoch sold most of his stake to Malaysian billionaire Robert Kuok in 1993.

“Jack Ma is such an innovative and visionary figure that the future of the South China Morning Post under his control may actually be somewhat brighter,” said Peter Schloss, managing partner of CastleHill Partners LLC, a Beijing-based advisory and investment company. “Robert Kuok has lost interest in it. Jack would come in and invigorate it to move it firmly in the digital space.”

For Alibaba, the purchase of the publication would raise the profile of its growing media empire. In June, Alibaba announced the purchase of a stake in one of China’s most influential business media companies and months later, helped set up a media and entertainment company called CMC Holdings.

Alibaba’s U.S.-traded shares slumped, along with the broader markets. The stock fell 3.7 percent to \$81.17 at 9:42 a.m. in New York, as the Standard & Poor’s 500 dropped 1.1 percent.

Media Empire

It’s not just news. In November, Alibaba agreed to buy video service Youku Tudou Inc. to stream more content to Chinese Internet users through control of the YouTube-like site, and also invested in Paramount Pictures’ latest “Mission Impossible” movie through its Alibaba Pictures Group unit.

Alibaba’s Ma also follows Amazon.com Inc.’s Bezos -- who bought the Washington Post in 2013 -- among Internet tycoons snapping up storied brands at a time printed media struggles to compete with Web-based competitors for advertising. Chris Hughes, one of the co-founders of Facebook Inc., bought a majority stake in the New Republic magazine in 2012. Axel Springer SE, the German media company led by Mathias Doepfner, bid for the Financial Times earlier this year, which was sold to Japan’s Nikkei Inc. for \$1.3 billion.

Back at the SCMP, the sale gives the 112-year-old newspaper an owner armed with more than 100 billion yuan (\$15.5 billion) in cash and investments.

SCMP Group, the paper's listed parent, has seen three years of profit declines and had it not been for some extraordinary gains, its latest semiannual profit would have plunged more than 40 percent.

Alibaba is taking on the media business, which includes the newspaper and magazine publishing operations that generate more than 90 percent of the SCMP Group's revenue and about 65 percent of adjusted operating profits. Besides newspapers and magazines, the SCMP also has a business segment that leases out various real estate properties.

Still, given the newspaper's influence, the deal may have implications beyond just profits and sales.

"Jack Ma would view an acquisition of the South China Morning Post as a national service," Schloss said. "He'd be doing the central government a favor by ensuring that the South China Morning Post is in friendly hands."

SCMP Group has been suspended from trading since February 2013 after the company failed to have at least 25 percent of shares held by minority investors, the minimum proportion required for a company to trade its shares in Hong Kong.