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The Scholarly Publishing Scene — Publisher Ownership and Share Prices

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Sometime before I left **Wiley** in 1990 (I'm not sure of the exact time frame after all these years), **Wiley** distributed stock options to multiple levels of employees (how many employees and at what levels, I can't remember either). It may have been while I was running the electronic publishing division, which I founded around 1980 and headed up for five years, but I can't remember the details. In any event, not too many years after the options were issued, the company's stock shot up and a nice little sudden windfall was there for anyone who wished to cash in his or her options.

W. Bradford Wiley, the company's chairman, urged us to retain the shares. It wasn't because he feared that dumping a large number of shares on the market could all be snapped up by someone who might have designs on accumulating a controlling stake in the firm. The options the employees held were for A shares, which were non-voting. The B shares, which the **Wiley** family and its confidants held, were the only voting shares. **Mr. Wiley**, I believe, wanted us to retain a stake in the company for which we worked — not a bad idea, of course.

My windfall, which was a bit over \$15,000, as I recall, was too tempting for me at the time, so I cashed in my options. Later, when I had risen to vice-president and general manager of all scientific and technical publishing at **Wiley**, I was granted another, larger cache of stock options. When I was fired at 10:30 a.m. on January 10, 1990, I could not cash in these options for a specified number of days. (I do remember the date and time with precision. And just to complete the record, when the fiscal year ended less than four months later with fine results for the division I headed, I and the division's 135 employees maxed out on performance bonuses. But I digress.)

While I awaited the day when I could cash in the options, the stock price slipped slowly and steadily. The person who fired me remarked that it was like watching an inheritance melt away. How charming. Thankfully, the bleeding stopped with some cash still available to me when my option-maturing day finally arrived.

I was reminded of my **Wiley** stock adventures when I decided to write this issue's column about scholarly publishers' stock prices. I hadn't thought about them for a while and had little idea where they stood. Of course, there has been a great deal of vitriol in academia and elsewhere over the past several decades about commercial publishers' substantial profits from their journals business. And if profits were as strong as the commercial publishers' critics contended, were their shares tremendously attractive? Would you, no matter how you felt about profiting from publishing journals with articles based on publicly funded research, be interested in investing in these companies with

a highly profitable business segment? If only the answer were so simple.

I looked at the four largest commercial journal publishers, which according to reliable sources comprise about 30% of the world's nearly 35,000 peer-reviewed scholarly journals: **Springer**, with about 3,000 journals; **Elsevier** with maybe a few more; **Wiley**, with more than 2,300; and **Taylor & Francis**, with about 2,100.

Let's take **Springer** first. It's now part of **Springer Nature**, which was formed in 2015 through the merger of **Nature Publishing Group**, **Palgrave Macmillan**, **Macmillan Education** and **Springer Science+Business Media**. **Springer Nature** has sales of 1.5 billion Euros, and bills itself as the world's largest academic book publisher. If you read analysts' reports on scholarly publishers, scholarly book publishing isn't a space with a great deal of promise, which is something a potential investor would need to take into account. If you could get a piece of the action, that is.

In the case of **Springer Nature**, privately held **Holtzbrinck Publishing Group**, headquartered in Stuttgart, owns 53%. The group, established by **Georg von Holtzbrinck** in 1948, began as a German book club. In the 1960s, it moved into publishing, first by purchasing two German publishing companies. In the 1980s, **Holtzbrinck**, acquired the retail book division of **Holt, Rinehart and Winston**, naming it the **Henry Holt Book Company**, and **Scientific American** magazine. In the 1990s, it purchased a majority interest in distinguished trade publisher **Farrar, Straus & Giroux** and then all of **The Macmillan Group**. Now it's much grander.

London-based **BC Partners**, which owns the other 47% of **Springer Nature**, is a private equity firm specializing in buyouts and acquisitions financing across all industries in Europe and the United States. It raises funds in the billions of dollars. The firm was founded in 1986 and is a major large cap private equity firm on the scale of **Blackstone Group** and **The Carlyle Group**. **BC** was formed originally by the financial firm **Barings** to advise funds providing development capital, in particular for management buyouts. The principals of **Baring Capital Investors** completed a spinout of what would become **BC Partners** following **Barings'** famous 1995 collapse resulting from poor speculative investments of a total of \$1.3 billion, primarily in futures contracts, pulled off by a freewheeling Singapore office employee named **Nick Leeson**. The firm's most successful and profitable investments include an acute care hospital provider and independent provider of psychiatric care, a seller of alcoholic and non-alcoholic beverages, a cheese company and a UK mobile phone provider (now bankrupt).

The bottom line is that you can't get a piece of **Springer** these days, so you don't have to worry that its book business is so large.

Now for **Taylor & Francis**. It's now part of **Informa**, which has its head office in London, is listed on the **London Stock Exchange** and is a member of the FTSE 100. It owns numerous companies in addition to **Taylor & Francis**, including **CRC Press**, **Datamonitor**, **Institute for International Research**, **Lloyd's List** (London Press Lloyd), and **Routledge**. Besides publishing, **Informa** has operations in the areas of performance improvement and management consulting, and it runs more than 10,000 conferences annually. Ten years ago, **Informa** was approached by **Springer Science and Business Media** (now part of **Springer Nature**; see above) in a takeover bid, but the **Informa** board rejected the offer as too low. Three years ago, **Informa** acquired the assets of **Elsevier Business Intelligence (EBI)** from **Reed Elsevier**, which were combined with other properties to create the **Pharma Intelligence** division of **Informa Business Information**.

So if you want to invest in **Taylor & Francis**, you have to buy shares in its conglomerate parent, **Informa**, which because of its diversity, may be safer than owning stock in a pure publisher like **Taylor & Francis**. Just saying. I'm not here to give investment advice. For that you should call your broker, which is what I did when it came to **Elsevier** and **Wiley**, the other two entities on the four largest journal publishers list. **Elsevier** is part of what is now called **RELX**, which has a market cap of around \$40 billion and is trading in the high teens, while **Wiley**, with a market cap of about \$3 billion is trading in the low to mid fifties.

My broker sent me Morning Star Equity Analyst Reports for both **RELX** and **Wiley**. These reports are thorough examinations of company operations and prospects. The reports start with a brief pros and cons section (what "Bulls Say" and what "Bears Say") and then get into several pages of analysis that is very specific and struck me as well-reasoned. The reports analyze a company's "economic moat" ("a structural feature that allows a firm to sustain excess profits over a long period of time"), risks and management, among other factors. The reports, which I can't quote directly, culminate in a rating between one and five stars for what is called a "risk-adjusted return." As I implied, to see the ratings and read the reports, you'll have to get them from a source that subscribes to them. In the case of **Elsevier** and **Wiley**, I found the reports absorbing reading and a bit surprising. Without giving anything away, I will say that neither company is, at the present moment, doomed, according to reputable equity analysis — although that isn't what I found surprising. 🐾