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Scripps Won't Pursue a Sale

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[Scripps Networks Interactive](#) Inc. investors who were expecting a near-term sale of the company may have to wait.

About two months ago, the company behind the popular Food Network and HGTV channels concluded a months-long strategic review of its options and decided not to pursue a sale, people familiar with the matter said. The review came partly in response to what one of the people described as "consistent expressions of interest" from both larger media companies as well as private-equity firms.

Management had initially been keen to explore a sale, and hired an investment bank to help it study options. The family Edward W. Scripps Trust that controls the Knoxville, Tenn., company hired another bank to help trustees think through their options, including selling their stake, in case of an unsolicited offer, the people said. The company and the trust are using separate financial advisers because their interests are different; the company must also bear in mind the interests of other shareholders outside of the family trust.

On Thursday, Scripps Networks' board authorized a \$1 billion stock buyback, including \$300 million in shares from its controlling shareholder, the trust, priced at a 9% discount to Wednesday's close. The trust will still remain the largest holder, with about 26% of the common shares, and said it currently has no further plans to reduce its holdings. The trust also controls most of the voting shares. The buyback plan covers about 6.4 million shares priced at \$44.66 per share.

Companies sometimes pursue stock buybacks, which can lift share prices, to satisfy investors after they have decided not to pursue a sale or when deal talks fall through. One person familiar with the matter said the buyback and sale review in this case were unrelated.

Scripps Networks, with a market capitalization of \$8.4 billion, has been considered an acquisition target since it was spun off from newspaper publisher and broadcaster [E.W. Scripps Co.](#) in 2008. The company's clutch of lifestyle-focused cable channels, including DIY Networks, Cooking Channel and Travel Channel, are considered attractive properties that bring in steady advertising dollars.

Wall Street analysts have frequently suggested that media companies such as [News Corp.](#), [Walt Disney Co.](#) and [Discovery Communications](#) would be logical buyers for Scripps Networks. News Corp. owns The Wall Street Journal.

If the company were to put itself up for sale, those types of media companies, as well as cable operators and large buyout firms, would be expected to take a look, the people familiar with the matter said.

They added that a potential sale has been put off indefinitely, at least partly because the company and the trust have determined it might be better to wait until there is more clarity on which way the television business is going.

Online video websites, such as Hulu LLC, which offers free and subscription-based TV shows and other content from big media companies, are changing the way people watch television, and the traditional cable-TV model will likely have to adapt. Hulu, owned by Disney, News Corp., [Comcast Corp.](#), buyout firm Providence Equity Partners, and employees, is itself weighing a sale after [Yahoo Inc.](#) approached it with an offer, other people familiar with the matter have said.

One of the reasons Scripps Networks undertook a strategic review is the future of the trust itself, the people familiar with the matter said. Established in 1922 when television was in its infancy, the trust was created to control a company that, in its heyday, owned various media assets, including TV stations and the now-closed Rocky Mountain News.

In 2007, the board of E.W. Scripps approved the spin-off of the company's faster-growing Scripps Networks cable-TV business, leaving the parent with several cash-generating but lower-growth local media businesses. The trust has controlling stakes in both companies. It dissolves after Robert Scripps, the last living grandson of newspaper baron Edward W. Scripps, dies. He is now 93 years old.

After the trust dissolves, certain descendants of the family can acquire or own voting shares of the company, which would enable them to retain control.

Speculation that Scripps Networks was preparing for a sale mounted earlier this month, after trustees filed a petition in an Ohio court seeking to confirm that rules dating back to 1922, requiring them to keep voting control of its former parent, do not apply to Scripps Networks. One person familiar with the matter said the petition and the strategic review are not related.

Still, investors pushed Scripps Networks' shares up nearly 6% on June 17 when the trust filed its petition, interpreting the move as a sign they may be getting ready to sell their stake, or even the entire company.

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