Demand Media plans split into 2 companies

The Associated Press

Demand Media Inc. said Tuesday it plans to split itself into two publicly traded companies: a media company and a domain services company.

One of the companies will handle outsourced content like Demand Media's how-to articles. The other will offer domain registry services, wholesale and retail distribution, and aftermarket services. The company plans to conduct a tax-free distribution of stock in the next nine to 12 months.

Demand Media went public in January 2011 with an IPO priced at $17 per share. Within a month the company had a larger market capitalization than The New York Times Co., and in April 2011 Demand Media's shares peaked at $27.38. However the stock has slumped since then.

Shares of Demand Media jumped $1.27, or 16 percent, to $9.11 in aftermarket trading on news of the company's plan to split in two. During the day the stock lost 7 cents to $7.84. It has traded between $6.20 and $12.50 over the last year.

Demand Media assigns thousands of freelancers to produce stories about frequently searched topics and then sells ads alongside the content at its own websites, which include eHow.com, Cracked.com and Livestrong.com, and about 375 other Internet destinations operated by its partners.

Weeks after Demand Media went public, Google Inc. altered the algorithms of its search engine and made it harder for Demand Media's material to rank high in the search results. Many of Demand Media's pages were relegated to the back pages of search results, hurting its web traffic. The company responded by producing longer articles and setting up a how-to video.

Demand Media also reported its fourth-quarter results on Tuesday. The company said it earned $4.7 million, or 5 cents per share, in the fourth quarter. A year earlier it took a loss of $6.4 million, or 8 cents per share. Demand Media said its net income totaled 12 cents per share if one-time costs are excluded. Revenue grew 22 percent to $103.1 million.

Analysts expected net income of 11 cents per share and $101.4 million in revenue, according to FactSet.

Demand Media turned a profit of $6.2 million, or 7 cents per share, in 2012. In 2011 it lost $21 million, or 27 cents per share. Revenue rose 17 percent, to $380.6 million from $324.9 million.

The company is forecasting adjusted net income of 39 cents to 43 cents per share in 2013, and said revenue will be between $435 million and $443 million.

Analysts expected adjusted income of 47 cents per share and revenue of $426.8 million in revenue on average.

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