

McGraw-Hill, Macmillan Agree To Combine Precollegiate Units

By Robert Rothman — May 24, 1989  1 min read

The McGraw-Hill Book Company and Macmillan Inc., a division of Maxwell Communication Corporation, last week agreed to combine their elementary- and secondary-education businesses into what could represent the second-largest textbook and testing firm in the country.

The new Macmillan/McGraw-Hill School Publishing Company, which will be based in Chicago, will include McGraw-Hill's school division, Gregg division, and Educational Resources, which produce elementary-, secondary-, and vocational-school textbooks; ctb/McGraw-Hill, one of the major producers of standardized achievement tests; and Macmillan's textbook units, including the school division, Glencoe division, and Barnwell Loft.

In addition, under the agreement, McGraw-Hill also purchased from Maxwell Science Research Associates, a major test publisher, and London House, a textbook imprint. Both units will also become part of the new joint company.

In 1988, the combined revenues of the units in the new firm totaled \$440 million, which would make it second only to Harcourt Brace Jovanovich Inc. in the school market, according to Robert Dunlap, an industry analyst for Brown Brothers Harriman and Company, a New York investment-banking firm.

The new deal, he added, also appears to remove the possibility that Maxwell, a British firm that has been making inroads in the U.S. publishing market, would try to take over the New York-based McGraw-Hill. Under the accord, Maxwell entered into a "standstill" agreement that limits stock purchases by the British firm for 15 years.

McGraw-Hill's stock price dropped in the wake of the agreement, Mr. Dunlap noted, suggesting that investors also considered the possibility of a takeover dim.

The new joint venture will operate as a general partnership, with both partners owning 50 percent of the firm. Richard T. Morgan, the president of Macmillan's educational-publishing operations and the former president of Scott Foresman and Company, has been named president and chief executive officer of the new company.

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Robert Rothman formerly was a staff writer for Education Week.

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