



UPI ARCHIVES MAY 17, 1989

McGraw-Hill, Maxwell reach standstill agreement

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NEW YORK -- McGraw-Hill Inc., long the subject of takeover speculation, said Wednesday it has entered into a standstill agreement with Robert Maxwell that prevents the British publishing magnate from buying into McGraw-Hill for 15 years.

News of the agreement sent the price of McGraw-Hill shares into a tailspin on the New York Stock Exchange. In early afternoon trading, the stock was off \$4 to \$70.75.

'Some people were holding the stock with the idea that Maxwell was one of the usual suspects for a takeover attempt,' said James D. Dougherty, a securities analyst with County NatWest USA. 'Now he's out of the picture.'

A spokeswoman for McGraw-Hill, which announced the standstill agreement along with a joint venture in educational publishing it will undertake with Maxwell

Communication Inc., declined to comment on the activity in the company's stock.

J. Kendrick Noble Jr., an analyst with PaineWebber Group Inc., said the joint venture with Maxwell could complicate an attempted takeover of McGraw-Hill by another party.

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'It makes part of the company owned by somebody else,' he said.

Analysts said the board of McGraw-Hill, a publishing and information services company, has long resisted the idea of a takeover.

The joint venture, to be owned equally by both companies with headquarters in Chicago, will combine the elementary, secondary and vocational education businesses of McGraw-Hill and Macmillan, which Maxwell acquired last year.

Combined, the businesses' 1988 operating profits totaled \$48.5 million on revenues of \$440 million.

Joseph L. Dionne, McGraw-Hill's chairman and chief executive, and Maxwell, chairman and chief executive of Maxwell Communications, said in a press statement a partial public offering of shares in Macmillan/McGraw-Hill School Publishing Co. is under consideration for the future.

Dionne said the formation of the school publishing company would enhance McGraw-Hill shareholder value by lowering operating costs. Analysts agreed some savings could result.

'By combining the businesses there may be some overhead reduction possibilities,' said Dougherty. 'McGraw-Hill book publishing has not been all that successful so this could be earnings-enhancing to a small degree in 1990.'

The four McGraw-Hill units that will become part of the new venture had combined revenues of \$165 million in 1988, accounting for 9 percent of McGraw-Hill's \$1.8 billion revenues. Operating profits were about \$8.5 million.

There are three Macmillan units involved in the deal as well as Science Research Associates and London House, two units being purchased by McGraw-Hill for \$190 million from Maxwell.

Combined revenues for these operations in 1988 were about \$275 million, or 14 percent of Maxwell's \$1.9 billion revenues. Operating profits amounted to about \$40 million.

A partnership operating board chaired by John G. Wrede, president of McGraw-Hill, will manage the new company.

The joint-venture agreement, subject to regulatory approval, is scheduled to close June 30.

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