

# Market Place

Vartanig G. Vartan

## Household's Wary Stance

**I**N this age of unfriendly takeovers, companies have turned increasingly to "poison pill" securities in an effort to fend off aggressors. In this tactic, a company authorizes a new class of preferred stock with the aim of making any unwanted overture unduly expensive and unpalatable.

The latest advocate of such an approach is Household International Inc. The jewel of this holding company, which is based in Prospect Heights, Ill., is Household Finance, a huge consumer finance company with growing profits.

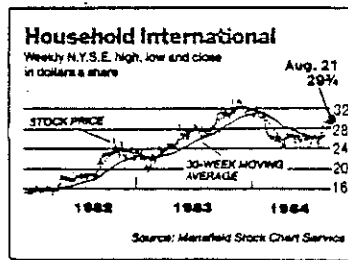
In yesterday's trading on the New York Stock Exchange, Household's common stock rose  $\frac{1}{4}$ , to 29 $\frac{1}{2}$ . The shares have more than doubled in price since the spring of 1982, reaching a record high of 34 last October.

Some industry experts say, however, that if a successful takeover were made, the company would fetch a considerably higher price. Household's finance business alone, they maintain, is worth the present price of its stock.

"On the basis of Manufacturers Hanover Corporation's acquisition of the C.I.T. Financial Corporation earlier this year," said J. Frederick Meinks, an analyst at E. F. Hurton & Company, "Household conceivably could be worth as much as \$50 to \$60 a share. In an effort to take the cyclicality out of its finance company operations, Household's restructuring program has emphasized retailing and manufacturing operations, along with its car rental business."

C.I.T. engages in consumer and commercial lending. Household, along with the Beneficial Corporation, ranks as one of the publicly owned, still-independent giants of consumer finance.

Other followers of Household, a company whose finance business in recent years has evolved from



The New York Times / Aug. 22, 1984

providing small \$1,000 loans under regulated rates to offering large secondary home mortgages, say that on a realistic basis the company might fetch between \$45 and \$50 a share in an acquisition.

But a takeover is just what Household's directors want to prevent — at least under terms they might consider undesirable.

In a surprise move last Tuesday, the board members approved a plan for a new series of preferred stock in the form of "poison pill rights" — not currently exercisable — for issuance next Tuesday.

J. Richard Hull, the company's senior vice president and general counsel, said at the time that Household was "not aware that anyone plans a takeover of our company." But he added, "We will vigorously defend the plan to preserve the long-term values of our company."

This move brought an immediate challenge from one of Household's own directors, who unsuccessfully voted against the plan. He is John A. Moran, chairman and chief executive officer of the Dyson-Klanner-Moran Corporation, a private New York investment company.

Mr. Moran and his company filed a complaint against Household and certain of its directors in Chancery Court of the State of Delaware. The com-

plaint seeks an order voiding the poison pill securities, D-K-M and some of its principals own Household securities with a total market value of approximately \$130 million. On a fully converted basis, D-K-M is described as "Household's largest stockholder."

The complaint charged that "the proposed rights would add \$6 billion to the cost of acquiring the company."

However, another executive of Household has said, "While our proposed new class of preferred stock was not intended to nor will it deter a takeover, it would tend to assure that any takeover attempt would be for cash and for all the common stock." Household has 49.3 million common shares outstanding, and institutional investors own nearly one-half of them.

One inherent appeal of Household in a possible takeover, according to industry analysts, is a ready-made string of nationwide offices (or, say, a major New York City bank).

Household's operations staged a strong rebound in 1983, thanks to lower interest rates and the economic recovery. As a result, the company reported earnings of \$3.68 a share, up sharply from \$2.06 a share in the recession year of 1982. Moreover, security analysts see further improvement ahead.

"I'm estimating earnings at \$4.10 a share this year and at \$4.60 a share in 1985," said Robert M. Raiff of Cyrus J. Lawrence Inc.

Mr. Meinks of E. F. Hurton projects Household's 1984 profit at \$4 a share, having raised his estimate slightly earlier this year. For 1985, his forecast is for Household to earn \$4.70 a share.

In the past, the fortunes of personal loan companies such as Household and Beneficial rose and fell inversely to the level of short-term interest rates. But diversification efforts have made these companies far less dependent on the trend of rates.

D-K-M holds substantial investments in a variety of companies, ranging from publicly owned entities to its sole ownership of E. P. Dutton Inc., the publishing concern, and Bickford's Family Fare Inc., a restaurant chain in New England.

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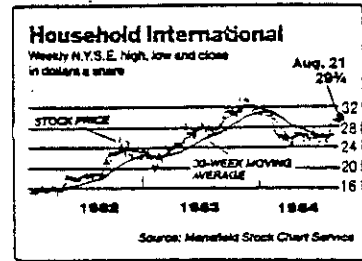
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"On the basis of Manufacturers Hanover Corporation's acquisition of the C.I.T. Financial Corporation earlier this year," said J. Frederick Meinke, an analyst at E. F. Hutton & Company, "Household conceivably could be worth as much as 150 to 200 a share. In an effort to take the cyclicality out of its finance company operations, Household's restructuring program has emphasized retailing and manufacturing operations, along with its car rental business."

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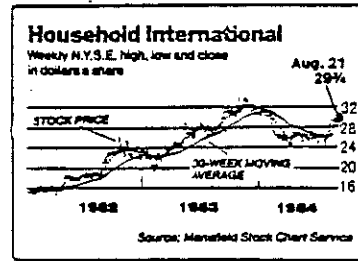
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