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Magnetek Rebuffs \$48 Million Expression of Interest

By Debbie Cai

Magnetek Inc. (MAG) said it turned down a roughly \$48 million unsolicited expression of takeover interest from a group of shareholders, suggesting the technology company's standalone plan to reduce to debt is in its best interests.

Blott Asset Management LLC, Talanta Investment Group LLC and its investors, which jointly hold about a 3.5% stake in the company, expressed interest in buying Magnetek in early March for about \$15 a share, about a 25% premium above where shares were trading at the time.

Shares rose 4.2% to \$15.16 in recent trading. The stock is up 43% so far this year.

Magnetek provides digital power and motion control systems used in overhead material handling, elevator, and mining applications. It also supplies digital drive systems for industrial cranes, hoists, and monorails.

The group has held a stake in the company for about four years and said in a regulatory filing that it acquired the stock under the belief it was undervalued. It also said it believes the company has a legitimate business model, qualified management, outstanding products and employees, with favorable long-term opportunities for growth.

After evaluating the offer, Magnetek's board concluded that it wouldn't be in the company's best interests to pursue the deal and suggested Magnetek will benefit from a substantial reduction in liabilities over the next three to five years, which could lead to substantial equity appreciation.

Chairman Mitchell Quain said Magnetek's business and strategic plans and long-term prospects as a stand-alone company would support a substantially better return to stockholders than that represented by the expression of interest.

He also said the expression of interest appeared to be based on a number of conditions and speculative assumptions, including that a number of members of management and large stockholders would exchange their Magnetek stock for shares in a newly formed company rather than receiving cash.

In mid-March, the company reported a slight increase in top-line growth for the fourth quarter as increased sales of products for material handling applications were largely offset by lower sales of products with mining and renewable energy applications.

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