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Jonathan Fahey, AP Energy Writer

NEW YORK (AP) — General Electric Co. has agreed to buy the oilfield equipment maker Lufkin Industries Inc. for \$3 billion, furthering an effort by GE to grow its oil and gas operations.

GE said Monday it would pay Lufkin shareholders \$88.50 per share in the all-cash deal, a 38 percent premium over Lufkin's closing price on Friday of \$63.93.

With 33.1 million Lufkin shares outstanding, that would value Lufkin at about \$3 billion. The companies valued the deal at \$3.3 billion.

CEO Jeff Immelt is in the process of transforming GE from a sprawling conglomerate to one that is more tightly focused on providing services and equipment to industrial customers. The company has shed divisions such as NBC Universal and is shrinking its banking operations.

At the same time, Immelt indicated the company would spend some of its enormous cash balance on mid-sized companies that fit well into what the company already does. GE makes aircraft engines, natural gas-fired turbines and generators, wind turbines, medical devices and locomotives.

GE is putting particular focus on oil and gas, hoping to capitalize on the boom in extracting oil from difficult places, such as deep offshore, shale formations under several U.S. states, or older depleting oil fields. GE bought Wellstream, a maker of flexible pipes for gathering oil undersea, in 2010, and a division of the John Wood Group, a maker of pumps and control systems, in 2011.

Lufkin, based in Lufkin, Texas, makes pumping equipment that helps drillers extract more oil out of older fields.

GE's oil and gas related revenue has tripled since 2005, to \$15 billion.

Lufkin shares climbed \$23.86, or 37.3 percent, to \$87.79 in premarket trading. GE shares edged up 11 cents to \$23.04 with 90 minutes ahead of the market opening.

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