

## General Electric (GE)

**\$6.95** (As of 06/11/20)

Price Target (6-12 Months): **\$7.50**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**4-Sell**

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: D

### Summary

General Electric is poised to gain from its portfolio-restructuring program (that will help in transforming it into a high-tech industrial company), digital business, efforts to reduce leverage and solid liquidity in the years ahead. Recently, the company communicated that free cash flow will be positive in 2021, with margins in high-single digits. However, General Electric's shares have declined in the past three months. The company expects the coronavirus outbreak to hurt its performance in the second quarter. Its businesses, especially Aviation and GECAS, are severely impacted by the pandemic. In addition, risks associated with unfavorable movements in foreign currencies might continue to affect its performances in the quarters ahead. In the past 60 days, earnings estimates for the second quarter, and 2020 and 2021 have declined.

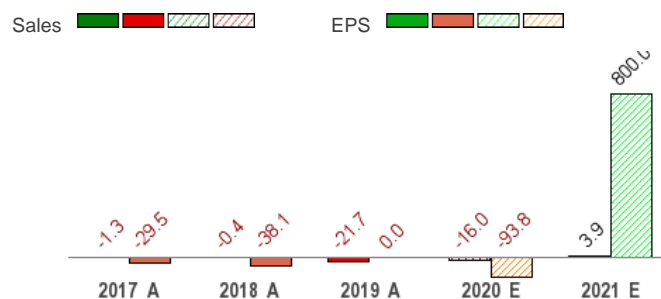
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$13.26 - \$5.48
20 Day Average Volume (sh)	120,988,480
Market Cap	\$60.8 B
YTD Price Change	-37.7%
Beta	0.93
Dividend / Div Yld	\$0.04 / 0.6%
Industry	<a href="#">Diversified Operations</a>
Zacks Industry Rank	Bottom 10% (227 out of 252)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-16.7%
Last Sales Surprise	-0.4%
EPS F1 Est- 4 week change	-23.3%
Expected Report Date	07/29/2020
Earnings ESP	0.0%
P/E TTM	12.0
P/E F1	173.8
PEG F1	24.0
P/S TTM	0.6

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	19,598 E	19,263 E	21,310 E	24,177 E	83,048 E
2020	20,524 A	17,251 E	19,072 E	22,970 E	79,944 E
2019	27,286 A	28,831 A	23,360 A	26,238 A	95,214 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.06 E	\$0.05 E	\$0.11 E	\$0.22 E	\$0.36 E
2020	\$0.05 A	-\$0.12 E	-\$0.02 E	\$0.12 E	\$0.04 E
2019	\$0.14 A	\$0.17 A	\$0.15 A	\$0.21 A	\$0.65 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/11/2020. The reports text is as of 06/12/2020.

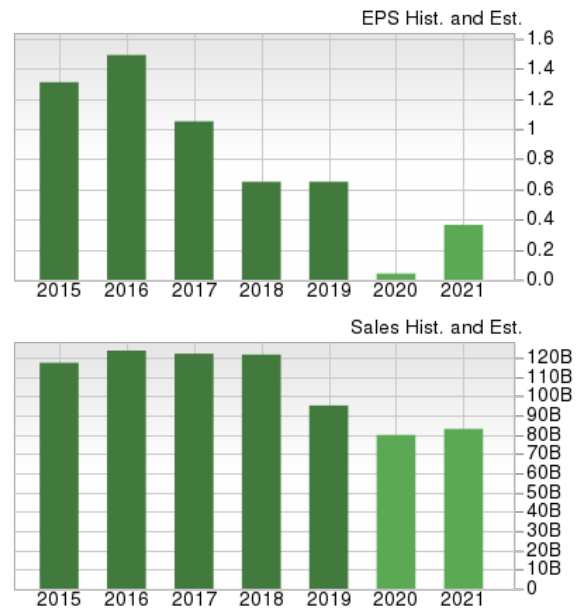
## Overview

General Electric Company is popular for its LEAP aircraft engines, Heavy-Duty gas turbines, Haliade-X and Cypress wind turbines, and healthcare solutions. Its zeal to invest in upgrades and innovation of products along with outstanding service capabilities and technological expertise raises its competitive appeal. Also, the high-tech giant's plan to strengthen its industrial businesses — with a focus on Power, Aviation and Renewable Energy — and deleverage the balance sheet will boost fundamentals and shareholders' value.

Founded in 1892, General Electric is currently headquartered in Boston, MA. Its products and services range from jet engines, airframes, energy production solutions to offshore wind turbines, technologies in medical imaging and leasing and financing services, among others.

The company's industrial manufacturing and services business are grouped under the Industrial segment. Results of the segment, in turn, are the summation of four industrial operating segments — Power, Renewable Energy, Aviation and Healthcare. The company's financial services operating segment includes results of GE Capital. In short, General Electric currently has the following operating segments:

- GE Capital meets the financial needs of businesses of all sizes with a diverse range of products. Efforts are on track to reduce exposure in the GE Capital business.
- Power produces steam and gas turbines, power generation services, and generators. The Power segment include Gas Power and Power Portfolio. While Gas Power includes General Electric's gas lifecycle business (including Power Services and Gas Power Systems businesses), Power Portfolio comprises Steam Power Systems, GE Hitachi Nuclear and Power Conversion businesses.
- Aviation offers commercial jet engines and components, and aftermarket services.
- Healthcare provides technologies in patient monitoring, medical imaging, drug discovery, patient monitoring and others. Also, the segment provides biopharmaceutical manufacturing technologies.
- Renewable Energy provides offshore wind turbines, high-voltage equipment, blades for wind tu



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## Reasons To Buy:

- ▲ In the years ahead, growth in digital business, efforts to reduce leverage and lowering exposure to the GE Capital business might be beneficial for General Electric. It is worth noting here that asset disposition in GE Capital amounted to \$6.4 billion in the first quarter of 2020. Assets (from continuing operations) were \$111.1 billion at the end of the first quarter. Also, GE Capital's external debts have been reduced by \$10 billion so far in 2020. General Electric targets GE Capital's debt-to-equity to be less than 4x over the long term.
- ▲ The company noted that workers' safety, the continuation of providing services to customers, and preserving the business strength during the difficult period remain its priorities. GE Healthcare ramped up the production of scanning and other monitoring products (including mobile X-ray systems, ventilators, CTs, patient monitors and ultrasound devices). Notably, the demand for its healthcare products has grown amid the coronavirus pandemic. Further, Aviation and Power are continuously providing critical services. Also, efforts are being made by General Electric to increase the production of personal protective equipment and remove supply-chain hurdles. Also, necessary cash and cost-related measures are being taken to deal with the risks associated with the pandemic. Notably, the company intends on preserving \$3 billion in cash and lower costs in excess of \$2 billion, going forward. Roughly 80% of the benefits are likely to be realized in the second half of 2020. For 2021, the company anticipates generating positive free cash flow — backed by recoveries, which it is witnessing across its businesses and cash and cost-related measures — and high-single-digit margin.
- ▲ In a bid to become a high-tech industrial company, General Electric rolled out a business portfolio-restructuring program in June 2018. Per the program, the behemoth's core businesses will be Power, Aviation and Renewable Energy, while it will gradually exit all other businesses. The company divested GE Transportation to Wabtec in February 2019, while it completed the divestiture of the BioPharma business to Danaher Corporation in March 2020. Further, General Electric lost its controlling shareholding in Baker Hughes. In addition, the company's slashed the dividend rate (from 12 cents to a penny) and reorganized the Power segment (Gas Power and Power Portfolio) are proving beneficial. In May 2020, the company agreed to divest its lighting business. The other party to the transaction is Savant Systems, Inc.
- ▲ General Electric is working diligently to improve its liquidity and manage its leverage. Exiting first-quarter 2020, the company's cash and cash equivalents increased 5.5% sequentially to \$89.6 billion — this includes \$20 billion net proceeds from the BioPharma buyout. The company's borrowing declined 6.3% sequentially in the quarter. In April 2020, the company offered to issue notes and use the proceeds thereof for notes tender offerings. Though enhancing liquidity, the two actions are expected to have no impact on its leverage position. Notably, the company reduced Industrial debts by \$7 billion, including \$1.1 billion of commercial paper lowered in the first quarter and \$6 billion of loan repaid to GE Capital in April. In May 2020, General Electric completed its debt tender offers and private debt offerings by GE Capital Funding, LLC. Also, the company reopened parts of its previous debt offerings for total proceeds of \$3 billion in June 2020. Over the long term, the company aims at achieving net debt-to-EBITDA of less than 2.5x at Industrial.

Portfolio-restructuring program, leverage-reduction actions, healthy liquidity position and cash and cost-related measures are likely to aid General Electric in the years ahead.

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## Reasons To Sell:

- ▼ In the past three months, General Electric's shares have declined 11.5% against the industry's growth of 8.4%. In first-quarter 2020, the company's earnings and sales lagged estimates by 16.7% and 0.4%, respectively. The bottom line declined 61.5% year over year on sales decrease of 7.6% and margin weakness. Industrial orders were down 3% organically in the quarter. For the second quarter of 2020, the company expects a sequential decline in its financial results. In the past 60 days, the consensus estimate for the second quarter has moved down from earnings of 4 cents to a loss of 12 cents. Also, the estimate has declined 90% to 4 cents for 2020 and has moved down 42.9% to 36 cents for 2021.
- ▼ General Electric noted that the coronavirus outbreak had adversely impacted its first-quarter 2020 results. Notably, GE Industrial's free cash flow was hurt to the extent of \$1 billion while the pandemic's adverse impact was \$0.8 billion on Industrial profits. Also, the company's free cash outflow is likely to be \$3.5-\$4.5 billion in the second quarter of 2020. Notably, it expects to generate a negative free cash flow in 2020. The weak cash flow outlook mainly stems from the softness in its aviation business unit on account of the coronavirus outbreak. Going forward, the company expects constraints in supply chain (due to the pandemic) to impact Renewable Energy, and delays in outage timings and restrictions in field service mobility to influence Power. At Healthcare, the pandemic has led to delays in procedures at healthcare systems and pharmaceutical diagnostics. GE Aviation also noted that the pandemic has been severely impacting its businesses. It predicts substantial reduction in global traffic in the second quarter from the level in February. Notably, the company anticipates the installation of its commercial jet engines to fall in the second quarter. To mitigate some of financial stress, GE Aviation will lower its workforce by 25% in 2020.
- ▼ In the first quarter of 2020, GE Capital's revenues were down 13.7% year over year, while it witnessed a loss of \$194 million against earnings of \$171 million in the year-ago quarter. The segment's Insurance and GECAS businesses were severely impacted by the pandemic. For the quarters ahead, the company expects rise in impairments and fall in assets sales for GECAS and Insurance.
- ▼ Geographical diversification reflects General Electric's flourishing business. However, the diversity exposes the company to risks arising from geopolitical issues and an unfavorable foreign currency movement. In the first quarter of 2020, forex woes dented its Industrial revenues by \$166 million. Such lingering woes may hurt results, going forward.

Adverse impacts of the pandemic on Industrial and GE capital businesses are concerning for General Electric. Also, forex woes might be dragging in the quarters ahead.

## Last Earnings Report

### General Electric Q1 Earnings Lag Estimates, View Gloomy

General Electric has reported weaker-than-expected results in first-quarter 2020. Its earnings lagged estimates by 16.7% and revenues missed the same by 0.4%.

It noted that the coronavirus outbreak has taken a toll on its first-quarter results. GE Industrial's free cash flow was hurt to the extent of \$1 billion and Industrial profits by \$0.8 billion. GE Capital's earnings declined \$0.1 billion due to the pandemic.

The industrial conglomerate's adjusted earnings in the reported quarter were 5 cents per share, lagging the Zacks Consensus Estimate of 6 cents. Also, the bottom line declined 61.5% from the year-ago quarter figure of 13 cents.

Quarter Ending **03/2020**

Report Date	Apr 29, 2020
Sales Surprise	-0.38%
EPS Surprise	-16.67%
Quarterly EPS	0.05
Annual EPS (TTM)	0.58

### Revenue Details

In the quarter under review, General Electric's consolidated revenues were \$20,524 million, reflecting a year-over-year decline of 7.6%. Weakness in Industrial and GE Capital's performances hurt the quarterly results. Also, the company's revenues lagged the Zacks Consensus Estimate of \$20,603 million.

On a segmental basis, its **Industrial** revenues declined 7.3% year over year to \$18,844 million. Also, **GE Capital's** revenues were down 13.7% year over year to \$1,923 million.

For the Industrial segment, organic revenues in the quarter decreased 5% from the year-ago quarter to \$18,941 million. Industrial orders declined 3% organically to \$19.5 billion.

Performance of the Industrial segment's components business is discussed below:

Aviation revenues decreased 13% year over year to \$6,892 million and orders fell 14%. Organically, revenues declined 11% on a 13% decreased in orders. Notably, first-quarter shipment of LEAP engines totaled 272, reflecting a decline of 152 from the year-ago quarter.

The segmental results, especially of the commercial aerospace business, were badly affected by the coronavirus outbreak.

Healthcare revenues in the reported quarter totaled \$4,727 million, increasing 1% year over year. The segment's orders grew 7%. On an organic basis, revenues rose 2% or increased 1%, excluding the impact of divestment of the BioPharma business.

Notably, the BioPharma business generated revenues of \$830 million in the quarter, reflecting 9% growth from the year-ago quarter. Organically, revenues increased 10% to \$839 million.

Renewable Energy revenues totaled \$3,194 million, up 26% year over year. Its orders declined 13% in the reported quarter. Organically, the segment's sales rose 28% year over year, while orders were down 11%.

The Power segment's revenues were down 13% year over year to \$4,025 million. Notably, Gas Power revenues declined 12% year over year and that of the Power Portfolio was down 14%.

The segment's orders increase 12% year over year. On an organic basis, the segment's sales were down 12%, while orders expanded 14% year over year.

### Margin Profile

In the quarter under review, General Electric's cost of sales declined 3.2% year over year to \$15,695 million. It represented 76.5% of the quarter's revenues versus 73% in the year-ago quarter. Selling, general and administrative expenses in the quarter decreased 9.9% year over year to \$3,065 million. It was 14.9% of the quarter's revenues versus 15.3% in the year-ago quarter.

The Industrial segment's adjusted operating profit in the quarter decreased 45.7% year over year to \$1,096 million, while margins decreased 410 basis points to 5.8%. On a reported basis, the Industrial segment recorded profits of \$6,585 million, up 512% year over year. The Power segment recorded operating loss of \$129 million against income of \$110 million in the year-ago quarter, while Renewable Energy's loss was \$302 million compared with a loss of \$187 million in first-quarter 2009. Aviation and Healthcare segments' profits declined 39% and increased 15% year over year, respectively.

The GE Capital segment witnessed a loss of \$194 million against earnings of \$171 million in the year-ago quarter.

Interest and other financial charges decreased 25.4% year over year to \$794 million.

### Balance Sheet and Cash Flow

Exiting the first quarter of 2020, General Electric had cash and cash equivalents of \$89.6 billion, up 5.5% from \$84.9 billion recorded at the end of the previous quarter. Borrowings were \$85.2 billion, down 6.3% from \$90.9 billion at the end of the fourth quarter.

Adjusted free cash flow for GE Industrial totaled (\$2,207) million in the first quarter as compared with (\$1,216) million in the year-ago quarter.

### Restructuring

In June 2018, General Electric communicated plans to transform into a high-tech industrial company — focused on Aviation, Power and

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Renewable Energy.

In sync with its plans, the company completed the sale of its transportation business to Wabtec Corporation in the first quarter of 2019. Further, General Electric completed the divestment of the BioPharma business to Danaher Corporation in March 2020. Further, General Electric lost its controlling shareholding in Baker Hughes Company.

Efforts are on track to reduce the exposure to the GE Capital business. Asset disposition has amounted to \$6.4 billion in the first quarter of 2020. Also, external debts have been lowered by \$10 billion year to date.

#### **Outlook**

The conglomerate's chairman and CEO — H. Lawrence Culp, Jr. — reiterated that the workers' safety, the continuation of providing services to customers, and preserving the business strength are its priorities during the difficult period.

Notably, GE Healthcare has ramped up production of scanning and other monitoring products (including mobile X-ray systems, ventilators, CTs, patient monitors and ultrasound devices). Further, Aviation and Power are continuously providing critical services. Also, efforts are being made by General Electric to increase the production of personal protective equipment and remove supply-chain hurdles.

For 2020, the company expects cash preservation of \$3 billion and operational cash out to be more than \$2 billion. Also, actions to lower leverage and innovate products have been given due importance.

For the second quarter, the company expects a sequential decline in its financial results.

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## Recent News

On **Jun 11, 2020**, GE Renewable Energy received a contract to supply 12 of its 2.5-132 onshore wind turbines to Power China Guizhou Engineering Co., Ltd. Financial terms of the contract were not disclosed by the parties involved.

In addition, GE Renewable Energy entered a five-year full-service agreement with Naturgy for the La Rabia Wind Farm, based in Spain. Notably, the company will offer full preventive and corrective maintenance tasks on 13 Eco-80 turbine units as well as 50 units of the technology at Pehimo Wind Farm.

On the same day, General Electric delivered the USS Zumwalt — a full-electric power and propulsion ship — to the U.S. Navy. The ship has been designed by the company's Power Conversion business.

On **June 10, 2020**, General Electric provided an update on its free cash flow expectations. It also discussed the impacts of the pandemic on its operations and measures to deal with the difficulties.

For 2021, the conglomerate anticipates generating positive free cash flow — backed by recoveries, which it is witnessing across its businesses, and cash ad cost-related measures — and high-single-digit margin. It believes that rise in aircraft departures in China and increase in freight are healthy signs for its GECAS and Aviation operations. Also, the demand for military products is likely to aid Aviation, while a recovery in the commercial business is contingent on resumption in air travel.

Further, it expects the demand for pharmaceutical diagnostics products and others to revive in the near future and thus, aid Healthcare operations. For Renewable Energy, efforts to strengthen onshore and offshore wind businesses, cost actions, and recovering in hydro and grid businesses will likely be beneficial.

Also, delay in projects due to the pandemic poses a threat to Gas Power, while measures to reduce costs and preserve cash will be beneficial. Gas Power expects to lower fixed costs from \$3.1 billion in 2019 to \$2.5 billion in 2021. Free cash flow will likely be positive for Gas Power in 2021, with margin being in high-single digits.

The company reiterated negative free cash flow expectations for 2020. The metric in the second quarter is likely to be (\$3.5)-(\$4.5) billion.

The conglomerate has implemented several cash and cost-related measures — including lowering discretionary spending, improvement in working capital, workforce reduction and cuts in capital expenditure — to deal with the pandemic-led risks. Notably, it intends on preserving \$3 billion in cash and lower costs in excess of \$2 billion, going forward. Roughly 80% of the benefits are likely to be realized in the second half of 2020.

On **Jun 9, 2020**, GE Hitachi Nuclear Energy received contract from Teollisuuden Voima Oyj to provide outage services for the latter's Finland-based Olkiluoto Nuclear Power plant.

On **Jun 8, 2020**, General Electric announced that it reopened parts of its previous debt offerings for total proceeds of \$3 billion in an attempt to improve its cash reserves. Notably, General Electric intends to utilize the funds for lowering short-term debt and expects the deal to be leverage-neutral.

As communicated, \$1.5 billion worth of 4.350% notes ("GE notes") due to expire in 2050 have been priced to the public at 100.176% of the principal amount. Notably, the GE notes fall under the same category of notes issued by the company on Apr 22, 2020.

In addition, the company's business segment, GE Capital priced \$1.5 billion worth of 4.400% notes ("GE Capital notes") due to expire in 2030 at 105.074% of the principal amount. GE Capital notes have been issued in a private offering. The GE Capital notes fall under the same category of notes issued on May 18, 2020. It is worth mentioning here that the notes issued by GE Capital will be guaranteed by General Electric.

On **Jun 8, 2020**, General Electric announced that it clinched a gas turbine upgrade contract from power producer JFE Steel Corporation ("JFE"). Notably, General Electric will work on upgrading JFE's current GT26 MXL2 unit, with its advanced high-efficiency technology at the Chiba Power Plant based in Japan. The modernization will help JFE to boost the efficiency of the plant by more than 1%, apart from enhancing the power output by more than 10 megawatts.

On **Jun 3, 2020**, General Electric announced that it received a contract from Edison to continue to modernize its plants, with Advanced Gas Path technology at the latter's Torviscosa 780 megawatt power plant in Torviscosa, Italy.

On **May 28, 2020**, General Electric announced that it completed the gas turbine modernization project at Tirreno Power's Torrealvaldiga Sud Power Plant based in Rome, Italy. The completion of the gas turbine upgrade project will likely boost the performance and reliability of the 1,200-megawatt power plant in producing electricity.

Notably, the modernization project involved General Electric to work on installing a new rotor and enhancing a compressor system on a GE 9F.03 gas turbine to boost the durability and efficiency of the gas turbine. As noted, the project will help Tirreno Power to lower the normal degradation impact on the rotor components, thus boosting the lifespan. Notably, this will help in minimizing the unplanned downtime risk of the power plant.

On **May 28, 2020**, General Electric's chief executive officer, Larry Culp, communicated that the company might generate a negative free cash flow in 2020. As also noted, the company's free cash outflow is likely to be \$3.5-\$4.5 billion in the second quarter of 2020. The weak cash flow outlook mainly stems from the softness in its aviation business unit on account of the coronavirus outbreak.

Notably, the company anticipates the installation of its commercial jet engines to decline approximately 45% in the second quarter, with aircraft spare sales expected to fall about 60%. On the other hand, the demand for its healthcare products has grown amid the coronavirus pandemic, with orders likely to increase over 100% in the second quarter.

On **May 27, 2020**, General Electric announced its plan to divest the Lighting business — comprising of innovation smart home and home lighting

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solutions — to Massachusetts-based Savant Systems, Inc. The divestment is in sync with the company's efforts to transform into an industrial company.

Subject to the fulfillment of customary closing conditions, the divestment is anticipated to be completed in mid-2020. The transaction is believed to be a win-win situation for General Electric and Savant Systems. While General Electric will be able to concentrate more on its core businesses, Savant Systems will enjoy enhanced market reach, driven by the popularity of the GE brand.

It is worth noting here that a licensing agreement (long-term) for the use of GE brand post the completion of the divestment has been signed between the parties.

On **May 21, 2020**, GE Renewable Energy announced to have received a contract to supply onshore wind turbines to Powerica Ltd. Financial terms of the contract were not disclosed by the parties involved.

As noted, GE Renewable Energy will supply 38 units of 2.7-132 onshore wind turbines to Powerica. Of these, 19 onshore wind turbines will be delivered at Powerica's wind farm based in Rajkot, while the rest will be supplied to Khambaliya wind farm. Both the projects collectively can generate 102.6 MW of energy.

On **May 20, 2020**, General Research announced to have received \$2.5 million worth project via the Underminer program of the Defense Advanced Research Projects Agency. The 15-month project will involve the development of effective means for digging tunnels.

On **May 19, 2020**, GE Renewable Energy along with Powerchina Zhongnan Engineering Corporation Limited received contract to supply generators and six Francis turbines to Pakistan-based Dasu hydropower plant. The contract was awarded by Pakistan Water and Power Development Authority.

On **May 18, 2020**, GE Renewable Energy received a contract to supply 52 units of 3 MW platform onshore wind turbines. The other party to the contract was Fina Enerji. Financial terms of the transaction were not disclosed.

The wind turbines will be delivered to Fina Enerji's wind farms located in Pazarkoy, Baglama, Tayakadin and Yalova. These wind farms collectively can produce 193 MW of energy.

On **May 15, 2020**, General Electric communicated the completion of its debt tender offers announced on May 6. Also, the company announced the completion of its private debt offerings by GE Capital Funding, LLC.

As noted, the company's tender offers were applied for notes issued by subsidiaries — including GE Capital European Funding Unlimited Company, General Electric Capital Corporation and GE Capital UK Funding Unlimited Company. Of the above-mentioned validly tendered notes, the company accepted for purchase validly tendered 4.625% notes due 2021, 5.300% notes due 2021, floating-rate notes due 2021, 4.650% of notes due 2021, 4.350% notes due 2021, 0.800% notes due 2022, floating-rate notes due 2023 and 5.125% notes due 2023.

In addition, GE Capital's debt offerings are expected to bring \$4.4 billion in gross proceeds. The amount will be used for purchasing the selected validly tendered notes (mentioned in the above paragraph). It is worth mentioning here that the company expects the debt offerings and tender offerings to have a neutral impact on leverage, going forward.

On **May 4, 2020**, GE Aviation announced that the pandemic is severely impacting its operations. It predicts an 80% reduction in global traffic in the second quarter as compared with the level in February. To mitigate some of financial stress, GE Aviation will lower its workforce by 25% in 2020.

On **Apr 27, 2020**, General Electric paid out a quarterly cash dividend of a penny per share to shareholders of record as of Mar 9, 2020.

On **Apr 22, 2020**, GE Renewable Energy announced that it secured a service contract from DIF Capital Partners. Per the 10-year deal, the company will be responsible for servicing 122 GE 1.56-82.5 turbines.

On **Apr 21, 2020**, General Electric announced the results of its previously announced debt tender offers.

As noted, 57.49% of the company's 2.250% notes, 36.25% of 4.375% notes, 80.88% of 5.875% notes and 63.16% of 2.342% notes were validly tendered. The notes were issued by General Electric Capital Corporation. All the notes are due to expire in 2020.

In addition to these, the company mentioned that 68.19% of 2.700% notes due 2022, 53.35% of 0.375% notes due 2022, 35.65% of 1.250% notes due 2023, 41.58% of 3.375% notes due 2024, and 57.85% of floating-rate notes due 2020 were validly tendered. The notes were issued by General Electric.

On **Apr 15, 2020**, General Electric clinched a contract from Phuong Mai Wind Power JSC to deliver 11 2.4MW-116 turbines. Also, the company will be required to provide technical advisory service for wind farm run by Phuong Mai.

On **Mar 31, 2020**, General Electric announced to have completed the divestment of its BioPharma business to Danaher Corporation. Notably, the divestment deal was revealed by the parties in February 2019.

As noted, the BioPharma-divestment deal was valued at \$21.4 billion. Of the full value, General Electric received approximately \$21 billion in cash or net proceeds of \$20 billion (after adjusting for deal fees, deal taxes and other items). In addition, a certain portion of the company's pension liabilities was assumed by Danaher.

The divestment is in sync with General Electric's efforts to lower leverage and thereby, strengthen the balance sheet. It intends to use the net proceeds to pay down debts. Also, the divestment will help the company to focus on the rest of its GE Healthcare businesses.

On **Mar 24, 2020**, General Electric announced its decision to collaborate with Ford Motor in the fight against the deadly coronavirus. Notably, the



company will partner Ford for expanding its production scale of ventilators, equipping clinicians with medical equipment for the treatment of COVID-19 patients. As noted, the companies will work on producing a simplified design of GE Healthcare's existing ventilator to address critical requirements amid the pandemic.

On **Mar 23, 2020**, General Electric provided an update on measures that intends on taking in the light of the coronavirus (COVID-19) outbreak. The conglomerate's chairman and CEO — H. Lawrence Culp, Jr. — stressed on workers' safety, the continuation of providing services to customers, and preserving the business strength during the difficult period.

Its GE Aviation intends on lowering the U.S. workforce by 10%, while its president and CEO — David Joyce — will give up 50% of his salary, beginning April 2020. Also, other actions, including the reduction in the contingent workforce, refraining from hiring and lowering spending (non-essential), are being considered. In the coming three months, maintenance, repair and overhaul ("MRO") activities will be hurt badly, resulting in no work for 50% employees. General Electric believes that the actions will result in cost savings of \$500 million to \$1 billion for 2020.

## Valuation

General Electric's shares have declined 37.7% in the year-to-date period and decreased 32.6% over the trailing 12-month period. Stocks in both the Zacks sub-industry and the Zacks Conglomerates sector have decreased 11.3% in the year-to-date period. Over the past year, both the Zacks sub-industry and sector have moved down 6.7%.

The S&P 500 index has moved down 1% year to date and increased 10.2% in the past year.

The stock is currently trading at 4.53x forward 12-month EBITDA, which compares to 23.88x for both the Zacks sub-industry and the Zacks sector as well as 12.28x for the S&P 500 index.

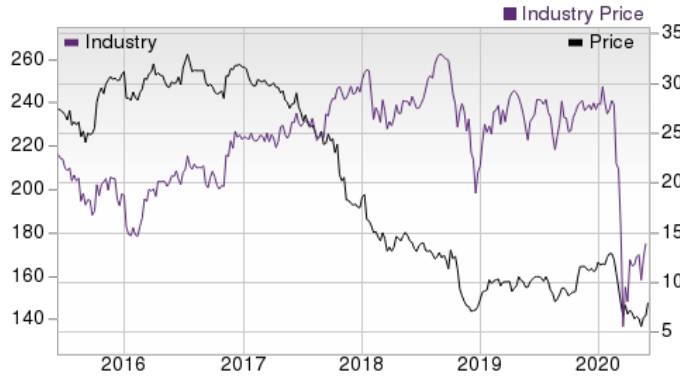
Over the past five years, the stock has traded as high as 18.48x and as low as 4.53x, with a 5-year median of 10.26x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$7.50 price target reflects 40.48x forward 12-month earnings per share.

The table below shows summary valuation data for GE.

Valuation Multiples - GE					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA F12M	Current	4.53	23.88	23.88	12.28
	5-Year High	18.48	79.69	79.69	12.62
	5-Year Low	4.53	17.51	17.51	9.03
	5-Year Median	10.26	21.57	21.57	10.79
P/E F12M	Current	37.51	27.53	27.53	23.03
	5-Year High	46.55	27.53	27.53	23.03
	5-Year Low	9.01	15.76	15.76	15.23
	5-Year Median	16.49	18.35	18.35	17.49
EV/Sales F12M	Current	0.79	3.78	3.78	3.38
	5-Year High	3.16	4.1	4.1	3.51
	5-Year Low	0.53	2.53	2.53	2.28
	5-Year Median	1.71	3.39	3.39	2.82

As of 06/11/2020

## Industry Analysis Zacks Industry Rank: Bottom 10% (227 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
Danaher Corporation (DHR)	Neutral	3
Emerson Electric Co. (EMR)	Neutral	3
Honeywell International Inc. (HON)	Neutral	3
Macquarie Infrastructure Company (MIC)	Neutral	1
3M Company (MMM)	Neutral	3
Carlisle Companies Incorporated (CSL)	Underperform	5
Flowserve Corporation (FLS)	Underperform	4
ITT Inc. (ITT)	Underperform	4

Industry Comparison Industry: Diversified Operations				Industry Peers		
	GE	X Industry	S&P 500	DHR	EMR	HON
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	3
VGM Score	F	-	-	D	A	C
Market Cap	60.79 B	4.51 B	21.32 B	115.02 B	36.12 B	100.67 B
# of Analysts	8	3	14	9	7	10
Dividend Yield	0.58%	1.98%	1.99%	0.44%	3.31%	2.51%
Value Score	C	-	-	D	A	C
Cash/Price	1.30	0.22	0.06	0.04	0.06	0.08
EV/EBITDA	3.43	8.81	12.31	29.32	9.73	11.49
PEG Ratio	25.07	2.94	2.88	3.72	3.13	2.78
Price/Book (P/B)	1.65	1.03	2.92	3.90	4.78	5.64
Price/Cash Flow (P/CF)	5.39	6.81	11.24	26.54	11.94	14.50
P/E (F1)	181.75	19.56	20.84	33.78	19.67	20.71
Price/Sales (P/S)	0.61	0.74	2.24	5.93	2.01	2.77
Earnings Yield	0.58%	4.99%	4.64%	2.96%	5.08%	4.83%
Debt/Equity	1.80	0.77	0.76	0.77	0.52	0.65
Cash Flow (\$/share)	1.29	2.28	7.01	6.21	5.07	9.89
Growth Score	F	-	-	C	B	C
Hist. EPS Growth (3-5 yrs)	-21.62%	10.44%	10.87%	2.50%	2.96%	8.38%
Proj. EPS Growth (F1/F0)	-93.65%	-22.02%	-10.81%	10.43%	-16.69%	-15.11%
Curr. Cash Flow Growth	-8.00%	2.77%	5.46%	1.84%	7.06%	-1.43%
Hist. Cash Flow Growth (3-5 yrs)	-12.27%	5.78%	8.55%	5.87%	-0.68%	5.69%
Current Ratio	1.91	1.65	1.29	1.32	1.01	1.30
Debt/Capital	64.30%	42.26%	44.75%	42.26%	34.37%	39.26%
Net Margin	-2.39%	3.62%	10.54%	16.85%	12.04%	17.38%
Return on Equity	13.66%	11.52%	16.08%	11.52%	26.66%	33.60%
Sales/Assets	0.36	0.76	0.55	0.32	0.85	0.62
Proj. Sales Growth (F1/F0)	-24.38%	0.00%	-2.60%	2.71%	-10.56%	-13.30%
Momentum Score	D	-	-	D	B	C
Daily Price Chg	-8.67%	-6.14%	-6.44%	-4.51%	-8.23%	-6.93%
1 Week Price Chg	19.94%	7.58%	7.51%	3.97%	9.96%	10.64%
4 Week Price Chg	21.93%	9.70%	8.40%	2.00%	13.26%	12.90%
12 Week Price Chg	7.25%	11.15%	25.04%	32.78%	31.38%	20.58%
52 Week Price Chg	-32.59%	-22.54%	-6.33%	18.28%	-4.34%	-17.18%
20 Day Average Volume	120,988,480	66,201	2,634,935	2,863,010	3,524,507	3,589,375
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-23.26%	0.00%	0.00%	-0.09%	0.19%	-0.29%
(F1) EPS Est 12 week change	-92.41%	-30.95%	-15.86%	-9.97%	-16.40%	-21.20%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.37%	0.00%	0.00%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	F
Momentum Score	D
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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