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EDITED TRANSCRIPT

GE - Q1 2016 General Electric Co Earnings Call

EVENT DATE/TIME: APRIL 22, 2016 / 12:30PM GMT

OVERVIEW:

Co. reported 1Q16 revenues of $27.8b and EPS of $0.21. Expects 2016 EPS to be $1.45-1.55.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS:
This document contains "forward-looking statements" – that is, statements related to future events that by their nature address matters that are, to different degrees, uncertain. For details on the uncertainties that may cause our actual future results to be materially different than those expressed in our forward-looking statements, see http://www.ge.com/investor-relations/disclaimer-caution-concerning-forward-looking-statements as well as our annual reports on Form 10-K and quarterly reports on Form 10-Q. We do not undertake to update our forward-looking statements. This document also includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

NON-GAAP FINANCIAL MEASURES:

In this document, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are posted to the investor relations section of our website at www.ge.com. We use non-GAAP financial measures including the following.

- Operating earnings and EPS, which is earnings from continuing operations excluding non-service-related pension costs of our principal pension plans.
- GE Industrial operating & Verticals earnings and EPS, which is operating earnings of our industrial businesses and the GE Capital businesses that we expect to retain.
- GE Industrial & Verticals revenues, which is revenue of our industrial businesses and the GE Capital businesses that we expect to retain.
- Industrial segment organic revenue, which is the sum of revenue from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial segment organic operating profit, which is the sum of segment profit from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial cash flows from operating activities (Industrial CFOA), which is GE's cash flow from operating activities excluding dividends received from GE Capital.
- Capital ending net investment (ENI), excluding liquidity, which is a measure we use to measure the size of our Capital segment.
- GE Capital Tier 1 Common ratio estimate is a ratio of equity to total risk-weighted assets .

General Electric Capital Corporation (GECC) has been merged into GE and our financial services business is now operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to GECC and GECGH as "GE Capital". We refer to the industrial businesses of the Company including GE Capital on an equity basis as "GE". "GE (ex-GE Capital)" and /or "Industrial" refer to GE excluding GE Capital. Our financial services segment previously referred to as GE Capital is now referred to as Capital.
GE's Investor Relations website at www.ge.com/investor and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the General Electric first-quarter 2016 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Matt Cribbins, Vice President of Investor Communications. Please proceed.

Matt Cribbins *- General Electric Company - VP Investor Communications*

Good morning and thanks for joining our first-quarter 2016 webcast. I'm here with our Chairman and CEO, Jeff Immelt; our CFO, Jeff Bornstein; and our Vice President of Gas Power Systems, Joe Mastrangelo.

Earlier today we posted a press release, presentation, and supplemental on our Investor website at www.GE.com/investor.

As a reminder, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. As described in our SEC filings and on our website, those elements can change as the world changes.

Now with that, I'd like to turn it over to Jeff Immelt.

Jeff Immelt *- General Electric Company - Chairman, CEO*

Thanks, Matt. GE had a good performance in a slow growth environment. EPS of $0.21 was up 5%. This included $0.02 of headwind through foreign-exchange.

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Let me summarize some of the key achievements in the quarter. Industrial organic revenue was down slightly, and operating profit was about flat despite a very challenging environment in Oil & Gas and tough comparisons in gas turbine shipments. This is in line with our expectations.

Industrial margins grew by 30 basis points, up 110 basis points ex-FX, and CFOA was $7.9 billion, a good start in the year. We're on track to close Appliances in the second quarter, and this will facilitate incremental restructuring and capital allocation optionality.

We continue to execute our GE Capital strategy. We have $166 billion of Capital deals signed. GE Capital sent a $7.5 billion dividend to the Parent in the quarter, and GE Capital filed for SIFI de-designation in March.

Alstom integration is on track for our $0.05 goal in 2016. We're more comfortable with the business and our ability to create value.

We returned $8.3 billion to investors in dividend and buyback, and our capital allocation framework remains on track. Importantly, we are reaffirming our 2016 framework goal of $1.45 to $1.55 EPS, 2% to 4% organic growth, CFOA of $29 billion to $32 billion, and $26 billion of cash to investors.

Our performance in the quarter again validates the strength of the GE operating model. Diversity is a key strength during this period of volatility. We're in the midst of a challenging Oil & Gas market, however we are seeing sustained strength in Aviation and Power markets. Healthcare is rebounding.

I was in China last week and saw improvements in our business. Most of the portfolio is strong, and we're delivering.

There's plenty of business out there to achieve our goals. Orders were up slightly in the quarter, down organically, and pricing was flat. We ended the quarter with $316 billion of backlog, up 18% year-over-year.

Our investments in technology are paying off. Power orders grew by 25%. Our backlog of H-Turbines now totals 35.

Renewable organic orders grew by 88% behind the launch of new 2-megawatt and 3-megawatt turbines. Healthcare equipment orders grew by 6% with double-digit orders in the US.

We continue to win in the Aviation market as the LEAP remains the engine of choice and on track for a successful launch. Globally, orders were up 9% in developed markets with broad-based growth, and down 9% in emerging markets in line with the volatility we see in resource-rich countries.

Service continued to be quite robust. Power Services grew by 17% ex-Alstom, and Aviation grew by 13%.

Digital orders grew by 29%. We launched Predix and attracted 7,500 developers in just 30 days. Meanwhile, we continue to attract new customers through additional offerings.

Oil & Gas markets remain tough. Activity slowed again in the quarter and was reflected in our orders rate decline. However, we continue to make progress with our customers, signing the industry's first performance-based contract with Diamond Offshore. We're confident that GE will outperform in this cycle.

Overall, our backlog and momentum support our 2% to 4% organic growth target for the year.

Revenue was up 6% in the first quarter, down 1% organically, in line with our plan. The main driver of the revenue profile in the first quarter is Power. In the first-quarter 2015, Power organic revenue grew by 21% as we delivered several large orders; without this impact, organic revenue would've grown by 3% in the first quarter.

Some highlights in the quarter include services up 13%; Aviation up 10%; and China grew by 10%, with 15% growth in Healthcare. Healthcare had the best organic growth in 20 quarters, and Renewables grew by 34%.

We still believe that organic growth will be up 2% to 4% for the year. Healthcare, Power, Aviation, Renewables are expected to have strong growth, substantially better than 2015, and this will more than offset headwinds in Oil & Gas and Transportation.

Our second half of 2016 is lining up to be about 5% organic growth, based on equipment backlog profiles.

Core Industrial margins grew by 30 basis points. Margins would have grown 110 basis points without FX headwind.

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We continue to make solid progress in sourcing and simplification. Service margins expanded by 190 basis points, as we continue to see benefits from our efforts in analytics. Our integration efforts with Alstom are just beginning, but we see great potential.

GE is executing well in a challenging environment.

Cash was in line with expectations. As I said earlier, we received a $7.5 billion dividend from Capital.

Industrial was impacted by Alstom with a typical first-quarter profile. We expect to hit $29 billion to $32 billion of CFOA in 2016.

Our balance sheet remains very strong, and we ended the quarter with $106 billion of liquidity at GE Capital and $9 billion of cash on the balance sheet. Meanwhile, we returned $8.3 billion of cash to investors in buyback and dividend.

We expect to receive $18 billion from GE Capital for the year, and Appliances is expected to close in the second quarter.

As I said earlier, we applied for SIFI de-designation in March. Our application is quite strong. We've addressed all the FSOC concerns which led to the original Systemic designation, and we'll give you more updates as we learn more.

Now I'd like to give you a sense for our dynamics in 2016. Most of the Company is quite strong.

Specifically, we feel great about what we're seeing in Aviation, Healthcare, Power, and Renewables. Their results should be better than what we showed in December. In addition, we're investing the gains from the Appliances business sale into incremental restructuring to achieve lower cost.

At the same time, we see pressure in the Oil & Gas business. The team had a decent first quarter, particularly when you take into account foreign exchange.

However, we want to take a more conservative position on the year, posting revenue down 15% to 20% and operating profit down 30%. We will continue to outperform our competitors and capitalize on volatility.

We've always said the value of GE is the strength of our portfolio, and we are reaffirming our $1.45 to $1.55 EPS framework for 2016.

I also wanted to spike out our performance in Alstom, where we're expecting $0.05 EPS in 2016. We had solid performance in the first quarter, $3 billion of orders, with renewed momentum. And I really like our opportunities for gas turbine balance-of-plant, HVDC, and steam turbines.

In addition, taking a dedicated look at Renewables is making us smarter and faster. We have massive potential to utilize the combined supply chain. Synergies were $100 million in the first quarter, on a path to $1.1 billion in the year.

Segment operating profit is ahead of plan. Jeff will go through the segments, but big-picture, this is working.

Now I would like to introduce Joe Mastrangelo. Joe leads our Gas Power Systems business. He can bring the Alstom benefits to life and tell you how we're winning in the marketplace.

Joe Mastrangelo - ***General Electric Company - President & CEO GE Power Gas Power Systems***

Thanks, Jeff. I'll start with a quick market overview. Overall demand for Gas Power Systems is steady, and we forecast the market to be between 55 to 60 gigawatts for both heavy duty and aero gas turbines.

Globally, we continue to see strong demand in North America and Asia, with good growth in China. There are also pockets of country-specific growth in the Middle East and Africa, both for utility-scale and fast power applications. In addition, commercial activity is increasing in both Argentina and Mexico, driven by recent government reforms.

2016 is the production launch for the HA turbine platform, and our team is ready to meet the challenge of shipping about 24 HA gas turbines this year. The industry continues to shift to the H, or high-efficiency, technology. Last year this accounted for 40% of the total industry orders, and we expect that to rise to more than half of all gigawatts sold by 2020.

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Fast power demand can be lumpy from quarter to quarter, and customers want megawatts online in months. Using aeroderivative gas turbines combined with Alstom expanded scope capability, plus local execution financing from The GE Store, we have the ability to quickly go from customer need to power on the grid anywhere in the world.

Moving to Alstom, this is a great marriage of two technology portfolios: high-performing gas turbines from GE and the highest-efficiency steam tail technology from Alstom. We have industry-leading, fully integrated power island solution capability.

Around 10% of our orders came from Alstom technology in the first quarter, and we are now quoting Alstom steam tails on every combined-cycle opportunity -- a big shift from pre-Alstom, where we sold steam tails less than 30% of the time.

This is our single biggest growth opportunity in the near term, and we expect strong 2016 orders that will convert into 2017 revenue.

In the first quarter, we shipped 13 heavy-duty gas turbines, and our forecast is to ship 40 in the first half and 75 in the second half for 115 total year shipments. Right now, 101 of those turbines are in backlog, and we see opportunities to potentially be better than our current forecast.

The next page covers the HA platform launch. We are very pleased with progress on this program, both commercially, where we continue to win in the marketplace, and also on equipment performance, which is exceeding expectations.

The H backlog continues to grow. We will deliver about $2 billion of revenue this year with positive total year margin.

Our integrated approach to the market translates into more equipment being sold per megawatt shipped. Alstom improves our steam turbines, generators, and heat recovery steam generator performance, and it shows in our orders.

In the first 200 days since the acquisition, we have already closed more than double the HRSG orders then Alstom did in the last three years combined. Our launch plant for EDF in France has set a world record output for both simple-cycle and combined-cycle configurations. We're also on track to set another world record for combined-cycle efficiency when this plant goes online in the middle of June.

We continue to develop and introduce new models at record speed, and during the first quarter we did a flawless validation of the 7HA.02 gas turbine. This turbine performed better than our initial engineering models, and our first units were shipped during the first quarter.

Exelon is another powerful example of the Alstom and GE combination. These two projects in Texas have 100% GE power island technology.

It wasn't sold that way, because Alstom wasn't yet part of GE at the time. But bringing these teams together gives us the ability to derisk project execution and deliver stronger operating performance.

The HA platform is one of the biggest product line launches in GE's history. The team is performing well, and this technology is a key driver to both growth and profitability.

Here are three great examples of projects that are improving both business profitability and delivering the lowest cost of electricity to our customers. The first example combines new technology with a vertical integration on three-dimensional compressor air flows that improve the output and efficiency for the HA turbine. We deliver a $12 million annual cost savings, raise our supply chain capability, and reduce production cycle time.

The middle of the page highlights the power of The GE Store. We brought together engineers from GE Power, Alstom, and the GRC who developed new high-temperature material for our F-Class fleet. It's less expensive and also improves gas turbine performance, where higher temperatures equal better efficiency. Once again, new equipment cost of electricity goes down while creating a new service upgrade opportunity.

Generators are an example of taking existing Alstom technology and putting it into our product catalog instead of buying it from a third party. We not only lowered our cost position but also improved performance and reliability.

The next page looks at our 2016 margin profile. The HA will become profitable in 2Q at about the time we ship our 12th unit. We've taken over 30% of costs out of the turbine in our first year of production.

Now let's put that into historical perspective. The 10th HA turbine shipment is equal to the 1,000th F-Class turbine shipped on a dollar-per-kilowatt basis. We are delivering higher performance for value with the combination of improved gas turbine output and Alstom steam technology.

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Here are two projects in the US. The first one is TVA, which we closed in 2014. Our scope was just the gas turbine and the generator, which translated into a value of $178 per kilowatt for GE.

Now, fast forward to the first quarter of this year, where we closed an HA deal with PSEG. We sold the gas turbine and the generator and added in the Alstom steam tail highlighted in light blue. We more than double our dollars sold for the same amount of kilowatts delivered. Our customers get better value, in this case an incremental $5 million because the power island operates at improved efficiency.

This is very exciting, and now let me share with you one more thing: how our digital capability is improving our Industrial performance. Take the two first circles. We are opening new design spaces and allowing our factory to produce smaller features and tighter tolerances with world-class quality.

We build the digital twin when we design the machine, and direct-link that model to advanced manufacturing technologies like 3D printing and additive manufacturing. This allows rapid prototyping and the ability to ramp up production faster.

Then we test our equipment harder than it will ever operate in the field at our state-of-the-art full-load test facility. This is one-of-a-kind capability in our industry.

During testing, we have more than 7,000 data streams that capture more than 500 terabytes of data. That data goes back to our technology team to both validate designs and improve performance.

The blue circle is an example of this. It shows the first two stages of turbine blading, that have thousands of small holes to allow the metal to safely operate above its melting point. We color the blades with thermal paint to validate the design performance on the test stand.

And now, with our new Metem acquisition we can rapidly prototype and bring into production new cooling hole configurations that optimize performance and efficiency. What once took years can now be accomplished in a matter of weeks.

The far right circle shows how combining Digital and Industrial expertise delivers value. The blue represents a compressor test stand campaign compared to the orange, which is one year of operating performance for a 537 7F gas turbine fleet. These results create an expanded operating space for our customers where moving up and to the right can deliver up to $10 million in incremental value.

The data then becomes the basis for a Predix-enabled application that allows our customers to maximize performance while operating the equipment safely. This page shows why the HA program launch is proceeding so smoothly -- faster than we've ever done before, while continuously innovating our technology platform.

Thanks for listening, and now I'll turn it over to Jeff Bornstein.

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Thanks, Joe. I'll start with the first-quarter summary.

Revenues were $27.8 billion, up 6% in the quarter. Industrial revenues were up 7% to $25 billion. You can see on the right side that Industrial segments were up 6% reported and down 1% organic. Alstom revenue in the quarter was $2.8 billion.

Industrial operating plus Verticals EPS was $0.21, up 5%. That includes $0.05 of net restructuring this year versus $0.03 a year ago.

If you look at the box at the bottom of the page, we provided the V percent adjusted for Industrial gains and restructuring. Excluding those impacts in both years, Industrial EPS was up 5% and Industrial plus Vertical EPS was up 14%.

The operating EPS number of $0.06 includes other continuing GE Capital activity, including headquarter runoff and other exit-related items that I'll cover on the GE Capital page.

Continuing EPS of $0.02 includes the impact of non-operating pension. Net EPS of $0.01 loss includes discontinued operations. The total disc-ops impact was a charge of $300 million in the quarter, driven by GE Capital exit costs.

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As Jeff said, we generated $7.9 billion of CFOA in the quarter, up from $1.3 billion in the first quarter of 2015, driven by increased dividend from GE Capital. Industrial CFOA was $400 million, down 60%.

There were two big drivers of the year-over-year decline. First, Alstom used about $400 million cash in the quarter, and this is primarily timing. Consistent with what we said previously, we expect Alstom to be breakeven to slightly positive on CFOA for the year.

Second, as you are aware, we have a very second half loaded volume profile, driven by Power. As a result, we began level-loading the factories, which has resulted in higher inventory in the quarter.

The GE tax rate was 17%, and the GE Capital tax rate was 36%, which for GE Capital reflects a tax benefit on a pretax continuing loss.

On the right side are the segment results. As I mentioned, Industrial segment revenues were up 6% reported and down 1% organically. Foreign-exchange translation of $544 million was a 2-point headwind, as was lost revenue from dispositions of $542 million.

Those impacts were more than offset by $2.8 billion of revenue from Alstom.

As Jeff mentioned, foreign-exchange had a significant impact on segment op profit this quarter. In total, we had $255 million headwind, driven by $33 million of FX translation and $223 million of foreign-exchange transactional impacts from remeasurement and mark-to-market on open hedges.

Traditionally, remeasurement and mark-to-market have been de minimus. For example, in all of 2015 it was about $30 million; and for 2014 it was less than $5 million for the year.

It's unusual for us to have this big of an impact, which is why we're calling it out here this quarter. This outsized impact in the quarter was driven by significant movements in certain currencies versus prior quarter. For example, the weakening of the pound sterling, the strengthening of the Japanese yen, and the strengthening of the Brazilian reals.

These impacts were principally felt in Power and Oil & Gas, given the global nature of those businesses. Alstom was a driver as, well given their broad global footprint.

It's important to note that we are economically hedged, and that remeasurement and mark-to-market impacts are just timing. The underlying transactions for which these hedges were put in place will occur in sales and costs over the coming quarters; and the net impact of the hedge and the underlying transaction will be roughly zero over the life of the contract.

So again, the $223 million of FX movement will flow back through earnings over time.

On the right side of the page you'll see the Industrial segment op profit was down 7% reported and down 4% organically. The organic number of 4% excludes the effects of acquisitions and dispositions and FX translation only. Excluding the impacts of transactional FX, as I just discussed, organic segment profit was up 2% in the quarter.

Next, on Industrial other items for the quarter, we had $0.05 of charges related to industrial restructuring and other items that were taking at Corporate. Charges were $686 million on a pretax basis, with $164 million of those charges related to Alstom's synergy investments, deal costs, and accounting items.

We also had a gain of $59 million pretax related to the sale of our space at 30 Rock, which netted to less than a $0.01 impact.

At the bottom of the page you can see the profile for the year. We expect gains and restructurings to largely offset, but with quarterly variability in timing. As you know, we signed the Appliance transaction, which we expect to contribute about $0.20 of gain in the second quarter.

In the second half we have asset management disposition. This was smaller transactions that will contribute an additional $0.05, bringing total year gains to approximately $0.25. This allows us to significantly restructure our cost basis and will make us more competitive in 2017 and beyond.

Next I'll go through the segments, starting with Power. The Power business had a very strong orders quarter. Total orders, $5.6 billion, were up 66%, including $1.5 billion of Alstom orders. Excluding Alstom, orders were up 23% to $4.2 billion, with equipment orders higher by 57% and services higher by 11%.

Equipment order strength was driven by Gas Power Systems where we took orders for 25 gas turbines versus 21 a year ago, including an additional six H turbines. We also had orders for seven steam turbines for combined cycle versus zero a year ago.

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The US was strong, accounting for 73% of orders value. International was also strong, up 21%.

Our H unit backlog stands at 35 after receiving orders for six new units and shipping our first four units. Alstom steam orders totaled $300 million in the quarter. We took in order for one steam turbine and a turbogenerator for coal application. In conjunction with GE gas turbine, Alstom also took orders for five additional HRSGs.

Core GE services grew orders 11% on strength in Power Services, up 17%. Total upgrades were 52 versus 49 last year, including orders for 25 AGPs, higher by nine from last year. In addition to AGPs, we're seeing higher demand for other upgrades like dry low NOx and plans for plant upgrades.

Alstom services booked $1 billion of orders including 22 steam turbine retrofits.

In total, backlog ended at $78 billion. Excluding Alstom, backlog ended at $63 billion with $9 billion of equipment, up 51%, and services of $54 billion, up 7%. Revenue of $5.2 billion was up 13%, with equipment down 24% and services up 40%. Excluding Alstom, revenues were down 18%, driven by equipment revenue down 48% on 26 fewer gas turbine shipments and 35 fewer generators, as we expected.

Services excluding Alstom grew revenues 5%, driven by Power Services, up 7%. Upgrades were 54 this year versus 55 a year ago, including 27 AGPs, which was six higher.

Op profit excluding Alstom was $547 million in the quarter, down 28% on the lower gas turbine volume, negative cost leverage, and negative currency. This was partially offset by services growth.

In the quarter, we had $48 million of currency drag, mostly from transactional foreign exchange, principally on the euro and the yen. We expect these transactional hedges to reverse over time.

Alstom contributed op profit of $26 million in the quarter, including the effects of purchase accounting and currency. Transactional FX for Alstom was a $33 million headwind.

First-quarter results were as expected and, as Joe mentioned, reflect the timing of our gas turbine volume for 2016, which is heavily second-half loaded. We continue to win with the H turbine, including pulling through Alstom steam, generators, and HRSGs.

We expect to deliver 115-plus gas turbines this year, with 101 in backlog. And we will continue to drive H margins throughout the year.

We're on plan for Alstom synergies for the year of about $800 million.

Next is Renewables. Orders in the quarter were $2 billion, up 110% in the quarter. Orders were higher by 86%, excluding Alstom.

Our core Wind business took orders for 711 wind turbines versus 376 a year ago. US orders were very strong, up 144%, including an order for 96 units that slipped from the fourth quarter. Orders for the new 2.X and 3.X products accounted for almost 70% of our unit orders.

Alstom Renewable orders were $225 million, driven by hydro, with orders in China, Laos, and the US. Total backlog of $12.4 billion includes $5 billion contributed by Alstom. Core backlog of $7.4 billion grew 43%.

Revenue in the quarter of $1.7 billion was higher by 62% with the core business up 34%. The core business shipped 616 turbines versus 472 last year. About half of the shipped units were the new 2.X product. Alstom revenues of $295 million were principally attributable to hydro.

Operating profit in the quarter totaled $83 million, inclusive of $91 million from the core business and an $8 million loss from Alstom. Core profitability was driven by higher volume and a termination payment that was more than offset by 2.X launch costs and negative foreign exchange.

The quarter was a good start to the year, with strong order growth and execution in both the legacy and the Alstom segments. We continue to expect the business to ship about 3,050 wind turbines in 2016, with about 100 coming from Alstom versus the 250 we originally guided and 150 more from GE. The business is on track to deliver over $100 million of Alstom synergies for the year.

Next is Aviation. Aviation continues to perform well, as does the market. Global passenger air travel from February year-to-date grew 8%, its strongest performance since 2008.

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Both domestic and international routes saw robust growth. Air freight volumes contracted about 1.6% through February.

Aviation orders in the quarter were $6.6 billion, down 12%. Equipment orders were down 35% to $2.6 billion, as we expected.

We booked $1.7 billion of commercial equipment orders, including $800 million of LEAP CFM, $400 million of GE90, and about $100 million of GEnx orders. Military equipment was higher by 91% on large naval orders.

Service orders grew 13% to $4 billion on spares up 2%, repairs up 10%, and CSAs up 34%. Services backlog grew 11% versus the first quarter of last year.

Revenues in the quarter of $6.3 billion were up 10%, with equipment higher by 2%. The business shipped 53 GEnx units versus 51 last year. Service revenue grew 17% with spares up 6% and strength in commercial services and military.

Operating profit in the quarter was higher by 16% on services volume and cost productivity. Operating profit margins expanded 110 basis points.

Aviation had another solid quarter. The LEAP launch remains on track, and we expect to ship 15 to 20 units in the second quarter and about 110 engines for the year. We have now accumulated more than 19,000 cycles on the LEAP engine, and all the engines were performing well and all were meeting their fuel specifications.

Next is Oil & Gas. We're operating in an incredibly difficult environment. In the first quarter, US onshore rig counts were down another 27% from year-end and down 72% from the 2014 peak. US well counts are down 64% versus the first quarter of 2015, and CapEx and investment decisions continue to be pushed out in virtually every segment.

We continue to be focused on the things we can control, principally on cost and competitiveness. Orders in the quarter were down 44%, with equipment orders down 70%.

Every segment saw significantly lower equipment orders. Subsea was down 83%, TMS was down 92%, Surface was down 43%, and Downstream was down 14%.

Service orders were down 19% in total, with all segments also declining. TMS was down 4%, Surface 28%, Subsea 57%, Downstream 23%, and Digital Solutions were down 5%.

Not included in orders but included in backlog, we signed a CSA contract with Diamond Offshore. The deal covers four BOP sets and was done in conjunction with our energy financing business.

Backlog ended the quarter at $22.6 billion, down 1% from the fourth quarter. Equipment backlog totaled $8.8 billion, down 7% from last year; and service backlog totaled $13.8 billion, up 3% from last year.

Revenue in the quarter was down 18%; down 14% organically. Equipment revenues were down 23%, 18% organically, driven by Surface down 45%, TMS down 23%, Subsea down 26%; and Downstream grew revenue 14%.

Service revenues were down 13%, down 9% organic, with all segments lower with the exception of TMS, which grew revenue 6% organically in the quarter.

Operating profit of $308 million was down 37%, and down 31% organically. The business delivered approximately $140 million of cost actions, which was more than offset by lower volume, price, and foreign exchange. Foreign exchange in a quarter was a $95 million headwind, driven by FX associated with translation of $25 million and transactional FX of $70 million.

In an extremely tough market, the team will continue to [drive] cost and market share. We are on track to deliver against the $800 million cost target.

Our restructuring investment will likely increase from $350 million to about $500 million to achieve the benefits, as lower volume will offset some of the realization. The increased restructuring is within the restructuring framework we've been sharing with you.

As Jeff mentioned, given the difficult market and how orders have started the year, we are now planning Oil & Gas operating profit down approximately 30% in 2016. We expect strength elsewhere in the portfolio and aggressive corporate cost management to maintain our plan. No change in guidance of the $1.45 to $1.55.

Next up is Healthcare, which had a very strong quarter. Orders in the quarter of $4.2 billion were up 5% organic and 1% reported. Geographically, orders grew 3% in the United States, 14% in China, 4% in Europe, and 2% in Asia-Pacific, partially offset by weakness in Latin America, which was down 12%, principally driven by Brazil.

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In terms of business lines, Healthcare systems grew orders 5% organically and 2% reported, with strength in the US driven by strong CT growth of 26% on increased traction on the new Revolution CT launch and 16% growth in the Ultrasound business. Organically, China was up 12% and Europe grew 6% with broad growth across the region.

Our Life Science business was up 7% organically with strength in both bioprocess, up 7%, and core Imaging higher by 10%. Healthcare revenues of $4.2 billion were up 3% reported and up 6% organically. Healthcare systems grew revenue 4% organic, 1% reported; and Life Sciences grew 13% organically and 6% reported.

Operating profit was up 7% reported, up 10% organically. Strong productivity and volume growth offset price and NPI Digital spending. Margins improved in the quarter 70 basis points.

The business is beginning to deliver on the growth from NPI investments we've made, and it's restructuring to deliver lower product and service costs. The business is on track to meet or exceed the framework we shared with you and investors in March.

Next, Transportation continues to face a very tough domestic market. Commodity carloads in the first quarter were down 12%, driven by coal down 31%; and petroleum products were down 17%. Intermodal grew modestly, up 1%.

Orders for the quarter of $653 million were down 56%, as we expected. Equipment orders were weak, down 89%. Service orders were down 3% organically and down 18% reported, principally driven by lower loco parts.

Backlog ended at $21.1 billion; that's down 2% from the end of the year. Revenues in the quarter were down 25%, driven by lower equipment revenues. The business shipped 156 locos in the first quarter versus 215 last year.

Service revenues were flat, excluding the sale of Signaling.

Operating profit of $164 million was down 27%, down 22% organically, driven by lower volume and variable cost productivity, partially offset by strong deflation and structural cost takeout. Base costs were lower by 13%.

Op profit margins contracted 50 basis points in the quarter. The team continues to aggressively drive product and service costs, as well as structural costout, given the volume challenges they face this year. We still expect to ship approximately 800 locos in 2016, and our outlook for the year remains unchanged.

Energy Connections orders totaled $2.7 billion in the quarter, up 27%. Organically orders were down 13%, driven by Power Conversion down 20% on weakness in Oil & Gas, partly offset by strength in Renewables. Industrial Solutions was down 7% organically on weakness in the North American market.

Grid orders were $1.25 billion in the quarter, and backlog finished the quarter at $11.9 billion of which Grid Solutions contributed $8.4 billion.

Revenues in the quarter of $2.3 billion were up 34% reported. Organic revenues were down 6%. Grid Solutions revenues totaled $1.1 billion.

Operating profit was a loss of $85 million. The core business of Industrial Solutions and Power Conversion recorded a loss of $47 million, driven by lower Oil & Gas volume, higher Digital investment, and lost earnings from the sale of our embedded business in 2015. SG&A was down 8% in the quarter.

Grid Solutions recorded a loss of $38 million, driven by $20 million of operational earnings offset by $40 million of purchase accounting charges and $23 million of transactional foreign exchange. Alstom synergies in the quarter were ahead of plan, and their business is on track for the year to deliver over $200 million of synergies.

We feel good about the progress we're making in integrating Digital Energy and Alstom Grid. Overall, Energy Connections had a challenging quarter but we expect their results to improve over the year beginning in the second quarter.

We're investing to make this segment more competitive and to improve profitability. We like these businesses for the long-term.

Next, Appliances & Lighting. We remain on track for a 2Q closing for our sale of Appliances to Haier. Haier shareholders approved the transaction on March 31.

In the quarter, segment revenue grew 3%, with Appliances revenue growth of 8% on strong industry volume, which was up 7%, including strength in both retail, up 6%, and contract, up 9%. Lighting revenue was lower by 6% organically, driven by continued strength in LED offset by contraction in the legacy lighting business.

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Segment profit of $115 million was higher by 13%, driven by the strength in Appliances on strong productivity and commodity deflation.

The last segment I'll cover is GE Capital. Our Verticals businesses earned $496 million this quarter. That's up 43% from prior year, driven by higher gains, better operations, partially offset by lower tax benefits and impairments. Portfolio quality continues to remain stable.

Other continuing operations generated a $1.4 billion loss in the quarter, principally driven by excess interest expense, the expense associated with the first quarter of 2016 $4 billion hybrid tender, headquarter operating costs, restructuring, and other charges related to GE Capital transformation including the costs associated with the preferred equity exchange which we also executed earlier in the quarter.

To date we've incurred $22.6 billion of costs related to the GE Capital exit plan. We remain on track versus our $23 billion estimate.

Discontinued operations incurred a loss of $300 million in the quarter, largely driven by marks on held-for-sale assets. Overall, GE Capital reported a $1.2 billion loss in the quarter.

We ended the quarter with $127 billion of ENI, excluding liquidity, with the Verticals at $78 billion of ENI. Liquidity at the end of the first quarter was $106 billion.

Our Basel 3 Tier 1 Common ratio was 14.5%, which is flat from year-end after paying dividends of $7.5 billion during the quarter. The timing of dividends for the rest of the year is dependent on the timing of deal closures, but we expect to pay roughly half of the $18 billion we've targeted in the first half of the year and the remainder in the second half.

Asset sales remain ahead of plan. During the quarter we closed $42 billion of transactions, including $28 billion related to Wells Fargo sale, bringing the total closed transactions through the end of the quarter to $146 billion to date. In addition, we've signed agreements for an additional $9 billion in the first quarter, bringing total signings to $166 billion to date.

Our price to tangible book on deals signed to date is 1.3 times tangible book. We're on track for the 1.1 times price to tangible book that we estimated a year ago.

What is left to sign is primarily outside the US with our country platforms in France and Italy and the execution of our IPO of the Czech Bank. We expect to have a small balance of assets left through year-end.

Overall, Keith and the GE Capital team have executed ahead of schedule and on all aspects of the plan we shared with you one year ago. We expect to be largely completed with the asset sales by 2016.

On March 31 we filed the request to the FSOC for the rescission of GE Capital's designation as a SIFI. The filing demonstrates that GE Capital has substantially reduced its risk profile and is significantly less interconnected to the financial system, and therefore does not pose any threat to the US financial system. We hope to complete the de-designation process as soon as possible.

With that I'll turn it back to Jeff.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

Thanks, Jeff. Our operating framework remains on track. We expect operating EPS to be $1.45 to $1.55. We're remixing the Industrial content, and all other dynamics remain on track.

Cash performance has improved slightly based on the Appliances disposition that we expect to complete in the second quarter. Overall, free cash flow and dispositions will equal $29 billion to $32 billion, and we expect to return $26 billion to investors in buyback and dividends.

The GE model is producing for investors in this volatile economy. The strength of our portfolio will deliver strong EPS and cash growth. We're executing well with Alstom.

Before we end, I wanted to give you a sense for how we have aligned the team's compensation with investors. For 2016 our AEIP goals -- in essence, our internal plan -- is above this framework. For 2016 to 2018, our LTIP ties to the three-year EPS and capital allocation walk we showed you at the Outlook Meeting.

I feel great about our strategy, execution, and the strength of our business model. Matt, now over to you for questions.

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Matt Cribbins - ***General Electric Company - VP Investor Communications***

Thanks, Jeff. Now I'll ask the operator to open the lines up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Scott Davis, Barclays.

Scott Davis - ***Barclays Capital - Analyst***

Hi; good morning, guys. I know this might be tough to answer -- and this is for Jeff Bornstein -- but give us a sense at least of, what is the feedback and the process in this SIFI de-designation? Do you just apply and then wait for a ruling, or is there some sort of conversations through the process where you can get a sense of where you stand?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes, Scott. We're the first through the process, okay? So I wouldn't say there is a ton of definition around how the process should work, per se.

We are in discussions with the FSOC. They've got our paper. We will walk them through the tenets of our paper. We're in the process of doing that over the next couple of weeks.

Then we expect to get a response from the FSOC around the request. And we hope that happens sooner rather than later.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

I would only add to that, Scott, two things. One is, if you look at the reason for the designation, our proposal aligns with that in terms of why we don't think we're systemic today.

The other one is just miming what's been said in public. I think people want to see the process work. In other words, I think they want to see that people can come out of SIFI designation just like they can come in. And that's just really parroting what people on the FSOC have said.

Operator

Julian Mitchell, Credit Suisse.

Julian Mitchell - ***Credit Suisse - Analyst***

Hi, good morning. Just a question on the segment margin bridge that you laid out. If you look last year as a whole, you take the cost productivity and gross margin plus the SG&A simplification; that was about a 60 bps tailwind to margins, all in. This quarter it was a negative of 20 bps.

So I wondered if there was just some timing on specific productivity measures, or if there is something larger going on that explains why the productivity contribution was so muted in Q1.

Jeff Bornstein - ***General Electric Company - SVP, CFO***

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Yes, I think the page that Jeff just walked through, we showed cost productivity and gross margins as a 40 basis point drag. I think what you've got to -- I talked about the effect of remeasurement and marks and foreign exchange when I went through our results. A lot of that finds itself in gross margins.

If you adjust for that, cost productivity was actually up 40 basis points, and that's how you get to 80 basis points of gross margins, excluding the effects of that foreign exchange. I didn't say it earlier, but when we look at how those marks and remeasurements peel off over the year against the contracts that they're hedging, about two-thirds of that, of those contracts, settle up in the form of cash in the year.

So we would expect two-thirds of what we took as a charge here in the first quarter to come back within the year. So that's why the cost productivity line was a negative 40 basis points. But for exchange, it would have been a plus 40 basis points.

Operator

Andrew Kaplowitz, Citigroup.

Andrew Kaplowitz - ***Citigroup - Analyst***

Good morning, guys. Service was up 4% year-over-year, which is a modest improvement from last quarter's 3%. It looks like your momentum in Power Services and Aviation is increasing.

Is there any way to parse out how much of the relatively strong growth is coming from your Digital initiative? Jeff, you've said in the past that you're expecting to get an additional couple points from Digital on service over time. Can you talk about the sustainability of the services momentum, especially as you just rolled out Predix?

Jeff Immelt - ***General Electric Company - Chairman, CEO***

Again, I still expect in backlog that you're going to start seeing this flow through. ATPs will be up year-over-year, and we had some good wins in both the rail business and the Transportation business for the year.

I think when you look at orders growing by 29%, we think some of that is going to start echoing through into the run rate of the service business in the second half of this year, into 2017 and 2018. So I still fully expect, along with the service leaders in the business, to have organic services growth at 5% or greater as we look at 2016 and beyond.

Operator

Joe Ritchie, Goldman Sachs.

Joe Ritchie - ***Goldman Sachs - Analyst***

Thanks; good morning, guys. Maybe my own question on Oil & Gas, clearly the environment's not great. I thought Lorenzo did a great job last year of maintaining margins in a very difficult environment; but you seem to step down in decrementals in the first quarter.

I guess maybe, can you parse some of that out? How much of it is FX oriented? How much is it the pieces of your business like Turbo and the Offshore business not doing well enough? Can you parse out what really is driving your decrementals?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes, so a couple thoughts here. Let's start with the results in the quarter. They reported $308 million of operating margin in the quarter. That included roughly about $90 million of negative FX, okay? Again as I said earlier, a big part of that FX we'd expect to come back during the year.

When you think about the step to down 30%, we're seeing it tougher across all our segments, but it tends to be very concentrated in our Surface business in North America. We got a big step down there versus our original expectation, and a bit in our Subsea business.

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The rest of the business, whether it's Turbomachinery, Downstream, or the old M&C business we call Digital today, those businesses are not that far off the framework we built when we guided you to 10% to 15%. It's really around Subsea and Surface.

Operator

Steven Winoker, Bernstein.

Steven Winoker *- Bernstein - Analyst*

Thanks and good morning all. Hey, since we have a special guest today as well, it would be helpful to get a better sense on the Alstom backlog. To what extent when -- we also looked at the additional risk in the K on engineering and construction risk and all of that. To what extent is that backlog now something you've gone over every single project in excruciating detail, have very high levels of conviction on the risk front? And how should we think about that playing out going forward?

Jeff Bornstein *- General Electric Company - SVP, CFO*

Yes, Steve, I'll start and then Joe can weigh in on the piece of the backlog that he knows. We have been going through those contracts in extraordinarily amount of detail.

We're deeply through it. We're not completely done. I've told the team we want to be completely wrapped here in the second quarter so we can lock down purchase accounting.

As you would expect, there are some challenges in those contracts around the timing of cash flows and how we forecast revenue to go, how we forecast cost to go. You've seen some of that in the purchase accounting.

But I would say generally speaking we are very close to done. I think in the Power business that Joe can talk to, I think we're in very good shape and we have a deep and good understanding of where we are. Joe?

Joe Mastrangelo *- General Electric Company - President & CEO GE Power Gas Power Systems*

Thanks, Jeff. The only thing I would add more on the operational side is the team in Power, they've done a really good job at how they've managed the projects, and we see this as an opportunity to grow for the future. The capability that we've gained around the world on complex expanded-scope projects I think is one of the catalysts for us to keep growing.

We're through our backlog in Gas Power Systems, and see that the team does a great job executing projects.

Jeff Immelt *- General Electric Company - Chairman, CEO*

Steve, I would say we've underwritten Alstom with no growth synergies at all. We're clearly going to blow that away, okay?

I just think, as Joe went through, HSRGs, Grid, things like that -- but I would also say even in -- I just got back from a week or so in Asia. Even in steam power there's going to be opportunities for GE as we look at the future.

So I think that's the way I think about it, as locking down the costs, what Jeff and Joe talked about. We didn't underwrite any revenue synergies at all, and I think that's going to be the icing on the cake as we go forward.

Operator

Deane Dray, RBC Capital Markets.

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Deane Dray - ***RBC Capital Markets - Analyst***

Thank you. Good morning. I do want to follow up on the Oil & Gas question because certainly there's been some speculation regarding your potential interest in adding more Oil & Gas assets at this point.

And then a quick one for Jeff Bornstein, an update on the cadence of buybacks, that $18 billion. How does that sequence out for the balance of the year?

Jeff Immelt - ***General Electric Company - Chairman, CEO***

Hey, Deane, I'll take the first part of that one. Look, we like for the long term the Oil & Gas segment. We're going to look at adding to it, if it makes sense.

We think there's a bunch of different segments in the Oil & Gas business that are attractive as we look at it today. But it's got to make sense in the context of the world we see today and not the rosiest of projections as it pertains to the future.

So we're going to be a disciplined buyer when we look at the assets in the Oil & Gas segment. Jeff, how about the second part of the question?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes. The way we planned it out, as you saw in the cash flow walk that Jeff took you through, we bought $6.1 billion worth of stock back through the first quarter. Our plan is to buy back roughly 50% in the first half, 50% in the second half; and that's how we're still planning for the dividends to flow from GE Capital. No change versus what we suggested we would do.

Operator

Jeffrey Sprague, Vertical Research Partners.

Jeffrey Sprague - ***Vertical Research Partners - Analyst***

Thank you; good morning, everyone. Just wanted to make sure I have my arms around the all-in Industrial OP. I assume the $19 billion plus for the year is still a decent number, given that the overall framework hasn't changed. So I guess, if you could address that.

But given all the moving parts, anything we should be aware of here in Q2 in just making sure we've got this dialed correctly? The H launch; LEAP is coming up. I know you don't want to get into precise Q2 guidance, but a little bit of help there would be good, I think.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

Again, I think, Jeff, I would consider the remixing in the Industrial segments to be more or less washout as you go through the puts and takes on 2Q. Jeff, I don't know, do you want to spike out anything there?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

We have a few things. We expect to close Appliances in June, so you'll see the gain associated with Appliances; let's say roughly $0.20 a share. We expect to do about $0.11 of restructuring in the second quarter, as we stand here today.

And I think the margin rate in the second quarter, based on LEAP, both launch and initial shipments, and H will get better sequentially every quarter on H cost. I think margin rate will be a little bit of a challenge in the second quarter; no change in how we think about it for the year.

We talked about 50 basis points of improvement in the core business -- or the ex-Alstom business, I should say. No change in view on that. But the second quarter could be a little bit challenged with what we've got going on with the LEAP, the H, and the Wind launch on 2.X and 3.X.

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Operator

Andrew Obin, Bank of America.

Andrew Obin - ***BofA Merrill Lynch - Analyst***

Yes, good morning. Hey, as we think about your organic guidance for the year of 2% to 4%, what would it take to get to 2% versus 4%? And is 4% achievable in this environment? Thank you.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

Well, I'm not going to -- I think the hypotheticals are always stuff to stay away from. I think the reason why we had Joe here today is that in many ways this is the answer to your question. I think you've got the right product at the right time, well executed; tough comps in the first half, strong comps in the second.

I think if we run the play in gas turbines it's going to lead us to an organic revenue for the Company that's 5%, let's say, in the second half; and a range that's 2% to 4% for the year. So I think that was the reason really why we had, Andrew, why we had Joe here today, is that this really is the plus and the minus, if you will, on the year. And I feel good about how we're executing in the Power business.

Operator

Shannon O'Callaghan, UBS.

Shannon O'Callaghan - ***UBS - Analyst***

Good morning. Hey, can we maybe try to quantify a little bit more what the total margin impact is this year from these development programs? Or the launch programs, call them I guess: the H, the 2.X, 3.X, and the LEAP.

What's the total margin impact in 2016? How should we think about that in 2017? At least some kind of ballpark idea of that.

Jeff Bornstein - ***General Electric Company - SVP, CFO***

I don't think we've gone through that. Here's what we've said, Shannon, is -- notwithstanding the challenge that those present to us from a margin perspective, where despite that, through all the investment we've made around restructuring, SG&A costs, the focus on supply chain, that we're going to overcome those costs and grow margins roughly 50 basis points in the year, ex-Alstom. As we move through to 2017, we expect to be in a very different place on H costs.

We think H will be really accretive in 2017 versus 2016. We expect to keep deeper down the curve on the LEAP engine as volume ramps in 2017 versus 2016. And we expect to be in a better spot certainly around Wind, both the 2.X -- 2.X is the most important product -- in 2017 versus 2016.

So we haven't detailed out by product exactly what that is. But everything else we're doing around trying to change the cost footprint of this Company and around product and service costs within gross margins and running a better supply chain is going to provide us enough headwind to grow margins, notwithstanding those incremental costs on those products.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

Shannon, we have a product cost council that's led by Jeff and Vic Abate and Philippe Cochet. We're tracking all our products as they go through the system. There's a lot because, for instance as LEAP comes in, GEnx keeps going down the learning curve; so we have a flow of products going on inside the Company, and I think we just have line of sight to how in totality we're going to generate improvement year-over-year.

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Operator

Nigel Coe, Morgan Stanley.

Nigel Coe - ***Morgan Stanley - Analyst***

Thanks; good morning. Yes, so my initial question was whether the mix or the guidance for the full year is unchanged, and it sounds like that's not the case. Sounds like it's very much in line despite the Oil & Gas downturn. So maybe just confirm that.

But I did want to ask Joe a question on the H as well. Clearly there the fuel efficiency for the H compared to Siemens and Mitsubishi which is 1 to 2 points better, which is huge. But how do you maintain that advantage going forward? What is the development path for the H from here?

And how are you thinking about the price versus market share dynamic here? Are you planning to monetize this at price, or at this point do you want to drive market share?

Joe Mastrangelo - ***General Electric Company - President & CEO GE Power Gas Power Systems***

So, Nigel, where I'd start off is let's say in two years we've gone from single-digit to 40% share of the space. So the technology we have today plays well in the marketplace because the customers get the incremental valuables on the output and the efficiency side.

As I talked about on my last page, the key for us in everything we're doing around Digital, Industrial, FastWorks, we now can develop technology on these gas turbines on a continuous basis. Where this was discrete in the past and you would do a move every five or 10 years, we're doing this continuously.

We've already done four models on the gas turbine today, and there is a roadmap to continue to push the thermal efficiency above 62%. Our plan is to get it to 65%, and we see that both from what we can do on the gas turbine and what we bring in from Alstom on the combined-cycle basis. That's the roadmap we have to stay ahead of the competition.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

I'd say, Nigel, I would echo what Joe said. The Alstom pieces I think give us a window that's greater than what we had anticipated even before we completed the deal, which I think is quite a positive.

Then, Jeff, I think the first question was there's no change on really the mix on gross margin?

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes.

Jeff Immelt - ***General Electric Company - Chairman, CEO***

So I think just to nail that one, I think, Nigel, even with Oil & Gas I don't think we see --

Jeff Bornstein - ***General Electric Company - SVP, CFO***

Yes, I didn't understand that that was a question. But yes, (technical difficulty) launch for the year, with the launches. But that's all wrapped up in our 50 basis point margin improvement.

Operator

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Robert McCarthy, Stifel.

Robert McCarthy *- Stifel Nicolaus - Analyst*

Good morning, everyone; thanks for fitting me in. Hey, looks like overnight you did about a $100 million deal for Daintree Networks in Australia, and basically in the network lighting space.

Part of the rationale, at least from Daintree's standpoint, they are very excited about the Predix opportunity for lighting controls. Maybe you can talk a little bit about -- is this a change of the margin in terms of how you're thinking about investing in that business?

Jeff Immelt *- General Electric Company - Chairman, CEO*

I think the way we look at this, Rob, is this was a system deal that allows us in the LED space to do a better job with controls. So I would view this as kind of a one-off from the standpoint of this was just a very unique technology that had a very good fit with doing these systems.

Now, what Jeff said in the past, so what Beth in the rest of the team have said, we're going to get this year some very big LED orders from commercial real estate people and things like that. So we're going to be at a run rate that's substantially over $1 billion.

But the Daintree control fit is really to allow us to build a system. this was a classic make-versus-buy call that just allows us to accelerate faster.

Jeff Bornstein *- General Electric Company - SVP, CFO*

It was absolutely a critical component to making these things work, no question.

Matt Cribbins *- General Electric Company - VP Investor Communications*

Okay. A couple of quick announcements. The replay of our webcast will be available this afternoon on our Investor website. Our 2016 shareowners meeting will be next Wednesday in Jacksonville, Florida.

Jeff, you're going to present at the EPG Conference on May 18. We're also going to hold a GE Digital Investor Day on June 23 out in San Ramon, California. Thanks for joining today's webcast.

Operator

This concludes your conference call. Thank you for your participation today. You may now disconnect.

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