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GE - General Electric Co at Goldman Sachs Industrials and Materials Conference

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PRESENTATION

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Yes. I thought I'd probably start by just giving some context both on this year as well as first quarter. So first, as we really launched this year, we're focused on 2 main priorities in the company, improving our financial position and really strengthening or changing how we're running the businesses in GE.

And you know that on the improving our balance sheet element on this, we've got 2 targets really squarely in front of us. The first is achieving less than 2.5x net debt to EBITDA in our Industrial businesses by 2020. The second is achieving less than 4x debt to equity in GE Capital in that same time frame. And we've announced a number of actions in the first 5 months of the year to really -- to proceed along that path. And I think we see a very strong path towards achieving those.

First, about the BioPharma sale, $20 billion of proceeds. We still expect that to close fourth quarter, maybe in the first quarter of next year. We closed the Transportation merger, $2.9 billion of cash upon close. Importantly, last week, we sold down 13.8% of our Wabtec position for $1.8 billion in proceeds. GE Capital, our asset reduction plan, continues to be on track. $2 billion in the first quarter, with the rest this year and clear visibility to that.

And we're just running the company with a higher cash balance. And you see us continue to hold more than $30 billion on the balance sheet at the end of the first quarter, which is really allowing us to very effectively manage our intra-quarter liquidity needs and really bring down that intra-quarter short-term borrowing piece that we manage. That's coming down for a couple of reasons. One is operational, the other is just due to holding the higher cash in our balance sheet, which we think is a good risk mitigant.

In terms of strengthening our businesses, 3 key pillars really underlying that. The first is re-centralizing back on this premise that just very close to our customers. The second is strengthening our operations and how we run the businesses. And the third is really narrowing and being very focused on a few priorities. All of these are things that I'm sure we'll talk about this afternoon.

But first, fixing Power. The Power turnaround is front and center for us. We are seeing a healthy mix in the market, very focused on how we shift the risk profile and the margin profile in our order book. But we're also very focused on just improving the visibility and the daily, weekly, monthly management of the core operations in Power. We're seeing traction there. We're seeing traction with the HQ delayering, which leads into the base cost reduction that's on track for the year.

Switching to Aviation. Again, just really healthy cycle here. Strength in the underlying product base and real strength in the underlying engine utilization out in the field. So more engines, more use really means a very healthy services profile for this business. The LEAP ramp is running well. And we're obviously monitoring the 737 situation as well.

Healthcare continues to be a strong franchise even without BioPharma. The BioPharma business is a great business, but at the same time, being able to pivot and sell that for 7x revenue as we move towards really achieving our deleveraging targets is very important to us.

But I think what gets missed a little bit is that what we have in Healthcare post the BioPharma sale is a really healthy business with a lot of opportunity. Imaging, pharmaceutical diagnostics, mid-teens operating margin, but with opportunity to really continue to invest in new product and continue to shift our operating margin profile and expand that, too.

Renewables is going through a very significant volume ramp this year. I know many of you know about the PTC cycle. That will be underway for the next couple of years through 2020 as we deliver record volumes in this business. First quarter to second quarter is a substantial ramp in and of itself. And at the same time we're delivering in this, we are investing heavily in some new product launches both in onshore and offshore as well as just, again, working to improve the operational underpinnings of the business. And then lastly, just derisking GE Capital, which we talked about before. But we did pay the WMC settlement in April. So that's behind us now, and we continue to work to strengthen that piece of it.

First quarter results, I would say solid performance, I mean ahead of our expectations. Adjusted free cash flow was better than planned, although a lot of that improvement was timing. And we saw that both in Power and in Aviation. A lot of the investments we're making in the businesses are coming and ramp in the second half. So that's something we're watching.

In the second quarter, as we move into second quarter, we expect adjusted free cash flow to be negative $1 billion to negative $2 billion. And so that's really seeing the shifting that we talked about on the call a couple of weeks ago with Power around both collections and disbursements timing, some orders timing as well as some shifting in the Aviation profile as well due to some of the collections we talked about in the first quarter call. Our guidance for the year remains unchanged.

And I think one thing you have to sit back and remember as well, we had I think a good solid first quarter. We have a lot of work to do. This is a multiyear transformation. So it's a data point. But if we take a step back, we're, I think, able this year to really reset, reinvest in the foundation and really navigate through some operational improvement while managing some uncertainty that we're watching. So we feel good about it, and we feel good about positioning the company to be a better capital allocator over the next couple of years, too.

QUESTIONS AND ANSWERS

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Great. Jamie, thanks for the brief comments. I'll start off with Q&A, and obviously we'll open it up to the audience. I'm sure there's plenty of questions. Look, the first quarter was off to a better start than your expectations, but your outlook still remains pretty guarded, right? You just gave us your 2Q number, down $1 billion to down $2 billion. So maybe talk a little bit about what came in a little bit better than expected in 1Q. I know you guys have highlighted orders and customer collections, but any more specifics that you can give us on what else helped in 1Q.

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Sure. So as we mentioned before, a lot of the first quarter performance was due to timing. We did see, I think, some good improvements operationally. But if you just run through the businesses quickly, in Power, we saw orders in first quarter that we had expected to be a little bit more spread throughout the year. So saw some incremental down-payments there. We also saw services collections favorability as well as lower project disbursements. And again, both of those things -- some of that was just first quarter/second quarter timing, but really caused the Power profile to be healthier than we had expected. Operationally, pretty much in line.

On the Aviation side, again, some timing with some customer outflows and some collections timing. Again, a lot of that flips in the second quarter here. Renewables, you know we're going through the PTC volume ramp. And in Renewables, in particular in the first quarter, very significant negative free cash flow. In fact, it was driven by 2 things. The first is the significant inventory build we have to deliver for the rest of the year. The second was we had deliverables in the first quarter -- deliveries in the first quarter, and so you saw some progress collection reduction because of that. So operationally, really see a lot of timing movement.

When you move to where we're making investments, so restructuring, some of the GE Capital transition. Restructuring was lower this quarter than what we expect it to be for the rest of the year. Sequentially, quarter-over-quarter, it was about flat. And it was right at what we had expected. But as we get into second quarter and in particular, in the second half, this really does ramp as we really position ourselves not only for the Power cost takeout that we're -- we have underway, but also you've heard us talk about the corporate elements, too. And there's a significant amount of execution on that as we get into '19. And that restructuring will start to come through there as well.

The trade payables transition for Capital really is just starting. We sold our trade payables platform, our supply chain finance platform to MUFG in February. That's just now getting up and running. We're just now starting to transition suppliers to that. So again, that's really a second half story there.

And then there's some other items, some other elements that we're just watching. I mean, Power, as you know, has been pretty variable over the last couple of years. And while we see that tightening, when we set our plan and when we think about the rest of '19, we're allowing for some level of movement there that may or may not be expected, just so that we're planning conservatively and just with a realistic base.

I'd say the second thing we're watching is Renewables. Renewables has a significant volume ramp first quarter to second quarter, and then again from second quarter into the third quarter, fourth quarter run rate. I mean, we more than doubled the volume into this quarter coming into that. And so the business is very focused on sort of this weekly ramp of how do they manage their supply chain, how do they work with customers to have sites ready, how do we really ensure we're able to get the logistics all lined up. But that is also something -- that's a watch item for us.

Now is it significant one way or the other, probably not. But it's something that operationally we really have to make sure we manage over the next couple of quarters. And then last is the 737 MAX situation. And that's one that I think we're all monitoring. And hard to predict how that will play out.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

A lot of moving pieces there. I thought -- I think I saw a headline come through on Reuters this morning before I started our presentation that there were 3 H turbine orders that weren't included as part of your order number in 1Q. Is that correct? Is that confirmed?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, I think the confusion -- so we reported 4.5 gigawatts of gas power in the first quarter based on McCoy's reporting convention. And if you take a step back, I mean, McCoy's reporting convention, how we report orders for earnings, they're apples-and-oranges comparisons, which is where I think a little bit of the confusion came into play. McCoy includes heavy-duty gas turbines. It also includes our aerial units and orders that goes to JVs. And the timing can differ between McCoy and when we report orders for earnings.

So if you take a step back, all of this volume is in backlog. It all comes through over the next 2, 3, 4 years. And what we've been really focused on, just getting back to the operational side of it, is making sure we've got that underwriting strike zone in the right place. We're really selective around how we think about accretive margin as well as just managing the risk and the overall profile of the projects we take on.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Sure. And so, yes -- and it was more just a comment around whether there was a cash flow benefit potentially in the second quarter, but it doesn't sound like there is because it's already booked in your 1Q.

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Those orders have already been booked in the past, yes, for sure.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Okay. Great. And so as we think about 1Q and then try to extrapolate some of those comments for the rest of the year, your 1Q also had a working capital draw of $1.9 billion as you're building inventory for Renewables step-up. It sounds like Renewables continue to be a drag for the rest of the year. And so how confident do you feel that the working capital drag in 1Q really is the high watermark?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, the thing you have to remember about that, so we will have some timing in the second quarter of some incremental drag. So there's going to be some noise as we go through first quarter, second quarter and into the second half. I do think that is the high watermark. When you look at the full year, Power will level out. We continue to expect drag at Power due to that volume leveling and the volume stabilization in the business. Remember, this is a business that's seeing volume really tranche down significantly over the last 2 years. And when you do that, that project execution piece of it pulls through incremental disbursements as those finalize.

In the Renewables piece, you mentioned negative free cash flow for the year. A lot of that is due to the negative drag on working capital. We saw a big drag in first quarter. We'll see a big drag there in the second quarter, again, as we continue to build for that third and fourth quarter inventory delivery as well as just the continued flip on progress. But for the year there, the big story is PTC cycle orders delivered, progress collections coming down, with some offsetting that but not fully.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Got it. And then maybe just touching on a few other cash flow comments for a second. Restructuring came in at $300 million with the expectations for $2.5 billion for the year. How should we be thinking about then the cadence for the restructuring dollars coming through?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Yes. The cadence -- so first quarter lower than the other 3 quarters. And again, thinking about expense versus cash, the expense piece was the 2.4 to 2.7 guide that we had given. The cash piece was somewhere above 2. And so I think what you'll see -- you saw both of those come in lower in the first quarter than what we expect in the second half. I mean a lot of that is just due to the timing of actions last year as they play into this year for cash. And then again, with respect to the expense actions, just timing.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Got it. And then maybe switching gears, the commentary that you had earlier around the Healthcare business and how attractive the -- don't want to necessarily call it remainco because you still have both pieces of this but let's call it remainco for now. How do you then think about the optionality of that business going forward and whether you will actually need to potentially divest a portion of that business to really make sure your capital structure is where it needs to be?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, I think as you look at -- I'll deal with the deleveraging piece first and then maybe Healthcare -- HealthcareCo second. So when we look at our deleveraging plan, one of our goals in the announcements we made in the fourth quarter as well as the ones we made in the first quarter was to really make sure that we had a clear path of execution around how to achieve our less than 2, 2.5x net debt-to-EBITDA target for Industrial. And so the announcements we've made to date really help us achieve that. So that's the baseline.

I think the second piece, though, when you like at Healthcare ex-BioPharma, this is a business that has strong operating margins. It is a business that operates in an industry that continues to grow and will grow over time. But when you peel back the layers, it's pretty interesting. I mean we've done 3 operating reviews with Healthcare in the last 3 months, Larry and I have. And when you sit and go through the product management elements here and you look at our share capture, you look at where we've invested from a product perspective, and importantly where we can continue to invest to not only get share with the right price, there's a lot of opportunity there in this core business to invest in NPI and to really see that come through in the way of better market positioning.

I think the other side of it is, and it's fun watching Larry get his hands dirty in these different plants and in these different businesses, there's a lot of opportunity for continued operational improvement. So on one hand, while Healthcare itself has really improved its margin profile over the last 3 or 4 years, there's still a lot of opportunity there. We are not at on-time deliveries stats that we are at all close to comfortable with.

When you look at installation and commissioning and all of the other things that go along with really keeping our customers thrilled and then backing that into how do we continue to earn more share in connection with these products, that's the tightening of the operational and commercial chain that we're focused on right now. So I think positioning Healthcare's improvement, I think over the next 1 year to 1.5 years, really gives us the ability to have more like the strategic optionality around them.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Yes. So maybe just one more question from me, and then I'll open it up to the audience. Obviously, a big topic with investors and I think thinking about you guys longer term is really the aspirational target to double your free cash flow margins or get to low double digits. So just talk to us about the path. I know you haven't set a time line on when you can get there, but talk to us about the path on how you do get there.

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

So first, talk about time line and path. This is something that we think is aspirational, so it's obviously outside of our planning period. Having said that, we think there's some really core pillars of how you get there, too. First, we operate in fundamentally strong businesses and markets, or markets that will be sustaining over time. When you look at our free cash flow margin versus that of our competitors or peer companies out there, we think right there it demonstrates that we have opportunity for improvement. But when you look underneath it and really look at our different businesses and to the -- so what could drive that, I think, number one, I talked about Healthcare both in terms of product investment, more commercial capture and just better operational management.

When you look at Power, I think it's a pretty clear path. I mean Power was a very significant negative cash flow generator last year. We expect it to be also significantly negative this year. As Power begins to turn to profitability and as we continue to accelerate just the operational management to improve sort of the core cadence of that business, that cash flow profile is really going to shift over the next few years, and put that on much more solid footing.

And then when you look at Aviation, while we're in this midst of a significant launch and ramp, the backdrop in the industry is very healthy. And I would tell you that just like I've been talking about operational opportunity for change and improvement in Power and Healthcare, that exists in, I'd say, a very large opportunity in Aviation, too.

You look at GE, and I would say cost needs to continue to come down. Cash, especially around how we invest in CapEx and some other places, we can be far more productive on those investments. And when you sort of bring all those together, I think that's the path and the ark that you'll see us laying out over the next couple of years to really move towards those targets.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Questions from the audience? Over here on the right.

Unidentified Analyst

I want to ask about Baker Hughes. So the lockup period expired this week. And I want to ask you how do you envision the unwinding of that stake. And secondly, if you are still believing that the best use of that capital is to strengthen the balance sheet? Or you will entertain the idea of playing more aggressive with the portfolio?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Yes. So Baker Hughes, just getting back to our core deleveraging plan, we do plan to sell down our stake in Baker Hughes over time. And we've not been specific around what that time frame will be. And when you start to think about that plan, our first priority is to strengthen our balance sheet. And so in terms of pivoting to play offense, right now we're focused on getting our leverage down, making sure we got a solid and stable foundation for the company and then we'll consider other actions beyond that.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Other questions from the audience? I'll keep going. Oh, you got one right there. [Jerry]?

Unidentified Analyst

Could you tell us -- you said it's outside your planning horizon to get to the double-digit free cash flow margins. Can you tell us what that means? What is the planning horizon?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

So when we think about it, and we talked about this at our outlook, we gave either quantitative or qualitative guidance around a 3-year frame, so '19, '20 and '21. So beyond that period.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

How does the Siemens news to spin-off their Power business but retain a stake, change either the competitive landscape for you or your thinking internally about the Power and Renewables business?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, I don't think that announcement came as a surprise to any of us. I think it's -- Siemens operating as a newco the same business they operate today. From our perspective, it doesn't change much on the ground. I mean we still compete with them. We compete with them on both of those businesses, gas and renewables. And outside of that, I'm not sure I'd really comment on that.

What we're really focused on right now is fundamentally turning around our Power business. And you look at the focus on commercial, commercial underwriting, making sure that on the gas side we've got the right scope and the right partners for the projects we're taking on and that we're very clear about that underwriting strike zone with respect to hurdle rates, risk return and margin. So that commercial piece of it we're very tuned in on.

And I'd spend a minute here maybe talking about services because the services side of it is also a space that, I think, for gas, we're investing a lot of time on how do we improve and how do we demonstrate to ourselves a more sustainable path over the longer haul.

Contractual services, very healthy business. Strong capture rates, very strong retention rate in that business. And that's a business we've invested very heavily in over the years. I think operationally we've run it very, very well. The transactional side has been a space where we had a lot of opportunity over the last 18 months. And while when we started this 18 months ago, I would say low visibility into where our installed base was, not the best operational execution around capturing it, either commercially or delivery-wise.

And I think that profile has really shifted. We've seen the order book come up quite substantially. We're still seeing healthy margin improvements in that order book. We're seeing revenue improve, although this quarter revenue was down a bit, but still healthy improvement. The question is how do we continue to convert orders into revenue at a sustainable rate where the margin's dropping through.

And then the operational delivery, I would say, it's been choppy in that book. We've had several quarters where we've had nice margin improvement, including this quarter, but it's not to the point yet where I would say it's operationally sustainable. So big operational path there for us to continue to focus on.

So -- and then you get into the operations of the business which is where -- when we sit with power, it is all around converting them from being really managed on a quarterly basis to down into this monthly, weekly, daily management. And that's a transition that Power is more acutely going through. I'd say a lot of the company is going through. It is going to help us improve our linearity and our visibility. It's also going to help us improve operations. I mean the more we can see and know on a more frequent basis, the more we can pivot, invest, change how we're doing it.

So the Siemens backdrop, I don't think changes anything for us. I mean it's all about how we go out and win today and how we really change our operations for tomorrow.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Question here in the front.

Unidentified Analyst

Just a quick question. Can you comment on the Iraq Power deal and what exactly did you win? There's been some recent press reports, I'm just trying to understand what you guys won.

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Yes. We have won a few things over the last couple of quarters between some aeroderivatives and some other work to continue to bring up a plant that they have there. I would say there's been a lot of different reporting in the market around what was won by whom and when. I would say both us and our competitors have substantial scope in with the Iraqi government right now. And they are -- the Iraqi government is carving out space in each of their budgets for us. But in terms of formal reporting or formal announcements, there's really not been anything coming out of Iraq on that. It's been more on-the-ground work.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Going back to Power for a second. You talked about the issues that you've had on the transactional side of the business that you've talked about now for several quarters. It seems like we had a relatively clean quarter from an execution, cash flow perspective. Are we through at this point, perhaps some of the bad contracts that were written or some of the issues, execution challenges that you've seen on that side of the business?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, I can't say that we're through, but I do think we're stabilizing more than we have been. In the last couple of years, if you look at us operationally, it's been centered around a couple of things. First is getting our supply chain to be able to handle the ramp-down in the volume that we've seen. And I think coming off of '17 into '18, the business hadn't pulled back enough in terms of inbound raw material, inbound equipment build that they were building. They were still building for a higher market than what they saw, and I think we're still working our way through some of that.

In terms of project execution, I would say the legacy book is still underway. Some of that is coming to a close. Some of that we're still right in the middle of delivering. And you saw us take some true-ups in the second half of last year to reflect that, whether it's some issues with some project partners, some issues in terms of how certain projects were executing. Today, that feels more stable. But I'll tell you, I'm still cautious until we see several quarters of that come through without a lot of noise. I think the real test for us will be as we get into the second half and really see some of these bigger projects and some of these tougher markets start to close out. Can we close those out and have that be a healthy close-out process, that's what we're really monitoring.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

And Jamie, you've taken a lot of steps to deleverage not just the Industrial side of things, but also Capital. And you're still underway on the process. But if we were to go into an economic downturn, what are some of the levers that you can pull to make sure that the balance sheet is where it needs to be? And how will the framework potentially change if things, let's say, were to get worse over the next couple of quarters, let's say?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Yes. So our planning process planned for economics that we saw at the time. We don't try to prognosticate the economy or things like that. So I'd say that as a baseline. Having said that, we operate, for the most part, in longer-cycle businesses. We've got $374 billion of backlog. More than 90 of that is Power, 19 of that is at Renewables, a substantial portion at Aviation. So when you look at the next year to 2 years of just what's coming through the businesses, a lot of that's already in backlog today.

If you look at these underlying businesses, Aviation very strong demand backdrop. And if you look at past cycles, while you can see sometimes some dips, we have such a strong services flow that, that really tends to be very stable, notwithstanding that. Healthcare typically continues to grow, although -- albeit at -- maybe at slower rates.

And then in Power, you can see some dips in power consumption. But again, given the backlog we have, given the overall profile, it's something that I think we would probably evaluate over time. I'm not sure it would be immediate like you might see in some other companies. I would make one point, though, when you talk about leverage. Our liquidity position is very strong, more than $30 billion of cash on the balance sheet, that's what we've had for the past couple of quarters. We've got $35 billion in committed credit facilities. From that perspective, I think it's something we're quite comfortable with.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Sure. And what about on the GE Capital side of the house? Like, how would the dynamics in GE Capital change? Would you try to be a little bit more aggressive with asset sales? Like what would change if we were to go into a negative growth environment?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, I think it is based, I'm not sure much would change. We are in a position of pivoting GE Capital to focus on the core that really matters and making sure that we continue to execute our asset reduction plan so that we shift our balance sheet profile there. Shifts and rates can have an impact on the company. They can shift our pension up or down in terms of the pension deficit. It can also impact insurance in terms of how we value that liability. If things like that happen, we'll have to evaluate and really see where we pivot in other parts of our plan. But I would take a step back here and you look at not only our core operational financial performance plan but also our deleveraging plan. We have tried to be very realistic in terms of how we've set those to make sure that we've got contingency in both, to make sure that we got buffer to be able to pivot or handle some of that if it comes around.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

The audience?

Unidentified Analyst

Thanks. One question in Power. If we go out to next year, 2020, what's the right way to frame any of the risks that still would be resident in the business from sort of the legacy backlog on contracts that you have? So kind of what is the next -- what's the right way to think about that next year and kind of when does it settle down to when it's just -- we can debate how you execute, but at some point, you just -- it runs off.

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Yes. So in Power, I would say we've got legacy contracts in backlog that we'll still be working through. We also have a few other things like pension contributions and some long-term factoring runoff, some legal settlements, all of which relate to either the Alstom acquisition or some prior operational management of Power. All of those things, whether it's contracts or these other buckets I'm talking about, have a tail of, I'd say, 2 to 3 years. And so this year, next year, honestly, probably about flat. Maybe the legacy projects coming down a little bit faster than the other buckets, but by 2021, really starting to taper down. Yes.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

And then I guess, my one last question for you since we're about to run out of time, and I've been asking everybody this, you probably heard me ask [Nick] the same question. What do you expect to be able to say to us a year from now?

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Well, I did hear you ask that to [Nick]. Look, we plan to be able to say to you next year at this time we have substantially delevered the Industrial business. We have substantially shifted the profile of Power. And we've brought the company to a much more stable foundation.

I'd say secondly, operationally, we've really rebuilt the foundation of the company and really used 2019 as an investment and reset year for how we lay the foundation going forward. And I'd say last and part of that is that we're seeing substantial progress on the Power turnaround. I think a year from now we should begin to really have demonstrated progress and some really good stability around Power that'll take us into the future.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Jamie, thanks so much for being here today.

Jamie S. Miller - *General Electric Company - Senior VP & CFO*

Happy to be here. Thanks, Joe. Okay.

Joseph Alfred Ritchie - *Goldman Sachs Group Inc., Research Division - VP & Lead Multi-Industry Analyst*

Yes. Thanks.

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